

## INDEPENDENT AUDITOR'S REPORT

To the Members of Lava International Limited

Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **Lava International Limited** ("the Company"), which comprise of the standalone balance sheet as at March 31, 2021, the standalone statement of Profit and Loss (including the Other Comprehensive Income), the standalone statement of changes in Equity and the standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, changes in equity, and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 ('the Act'). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Company's Board of Directors is responsible for the preparation of other information. The other information comprises the information included in Directors' Report including Annexures to the Directors' report, but does not include the standalone financial statements and our report thereon.



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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone 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.

### **Other Matter**

The standalone financial statements of the Company for the year ended March 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on July 31, 2020.

### **Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act read with the Companies (India Accounting Standards) Rule 2015, amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually



or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, 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 Standalone Balance Sheet, the Standalone Statement of Profit and Loss, (including other comprehensive income), the Standalone statement of changes in equity and the Standalone Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015;
  - (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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) In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act;
  - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in the standalone financial statements— Refer Note 31 to the standalone financial statements;
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any and to the extent ascertainable, on long-term contracts including derivative contracts;

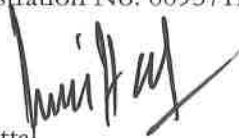


- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For ASA & Associates LLP**

Chartered Accountants

Firm Registration No: 009571N/N500006



Prateet Mittal

Partner

Membership No. 402631

UDIN: 21402631AAAARH8522



Place: Gurugram

Date: September 18, 2021

## Annexure - A to the Independent Auditors' Report

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

- (i)
  - a) As per information and explanation provided to us and based on our examination of the records of the Company, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The Company has a regular program of physical verification to cover all the items of fixed assets of respective locations are verified at least once in every three years, which, in our opinion is reasonable having regard to the size of the company and nature of its assets. Pursuant to the program, fixed assets were physically verified by the management in financial year 2020-21. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - c) The Company does not hold any immovable property. Accordingly, the provisions of the clause 3 (i) (c) of the Order are not applicable.
- (ii) According to the information and explanations given to us, the inventories have been physically verified by the management at reasonable intervals during the year. No material discrepancies were noticed on such verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) According to the information and explanations given to us, the Company has complied with the provisions of Section 186 in respect of investments made and guarantee given. Further, in our opinion, the Company has not entered into any transactions covered under section 185 and 186 of the Act in respect of loans and security.
- (v) According to the information and explanations given to us, during the financial year, the Company has not accepted deposits within the meaning of Section 73 to 76 of the Act. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii)
  - a) According to the information provided and explanations given to us and based on our examination of the records of the Company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, goods and service tax, duty of customs, cess and



other statutory dues applicable to it. There are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as on the last day of the financial for more than six months from the day these becomes payable.

- b) According to the information and explanations given to us and based on our examination of the records of the Company, there are no dues of income tax, sales tax, duty of customs, duty of excise, value added tax and goods and service tax which have not been deposited on account of any dispute except of the following:-

Name of Statute	Nature of the dues	Amount of dispute (in Rs. millions)	Amount not paid (in Rs. millions)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	1.24	1.24	2015-16	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	25.03	25.03	2016-17	The Commissioner of Income-tax (Appeals)
Income Tax Act, 1961	Income Tax	30.22	30.22	2018-19	The Central Board of Direct Taxes
Bihar VAT Act	Sales tax	58.94	33.83	2013-14	Hon'ble Bihar Commercial Tax, Tribunal, Patna
Bihar VAT Act	Sales tax	1.13	0.68	2009-17	Bihar Sales Tax Department
Chandigarh VAT Act	Sales tax	1.08	0.76	2011-15	Pending before P&C High Court
Karnataka VAT Act	Sales tax	14.17	7.40	2011-13 & 2014-15	Pending before Tribunal
Karnataka VAT Act	Sales tax	5.58	5.58	2013-14	Pending before Dept.
Kerala VAT Act	Sales tax	3.53	2.37	2009-12	The Deputy Commissioner (Appeal) Ernakulam
Maharashtra VAT Act	Sales tax	5.63	5.07	2012-13 & 2016-17	Joint Commissioner of Sales Tax, Raigarh division

Maharashtra VAT Act	Sales tax	18.14	16.04	2013-16	Pending before Tribunal
Punjab VAT Act	Sales tax	12.59	9.44	2009-13	Pending before P&C High Court
Rajasthan VAT Act	Sales tax	15.85	9.18	2009-13	Pending before Supreme Court
Rajasthan VAT Act	Sales tax	4.20	2.61	2013-15	Rajasthan Appeal department
Seemandhra VAT Act	Sales tax	17.90	13.43	2014-15 & 2015-16 (Jun'14 to Dec'15)	Hyderabad High Court
Tamil Nadu VAT Act	Sales tax	1.51	1.34	2011-14	Commercial Tax Department
Telangana VAT Act	Sales tax	283.70	212.78	Feb'14 to Mar'15 & 2015-17	High Court Judicature at Hyderabad

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayments of dues to financial institution, banks and government. No funds were raised during the year from issue of debentures.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). The term loans raised by the company was applied for the purpose for which it was raised.
- (x) According to the information and explanations given to us and to the best of our knowledge and belief, no fraud by or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and to the best of our knowledge and belief, managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V of the Act.
- (xi) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.





- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has complied with the requirement of section 177 and 188 of the Act in respect of Related Parties transactions and the details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For ASA & Associates LLP**

Chartered Accountants

Firm Registration No: 009571N/N500006

  
Prateet Mittal

Partner

Membership No. 402631

UDIN: 21402631AAAARH8522



Place: Gurugram

Date: September 18, 2021

## **Annexure - B to the Independent Auditors' Report**

### **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 Lava International Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone 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 standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone 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, 2021, 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 **ASA & Associates LLP**

Chartered Accountants

Firm Registration No: 009571N/N500006

  
Prateet Mittal

Partner

Membership No. 402631



UDIN: 21402631AAAARH8522

Place: Gurugram

Date: September 18, 2021

Lava International Limited  
 Standalone balance sheet as at 31 March 2021  
 (All amounts in Indian Rupees billion unless otherwise stated)

Particulars	Note No.	As at 31 March 2021	As at 31 March 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	578.97	523.37
Capital work-in-progress	3	32.76	20.69
Intangible assets	4	14.66	54.72
Right of use asset	5	161.64	208.18
Investment in subsidiaries and associate	6	540.41	540.50
Loans	7 (f)	25.33	26.09
Other financial asset	7 (h)	1.49	1.17
Deferred tax assets (net)	23	228.96	-
Other non-current assets	9 (a)	50.92	57.44
		<b>1,635.14</b>	<b>1,432.16</b>
<b>Current assets</b>			
Inventories	8	3,263.56	1,872.42
<b>Financial assets</b>			
Investments	7 (b)	10.00	20.69
Trade receivables	7 (c)	7,388.05	8,818.07
Cash and cash equivalents	7 (d)	181.08	123.35
Other bank balances	7 (e)	1,612.66	1,301.75
Loans	7 (g)	6.58	6.61
Others	7 (i)	982.10	980.19
Other current assets	9 (b)	2,305.31	2,915.70
		<b>15,749.34</b>	<b>16,039.78</b>
		<b>17,384.48</b>	<b>17,471.94</b>
<b>TOTAL ASSETS</b>			
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	10	1,248.67	1,248.67
Instruments entirely equity in nature	10	51.00	50.00
<b>Other equity</b>			
Securities premium		2,395.58	1,874.58
Share based payment reserve		228.72	143.18
Retained earnings		6,662.72	6,604.84
Other reserve		(7.69)	(7.69)
<b>Total Equity</b>		<b>10,577.00</b>	<b>9,913.58</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	11 (a)	-	553.58
Other financial liabilities	11 (d)	162.60	320.36
Provisions	12 (a)	51.55	45.98
Deferred tax liabilities (net)	23	-	88.29
		<b>214.15</b>	<b>1,008.21</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	11 (b)	965.32	1,094.42
Trade payables			
- total outstanding dues of micro enterprises and small enterprises	11 (c), 32	20.37	11.07
- total outstanding dues of creditors other than micro enterprises and small enterprises	11 (c)	3,597.24	3,801.26
Other financial liabilities	11 (e)	1,096.11	530.73
Other current liabilities	13	394.19	617.03
Provisions	12 (b)	163.85	158.00
Current Tax Liabilities (net)	14	356.25	337.64
		<b>6,593.33</b>	<b>6,550.15</b>
		<b>17,384.48</b>	<b>17,471.94</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			

Summary of significant accounting policies

2.1

The accompanying notes forms an integral part of these standalone financial statements.

As per our report of even date as attached  
 For ASA & Associates LLP  
 Chartered Accountants  
 Firm's Registration No.: 009571N/N500006

Prafeel Mittal  
 Partner  
 Membership No. 402631



For and on behalf of the Board of Directors of  
 Lava International Limited  
 CIN: U32201DL2009PLC188920

Hari Om Rai  
 Chairman & Managing Director  
 (DIN - 01191443)

Shailendra Nath Rai  
 Whole-Time Director  
 (DIN-00908417)

Asitava Bose  
 Chief Financial Officer

Bharat Mishra  
 Company Secretary  
 (M. No - ACS-35437)

Place: Gurugram  
 Date: September 18, 2021

Place: Noida  
 Date: September 18, 2021

**Lava International Limited**  
**Standalone statement of profit and loss for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

Particulars	Note No.	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>Income</b>			
Revenue from operations	15	16,166.82	19,277.10
Other income	16, 40	98.47	165.95
<b>Total income (I)</b>		<b>16,265.29</b>	<b>19,443.05</b>
<b>Expenses</b>			
Cost of raw material and components consumed	17	11,566.74	11,306.27
Purchase of traded goods		1,525.97	2,819.82
(Increase)/decrease in inventories of finished goods, work-in-progress and traded goods	18	(590.70)	1,424.13
Employee benefits expense	19	1,331.85	1,392.70
Other expenses	20, 40	1,401.01	1,498.93
<b>Total expense (II)</b>		<b>15,234.87</b>	<b>18,441.85</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA) (I)-(II)</b>		<b>1,030.42</b>	<b>1,001.20</b>
Depreciation and amortisation expense	21	226.51	273.30
Finance costs	22	285.09	308.88
<b>Profit before tax</b>		<b>518.82</b>	<b>419.02</b>
- Current tax		332.56	179.35
- Tax charge/(credit) relating to earlier years		(30.80)	22.85
- Deferred tax expense/(income)		(197.34)	(31.23)
<b>Income tax expense</b>	23	<b>104.42</b>	<b>170.97</b>
<b>Profit for the year</b>		<b>414.40</b>	<b>248.05</b>
<b>Other comprehensive income</b>			
Other comprehensive income not to be reclassified to profit and loss in subsequent periods :			
- Re-measurement (gains)/losses of defined benefit plan	28	1.65	0.59
- Income tax relating to this item	23	(0.42)	(0.21)
<b>Other comprehensive (income)/loss for the year</b>		<b>1.23</b>	<b>0.38</b>
<b>Total Comprehensive Income for the year</b>		<b>413.17</b>	<b>247.67</b>
<b>Earnings per equity share (in rupees)</b>			
Basic	24	3.32	1.99
Diluted		3.03	1.81
Adjusted Basic*		0.83	0.50
Adjusted Diluted*		0.76	0.45

\* Earnings per shares after adjustment of stock split and bonus subsequent to the reporting date

Summary of significant accounting policies 2.1

The accompanying notes forms an integral part of these standalone financial statements.

As per our report of even date as attached

**For ASA & Associates LLP**

Chartered Accountants

Firm's Registration No.: 009571N/N500006

**Prateet Mittal**

Partner

Membership No. 402631



Place: Gurugram

Date: September 18, 2021

For and on behalf of the Board of Directors of  
**Lava International Limited**

CIN/U32201DL2009PLC188920

**Hari Om Rai**

Chairman & Managing Director

(DIN - 01191443)

**Asitava Bose**

Chief Financial Officer

**Shailendra Nath Rai**

Whole-Time Director

(DIN-00908417)

**Bharat Mishra**

Company Secretary

(M. No.- ACS-35437)



Place: Noida

Date: September 18, 2021

Lava International Limited  
 Standalone statement of changes in equity for the year ended 31 March 2021  
 (All amounts in Indian Rupees Million unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
<b>a. Equity share capital</b>		
At the beginning of the year	1,248.67	1,248.67
Outstanding at the end of the year	1,248.67	1,248.67
<b>b. Instruments entirely equity in nature</b>		
At the beginning of the year	50.00	50.00
Add : Transfer of compulsorily convertible preference share (CCPS)*	1.00	-
Outstanding at the end of the year	51.00	50.00
<b>c. Other equity</b>		

Particulars	Reserves and Surplus		Items of Other Comprehensive Income		Total
	Securities premium (i)	Share based payment reserve (ii)	Retained earnings	FVTOCI - equity investment reserve (iii)	
As at 31 March 2019	1,874.58	143.18	6,351.43	(7.69)	8,361.50
Profit for the year	-	-	248.05	-	248.05
Other comprehensive income for the year (net of tax)	-	-	(0.38)	-	(0.38)
<b>Total comprehensive income for the year</b>	-	-	247.67	-	247.67
Movement of lease amortisation reserve	-	-	5.74	-	5.74
As at 31 March 2020	1,874.58	143.18	6,604.84	(7.69)	8,614.91
Provision for Expected Credit Loss (Refer note 7 (b))	-	-	(355.29)	-	(355.29)
Total profit for the year	-	-	414.40	-	414.40
Other comprehensive income for the year	-	-	(1.23)	-	(1.23)
<b>Total comprehensive income for the year</b>	-	-	57.88	-	57.88
Share based payment expense	519.00	85.54	-	-	85.54
Security Premium on CCPS*	2,393.58	228.72	6,662.72	(7.69)	519.00
As at 31 March 2021					9,277.33

(i) **Securities premium** : Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act 2013.  
 (ii) **Share based payment reserve** : The share option outstanding account is used to recognise the grant date of fair value of options issued to employees under the Company's employee stock option plan.  
 (iii) **FVTOCI equity investment reserve** : The Company has elected to recognise changes in the fair value of investments in equity instruments of Abhriya Pie Ltd in other comprehensive income. The changes are accumulated within the FVTOCI equity investment reserve.  
 \* In the current year, based on the terms of investment agreement, and confirmation of the number of shares to be issued, and price thereof, CCPS which was earlier classified under 'Long Term Borrowing' now meets the criterion of Equity and accordingly the amount has been reclassified as 'Instruments entirely equity in nature' and 'Security premium'

Summary of significant accounting policies (refer note 2.1)  
 The accompanying notes forms an integral part of these standalone financial statements.

