

# **P G BHAGWAT LLP**

Chartered Accountants  
LLPIN: AAT - 9949

## **HEAD OFFICE**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Praj Americas Inc

### **Report on the Audit of the Indian Accounting Standards (Ind AS) Financial Statements**

#### **Opinion**

We have audited the Ind AS financial statements of Praj Americas Inc ("the Company"), which comprise the Balance Sheet as at 31 March 2021, and the statement of Profit and Loss (including Other Comprehensive Income), statement of Changes in Equity and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, and its loss (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. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

There is no other information other than financial statements and audit report and as such reporting under other information is not applicable.

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

The Company's Board of Directors is responsible for preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance, Changes in Equity and Cash Flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the

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

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

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

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

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 Ind AS financial statements or, if such

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disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We further report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

For P G BHAGWAT LLP

Chartered Accountants

FRN: 101118W/W100682



Sandeep Rao

Partner

Membership Number 047235

UDIN: 21047235AAAACS2073

Pune: May 05, 2021

**Praj Americas Inc. USA**

**Balance Sheet as on 31 March 2021**


(All amounts are in USD unless otherwise stated)

Particulars	Note No.	31 March 2021	31 March 2020
<b>ASSETS</b>			
(1) <b>Non-current assets</b>			
(a) Property, plant and equipment	3		
(b) Financial assets			
(i) Security Deposits	4		1,740
<b>Total non-current assets</b>			<b>1,740</b>
<b>Current assets</b>			
(a) Financial assets			
(i) Trade receivables	5	61,926	65,786
(ii) Cash and cash equivalents	6	58,285	25,269
(b) Current tax asset (Net)	7	30,000	30,000
(c) Other current assets			
<b>Total current assets</b>		<b>1,50,211</b>	<b>1,21,055</b>
<b>TOTAL ASSETS</b>		<b>1,50,211</b>	<b>1,22,795</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity share capital	8	2,00,000	2,00,000
(b) Other equity	9	(1,34,345)	(78,435)
<b>Total equity</b>		<b>65,655</b>	<b>1,21,565</b>
<b>LIABILITIES</b>			
(1) <b>Current liabilities</b>			
(a) Trade payables	10	2,214	1,229
(b) Other financial liabilities	11	82,342	
(c) Other current liabilities	12		
(d) Provisions	17		
<b>Total current liabilities</b>		<b>84,556</b>	<b>1,229</b>
<b>Total liabilities</b>		<b>84,556</b>	<b>1,229</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,50,211</b>	<b>1,22,795</b>


Summary of significant accounting policies 2  
 The accompanying notes are an integral part of the financial statements.

As per our report of even

For P G BHAGWAT LLP  
 Chartered Accountants  
 Firm Regn No 101118W/W100682

  
 Sandeep Rao  
 Partner  
 Membership No 47235  
 Place: Pune  
 Date: 05 May 2021

For and on behalf of the Board of Directors  
 of Praj America Inc.

  
 Jayant Godbole  
 Director

**Praj Americas Inc. USA**

**Statement of profit and loss for the year ended 31 March 2021**

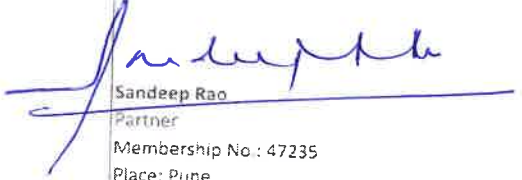
(All amounts are in USD unless otherwise stated)

Particulars	Note No	31 March 2021	31 March 2020
Revenue from Operations	13	6,64,426	8,93,955
Other income			
<b>Total Income</b>		<b>6,64,426</b>	<b>8,93,955</b>
<b>Expenses</b>			
Operating, selling and other costs	14	50,677	1,69,190
Employee benefits expense	15	6,69,659	6,66,282
Depreciation and amortization expense	3	-	-
<b>Total expenses</b>		<b>7,20,336</b>	<b>8,35,471</b>
Profit/(loss) before exceptional items and tax			
Exceptional items		(55,910)	58,483
<b>Profit / (loss) before tax</b>		<b>(55,910)</b>	<b>58,483</b>
<b>Tax expenses</b>			
(1) Current tax			
(2) Deferred tax			
<b>Profit (Loss) for the period from continuing operations (VII - VIII)</b>		<b>(55,910)</b>	<b>58,483</b>
Profit/(loss) from discontinued operations			
Tax expenses of discontinued operations			
Profit/(loss) from discontinued operations (after tax) (X- XI)			
<b>Profit/(loss) for the period</b>		<b>(55,910)</b>	<b>58,483</b>
<b>Other Comprehensive Income</b>			
Re-measurement of defined benefit plans			
Income tax effect			
B (i) Items that will be reclassified to profit or loss			
Income tax effect			
<b>Other Comprehensive Income Total</b>			
<b>Total comprehensive income for the year</b>		<b>(55,910)</b>	<b>58,483</b>
<b>Earnings per equity share (Nominal value per share \$ 5 each)</b>	14		
(1) Basic		(1.40)	1.46
(2) Diluted		(1.40)	1.46