As per our report of even date as attached  
 For ASA & Associates LLP  
 Chartered Accountants  
 Firm's Registration No.: 009571IN/500006

**Prateek Mittal**  
 Partner  
 Membership No. 402631



For and on behalf of the Board of Directors of  
 Lava International Limited  
 CIN: U32201DL2009PLC188920

*(Signature)*

**Shailendra Nath Rai**  
 Whole-Time Director  
 (DIN-00908417)

**Hari Om Rai**  
 Chairman & Managing Director  
 (DIN - 01191443)

*(Signature)*  
**Ashwini Bose**  
 Chief Financial Officer

*(Signature)*  
**Bhramar Mishra**  
 Company Secretary  
 (M. No. - ACS-35437)

Place: Gurgaon  
 Date: September 18, 2021

Place: Noida  
 Date: September 18, 2021

**Lava International Limited**  
**Standalone cash flow statement for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>Cash flow from operating activities</b>		
Profit before tax	518.82	419.02
Adjustment to reconcile profit before tax to net cash flows :		
Depreciation/amortization	226.51	273.30
Profit on sale of property, plant and equipment	(1.00)	3.27
Fair value (gain) /loss on Investment at fairvalue through profit or loss	(2.00)	0.92
Unrealized foreign exchange (gain)/ loss	30.00	(59.31)
Net (gain)/loss on sale of mutual fund investments	(0.55)	0.17
Balances written off	-	41.93
Fair value (gain)/loss on derivative financial instrument at FVTPL	10.93	(13.35)
Payment of principal portion of lease liabilities	(22.91)	(19.08)
Provision for Share based payment Expenses	85.54	-
Provision for Inventories obsolescence	(41.67)	14.82
Provision for trade receivables and advances	263.39	31.31
Amortization of prepaid security deposit	1.35	7.14
Interest expense	193.09	219.54
Interest income	(75.35)	(122.11)
<b>Operating profit before working capital changes</b>	<b>1,186.15</b>	<b>797.57</b>
<b>Movements in working capital:</b>		
Increase/ (Decrease) in trade payables and other liabilities	291.69	(1,726.22)
Increase/ (Decrease) in provisions	11.42	(97.75)
(Increase)/ Decrease in trade receivables	561.06	(1,943.78)
(Increase)/ Decrease in inventories	(1,349.47)	1,669.74
(Increase)/ Decrease in other assets	541.69	180.68
<b>Cash generated from operations</b>	<b>1,242.54</b>	<b>(1,119.76)</b>
Income taxes paid (net of refunds)	(267.63)	(61.86)
<b>Net cash flow from / (used) in operating activities (A)</b>	<b>974.90</b>	<b>(1,181.62)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment including capital work in progress	(159.91)	(184.34)
Proceeds from sale of property, plant and equipment (including intangibles)	4.31	1.93
Purchase of mutual fund investments	(50.00)	(155.00)
Sale of mutual fund investments	64.96	227.73
Investments in bank deposits	(2,252.60)	(2,186.19)
Redemption/maturity of bank deposits	1,867.28	2,761.90
Interest received	99.73	98.77
<b>Net cash flow from / (used in) investing activities (B)</b>	<b>(426.23)</b>	<b>564.80</b>
<b>Cash flow from financing activities</b>		
Proceeds from long-term borrowings	31.20	-
Payment of long-term borrowings	(119.62)	(120.69)
Movement in short-term borrowings	(129.10)	296.56
Interest paid on lease liability	(24.98)	(27.11)
Interest paid on borrowings	(248.44)	(130.66)
<b>Net cash from / (used in) financing activities (C)</b>	<b>(490.94)</b>	<b>18.10</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>57.73</b>	<b>(598.72)</b>
Cash and cash equivalents at the beginning of the year	123.35	722.07
<b>Cash and cash equivalents at the end of the year</b>	<b>181.08</b>	<b>123.35</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	2.08	7.95
With banks on current account		
- on deposit account	68.31	81.27
- others balances	110.69	34.13
<b>Total cash and cash equivalents [Refer note 7 (d)]</b>	<b>181.08</b>	<b>123.35</b>

Summary of significant accounting policies (refer note 2.1)

The accompanying notes forms an integral part of these standalone financial statements.

The schedules referred to above and notes on accounts form an Integral part of the standalone cash flow statement.

As per our report of even date as attached

For ASA & Associates LLP  
Chartered Accountants  
Firm's Registration No.: 009571N/N500006

Prateek Mittal  
Partner  
Membership No. 402631

For and on behalf of the Board of Directors of  
**LAVA International Limited**  
CIN: U32201DL2009PLC188920

Hari Om Rai  
Chairman & Managing Director  
(BIN - 01191443)

Asitava Bose  
Chief Financial Officer

*Shailendra Nath Rai*

Shailendra Nath Rai  
Whole-Time Director  
(DIN-00908417)

*Bharat Mishra*

Bharat Mishra  
Company Secretary  
(M. No. - ACS-35437)



Place : Noida  
Date: September 18, 2021

Place: Gurugram  
Date: September 18, 2021

**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

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**1. Corporate information**

Lava International Limited (the 'Company') is engaged in trading and manufacturing of mobile phones, storage devices and other wireless telecommunication devices. The Company is a public company domiciled in India and is incorporated under the provisions of Companies Act applicable in India as on 27<sup>th</sup> March, 2009. The registered office of the Company is located in Karampura, Delhi and the principal place of business is Noida, Uttar Pradesh. The Company has an in-house research and development center and manufacturing facilities in Noida.

The financial statements were authorised for issue in accordance with a resolution of the directors on 18<sup>th</sup> September, 2021.

**2. Basis of preparation**

**a. Statement of compliance**

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind-AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended thereafter notified under section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

**b. Basis of measurement**

The financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. The financial statements have been prepared on the historical cost basis except for the following items:

- Investments in equity instruments of other entities (at fair value through other comprehensive income)
- Investment in mutual funds (at fair value through profit or loss)
- Derivative financial instruments (at fair value through profit or loss)

**c. Use of estimates and judgements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates are recognized prospectively in current and future periods. Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

**Significant estimates**

**Useful lives of depreciable/amortizable assets** – Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets. Carrying amount of property, plant and equipment and intangible assets are disclosed in Note 3 and Note 4 respectively.

**Defined benefit obligation (DBO)** – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may impact the DBO amount and the annual defined benefit expenses. Carrying amount of defined benefit obligations are disclosed in Note 29.

**Provisions for warranties** – A provision is estimated for expected warranty in respect of products sold during the year on the basis of a technical evaluation and past experience regarding failure trends of products and costs of rectification or replacement. Carrying amount of provision is disclosed in Note 12.

**Significant judgments**

**Contingent liabilities** – At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding contingent liabilities. However, the actual future outcome may be different from this judgement.

**Impairment of financial assets** – At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding financial assets.

**Evaluation of indicators for impairment of assets** – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.





**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

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**Recent Accounting Developments**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1st April, 2021. MCA issued notifications dated 24th March, 2021 to amend Schedule III to the Companies Act, 2013 to enhance the disclosures required to be made by the Company in its financial statements. These amendments are applicable to the Company for the financial year starting 1st April, 2021.

**2.1 Summary of significant accounting policies**

**(a) Current vs Non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

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

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

A liability is current when:

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

Current liabilities include current portion of non-current financial liabilities. The Company classifies all other liabilities as non-current.

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

**Operating cycle**

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**(b) Property, plant and equipment**

**i. Recognition and measurement**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses if any. Cost directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by the management.

**ii. Subsequent expenditure**

Subsequent costs are capitalised on the carrying amount or recognised as a separate asset, as appropriate, only when future economic benefits associated with the item are probable to flow to the Company and cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in regular intervals, the Company recognises such parts as separate component of assets. All repair and maintenance are charged to statement of profit and loss during the reporting period in which they are incurred.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss on the date of disposal or retirement.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under the non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work in progress'.



**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

**iii. Depreciation**

Depreciation on property, plant and equipment is provided on a straight-line basis over the estimated useful lives of the assets as below:-

Assets	Useful Lives
Office Equipment	5 Years
Furniture and fixtures*	5 Years
Demonstration Fixtures*	2 Years
Vehicles*	5 Years
Computer and Components*	3 Years
Plant and Machinery*	
Jigs	1 Years
Other Plant and Machinery	5,15 Years
Electrical Installations	10 Years

\*Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives for these assets are different from useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Leasehold Improvements are amortized over the lease term or 10 years whichever is less.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

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

**(c) Intangible assets**

**i. Recognition and initial measurement**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

**ii. Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**iii. Amortization**

The useful lives of intangible assets is assessed as finite as stated below and the assets are amortised over their useful lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired.

Assets	Useful Lives
Computer software (over license period)	1-5 Years
Internally generated software	5 Years

The amortization period and the amortization method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**Research and development costs**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:



**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

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- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits.
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project, i.e., the estimated useful life of one to five years. Amortization is recognized in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

**(d) Leases**

The Company adopted Ind AS 116 using the Modified retrospective method of adoption, with the date of initial application on 1 April 2019. The Company has recognised a lease liability on initial application (i.e. April 1, 2019) at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application and right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

The Company, as a lessee, recognises a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset (Refer note 38).

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Company is the lessor.

**(e) Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses, including impairment on inventories, are recognised in the statement of profit and loss.



**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

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**(f) Financial instruments**

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

**Financial assets**

**Recognition and initial measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

**Classification and subsequent measurement**

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**Debt instruments at amortised cost**

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

**Debt instrument at FVTPL**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is considered only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss. This category is applicable to investments in mutual funds.

**Debt instrument at FVTOCI**

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss (P&L). Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.



**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

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**Equity Investments**

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

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

Equity instruments included within the FVTPL category are measured at fair value. All changes in fair value including dividend are recognized in the statement of profit and loss.

**De-recognition**

A financial asset is de-recognised only when

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

**Impairment of financial assets**

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

- a. Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b. Loan commitments which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

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

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

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

The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward



**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

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looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. For the financial assets measured as at amortised cost, contractual revenue receivables, ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

#### ***Financial liabilities***

##### ***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and Compulsory Convertible Preference Shares, financial guarantee contracts and derivative financial instruments.

##### ***Subsequent measurement***

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

##### ***Financial liabilities at fair value through profit or loss***

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

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

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

#### **Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit and loss.

#### **Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

#### **De-recognition**

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



**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
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***Reclassification of financial assets***

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest

***Offsetting financial instruments***

Financial asset and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**(g) Derivative financial instrument**

The Company uses derivative financial instruments i.e., forward and futures currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss. The Company has not applied hedge accounting.

**(h) Fair value measurement**

The Company measure its financial instruments such as derivative at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

Level 1- Quoted (Unadjusted) marked prices in the active markets for identical assets or liabilities

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

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

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

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management or its expert verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents



**Lava International Limited**  
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**(i) Inventories**

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and spares: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in first out basis.

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

**(j) Revenue recognition**

Ind AS 115 – “Revenue from Contracts with Customers” has been notified by MCA with effect from 1st April 2018, vide its notification dated 28 March, 2018 which supersedes Ind AS 18 – “Revenue” and related Appendices.

We account for revenue in accordance with Ind AS 115 “Revenue from Contracts with customers” using the modified retrospective method.

The Company has recognize revenue in accordance with Ind AS 115 by applying the following 5 steps:

- i. Identify the contracts with the customers,
- ii. Identify the separate performance obligations,
- iii. Determine the transaction price of the contract,
- iv. Allocate the transaction price to each of the separate performance obligations, and
- v. Recognize the revenue as each performance obligation is satisfied.

**Sale of Goods**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services.

Revenue mainly comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company’s activities. Revenue is shown net of GST, returns, sales incentives and discounts.

The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks

The Company accounts for volume discount for pricing incentives to customers as a reduction of revenue based on estimate of applicable discount/incentives.

**Sale of Services**

Revenue from sales of services is from installation of third party mobile applications in the handset and is recognized by reference to the stage of completion, net of GST. Stage of completion is measured by reference to services performed to date as a percentage of total services to be performed.

**Interest**

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

**Dividend Income**

Dividend Income is recognised when the Company’s right to receive the amount has been established.

**Incentive Income**

Company has recognized incentive income in form of, Merchant export incentive income (MEIS), Duty drawback income based on export made, UPSDM income based on training given to apprentice.





**Lava International Limited**  
**Notes to the Financial Statements for the year ended 31 March 2021**  
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**Disaggregation of Revenue**

See Note 29 (Segment Reporting) to Standalone Financial Statements for our disaggregated revenues.

**Contract Balances:**

**Trade Receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional.

**Contract Assets**

A contract asset is a right to consideration that is conditional upon factors other than the passage of time.

During financial year 2020-21, out of Rs. 20.27 million contract assets as on March 31, 2020, invoicing for 94.03% has been done and Rs.1.21 million is pending for invoicing.

Balance as at March 31, 2020	20.27 million
Deduction on account of Reclassified to receivable	(90.35) million
Recognized as revenue during the year	60.03 million
Balance as at March 31, 2021	10.04 million

**Contract Liabilities**

A Contract liabilities is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

Balance as at March 31, 2020	589.80 million
Deduction on account of revenues recognized during the year	(378.72) million
Addition on account of transaction	135.98 million
Balance as at March 31, 2021	347.06 million

Changes in the contract asset and liability balances during current year, were a result of normal business activity and not materially impacted by any other factors.

**(k) Foreign currencies**

*(i) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates i.e. the "functional currency". These financial statements are presented in Indian rupees, which is also the functional currency of the Company.

*(ii) Transactions and balances*

Foreign currency transactions are recorded in functional currency at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.

At the balance sheet date, all monetary items denominated in foreign currency, are reported at the exchange rates prevailing at the balance sheet date and the resultant gain or loss is recognised in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit and loss, are also recognised in OCI or statement of profit and loss, respectively).

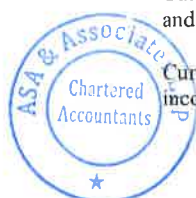
**(l) Income taxes**

*Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in India.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Current income tax relating to items recognised outside statement of profit and loss is recognised either in other comprehensive income or in equity. Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.



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Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Payments of tax as per Minimum Alternative Tax (MAT) is included as part of current tax in statement of profit and loss.

*Deferred Income Tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements as at reporting date. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no 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 re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside statement of profit and loss is recognised either in other comprehensive income or in equity. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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 tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

MAT is applicable to the Company. Credit of MAT is recognised as deferred tax asset only when it is probable that taxable profit will be available against which the credit can be utilised. In the year in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the statement of profit and loss account. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent it is no longer probable that the Company will pay normal income tax during the specified period.

**(m) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for the year when an employee renders the related service. The Company has no obligation, other than the contribution payable to the provident fund.

The Company operates an unfunded defined benefit gratuity plan for its employees. The cost of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end, using the projected unit credit method and charged to statement of profit and loss. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to statement of profit and loss in subsequent periods.

Accumulated leave is treated as short-term employee benefit as the Company has no unconditional right to defer the liability. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. Such compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss.



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**(n) Provisions and Contingent Liabilities**

**Provisions**

*General*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*Warranty provisions*

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

*Decommissioning liability*

The Company records a provision for decommissioning costs of a leased facility. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

**Contingencies**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

**(o) Earnings per share**

Basic EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit or loss attributable to equity holders of the Company (after adjusting the corresponding income/charge for dilutive potential equity shares) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

**(p) Segment reporting**

**Identification of segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). Only those business activities are identified as operating segment for which the operating results are regularly reviewed by the CODM to make decisions about resource allocation and performance measurement.

**Inter-segment transfers**

The Company generally accounts for inter-segment sales and transfers at cost plus appropriate margins.

**Segment accounting policies**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.



**Lava International Limited**  
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**(q) Share based payments**

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

*Equity-settled transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using Black Scholes Option Pricing Model.

That cost is recognised, together with a corresponding increase in share-based payment reserves in equity, over the period in which the service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest because service conditions have not been met.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

**(r) Borrowing costs**

Borrowing costs to the extent directly attributable to the acquisition/construction of assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective property, plant and equipment up to the date such asset is ready for use. Other borrowing costs are charged to the statement of profit and loss.

**(s) Cash and cash equivalents**

Cash and cash equivalent in the balance sheet and for the purpose of statement of cash flows comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. These do not include bank balances earmarked/restricted for specific purposes.

**(t) Equity investments (in subsidiaries, associates and joint venture)**

Investments in subsidiaries, associates and joint venture are carried at cost less accumulated impairment losses, if any in separate financial statements. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, associates and joint venture, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of profit and loss.

**(u) Measurement of Earnings before Interest, tax, depreciation and amortization (EBITDA)**

Ind AS compliant Schedule III allows line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the Company's financial position /performance.

Accordingly, the Company has elected to present earnings before net finance cost, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, interest income, finance costs, and tax expense.



LAVA International Limited  
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3 Property, plant & equipment

Particulars	Plant and machinery	Furniture and fixtures	Office equipment	Computers	Vehicles	Demonstration fixtures	Leasehold improvements	Electrical installations	Total	Capital work-in-progress*
<b>Gross Block</b>										
As at 31 March 2019	608.98	43.56	85.54	186.55	11.07	127.76	423.56	4.04	1,491.06	-
Additions	26.39	0.60	1.17	2.93	-	-	0.51	-	31.60	20.69
Disposals	25.39	3.64	5.28	31.74	-	-	49.34	3.25	118.64	0.00
As at 31 March 2020	609.98	40.52	81.43	157.74	11.07	127.76	374.73	0.79	1,404.02	20.69
Additions	165.39	-	0.84	10.90	6.39	0.35	17.05	-	200.92	32.57
Disposals	4.16	1.96	7.97	12.46	-	-	4.42	-	30.97	20.51
Other adjustments	0.27	(1.77)	(0.56)	7.19	-	(0.00)	(2.99)	-	2.15	0.01
As at 31 March 2021	771.48	36.79	73.76	163.37	17.46	128.11	384.37	0.80	1,576.14	32.76
<b>Accumulated Depreciation</b>										
As at 31 March 2019	170.84	31.35	57.66	159.33	10.71	121.51	268.93	1.18	821.51	-
Charge for the Year	88.66	6.90	16.35	21.81	0.36	6.20	31.82	0.39	172.49	-
Disposals	24.41	3.42	3.89	31.70	-	-	48.49	1.44	113.35	-
As at 31 March 2020	235.09	34.83	70.12	149.44	11.07	127.71	252.26	0.13	880.65	-
Charge for the year	87.40	3.30	8.70	9.62	0.19	0.10	29.06	0.08	138.45	-
Disposals	0.97	1.89	7.91	12.47	-	-	4.42	-	27.66	-
Other adjustments	(0.45)	(1.26)	(4.71)	6.39	-	-	5.76	-	5.73	-
As at 31 March 2021	321.07	34.98	66.20	152.98	11.26	127.81	282.66	0.21	997.17	-
<b>Net Block</b>										
As at 31 March 2020	374.88	5.69	11.31	8.30	-	0.05	122.47	0.66	523.37	20.69
As at 31 March 2021	450.41	1.81	7.56	10.39	6.20	0.30	101.71	0.59	578.97	32.76

\*Capital work-in-progress includes leasehold improvement and plant and machinery.

Note : Certain property, plant and equipment are hypothecated as collateral against borrowings, the details of which have been described in note 11.

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LAVA International Limited  
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4 Intangible assets

	Computer softwares and licenses	Internally generated software	Total	Intangible assets under development
<b>Gross Block</b>				
As at 31 March 2019	205.16	124.01	329.17	-
Additions	-	-	-	-
Disposals	0.17	-	0.17	-
As at 31 March 2020	204.99	124.01	329.00	-
Additions	13.46	-	13.46	-
Disposals	-	-	-	-
Other adjustments	(2.06)	1.64	(0.42)	-
As at 31 March 2021	216.39	125.65	342.04	-
<b>Accumulated Amortisation</b>				
As at 31 March 2019	137.93	70.68	208.61	-
Charge for the year	36.19	29.65	65.84	-
Disposals	0.17	-	0.17	-
As at 31 March 2020	173.95	100.33	274.28	-
Charge for the year	31.54	21.55	53.09	-
Disposals	-	-	-	-
Other adjustments	(3.21)	3.22	0.01	-
As at 31 March 2021	202.28	125.10	327.38	-
<b>Net Block</b>				
As at 31 March 2020	31.04	23.68	54.72	-
As at 31 March 2021	14.11	0.55	14.66	-

5 Right of use asset (Refer note 37)

Particulars	Office building	Factory building	Warehouse Building	Total
<b>Gross Block</b>				
As at 31 March 2019	-	-	-	-
Additions	72.45	159.15	11.55	243.15
Disposals	-	-	-	-
As at 31 March 2020	72.45	159.15	11.55	243.15
Additions	-	-	-	-
Disposals	9.64	-	8.86	18.50
As at 31 March 2021	62.81	159.15	2.69	224.65
<b>Accumulated Depreciation</b>				
As at 31 March 2019	-	-	-	-
Charge for the year	11.47	21.82	1.68	34.97
Disposals	-	-	-	-
As at 31 March 2020	11.47	21.82	1.68	34.97
Charge for the year	11.47	21.82	1.68	34.97
Disposals	4.36	-	2.57	6.93
As at 31 March 2021	18.58	43.64	0.79	63.01
<b>Net Block</b>				
As at 31 March 2020	60.98	137.33	9.87	208.18
As at 31 March 2021	44.23	115.51	1.90	161.64

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LAVA International Limited  
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6 Investment in subsidiaries and associate

	As at 31 March 2021		As at 31 March 2020	
	No of Units	Amount	No of Units	Amount
<i>Unquoted equity investments fully paid-up</i>				
<b>Investments in equity instruments of subsidiaries (at cost)</b>				
Equity share of 1 HKD each fully paid up of Lava International (H.K.) Limited	10,000,000	57.48	10,000,000	57.48
Equity share of 1 HKD each fully paid up of Xolo International (H.K.) Limited	100,000	0.83	100,000	0.83
Equity shares of Rs. 10 each fully paid up of Lava Enterprises Limited	5,200,000	52.00	5,200,000	52.00
Equity shares of Rs. 10 each fully paid up of Sojo Manufacturing Services Private Limited	2,219,000	22.19	2,219,000	22.19
Equity shares of Rs. 10 each fully paid up of Sojo Manufacturing Services (A.P.) Private Limited	3,959,000	39.59	3,959,000	39.59
Equity shares of Rs. 10 each fully paid up of Sojo Distribution Private Limited	9,000	0.09	9,000	0.09
Equity shares of Rs. 10 each fully paid up of Sojo Infotel Private Limited (Refer Note 30)	-	-	9,000	0.09
Equity shares of 1000 AED each fully paid up of Lava Technologies DMCC	18,350	339.41	18,350	339.41
Equity shares of 0.0001 USD each fully paid up of Lava Technologies L.L.C.	4,000,000,000	28.79	4,000,000,000	28.79
<b>Investments in equity instruments of associate (at amortised cost)</b>				
Equity share of Rs. 10 of MagicTel Solutions Private Limited	2,500	0.03	2,500	0.03
		<u>540.41</u>		<u>540.50</u>

7 Financial assets

7 (a) Non-current investments (unquoted)

	As at 31 March 2021		31 March 2020	
	No of Units	Amount	No of Units	Amount
<b>Investments in equity instruments of other entities (at fair value through other comprehensive income)</b>				
Equity Share of .001 SGD each fully paid up of Abhriya Pte. Ltd.*	63,860	-	63,860	-
		<u>-</u>		<u>-</u>
Aggregate amount of unquoted investment		-		-

\*As at 31 March 2021, the Company has fair valued the investment at Nil (31 March 2020 - Nil) amount as there is no future economic benefit expected from the investment.

7 (b) Current investments

	As at 31 March 2021		31 March 2020	
	No of Units	Amount	No of Units	Amount
<b>Investment in Mutual funds (Quoted)(at fair value through profit or loss)</b>				
Union Capital Protection Oriented Fund - Series 8	-	-	2,000,000	20.69
LIC MF - Ultra Short Term Funds - Regular Plan Growth	9,471	10.00		
		<u>10.00</u>		<u>20.69</u>
Aggregate book value of quoted investment		10.00		20.69
Aggregate market value of quoted investment		10.00		20.69

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**LAVA International Limited**  
**Notes to standalone financial statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

	As at 31 March 2021	As at 31 March 2020
<b>7 (c) Trade receivables</b>		
<b>Unsecured</b>		
- Considered good	7,683.21	8,334.09
- Receivables from related parties, considered good (refer note 30)	433.64	483.98
- Considered doubtful	49.04	54.06
	<b>8,165.89</b>	<b>8,872.13</b>
Less :		
- Provision for doubtful debts	(49.04)	(54.06)
- Provision for Expected Credit Loss (ECL)	(728.80)	-
	<b>7,388.05</b>	<b>8,818.07</b>

For terms and conditions relating to trade receivables (refer note 27)

To comply with the requirement of Ind AS 109 - Financial Instruments, the company has created total ECL of Rs. 728.80 million, out of which Rs. 474.80 million pertains to earlier financial years. As it was impracticable to ascertain the ECL for each of respective earlier financial year, therefore, Rs. 355.29 million (net of deferred tax asset of Rs 119.51 million), in compliance with the requirements of para 44 of Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, has been adjusted to the retained earnings. ECL of Rs. 254.00 million pertains to the FY 2020-21 and has been recognised as expense for the year.

	As at 31 March 2021	As at 31 March 2020
<b>7 (d) Cash and cash equivalents</b>		
<b>Balances with banks:</b>		
On current accounts	110.69	34.13
Deposits with original maturity of less than three months # (Refer footnote to note 7(h))	68.31	81.27
<b>Cash on hand</b>	2.08	7.95
	<b>181.08</b>	<b>123.35</b>

# Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

	As at 31 March 2021	As at 31 March 2020
<b>7 (e) Other bank balances</b>		
Deposits with bank for more than three months but less than twelve months (Refer footnote to note 7(h))	1,612.66	1,301.75
	<b>1,612.66</b>	<b>1,301.75</b>

	As at 31 March 2021	As at 31 March 2020
<b>7 (f) Loans (Non-Current)</b>		
Security deposits		
- Considered good	25.33	26.09
- Considered doubtful	4.92	-
	<b>30.25</b>	<b>26.09</b>
Less: Provision for doubtful deposits	(4.92)	-
	<b>25.33</b>	<b>26.09</b>

	As at 31 March 2021	As at 31 March 2020
<b>7 (g) Loans (Current)</b>		
Security deposits	6.58	6.61
	<b>6.58</b>	<b>6.61</b>

	As at 31 March 2021	As at 31 March 2020
<b>7 (h) Other financial asset (Non-Current)</b>		
<b>Unsecured, considered good unless stated otherwise</b>		
Bank deposits with remaining maturity of more than twelve months #	1.06	0.86
Interest accrued on bank deposits	0.43	0.31
	<b>1.49</b>	<b>1.17</b>

# Includes margin money deposits under lien (refer note 7 (d) ,note 7 (e) and ,note 7 (h) ):-

- against letter of credit facility and bank guarantees	915.46	648.31
- against amount paid under protest (excluding interest accrued) (refer note 31(B)(b)(i))	300.00	300.00



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**LAVA International Limited**  
**Notes to standalone financial statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

**7 (i) Other financial assets (Current)**

	As at 31 March 2021	As at 31 March 2020
<b>Unsecured, considered good unless stated otherwise</b>		
Interest accrued on bank deposits	123.38	149.23
Derivative asset	-	5.78
Others receivables		
- Considered good*	858.72	825.18
	<b>982.10</b>	<b>980.19</b>

\* Includes other receivables from related parties amounting to Rs.220.39 million (31 March 2020 : Rs 222.39 million). Refer note 30 for details.