Summary of significant accounting policies  
 The accompanying notes are an integral part of the financial statements. 2

As per our report of even .

For P G BHAGWAT LLP  
 Chartered Accountants  
 Firm Regn No 101118W/W100682

  
 Sandeep Rao  
 Partner  
 Membership No.: 47235  
 Place: Pune  
 Date: 05 May 2021

For and on behalf of the Board of Directors  
 of Praj America Inc.

  
 Jayant Godbole  
 Director

**Praj Americas Inc. USA**  
**Cash Flow Statement for the year ended 31 March 2021**  
 (All amounts are in USD unless otherwise stated)

	31 March 2021	31 March 2020
<b>A. Cash flow from operating activities</b>		
Net profit before tax		
Adjustments for:		
Depreciation and amortisation	(55,910)	58,483
<b>Operating profit before working capital changes</b>		
Changes in working capital	(55,910)	58,483
(Increase) /decrease in trade receivables		
Increase/(decrease) in trade payables	3,860	(23,719)
Increase/(decrease) in other current financial liabilities	985	(4,937)
Increase/(decrease) in other current liabilities	82,342	(43,192)
Increase/(decrease) in short term provisions		(595)
<b>Cash generated from operations</b>		
Direct taxes paid (including taxes deducted at source), net of refunds	31,276	(13,958)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
	31,276	(13,958)
<b>B. Cash flow from investing activities</b>		
<b>NET CASH FROM / (USED) IN INVESTING ACTIVITIES</b>		
<b>C. Cash flow from financing activities</b>		
Proceeds from Security Deposits		
<b>NET CASH FROM / (USED) IN FINANCING ACTIVITIES</b>		
	1,740	
	1,740	
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		
Cash and cash equivalents at the beginning of the year (Refer Note 6)	33,016	(13,958)
Add: effect of exchange rate changes on cash and cash equivalents	25,269	39,227
<b>Cash and cash equivalents at the end of the year (Refer Note 6)</b>		
	58,285	25,269

**Notes:**

1 The statement of cash flows has been prepared under the 'indirect method' as set out in Ind AS 7

The accompanying notes are an integral part of the Cash Flow statement

As per our report of even

For P G BHAGWAT LLP

Chartered Accountants

Firm Regn. No: 101118W/W100682

  
Sandeep Rao


Partner

Membership No.: 47235

Place: Pune

Date: 05 May 2021

For and on behalf of the Board of Directors  
of Praj America Inc.

  
Jayant Godbole  
Director

## Praj America Inc: USA

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

### 1 The corporate overview

Praj America Inc., ('PAI' or 'the company') company domiciled in United states of America. The company's registered office is " ~~14511 Old Katy Road, Houston, Texas 77079~~ 24210 Kinross Lane, Katy, Texas 77424. The company is engaged in the business of marketing of Indian parent company products in America.

### 2 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

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

The financial statements were authorised for issue by the Board of Directors on 5th May 2021.

#### 2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Certain non-derivative financial instruments at fair value through profit or loss	Fair value

#### 2.3 Functional and presentation currency

These financial statements are presented in US dollar (USD), which is the company's functional currency.

#### 2.4 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, current assets, non-current assets, current liabilities, non-current liabilities and disclosure of the contingent liabilities at the end of each reporting period. Actual results may differ from these estimates. Estimation and underlying assumptions are reviewed on ongoing basis. Revisions to estimates are recognised prospectively.

#### 2.5 Current versus non-current classification

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

An asset as current when it is:

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

All other assets are classified as non-current.

## **Praj America Inc. USA**

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

A liability is current when:

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

All other liabilities are classified as non-current.

### **2.6 Property, plant and equipment**

- **Recognition and measurement**

Items of property, plant and equipment are measured at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Borrowing costs directly attributable to the construction of a qualifying asset are capitalised as part of the cost.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment under construction are disclosed as capital work-in-progress.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date are disclosed under 'Other non-current assets'.