**8 Inventories**

(Valued at lower of cost or net realisable value)

	As at 31 March 2021	As at 31 March 2020
Raw materials and components (refer note 1 & 2 below)	1,449.80	649.37
Finished goods (refer note 2 below)	922.53	242.28
Traded goods (refer note 2 below)	102.06	31.52
Spares (refer note 2 below)	789.17	949.25
	<b>3,263.56</b>	<b>1,872.42</b>
Note 1 including stock in transit		
- Raw materials and components	230.09	99.58
- Spares	162.94	-
Note 2 The above inventory is net of :-		
a) Write down of inventory from cost to net realisable value		
Finished goods	11.22	3.62
Traded goods	5.29	4.79
Spares	58.13	108.93
b) Write down of inventory for obsolescence		
Finished goods	5.41	3.09
Traded goods	4.53	4.69
Spares	102.40	108.97
Raw materials and components	5.38	-

**9 (a) Other assets (Non-Current)**

**Unsecured, considered good, unless otherwise stated**

	As at 31 March 2021	As at 31 March 2020
Capital advances	50.78	57.42
Prepaid expenses	0.15	0.02
	<b>50.92</b>	<b>57.44</b>

**9 (b) Other assets (Current)**

**Unsecured, considered good, unless otherwise stated**

	As at 31 March 2021	As at 31 March 2020
Prepaid expenses	39.17	17.36
Balance with statutory/ government authorities (refer note 31 (B) & 34)	722.46	1,261.32
<b>Advances to vendors</b>		
- Considered good	1,355.32	1,221.22
- Advances to related parties, considered good (refer note 30)	101.96	299.29
- Considered doubtful	56.18	65.48
	1,513.46	1,585.99
Less: Provision for doubtful advances	(56.18)	(65.48)
	<b>1,457.28</b>	<b>1,520.51</b>
Others	86.40	117.51
<b>Total (A + B + C + D)</b>	<b>2,305.31</b>	<b>2,916.70</b>

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As at 31 March 2021 As at 31 March 2020

10 Equity Share capital and Instruments entirely equity in nature

	As at 31 March 2021	As at 31 March 2020
<b>Authorised share capital</b>		
147,900,000 (31 March 2020 : 147,900,000) equity shares of Rs. 10 each	1,479.00	1,479.00
100,000 (31 March 2020 : 100,000) Compulsory Convertible Preference Shares (CCPS) of Rs. 10/- each	1.00	1.00
500,000 (31 March 2020 :500,000) Compulsory Convertible Preference Shares (CCPS) of Rs. 100 each	50.00	50.00
	<b>1,530.00</b>	<b>1,530.00</b>

Issued, subscribed and fully paid-up share capital

124,866,902 (31 March 2020 : 124,866,902) equity shares of Rs.10 each	1,248.67	1,248.67
100,000 (31 March 2020 : Nil) Compulsory Convertible Preference Shares (CCPS) of Rs. 10/- each. *	1.00	-
500,000 (31 March 2020 :500,000) Compulsory Convertible Preference Shares (CCPS) of Rs. 100 each	50.00	50.00
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>1,299.67</b>	<b>1,298.67</b>

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity shares

	Amount		No of Shares	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
At the beginning of the year	1,248.67	1,248.67	124,866,902	124,866,902
<b>Outstanding at the end of the year</b>	<b>1,248.67</b>	<b>1,248.67</b>	<b>124,866,902</b>	<b>124,866,902</b>

Instruments entirely equity in nature -

Compulsory Convertible Preference Shares (CCPS)

	Amount		No of Shares	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
At the beginning of the year	50.00	50.00	500,000	500,000
Transfer during the year	1.00	-	100,000	-
<b>Outstanding at the end of the year</b>	<b>51.00</b>	<b>50.00</b>	<b>600,000</b>	<b>500,000</b>

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share and dividends in proportion to their shareholding. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive residual assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Terms/ rights attached to Compulsory Convertible Preference Shares (CCPS)

- i. During financial year 2017-18, the Company has issued 500,000 Compulsory Convertible Preference Shares (CCPS) of Rs. 100 each. The preference shares shall collectively be entitled to dividend of 0.0001% of the aggregate face value of the preference shares.

As per the terms of Subscription and Shareholders Agreement, the preference shares may be converted, at any time at the discretion of the CCPS holder, into fixed number of equity shares (calculated at 3.48% of the share capital at funding date i.e. 8.32 number of equity shares per CCPS). If any of the preference shares have not been converted into equity shares within 19 years and 11 months, such remaining preference shares shall be automatically and compulsorily converted into such number of equity shares upon the expiry of such period.

- ii. During financial year 2017-18, the Company has issued 100,000 Compulsory Convertible Preference Shares (CCPS) of Rs. 10 each for a consideration of Rs. 520.00 million. The CCPS shall carry a coupon of 0.0001% and shall be non-cumulative in nature, which is to be declared at the discretion of the shareholder of the Company.

The preference shares may be converted into the equity shares at any time at the discretion of the CCPS holder, subject to the terms of the agreement. If any of the preference shares have not been converted to equity shares within 10 years from the allotment date, then such remaining preference shares shall be compulsorily converted into equity shares upon the expiry of such period.

The number of shares to be allotted upon conversion of CCPS shall be based upon the conversion price arrived at on the conversion date, as per below condition defined in the agreement. In the event company is not able to get listed on a recognised stock exchange within four years, the Company or Promoters shall buy-back or purchase all of the shares and CCPS held by CCPS holder at a price not less than the Sale Price. Sale Price shall be the Subscription Price and a return of 9% per annum compounded annually from Closing date till the date of purchase of all subscription shares or CCPS. In view of the same, the Company has accrued interest @ 9% every year. In response of the exercise the option available after 4 years, Company has to issue 13,42,208 equity shares against 1,00,000 CCPS.

\* In the current year, based on the terms of Investment agreement, and confirmation of the number of shares to be issued, and price thereof, CCPS which was earlier classified under 'Long Term Borrowing' now meets the criterion of Equity and accordingly the amount has been reclassified as 'Instruments entirely equity in nature' and 'Security premium'

(c) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date:

	No of Shares	
	As at 31 March 2021	As at 31 March 2020
Equity shares allotted as fully paid bonus shares	122,785,785	122,785,785

(d) Details of shareholders holding more than 5% shares in the Company:\*

Equity Shares of Rs. 10 each fully paid	No of Shares		Percentage shareholding	
	As at 31 March 2021	31 March 2020	As at 31 March 2021	31 March 2020
Hari Om Rai	45,083,890	45,083,890	36.11%	36.11%
Sunil Bhalla	28,390,372	28,390,372	22.74%	22.74%
Vishal Sehgal	22,104,352	22,104,352	17.70%	17.70%
Shailendra Nath Rai	11,746,028	11,746,028	9.41%	9.41%
Shibani Sehgal	7,260,720	7,260,720	5.81%	5.81%

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

(e) The Company has not issued any shares pursuant to contract without payment being received in cash or bought back any shares during the period immediately preceding five years from the reporting date.

(f) Shares reserved for issue under options :

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer note 36.



11 Financial liabilities

11 (a) Long term borrowings

	As at 31 March 2021	As at 31 March 2020
Indian rupee term loan from banks (secured) (refer note I)	-	33.58
100,000 (31 March 2020 :100,000) Compulsory Convertible Preference Shares (CCPS) of Rs. 10/- each (refer note II)	-	520.00
	-	553.58

Current maturities of long term borrowings [refer note 11e & 11(a)(Note I)]

65.88 119.70

Note I:

(i) Indian rupee term loan from ICICI bank of Nil amount (31 March 2020: Rs. 34.88 million) which carried interest @ 11.15% p.a. (31 March 2020: 11.80% p.a.) and repayable in thirty equal quarterly instalments with first payment commencing from the 7th month of date of disbursement. The loan was repaid by 15 April 2020. The loan was secured on first pari-passu charge basis by way of hypothecation of movable fixed assets (present and future) and further secured on second pari-passu charge basis by way of hypothecation of overall current assets (both present and future) of the Company. Further, the loan had been personally guaranteed by certain directors of the Company.

(ii) Indian rupee term loan from HDFC bank amounting to Rs. 57.11 million (31 March 2020: 119.42 million) which carries interest @ 8.80%-10.60% p.a. (31 March 2020: 11.15% p.a.) and repayable in equal monthly instalments starting after 6 months from month of first disbursement. The loan is to be repaid by 6 November 2021. The loan is secured on first pari-passu charge basis by way of hypothecation of machinery and equipment purchased from the term loan and further secured on second pari-passu charge basis by way of hypothecation of overall current assets (current and future) of the Company. Further, the loan has been personally guaranteed by certain directors of the Company.

(iii) Indian rupee term loan has been obtained during the period from Punjab national bank (erstwhile United Bank Of India) amounting to Rs. 11.20 million. The amount outstanding against the said loan is Rs. 8.76 million (31 March 2020: Nil) which carries interest @ 8.25% p.a. (31 March 2020: Nil) and repayable in 18 equal monthly instalments after a moratorium period of 6 months from date of disbursement of loan. The loan is scheduled to be repaid by 31 March 2022. The loan is secured on first pari-passu charge basis by way of hypothecation overall current assets (current and future) of the Company. Further, the loan has been personally guaranteed by certain directors of the Company and their relatives.

Note II:

During financial year 2017-18, the Company has issued 100,000 Compulsory Convertible Preference Shares (CCPS) of Rs. 10 each for a consideration of Rs. 520.00 million. The CCPS shall carry a coupon of 0.0001% and shall be non-cumulative in nature, which is to be declared at the discretion of the shareholder of the Company.

The preference shares may be converted into the equity shares at any time at the discretion of the CCPS holder, subject to the terms of the agreement. If any of the preference shares have not been converted to equity shares within 10 years from the allotment date, then such remaining preference shares shall be compulsorily converted into equity shares upon the expiry of such period.

The number of shares to be allotted upon conversion of CCPS shall be based upon the conversion price arrived at on the conversion date, as per below condition defined in the agreement. In the event company is not able to get listed on a recognised stock exchange within four years, the Company or Promoters shall buy-back or purchase all of the shares and CCPS held by CCPS holder at a price not less than the Sale Price. Sale Price shall be the Subscription Price and a return of 9% per annum compounded annually from Closing date till the date of purchase of all subscription shares or CCPS. In view of the same, the Company has accrued interest @ 9% every year.

In the current year, based on the terms of Investment agreement and confirmation of the number of shares to be issued, and price thereof, CCPS which was earlier classified under 'Long Term Borrowing' now meets the criterion of Equity and accordingly the amount has been reclassified as 'Instruments entirely equity in nature' and 'Security premium'.

11 (b) Short-term borrowings

	As at 31 March 2021	As at 31 March 2020
Short term loan (unsecured)	240.00	-
Cash credit from banks (secured)*	725.32	1,094.42
	965.32	1,094.42

\*Secured by way of hypothecation on first pari-passu charge basis, on overall current assets of the Company (current and future) and collateral securities/personal guarantees of promoter directors and relative of promoter directors. The said loan is further secured:

(1) by way of a first charge of hypothecation on pari-passu basis, of existing and future movable fixed assets of the company excluding software and machineries/ assets created by way of term loans from other banks and financial institutions.

(2) by way of a second charge of hypothecation on pari-passu basis, of such existing and future movable fixed assets of the borrower such machineries/ other assets which are created by way of term loans from other banks and financial institutions.

The cash credit is repayable on demand and carries interest @ 10.75% per annum to 12.10% per annum.



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	As at 31 March 2021	As at 31 March 2020
<b>11 (c) Trade payables</b>		
Trade payables (refer note 32 for amounts and details of dues to micro and small enterprises)	3,617.39	3,739.87
Payable to related parties (refer note 30)	0.22	72.46
	<b>3,617.61</b>	<b>3,812.33</b>
<b>11 (d) Other financial liabilities (Non-current)</b>	As at 31 March 2021	As at 31 March 2020
Interest accrued on instruments entirely liability in nature (refer note 10(b)(ii))	-	120.40
Lease Liability (refer note 37)	162.60	199.96
	<b>162.60</b>	<b>320.36</b>
<b>11 (e) Other financial liabilities (current)</b>	As at 31 March 2021	As at 31 March 2020
Current maturities of long term borrowings (refer note 11(a))	65.88	119.70
Payable for capital purchases	47.26	0.83
Security deposits	922.00	282.52
Interest accrued on borrowings	0.95	6.99
Employee payables	31.12	96.58
Derivative liability	5.15	-
Lease Liability (refer note 37)	23.75	24.11
	<b>1,096.11</b>	<b>530.73</b>
	As at 31 March 2021	As at 31 March 2020
<b>12 (a) Provisions (Non-Current)</b>		
Provision for employee benefits		
Provision for gratuity (refer note 28)	48.53	42.96
<b>Other provisions</b>		
Provision for decommissioning liabilities #	3.02	3.02
	<b>51.55</b>	<b>45.98</b>
	As at 31 March 2021	As at 31 March 2020
<b>12 (b) Provisions (Current)</b>		
Provision for employee benefits		
Provision for gratuity (refer note 28)	17.53	13.33
Provision for compensated absences	27.54	34.65
	<b>45.07</b>	<b>47.98</b>
<b>Other provisions</b>		
Provision for warranties*	118.78	110.02
	<b>118.78</b>	<b>110.02</b>
	<b>163.85</b>	<b>158.00</b>
* The Company provides warranty on it's products by giving an undertaking to repair/replace items to the customers, which fails to perform satisfactorily during the warranty period. Provision made represents the amount of the expected cost of meeting such obligations of repair/replacement. The timing of the outflows is expected to be in next 12 months (31 March 2020 : 12 months).		
	As at 31 March 2021	As at 31 March 2020
At the beginning of the year	110.02	200.84
Arising during the year	146.04	142.64
Less :Utilized /reversed during the year	(137.28)	(233.46)
At the end of the year	<b>118.78</b>	<b>110.02</b>
# Under few operating lease agreements entered by the Company, it has to incur restoration cost for restoring lease premises to the original condition at the time of expiry of lease period. The timing of the outflows is expected to be in next 3 years. The impact of discounting is not considered material and hence ignored.		
	As at 31 March 2021	As at 31 March 2020
At the beginning of the year	3.02	4.30
Arising during the year	-	(1.28)
At the end of the year	<b>3.02</b>	<b>3.02</b>
<b>13 Other current liabilities</b>	As at 31 March 2021	As at 31 March 2020
Advance from customers (refer note 30)	347.06	589.80
Tax deductible at source	17.21	11.11
Other statutory liabilities	29.92	16.12
	<b>394.19</b>	<b>617.03</b>
<b>14 Current Tax Liabilities (net)</b>	As at 31 March 2021	As at 31 March 2020
Provision for income tax*	356.25	337.64
	<b>356.25</b>	<b>337.64</b>
*Net of advance tax and TDS receivable amounting to Rs. 2,920.77 million (31 March 2020: Rs. 2,743.03 million)		



**LAVA International Limited**  
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*(All amounts in Indian Rupees Million unless otherwise stated)*

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>15 Revenue from operations</b>		
Sale of products (Refer Note 30)	15,924.77	17,899.17
Sale of services	228.00	1,319.36
Other operating revenues		
- Scrap sale	4.78	5.70
- Export incentives	9.27	52.87
<b>Revenue from operations (net)</b>	<b>16,166.82</b>	<b>19,277.10</b>
<b>16 Other income</b>		
Interest income on financial asset at amortised cost	1.35	6.44
Interest income on fixed deposits with banks	74.00	115.67
Net gain on sale of mutual fund investments	0.55	-
Fair value gain on derivative financial instruments at fair value through profit or loss	-	13.35
Gain/ (Loss) on Investment at fairvalue through profit or loss	2.00	-
Foreign exchange differences (net)	-	16.68
Profit on sale of property, plant and equipment	1.00	-
Miscellaneous income	19.57	13.81
	<b>98.47</b>	<b>165.95</b>
<b>17 Cost of raw material and components consumed</b>		
Inventory materials at the beginning of the year	649.37	909.80
Purchase during the year	12,367.17	11,045.84
Less: Inventory materials at the end of the year	(1,449.80)	(649.37)
<b>Cost of raw material and components consumed*</b>	<b>11,566.74</b>	<b>11,306.27</b>
*(net of CVD accrued including recoverable charges for delayed payment) (refer note 34)		
<b>18 (Increase) / decrease in inventories</b>		
<b>Inventories at the end of the year</b>		
Traded goods	102.06	31.52
Spares for handsets	789.17	949.25
Finished goods	922.53	242.28
	<b>1,813.76</b>	<b>1,223.05</b>
<b>Inventories at the beginning of the year</b>		
Traded goods	31.52	194.75
Spares for handsets	949.25	870.84
Finished goods	242.28	1,581.59
	<b>1,223.05</b>	<b>2,647.18</b>
<b>(Increase) / decrease in inventories</b>	<b>(590.70)</b>	<b>1,424.13</b>
<b>19 Employee benefit expenses</b>		
Salary, wages and bonus (refer note 30)	987.09	1,168.46
Contribution to provident and other funds	48.54	57.43
Gratuity expense (refer note 28)	15.23	14.35
Share based payment expense (refer note 36)	85.54	-
Staff welfare, recruitment and training	195.45	152.46
	<b>1,331.85</b>	<b>1,392.70</b>



**LAVA International Limited**  
**Notes to standalone financial statements for the year ended 31 March 2021**  
*(All amounts in Indian Rupees Million unless otherwise stated)*

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>20 Other expenses</b>		
Power and fuel	42.72	45.59
Rent	55.70	95.39
Rates and taxes	3.52	11.65
Insurance	11.32	12.24
Repair and maintenance - others	67.08	81.30
Advertisement and marketing expenses (refer note 30)	118.78	188.27
Sales promotion, Scheme expenses and ECL Provision [refer note 7(c) for ECL]	490.37	483.43
Freight and cartage	133.68	163.88
Outsourced salary cost	39.22	26.37
Travelling and conveyance	30.99	100.33
Communication costs	7.28	8.50
Warranty expenses	146.04	142.64
Legal and professional fees	144.56	117.40
Payment to auditor (refer details below)	3.95	4.80
Foreign exchange differences (net)	56.95	-
Corporate social responsibility expense (refer note 33)	35.65	4.00
Loss on sale of property, plant and equipment	-	3.27
Loss on sale of mutual fund investments	-	0.17
Fair value loss on derivative financial instrument at fair value through profit or loss	10.93	-
Loss on investment at fair value through profit or loss	-	0.92
Miscellaneous expenses	2.27	8.78
	<b>1,401.01</b>	<b>1,498.93</b>
	<b>For the year ended 31 March 2021</b>	<b>For the year ended 31 March 2020</b>
<b>Payment to auditor *</b>		
<b>As auditor:</b>		
Audit fee	3.60	4.50
Tax audit fee	0.35	0.30
	<b>3.95</b>	<b>4.80</b>

\* Audit fees for the year ended 31 March 2020 relates to the previous auditor and for the year ended 31 March 2021 relates to the current auditor

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>21 Depreciation and amortisation expense</b>		
Depreciation expense		
- on Property, Plant & Equipment	138.45	172.49
- on ROU Asset	34.97	34.97
Amortisation expense on Intangible Assets	53.09	65.84
	<b>226.51</b>	<b>273.30</b>
	<b>For the year ended 31 March 2021</b>	<b>For the year ended 31 March 2020</b>
<b>22 Finance costs</b>		
Interest on		
-Term loan	14.05	27.85
-Cash credit	106.96	104.72
-Security deposits	7.36	3.86
-Instruments entirely liability in nature	-	46.93
-Income tax	47.10	12.93
-on Lease Liability (refer note 37)	24.98	27.11
Bank charges	84.64	85.48
	<b>285.09</b>	<b>308.88</b>

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23 Income tax

(a) The major components of income tax expense for the year ended as follows are:

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>Current income tax:</b>		
Current income tax charge	332.56	179.35
Adjustments in respect of income tax of previous year	(30.80)	22.85
<b>Deferred tax :</b>		
Relating to origination and reversal of temporary differences	(197.34)	(31.23)
<b>Total tax expense on profit of the year (a)</b>	<b>104.42</b>	<b>170.97</b>
<b>Other comprehensive income</b>		
Deferred tax related to items recognised in other comprehensive income during in the year:		
- Re-measurement losses of defined benefit plan	(0.42)	(0.21)
<b>Total tax expense on other comprehensive income of the year (b)</b>	<b>(0.42)</b>	<b>(0.21)</b>
<b>Total tax expense on total comprehensive income of the year (a) + (b)</b>	<b>104.00</b>	<b>170.76</b>

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	518.82	419.02
Applicable tax rate	25.17%	34.94%
<b>Expected tax expense (A)</b>	<b>130.59</b>	<b>146.42</b>
Expenses not considered in determining taxable profit	34.71	-
Income not considered in determining taxable profit	(3.93)	(11.10)
Impact of deduction u/s 80JJAA	-	(11.44)
Tax pertaining to earlier years	(30.80)	22.85
Others	(26.70)	24.25
<b>Total adjustments (B)</b>	<b>(26.72)</b>	<b>24.55</b>
<b>Actual tax expense { C= A+B}</b>	<b>103.86</b>	<b>170.97</b>
<b>Tax expense recognised in statement of profit and loss</b>	<b>104.42</b>	<b>170.97</b>

(c) Deferred tax

Deferred tax relates to the following:

	For the year ended 31 March 2021	For the year ended 31 March 2020
<b>Deferred tax assets on account of:</b>		
Property, plant and equipment	(82.04)	(98.70)
Employee benefits and other payable	(23.56)	(31.77)
Provision for ECL & doubtful Advances (refer note 7(c))	(209.92)	(41.77)
Provision for obsolescence inventories	(14.00)	-
Fair valuation of investment	-	(0.32)
Others	-	(0.73)
<b>Deferred tax related to other comprehensive income of the year:</b>		
Re-measurement losses of defined benefit plan	3.77	4.19
Change in fair value of FVTOCI equity instruments	(2.31)	(2.31)
<b>Deferred tax liability on account of:</b>		
Tax on custom duty to be paid in future years (Refer Note 34)	98.58	259.70
Fair valuation of investment	0.50	-
<b>Net deferred tax liability/ (Asset) including other comprehensive income of the year</b>	<b>(228.98)</b>	<b>88.28</b>



Movement in deferred tax assets for the year ended 31 March 2021

	As at 31 March 2020	Recognised in Retained earnings	Recognised in other comprehensive income	Recognised in profit and loss	As at 31 March 2021
Property, plant and equipment	(98.70)	-	-	16.66	(82.04)
Employee benefits and other payable	(31.77)	-	-	8.22	(23.56)
Provision for ECL & doubtful Advances [Refer note 7(c)]	(41.77)	(119.51)	-	(48.64)	(209.92)
Provision for obsolescence inventories	-	-	-	(14.00)	(14.00)
Fair valuation of investment	(0.32)	-	-	0.82	0.50
Others	(0.73)	-	-	0.73	-
Tax on custom duty to be paid in future years (Refer Note 34)	259.70	-	-	(161.12)	98.58
Others	-	-	-	-	-
<b>Deferred tax related to other comprehensive income of the year:</b>					
Re-measurement losses of defined benefit plan	4.19	-	(0.42)	-	3.77
Change in fair value of FVTOCI equity instruments	(2.31)	-	-	-	(2.31)
<b>Total</b>	<b>88.28</b>	<b>(119.51)</b>	<b>(0.42)</b>	<b>(197.33)</b>	<b>(228.98)</b>

Movement in deferred tax assets for the year ended 31 March 2020

	As at 31 March 2019	Recognised in other comprehensive income	Recognised in profit and loss	As at 31 March 2020
Property, plant and equipment	(72.81)	-	(25.89)	(98.70)
Employee benefits and other payable	(48.68)	-	16.91	(31.77)
Provision for doubtful debts and advances	(30.83)	-	(10.94)	(41.77)
Provision for obsolescence inventories	(19.44)	-	19.44	-
Fair valuation of investment	1.17	-	(1.49)	(0.32)
Tax on custom duty (43b) to be paid in future years (Refer Note 34)	291.17	-	(31.47)	259.70
Others	(2.94)	-	2.21	(0.73)
<b>Deferred tax related to other comprehensive income of the year:</b>				
Re-measurement losses of defined benefit plan	4.40	(0.21)	-	4.19
Change in fair value of FVTOCI equity instruments	(2.31)	-	-	(2.31)
<b>Total</b>	<b>119.73</b>	<b>(0.21)</b>	<b>(31.23)</b>	<b>88.29</b>

24 Earnings per share (EPS)

The computation of earnings per share is as follows:

	For the year ended 31 March 2021	For the year ended 31 March 2020
Nominal value of equity shares	10	10
Profit attributable to equity shareholders for computing basic and dilutive EPS (A)	414.40	248.05
Weighted average number of equity shares outstanding during the year for computing Basic EPS (B)*	124,866,902	124,866,902
Dilutive effect of share based payments on weighted average number of equity shares outstanding during the year	6,375,147	6,375,147
Dilutive effect of compulsory convertible preference shares on weighted average number of equity shares outstanding during the year	5,689,744	5,689,744
Weighted average number of equity shares outstanding during the year for computing Diluted EPS (C)	136,931,793	136,931,793
<b>Basic earning per share (A/B)</b>	<b>3.32</b>	<b>1.99</b>
<b>Diluted earning per share (A/C)</b>	<b>3.03</b>	<b>1.81</b>
<b>Adjusted Basic Earning per share *</b>	<b>0.83</b>	<b>0.50</b>
<b>Adjusted Diluted Earning per share *</b>	<b>0.76</b>	<b>0.45</b>

\* After the year end, but before issuance of financial statements, the Company has given effect to stock split by way of split of Face Value of equity shares from Rs. 10/- to Rs. 5/-. Also, the company has issued bonus shares to the equity shareholder's in the ratio of 1:1. Adjusted EPS has been calculated as per the requirement of Para 64 of Ind AS 33 - Earnings Per Share.

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Lava International Limited

Notes to standalone financial statements for the year ended 31 March 2021

(All amounts in Indian Rupees Million unless otherwise stated)

25 Fair value measurement

a) The carrying value and fair value of financial instruments by categories are as under:

	Notes	31 March 2021			31 March 2020		
		FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
<b>Assets</b>							
<b>Non-current assets</b>							
Financial assets							
Investments	7 (a)	-	-	-	-	-	-
Loans	7 (f)	-	-	25.33	-	-	26.09
Other financial asset	7 (h)	-	-	1.49	-	-	1.17
		-	-	<b>26.82</b>	-	-	<b>27.26</b>
<b>Current assets</b>							
Financial assets							
Investments	7 (b)	10.00	-	-	20.69	-	-
Trade receivables	7 (c)	-	-	7,388.05	-	-	8,818.07
Cash and cash equivalents	7 (d)	-	-	181.08	-	-	123.35
Other bank balances	7 (e)	-	-	1,612.66	-	-	1,301.75
Loans	7 (g)	-	-	6.58	-	-	6.61
Derivative asset	7 (i)	-	-	-	5.78	-	-
Others	7 (i)	-	-	982.10	-	-	974.35
		<b>10.00</b>	-	<b>10,170.47</b>	<b>26.47</b>	-	<b>11,224.13</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
Financial liabilities							
Borrowings	11 (a)	-	-	-	-	-	553.58
Other financial liabilities	11 (d)	-	-	162.60	-	-	320.36
		-	-	<b>162.60</b>	-	-	<b>873.94</b>
<b>Current liabilities</b>							
Financial liabilities							
Borrowings	11 (b)	-	-	965.32	-	-	1,094.42
Trade payables	11 (c), 32	-	-	3,617.61	-	-	3,812.33
Derivative liabilities	11 (e)	5.15	-	-	-	-	-
Other financial liabilities	11 (e)	-	-	1,090.96	-	-	530.73
		<b>5.15</b>	-	<b>5,673.89</b>	-	-	<b>5,437.48</b>

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

The carrying amounts of other items carried at amortised cost are reasonable approximation of their fair values on respective reporting date. For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

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25 b) Fair value hierarchy and valuation techniques used to determine fair values:

To provide an indication about the reliability of inputs used in determining fair value, the Company has classified its financial instrument into three levels prescribed under the accounting standard. The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as :

At 31 March 2021	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at FVTPL</b>				
Investment in mutual funds	10.00	-	-	10.00
<b>Assets measured at FVTOCI</b>				
Investment in equity instruments*	-	-	-	-
<b>Liability measured at FVTPL</b>				
Derivative liabilities	-	5.15	-	5.15
At 31 March 2020	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at FVTPL</b>				
Investment in mutual funds	20.69	-	-	20.69
<b>Assets measured at FVTOCI</b>				
Investment in equity instruments*	-	-	-	-
<b>Assets measured at FVTPL</b>				
Derivative asset	-	5.78	-	5.78

\* Investment in Abhriya Pte. Ltd. has been valued at zero value i.e. at fair value and it has been shown in other reserve amounting to Rs 7.69 million in Reserve and surplus.

- There were no transfers between the Level 1, Level 2 and Level 3 during the years presented.
- There is no change in the valuation technique during the year.

**Valuation techniques used to derive Level 1 fair values**

The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors

**Valuation techniques used to derive Level 2 fair values**

Derivative asset/liability representing forward foreign exchange contracts have been fair valued using dealer/counter party quotes at balance sheet date.

**Valuation techniques used to derive Level 3 fair values**

Inputs for the assets or liabilities that are not based on observable market data. A one percent change in the unobservable inputs used in fair valuation of Level 3 assets doesn't have a significant impact in its value.

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**Lava International Limited**  
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**26 Capital management**

The Company's objectives while managing capital are to safeguard its ability to continue as a going concern and to provide adequate returns for its shareholders and benefits for other stakeholders. The Company's policy is generally to optimise borrowings at an operating Company level within an acceptable level of debt. The Company's policy is to borrow using a mixture of long-term and short-term debts together with cash generated to meet anticipated funding requirements.

The Company monitors capital using a gearing ratio, which is calculated as underlying net debt divided by total capital plus underlying net debt. The Company's policy is to keep the gearing ratio below 40%. The Company measures its underlying net debt as total debt reduced by cash and cash equivalents. The Company monitors compliance with its debt covenants. The Company has complied with all debt covenants at all reporting dates.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 31 March 2020 .

Particulars	31 March 2021	31 March 2020
Borrowings	1,031.20	1,767.70
Less: Cash and cash equivalents	(181.08)	(123.35)
<b>Net debt (a)</b>	<b>850.12</b>	<b>1,644.35</b>
Equity	10,577.00	9,913.58
<b>Total capital (b)</b>	<b>10,577.00</b>	<b>9,913.58</b>
<b>Capital and net debt (a) + (b) = (c)</b>	<b>11,427.12</b>	<b>11,557.93</b>
<b>Gearing ratio (%) (a) / (c)</b>	<b>7.44%</b>	<b>14.23%</b>

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## 27 Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and overdrafts, and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, cash, and short-term deposits, which arise directly from its operations. The Company also holds mutual fund investments and enters into derivative transactions.

The main risks arising from the Company's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk, and credit risk. The Board of Directors review and agree policies for managing each of these risks which are summarised below.

### Price risk

The Company is mainly exposed to the price risk due to its investment in equity instruments and mutual funds. The price risk arises due to uncertainties about the future market values of these investments. In order to manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio in accordance with the limits set by the risk management policies. The Company does not have significant investment in equity instruments.

Set out below is the impact of a 1 % movement in the NAV of mutual funds on the Company's profit before tax:

Particulars	31 March 2021	31 March 2020
Effect on profit before tax:		
NAV increase by 100 bps	0.10	0.21
NAV decrease by 100 bps	(0.10)	(0.21)

### Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates. The Company's policy is to manage its interest cost using a mix of fixed, floating rate borrowings.

The following table provides a breakdown of the Company's fixed and floating rate borrowings:

Particulars	31 March 2021	31 March 2020
Fixed rate borrowings	0.00	520.00
Floating rate borrowings	1,031.20	1,247.70
<b>Total</b>	<b>1,031.20</b>	<b>1,767.70</b>

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, being a 0.5% increase or decrease in interest rate, with all other variables held constant, of the Company's profit before tax due to the impact on floating rate borrowings.

Particulars	31 March 2021	31 March 2020
Effect on profit before tax:		
PLR* - decrease by 50 bps	5.16	6.23
PLR* - increase by 50 bps	(5.16)	(6.23)

\*Prime Lending Rate ('PLRs') set by individual Indian banks in respect of their loans.

### Credit risk

The Company is also exposed to credit risk from trade receivables, term deposits, liquid investments and other financial instruments.

(i) Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. All customers are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis. The Company is exposed to credit risk in the event of non-payment by customers. An impairment analysis is performed at each reporting date by grouping the receivables in homogeneous group. Trade receivables are non-interest bearing and are generally on original credit terms of 30 to 180 days depending upon category and nature of customers. Considering the request of certain distributors for becoming more competitive under the current market scenario and to enhance the overall market share, the management has decided to extend the credit terms on case-to-case basis to its distributors which shall be helpful to penetrate the potential opportunities of enhancing the overall market share. For this purpose, the management has done credit evaluation on the distributors based on their business relationships with the Company and the market credibility as well as established a mechanism of monitoring the availability and marketability of inventory levels lying with the retailer network.

Trade receivables (refer note 7(c)) include amounts (see below for aged analysis) of Rs. 7413.93 million (31 March 2020 : Rs. 5566.26) with the extended credit period at the reporting date. To ensure the recovery in such cases, the Company keeps monitoring the stocks levels lying with the distributors and in the market with the retail network through its field sales forces. The Company territory managers are ensuring that the stocks available in the retail market are in marketable position and are also monitoring the movement of products, which helps the Company to keep the overall control that the recoveries are certain and not dependent only upon the financial strength of any distributor. In the post COVID scenario, the Company expects to benefit from the Atmanirbhar Bharat (self-reliant India) initiatives of the government of India, the increased thrust on manufacturing in India resulting in enhanced competitiveness of its products which in turn shall be helpful to the Company's distributors to reduce the inventory levels and achieve higher sales. Considering the above, the Company is confident of the recoveries of its dues with extended credit period and the management is of the view that these amounts are completely recoverable within the extended credit period. Based on their credit evaluation, management considers these trade receivables as high quality and accordingly, no life time expected credit losses are recognized on such receivables. The Company considers that trade receivables are not credit impaired as these are receivable from credit worthy counterparties. To comply with the requirement of Ind AS 109 - Financial Instruments, the company has created total ECL of Rs. 728.80 million, out of which Rs. 474.80 million pertains to earlier financial years. As it was impracticable to ascertain the ECL for each of respective earlier financial year, Rs. 355.29 million (net of deferred tax asset of Rs 119.51 million), in compliance with the requirements of para 44 of IND AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, has been adjusted to the retained earnings. ECL of Rs. 254.00 million pertains to the FY 2020-21 and has been recognised as expense for the year. For terms and conditions relating to related party receivables, refer note 30.

(ii) The credit risk for cash and cash equivalents, other bank balances, term deposits, etc. is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Ageing based on original credit terms but not impaired receivables is as follows:

Particulars	31 March 2021	31 March 2020
0-180 days	751.96	3,305.87
180-365 days	1,445.15	2,677.60
1 year plus	5,968.79	2,888.66
<b>Total</b>	<b>8,165.89</b>	<b>8,872.13</b>

The Company has provisions of Rs. 49.04 million (31 March 2020 : Rs. 54.06 million) for doubtful debts. None of these trade debtors past due or impaired have had their terms renegotiated. The maximum exposure to credit risk at the reporting date is the fair value of each class of debtors presented in the financial statements.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

### Liquidity risk

The Company monitor their risk of shortage of funds using cash flow forecasting models. These models consider the maturity of their financial investments, committed funding and projected cash flows from operations.

The Company's objective is to provide financial resources to meet its business objectives in a timely, cost effective and reliable manner. A balance between continuity of funding and flexibility is maintained through the use of bank borrowings. The Company also monitors compliance with its debt covenants. The maturity profile of the Company's financial liabilities based on contractual undiscounted payments is given in the table below:

	<1yr	1-5 yrs	>5 yrs	Total
<b>As at 31 March 2021</b>				
Borrowings (including interest accrued)	1,032.15	-	-	1,032.15
Compulsory Convertible Preference Shares (CCPS) (including interest accrued)	-	-	-	-
Trade payables	3,617.61	-	-	3,617.61
Derivative liability	5.15	-	-	5.15
Other financial liability	1,024.13	128.22	34.38	1,186.72
<b>Total</b>	<b>5,679.04</b>	<b>128.22</b>	<b>34.38</b>	<b>5,841.63</b>
<b>As at 31 March 2020</b>				
Borrowings (including interest accrued)	1,221.11	33.58	-	1,254.69
Compulsory Convertible Preference Shares (CCPS) (including interest accrued)	-	-	640.40	640.40
Trade payables	3,812.33	-	-	3,812.33
Other financial liability	404.04	141.93	58.03	604.00
<b>Total</b>	<b>5,437.48</b>	<b>175.51</b>	<b>698.43</b>	<b>6,311.42</b>



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**Foreign currency risk**

The Company has significant purchases from outside India. The Company has transactional currency exposures arising from sales or purchases by an operating unit in currencies other than the unit's functional currency. Accordingly, the Company's financial state of affairs can be affected significantly by movements in the US dollar exchange rates. The Company enters into derivative transactions, primarily in the nature of futures currency contracts/forward contracts on import payables. The purpose is to manage currency risks arising from the Company's operations.

The carrying amounts of the Company's financial assets and liabilities denominated in different currencies are as follows:

As at	31 March 2021		31 March 2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Amount in United States Dollar (USD)	73.46	33.10	69.01	28.07
Exchange Rate	73.24	73.24	75.37	75.37
Amount in Indian Rupees (INR)	5,379.86	2,424.08	5,201.35	2,115.43

The Company's exposure to foreign currency arises in part where a Company holds financial assets and liabilities denominated in a currency different from the functional currency of that entity with USD being the major non-functional currency of the Company's main operating subsidiaries. Set out below is the impact of a 10% movement in the US dollar and Euro on profit before tax arising as a result of the revaluation of the Company's foreign currency financial assets and unhedged liabilities :

As at	31 March 2021	31 March 2020
Effect of 10% strengthening of INR against USD on profit before tax:	(295.58)	(308.59)
Effect of 10% weakening of INR against USD on profit before tax:	295.58	308.59

The Company enters into forward/future contracts to mitigate the risk arising from fluctuations in foreign exchange rates to cover foreign currency payments.

The Company has taken forwards/future contract of the following amount to hedge against currency risk against movement in INR/US dollar. The contract as on year end are as follows :

As at	31 March 2021	31 March 2020
Amount in INR	600.93	348.14

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## 28 Post-employment benefits plan

### Gratuity

The Company has unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service or part thereof in excess of 6 months.

The following table summarizes the components of net benefit expense recognized in the statement of profit and loss for gratuity plan and amounts recognized in the balance sheet in respect of same.

#### Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	31 March 2021	31 March 2020
Current service cost	11.52	10.49
Interest cost on benefit obligation	3.71	3.86
Net benefit expense	15.23	14.35

#### Balance sheet

##### Benefit asset/liability

	31 March 2021	31 March 2020
Present value of defined benefit obligation	(66.07)	(56.29)
Net asset/(liability) recognised in balance sheet	(66.07)	(56.29)

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2021	31 March 2020
Opening defined benefit obligation	56.29	54.45
Current service cost	11.52	10.49
Interest cost	3.71	3.86
Total amount recognised in profit & loss	15.23	14.35
Re-measurement (gains)/losses of defined benefit plan :		
- Due to changes in financial assumptions	1.10	1.97
- Due to experience adjustment	0.55	(1.38)
Total amount recognised in other comprehensive income	1.65	0.59
Benefits paid	(7.10)	(13.10)
Closing defined benefit obligation	66.07	56.29

The principal assumptions used in determining gratuity benefits are as below:

	31 March 2021	31 March 2020
Discount rate	5.50%	6.00%
Employee turnover*	30.00%	30.00%
Salary Escalation Rate	7.00%	7.00%

\*In the retail executives category, the employee turnover ratio is above 100% based on which none of such category of employees will remain with the Company for 5 years from the date of joining. Hence, the average turnover ratio of other category of employees has been considered for the calculation of the gratuity liability for these category of employees.

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

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.76 years (31 March 2020: 4.86 years)

Amounts for the current and previous four years are as follows:

Particulars	31 March 2021	31 March 2020	31 March 2019	31 March 2018	31 March 2017
Gratuity					
Defined benefit obligation	66.07	56.29	54.45	103.98	90.02
Experience adjustments on liabilities gain / (loss)	(0.55)	1.38	18.66	4.43	(4.83)



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**Sensitivity Analysis:**

A quantitative sensitivity analysis for significant assumption is as shown below:

	31 March 2021	31 March 2020
Projected benefit obligation on current assumptions	66.07	56.29
Delta effect of +1 % change in discount rate	(1.94)	(1.65)
Delta effect of -1 % change in discount rate	2.07	1.76
Delta effect of +1 % change in salary escalation rate	2.21	1.89
Delta effect of -1 % Change in salary escalation rate	(2.11)	(1.81)
Delta effect of +10 % change in rate of employee turnover	(1.31)	(1.16)
Delta effect of -10 % change in rate of employee turnover	1.44	1.25

**29 Segment information**

Ind AS 108 establishes standards for the way the companies report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The Company's operations relate to sales of mobile handsets in India through the distributor and retailers network. The Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on analysis of various performance indicators pertaining to business as a single segment. Accordingly, for the purpose of entity wide disclosures, only geographical information has been presented. Business segment of the Company is primarily sale of mobile handsets.

Geographical information on revenues are collated based on individual customers invoiced or in relation to which revenue is otherwise recognized.

**Geographical information:**

The following tables present geographical information regarding the Company's revenue: □

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
India	15,191.76	16,477.64
Outside India	1,073.53	2,965.41
<b>Total</b>	<b>16,265.29</b>	<b>19,443.05</b>

No customer individually accounted for more than 10% of the revenue for the year ended 31 March 2021 and year ended 31 March 2020.

The Company does not have any non-current assets, as defined in Ind AS 108, which is located outside India.

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30 Related party disclosures

(i) List of parties as per the requirement of Ind AS 24 "Related Party Disclosures":

Sr.No.	Related Party	Country of Incorporation	Nature of Relationship	
			31 March 2021	31 March 2020
1	LAVA International (H.K.) Limited	Hong Kong	Wholly owned subsidiary	Wholly owned subsidiary
2	Xolo International (H.K) Limited	Hong Kong	Wholly owned subsidiary	Wholly owned subsidiary
3	Lava Enterprises Limited	India	Subsidiary (99.05 % shares held by Lava International Limited)	Subsidiary (99.05 % shares held by Lava International Limited)
4	Sojo Distribution Private Limited	India	Subsidiary (90.00% shares held by Lava International Limited)	Subsidiary (90.00% shares held by Lava International Limited)
5	Sojo Manufacturing Services (A.P.) Private Limited	India	Subsidiary (99.97% shares held by Lava International Limited)	Subsidiary (99.97% shares held by Lava International Limited)
6	Sojo Manufacturing Services Private Limited	India	Subsidiary (99.95% shares held by Lava International Limited)	Subsidiary (99.95% shares held by Lava International Limited)
7	Sojo Infotel Private Limited*	India	-	Subsidiary (90.00% shares held by Lava International Limited)
8	Lava Technologies DMCC	UAE	Wholly owned subsidiary	Wholly owned subsidiary
9	Pt. Lava Mobile Indonesia	Indonesia	Subsidiary (95.00% shares held by LAVA International (H.K.) Limited)	Subsidiary (95.00% shares held by LAVA International (H.K.) Limited)
10	Lava International DMCC, UAE	UAE	Subsidiary (wholly owned by LAVA International (H.K.) Limited)	Subsidiary (wholly owned by LAVA International (H.K.) Limited)
11	Lava Mobility (Private) Limited, Sri Lanka	Sri Lanka	Subsidiary (wholly owned by LAVA International (H.K.) Limited)	Subsidiary (wholly owned by LAVA International (H.K.) Limited)
12	Lava Mobile Mexico S.DER.L. DE C.V.	Mexico	Subsidiary (99.00% shares held by LAVA International (H.K.) Limited))	Subsidiary (99.00% shares held by LAVA International (H.K.) Limited))
13	Lava International (Myanmar) Co. Limited	Myanmar	Subsidiary (99.00% shares held by LAVA International (H.K.) Limited))	Subsidiary (99.00% shares held by LAVA International (H.K.) Limited))
14	Lava International (Thailand) Co Limited**	Thailand	-	Subsidiary (97.00% shares held by LAVA International (H.K.) Limited)
15	Lava international (Nepal) Private Limited	Nepal	Subsidiary (wholly owned by LAVA International (H.K.) Limited)	Subsidiary (wholly owned by LAVA International (H.K.) Limited)
16	Lava International (Bangladesh) Limited	Bangladesh	Subsidiary (99.99% shares held by LAVA International (H.K.) Limited)	Subsidiary (99.99% shares held by LAVA International (H.K.) Limited)
17	Yamuna Electronics Manufacturing Cluster Private Limited (YEMCPL)	India	Joint venture (Indirect)	Joint venture (Indirect)
18	Lava Technologies L.L.C.	USA	Wholly owned subsidiary	Wholly owned subsidiary

\* Sojo Infotel Limited cease to exist as subsidiary w.e.f. 18th March, 2021.

\*\* Lava International (Thailand) Co Limited cease to exist as subsidiary w.e.f. 1st April,2020.





**Lava International Limited**

Notes to standalone financial statements for the year ended 31 March 2021

*(All amounts in Indian Rupees Million unless otherwise stated)***(ii) Others (with whom transactions have taken place during the year)**

Sr.No.	Related Party	Country of Incorporation	Nature of Relationship	
			31 March 2021	31 March 2020
1	MagicTel Solutions Private Limited	India	Associate	Associate
2	Ottomate International Private Limited	India	Enterprises owned or significantly influenced by key management personnel or their relatives	Enterprises owned or significantly influenced by key management personnel or their relatives
3	Am Express Worldwide Logistics (Partnership Firm)	India	Enterprises owned or significantly influenced by key management personnel or their relatives	Enterprises owned or significantly influenced by key management personnel or their relatives :
4	Lava Employee Welfare Trust	India	Controlled trust	Controlled trust

**(iii) Key Management Personnel :**

Mr. Hari Om Rai - Chairman & Managing director  
Mr. Shailendra Nath Rai - Whole time director  
Mr. Vishal Sehgal - Non Executive director  
Mr. Sunil Bhalla - Non Executive director  
Mr. Vinod Rai -Independent director  
Mrs. Chitra Gouri Lal - Independent director  
Mr. Rahul Kansal - Independent director  
Mr. Vineet Jain – Independent director (upto 19 June 2019)  
Mr. Rati Ram - Chief Financial Officer (from 1 November 2018 to 1 August 2019)  
Mr. Asitava Bose - Chief Financial Officer (w.e.f. 9 August 2019)  
Mr. Bharat Mishra - Company Secretary  
Mr. Sunil Raina- President & Bussiness Head (w.e.f 18 May 2021)  
Mr. Sanjeev Agarwal Chief Manufacturing Officer (w.e.f 18 May 2021)  
Mr. Mugdh Rajit - Senior Vice President-Head Marketing, (w.e.f 18 May 2021)  
Mr. Sourabh Raghuvanshi -Vice President - Sales & Supply Chain (w.e.f 18 May 2021)

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**Lava International Limited**

**Notes to standalone financial statements for the year ended 31 March 2021**

*(All amounts in Indian Rupees Million unless otherwise stated)*

Particulars	Subsidiaries	
	31 March 2021	31 March 2020
<b>A. Transactions during the year</b>		
<b>Purchase of goods</b>		
LAVA International (HK) Limited	-	15.62
XOLO International (H.K.) Limited	-	32.30
<b>Expenses incurred on behalf of related parties</b>		
Lava Technologies DMCC	-	20.83
Sojo Manufacturing Services (AP) Private Ltd	0.19	0.04
Sojo Manufacturing Services Private Limited	0.01	0.05
Sojo Distribution Private Limited	0.02	0.04
Sojo Infotel Pvt Limited	0.27	0.04
<b>Advance given</b>		
Sojo Distribution Private Limited	15.31	-
Sojo Infotel Pvt Limited	4.82	-
<b>Sale of Services</b>		
Sojo Distribution Private Limited	0.14	-
<b>Export Sales</b>		
LAVA International (H.K.) Limited	-	2.63
Lava Technologies DMCC	7.80	91.71
XOLO International (H.K.) Limited	-	0.13
<b>B. Amount due to / from related parties</b>		
<b>Trade Payable</b>		
Lava International (H.K.) Limited	-	72.31
<b>Other receivables</b>		
Lava International (H.K.) Limited	94.36	116.37
Sojo Distribution Private Limited	15.52	0.04
Sojo Infotel Pvt Limited	5.13	0.04
Sojo Manufacturing Services (AP) Private Ltd	0.33	0.14
Sojo Manufacturing Services Private Ltd	10.38	10.37
Lava Enterprise Limited	0.04	0.04
Lava Technologies DMCC	26.60	27.40
<b>Trade receivable</b>		
Lava International (H.K.) Limited	-	23.26
Lava Technologies DMCC	7.67	22.31
XOLO International (Hk) Ltd.	425.96	438.41
<b>Advance given</b>		
XOLO International (H.K.) Limited	101.92	299.25

Particulars	Joint Venture	
	31 March 2021	31 March 2020
<b>A. Transactions during the year</b>		
<b>Advances given</b>		
Yamuna Electronics Manufacturing ClustePrivate Limited (YEMCPL)	-	0.04
<b>B. Amount due from related parties</b>		
<b>Advance given</b>		
Yamuna Electronics Manufacturing ClustePrivate Limited (YEMCPL)	0.04	0.04



**Lava International Limited**

**Notes to standalone financial statements for the year ended 31 March 2021**

*(All amounts in Indian Rupees Million unless otherwise stated)*

Particulars	Associate	
	31 March 2021	31 March 2020
<b>A. Transactions</b>		
<b>Sale of services</b>		
MagicTel Solutions Private Limited	0.88	5.06
<b>B. Amount due from related parties</b>		
<b>Advance from Customer</b>		
MagicTel Solutions Private Limited	-	0.07
<b>Particulars</b>	<b>Parties in which Key Management Personnel of the Company are interested</b>	
	<b>31 March 2021</b>	<b>31 March 2020</b>
<b>A. Transactions during the year</b>		
<b>Services taken</b>		
Am Express Worldwide Logistics	0.44	-
Ottomate International Private Limited	0.60	-
<b>B. Amount due to / from related parties</b>		
<b>Trade receivable</b>		
<b>Trade Payable</b>		
Am Express Worldwide Logistics	0.19	0.15
Ottomate International Private Limited	0.03	-
<b>Particulars</b>	Controlled Trust	
	31 March 2021	31 March 2020
<b>A. Transactions during the year</b>		
<b>Advances given</b>		
Lava Employee Welfare Trust	-	1.00
<b>Expenses incurred on behalf of related parties</b>		
Lava Employee Welfare Trust	0.06	-
<b>B. Amount due from related parties</b>		
<b>Other receivables</b>		
Lava Employee Welfare Trust	68.03	67.97

Particulars	Remuneration of Key Management Personnel	
	31 March 2021	31 March 2020
Short-term employee benefits	12.26	9.61
Post-employment benefits	0.51	1.84

All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and their settlement occurs in cash. For the year ended 31 March 2021 and year ended 31 March 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties.

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Lava International Limited  
Notes to standalone financial statements for the year ended 31 March 2021  
(All amounts in Indian Rupees Million unless otherwise stated)

31 Commitments and contingencies

(A) Capital and other commitments

Particulars	31 March 2021	31 March 2020
(a) Estimated amount of contracts to be executed on capital account [net of capital advances amounting to 1.50 million (31 March 2020: Nil million) and not provided for] (refer note 9(a))	5.15	1.01

(B) Contingent liabilities

Particulars	31 March 2021	31 March 2020
Bank guarantees	313.94	198.23
Sales tax demands [refer note (a)] (amount paid under protest Rs. 126.44 million (31 March 2020: Rs.86.80 million))	469.83	438.55
	<b>783.78</b>	<b>636.78</b>

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**Lava International Limited**

**Notes to standalone financial statements for the year ended 31 March 2021**

*(All amounts in Indian Rupees Million unless otherwise stated)*

**(a) Sales tax demands**

(i) The Hon'ble Supreme Court of India vide its order dated 17 December 2014 in the case of State of Punjab Vs. Nokia India Pvt. Limited, has held that the mobile charger contained in the mobile phone retail pack is an independent part and shall be separately charged to VAT at rate as applicable to the chargers. The appellant has already approached the Hon'ble Supreme Court in a review petition challenging the judgement. In view of this judgement, the VAT Authorities of various states have raised demands along with interest and penalties aggregating to Rs. 126.11 million (31 March 2020: Rs. 102.63 million). The Company has filed appeal against these demands. Amount paid under protest against demands amounting to Rs. 46.50 million (31 March 2020: Rs. 42.02 million) have been disclosed under balance with statutory/government authorities in other assets.

Based on the legal assessment, management believes that the possibility of materialising sales tax demands is low. Accordingly, no provision is made in the financial statements for such demands.

(ii) Sales tax demands received of Rs 35.55 million (31 March 2020 : Rs. 34.31 million) (amount paid under protest of Rs 7.45 million (31 March 2020 : Rs. 7.39 million)) from various sales tax authorities for which the management believes that the possibility of materializing the demand is remote.

(iii) Sales tax demands received of Rs 283.70 million (31 March 2020 : Rs. 301.60 million) (amount paid under protest of Rs 70.93 million (31 March 2019 : Rs. 37.39 million) ) classifying mobile phone under residuary entry under schedule- V, whereas as per lawyer's opinion product is well covered in specific entry 39 under schedule - IV for which management also believes that the possibility of materializing the sales tax demand is low. Accordingly, no provision is made in the financial statements for such demands.

(iv) Camera Module for mobile phone" is neither similar nor identical With Digital Still image video cameras" as claimed by company and thus the items " Camera Module for Mobile phone is totally different from " Digital still image video Cameras, hence availed exemption is not eligible to company According to the Company, the company have rightly claimed exemption from the payment of SWS under SR N0 30 of the notification No 11/2018 CT dated 02.02.2018 which exempts " Digital Still Image video Cameras falling under the Heading 8525 8020, considering camera module & digital still image video cameras serving the same purpose which is capturing the image and stored in data bank. Therefore, the Company have done no mistake by claiming exemption under above said notification. The period in which company had claimed this exemption is 2nd Feb, 2018 to 31st Jul 2019. Total amount involved is Rs. 23.71 million (31 March 2020 : NIL). Against the order passed by Commissioner, the Company have filed an appeal before the CESTAT Delhi & deposited Rs. 1.56 million (31 March 2020 : NIL) of above amount for filing the appeal as prescribed under law. As per the consultant, the Company have a good case to argue and justify the claim.

**(b) Others**

(i) M/s Telefonaktiebolaget LM Ericsson ('Ericsson') filed a suit for infringement of patents against the Company in the month of March 2015. The said Suit was part of the series of suits being filed by Ericsson against many mobile handset manufacturers in India. During 2015, the Company has filed a counter civil suit against Telefonaktiebolaget LM Ericsson ('Ericsson') before the Hon'ble District Court, Gautam Budh Nagar due to certain breaches.

Subsequent to Company's institution of the suit in the District Court of Gautam Buddha Nagar, Ericsson has filed a suit for permanent injunction against the Company before Hon'ble High Court, Delhi, on 23 March 2015 for infringement of Ericsson's certain patents.

Hon'ble District Court, Gautam Budh Nagar has issued notice to Ericsson. Before Ericsson filed its written statement, on application of the parties, Hon'ble Supreme Court ordered for transfer of the matter to Delhi High Court vide its order dated 31 July 2015 and the same is clubbed with the pending suit of Ericsson before the Delhi High Court.

Hon'ble High Court, Delhi vide its order dated 22 June 2016 has passed an interim order wherein the Company was enjoined from manufacturing, importing, selling its devices, subject to the condition of deposit of Rs. 300.00 million with the Registrar General of Delhi High Court. However, the operation of Interim Order was stayed till the final disposal of the main suit. The Company has complied with the said order and deposited a sum of Rs. 300.00 million. Presently the aforesaid appeal is pending adjudication before the Delhi High Court and the suit was posted for final arguments in February 2021 which has been adjourned for a future date. Based on legal advise the Company does not expect any financial exposure upon final settlement and accordingly no provision has been made in the financial statement of the Company.

Apart from above, there is no claim/case being contested with any other standard essential patent providers and the Company is confident that there is no infringement of patents.

(ii) On 01.07.2017, Research and Collaboration Agreement ('RCA') was executed between the Company, Mintellectuals LLP and Nokia Technologies as a confirming party. Under the RCA, the parties were to explore and work towards the possibility of technical and research collaborations between Mintellectuals/Nokia and the Company.

The Company made payments to Mintellectuals LLP under the RCA, with a view to receive the Research and Collaboration deliverables envisaged under the Agreement. The Parties also agreed not to challenge/assert any legal rights in relation to Technically Necessary Patents during the term of this agreement. The payments in question were being made by the Company in lieu of the executory consideration/promise/obligation of Mintellectuals/Nokia to enable and assist research and collaboration in terms of the RCA.

However, it is a matter of fact that nothing under the RCA was ever delivered by Mintellectuals/Nokia Technologies to the Company. As a result, the Company declared the RCA as frustrated and repudiated. As a result of the dispute between Mintellectuals and the Company, arbitration proceedings are going on wherein the Company has denied liability to pay any amount to Mintellectuals and also sought refund of the entire amounts already paid on the ground that the Agreement stood frustrated/repudiated. Mintellectuals has categorically denied any research and collaboration benefit to the Company under the RCA and has in fact taken a stand there is no research and collaboration deliverable under the scope of the agreement.

Management has also taken legal opinion from the lawyers and accordingly entire amount paid by company under this agreement is fully recoverable on good legal grounds.

(iii) On 29.11.2017, Share Subscription & Shareholder Agreement ('SSSHA') was executed between the Company, Sponsors of the Company and UNIC Memory Technology (HK) Ltd. ('UNIC'). Pursuant to the SSSHA, UNIC has invested USD 30 millions in consideration of Compulsory Convertible Cumulative Preference shares along with 1 Equity Share representing 3.33% of the Equity rights of the company after conversion into Equity Shares.

The SSSHA contained certain exit rights for UNIC to exit from the companies in certain scenarios. Based on that, UNIC has requested the Company/Sponsors of the Company, inter alia, to facilitate the exit transaction with respect to UNIC's position by either purchasing UNIC's shares or procuring a sale of the same by a third party. The company/sponsors are in process to facilitate their request however there are certain disagreements about timing hence the parties are going through an arbitration procedure. Management has taken legal opinion from the lawyers and as per opinion company has a strong case before the Arbitral Tribunal on the grounds presented by the company.

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32 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

S. No.	Particulars	31 March 2021	31 March 2020
1	The principal amount remaining unpaid to any supplier as at the end of each accounting year	20.37	11.07
2	The interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
3	The amount of interest paid by the buyer in terms of section 16 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
4	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 this Act	Nil	Nil
5	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
6	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.	Nil	Nil

33 Pursuant to the requirement of section 135 of Companies Act, 2013 and rules thereon, the Company is required to spend Rs.11.93 million (31 March 2020: Rs.21.56 million) on corporate social responsibility. During the year the Company has spent Rs. 35.65 million (31 March 2020: Rs. 4.00 million), on various CSR activities for purpose other than construction or acquisition of any asset.

34 Import of mobile phones only attracts Special Duty of Customs in lieu of Excise (CVD) which is equivalent to excise duty applicable on like goods as if manufactured or produced in India. Accordingly, mobile phones manufactured in India are subject to excise duty at the rate of 13.5% (including NCCD of 1%) if Cenvat Credit on inputs and capital goods is availed (rate of duty was 7.21% (including NCCD of 1%) till 28 February 2015) and 2% (including NCCD of 1%) if such Cenvat Credit on inputs and capital goods is not availed.

This has been further clarified by the Hon'ble Supreme Court of India in the similar cases by ruling that the benefit of exemption / concessional rate of excise duty, which is subject to a condition that no Cenvat credit on inputs or capital goods used in the manufacture of such goods shall be taken, is also available to the importers of like goods for payment of CVD under Customs.

During the financial years 2014 -2015 and 2015 - 2016, the Company was clearing the imported mobile phones by paying CVD of customs at higher rate of 7.21% before 1 March 2015 and 13.50% from 1 March 2015 instead of 2% during respective periods. The Company got re-assessed bills of entries amounting to Rs 638.47 million during the financial year 2017-18 Post clarification issued by the Hon'ble Supreme Court in M/s SRF case discussed above, and after re-assessment of bills of entries, the above said CVD amount became fully recoverable. Accordingly, the Company has claimed refund as per the Customs Act 1962.

As at 31st March 2021, total amount recoverable amounting to Rs. 391.64 million (31 March 2020: Rs. 737.18 million) (including recoverable charges for delayed payment amounting to Rs. 331.98 million (31 March 2020: Rs. 331.98 million)) was recorded, has been disclosed under "Balance with statutory/government authorities" based on legal opinion obtained.

35 Research and development expenditure

The Company has duly carried out its research and development activities during the year and the details of related expenditure are given below:

Particulars	31 March 2021	31 March 2020
Amount charged to Statement of Profit and Loss	66.49	84.84
<b>Amount capitalised</b>		
- Property, plant and equipment	2.94	4.52
	<b>69.43</b>	<b>89.36</b>



36 Employee stock option plans:

The plans existing during the year are as follows :

Number of options approved	15% of Equity Paid up Share capital
Method of settlement (Cash / Equity)	Cash/Equity
Vesting conditions	The employee should be on roll of the Company or its subsidiary

The details of activity under ESOP Schemes have been summarized below\*:

	31 March 2021		31 March 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of year	2,01,47,360	10.69	2,01,47,360	10.69
Options granted during the year	2,85,54,342	6.56	-	-
Exercised / Settled during the year	-	-	-	-
Outstanding at the end of the year	4,87,01,702	8.27	2,01,47,360	10.69
Exercisable as at end of the year	2,01,47,360	10.69	2,01,47,360	10.69

The details of the ESOP outstanding are as follows\*:

Range of exercise price per share	Options Outstanding as at 31 March 2021			Options Outstanding as at 31 March 2020		
	No. of shares arising out of options	Weighted Average remaining contractual life	Weighted Average Exercise price	No. of shares arising out of options	Weighted Average remaining contractual life	Weighted Average Exercise price
Rs 1 - Rs 3.125	2,04,44,744	4.76	2.50	-	-	-
Rs. 6.250 - Rs. 9.375	16,39,200	5.18	7.72	16,39,200	6.18	7.72
Rs. 9.375 - Rs. 12.500	1,85,08,158	0.27	10.95	1,85,08,160	2.08	10.95
Rs. 15.625 - Rs. 18.750	81,09,598	4.76	16.81	-	-	-

\*Number of ESOPs and its exercise price has been calculated taking into account the following events happened post 31 March, 2021 :

- Pursuant to the approval of shareholders granted in the extra-ordinary general meeting held on 10 September 2021, the Company undertook a stock split of one existing equity share of Rs. 10 each into two fully paid up equity shares of Rs. 5 each.
- Pursuant to the approval of shareholders granted in the extra-ordinary general meeting held on 10 September 2021, the Company issued and allotted fully paid-up "bonus shares" at par in proportion of one new equity shares of Rs. 5 each for every one existing fully paid up equity share of Rs. 5 each held as on the record date of 08 September 2021.

The share based payment expense incurred during the year is shown in the following table:

	31 March 2021	31 March 2020
Expense arising from equity-settled share-based payment transactions	-	-
(Income) / Expense arising from settlement of options	85.54	-
	85.54	-

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**Lava International Limited**  
**Notes to standalone financial statements for the year ended 31 March 2021**  
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**37 Leases**

The Company adopted Ind AS 116 using the Modified retrospective method of adoption, with the date of initial application on 1st April 2019. This has resulted in recognizing a right of use assets (an amount equal to lease liability, adjusted by the prepaid lease rent) of Rs.243.15 million as at 1st April 2019. In the statement of profit and loss for the current year, operating lease expenses has changed from rent to depreciation cost for the right of use assets and finance cost for interest accrued on lease liability.

**Contractual maturities of lease liabilities:-**

The details of contractual maturities of lease liabilities as at March 31, 2021 and March 31, 2020 on an undiscounted basis are as follows:-

Particulars	31 March 2021	31 March 2020
Payable not later than 1 year	23.75	24.11
Payable later than 1 year and not later than 5 year	128.22	141.93
Later than 5 year	34.38	58.03
	<b>186.34</b>	<b>224.07</b>

**Lease liability**

Particulars	Office building	Factory building	Warehouse Building	Total
<b>As at 31 March 2019</b>	-	-	-	-
Addition in lease liability	72.45	159.15	11.55	243.15
Interest expense on lease liability	8.08	17.74	1.29	27.11
Payment made during CY	14.62	29.51	2.06	46.19
<b>As at 31 March 2020</b>	<b>65.91</b>	<b>147.38</b>	<b>10.78</b>	<b>224.07</b>
Addition in lease liability	-	-	-	-
Deletion in lease liability	6.87	-	7.96	14.83
Interest expense on lease liability	7.35	16.43	1.20	24.98
Payment made during CY	15.39	30.68	1.81	47.89
<b>As at 31 March 2021</b>	<b>51.00</b>	<b>133.13</b>	<b>2.21</b>	<b>186.33</b>
<b>Non Current portion</b>	<b>43.40</b>	<b>117.30</b>	<b>1.89</b>	<b>162.59</b>
<b>Current maturities of lease liability</b>	<b>7.60</b>	<b>15.83</b>	<b>0.32</b>	<b>23.75</b>





**Lava International Limited**  
**Notes to standalone financial statements for the year ended 31 March 2021**  
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- 38 The Company has appointed independent consultants for conducting a transfer pricing study to determine whether the transactions with associated enterprises were undertaken at "arm's length price". The management confirms that all international transactions with associate enterprises are undertaken at negotiated contracted prices on usual commercial terms and is confident of there being no adjustments on completion of the study. Adjustments, if any, arising from the transfer pricing study shall be accounted for as and when the study is completed.
- 39 During FY 20-21, There are certain suppliers who had supplied to the Company, and they have agreed to take the payments from our certain customers directly based on the approval of the parties. Accordingly, the trade payables and trade receivables are netted off in these financial statements.
- 40 Previous year figures have been reclassified/regrouped, wherever considered necessary to make them comparable with those for the current year.

The summary of regrouping related to standalone statement of profit and loss for the year ended 31 March 2020 are as follows:

Particulars	Notes	31 March 2020	Regrouping	31 March 2020 Regrouped
<b>Income</b>				
Finance Income	16	135.46	(135.46)	-
Other income	16	35.04	130.91	165.95
<b>Expenses</b>				
Other expenses	21	1,503.48	(4.55)	1,498.93

The above regrouping does not have material impact on the financial statements.

- 41 The Outbreak of Coronavirus (COVID-19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. The manufacturing activities and the sales and distribution of the products of the Company were disrupted due to lock downs and the general economic slowdown. The Company believes the current disruptions in operations are temporary in nature and based on the business outlook and various initiatives announced by the respective Central and state governments, this may not result in any significant financial impact on the Company. The Management has considered internal and external sources of information up to the date of approval of these financial statements, in assessing the recoverability of investments and assets, trade receivables, liquidity, financial position and operations of the Company and based on the management's assessment, there is no material impact on the financial results of the Company.

Considering the uncertainties involved in estimating the impact of this pandemic, the future impact of this pandemic may be different from those estimated as on the date of approval of these financial statements, and this will continue to be monitored in future periods.

**42 Non Adjusting Events subsequent to 31 March, 2021**

- a) Pursuant to approval of Board of directors of the company in the meeting held on 18th May, 2021, the board of directors of the company accorded the right issue allotment of 13,50,844 equity shares of Rs. 10 each at the premium of Rs. 523 per shares.
- b) Pursuant to approval of Board of directors of the company in the meeting held on 5th June, 2021, the board of directors of the company, further accorded the right issue allotment of 562,851 equity shares of Rs. 10 each at the premium of Rs. 523 per shares.
- c) Pursuant to the approval of shareholders granted in the extra-ordinary general meeting held on 10th September 2021, the Company undertook a stock split of one existing equity share of Rs. 10 each into two fully paid up equity shares of Rs. 5 each. As a result of the above transaction, the authorised number of equity shares have been increased to 78,20,00,000 equity shares of the company having a face value of Rs. 5 each from 39,10,00,000 Equity Shares of the Company having a face value of Rs. 10 each.
- d) Pursuant to the approval of shareholders granted in the extra-ordinary general meeting held on 10th September 2021, the Company issued and allotted fully paid-up "Bonus shares" at par in proportion of one new equity shares of Rs. 5 each for every one existing fully paid up equity share of Rs. 5 each held as on the record date of 08th September 2021.

- 43 There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the company.

**For ASA & Associates LLP**  
Chartered Accountants  
Firm's Registration No.: 009571N/N500006

Prateef Mittal  
Partner  
Membership No. 402631



Place: Gurugram  
Date: September 18, 2021

For and on behalf of the Board of Directors of  
**Lava International Limited**  
CIN: U32201DL2009PLC188920

Hari Om Rai  
Chairman & Managing Director  
(DIN - 01191443)

Ashava Bose  
Chief Financial Officer



Place: Noida  
Date: September 18, 2021

Shailendra Nath Rai  
Whole-Time Director  
(DIN-00908417)

Bharat Mishra  
Company Secretary  
(Membership No.- ACS-35437)