- **Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit and loss as incurred.

- **Disposal**

An item of property, plant and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/ expenses in the statement of profit and loss.

- **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment as prescribed in Schedule II of the Companies Act, 2013, as assessed by the management of the company based on technical evaluation. Freehold land is not depreciated.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term.

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## **Praj America Inc: USA**

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

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

<b>Asset</b>	<b>Useful life (in years)</b>
Computers and office equipment	3-5
Furniture and fixtures	10

### **2.7 Impairment of non-financial assets**

The company assesses at each balance sheet date whether there is any indication that an asset or cash generating unit (CGU) may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal or its value in use. Where the carrying amount of an asset or CGU 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 considered.

Impairment losses are recognised in the statement of profit and loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **2.8 Cash and cash equivalents**

Cash and cash equivalents in the balance sheet 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.

### **2.9 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue from services is recognized as the related services are performed.

Revenue is measured at the fair value of the consideration received or receivable. Amounts included in the revenue are net of trade allowances, rebates, value added taxes and amounts collected on behalf of third parties.

### **2.10 Foreign currency transactions and balances**

Transactions in foreign currency are recorded at exchange rates prevailing at the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies which are outstanding, as at the reporting period are translated at the closing exchange rates and the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

## **Praj America Inc. USA**

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

### **2.11 Employee benefits**

- **Short-term employee benefits**

Employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and are recognised in the period in which the employee renders the related service.

- **Post-employment benefits**

#### **Defined contribution plans**

Contributions to the provident fund are defined contribution schemes, are recognised as an employee benefit expense in the statement of profit and loss in the period in which the contribution is due.

#### **Defined benefit plans**

The employees' gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on government securities as at the reporting date, having maturity periods approximating to the terms of related obligations.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (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 other comprehensive income (OCI) in the period in which they occur. Remeasurements are not reclassified to the statement of profit and loss in subsequent periods.

In case of funded plans, the fair value of the plan's assets is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on net basis.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of profit and loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The company recognises gains/ losses on settlement of a defined plan when the settlement occurs.

#### **Other long-term employee benefits**

The liabilities for earned leave are not expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method as determined by actuarial valuation. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating the terms of the related obligation. Remeasurements as a result of experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

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## **Praj America Inc. USA**

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

### **Termination benefits**

Termination benefits are expensed at the earlier of when the company can no longer withdraw the offer of those benefits and when the company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

### **2.12 Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### **• Company as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is available.

### **2.13 Income tax**

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

#### **• Current tax**

Current 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 at the reporting date in the country where the company operates and generates taxable income. Current tax assets and liabilities are offset only if there is a legally enforceable right to set it off the recognised amounts and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

#### **• Deferred tax**

Deferred tax is provided using the balance sheet method on temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes 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;
- Taxable temporary differences arising on the initial recognition of goodwill.

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 utilised, 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

## Praj America Inc: USA

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

of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

In the situations where the company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognised in respect of temporary differences which reverse during the tax holiday period, to the extent the company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.

### 2.14 Provisions and contingencies

A provision is 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.

When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. 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 in the statement of profit and loss.

Contingent liability is disclosed in case of

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.
- present obligation arising from past events, when no reliable estimate is possible
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent asset is not recognised in the financial statements. A contingent asset is disclosed, where an inflow of economic benefits is probable.

## **Praj America Inc. USA**

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

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

### **2.15 Earnings per share (EPS)**

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the company by the weighted average number of equity shares outstanding during the financial year.

Diluted EPS adjust the figures used in the determination of basic EPS to consider

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

### **2.16 Fair value measurement**

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

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

The principal or the most advantageous market must be accessible by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers 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.

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

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

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

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

### **2.17 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.

## **Praj America Inc. USA**

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

### **Financial assets**

#### **Classification**

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss);
- those measured at amortised cost.

The classification depends on the company's business model for managing the financial assets and the contractual terms of cash flows.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit and loss or OCI. For investments in debt instruments, this will depend on the business model in which investment is held. For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for equity investment at fair value through OCI.

The company classifies debt investments when and only when its business model for managing those assets changes.

#### **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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit and loss.

#### **Debt instruments**

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

##### **Debt instruments at amortised cost**

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

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- The 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.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of hedging relationship is recognised in the statement of profit and loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using effective interest rate (EIR) method.

##### **Debt instruments at fair value through other comprehensive income (FVTOCI)**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVTOCI. The movements in the carrying amount are recognised through OCI, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gain or losses which are recognised in the statement of profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit and loss and recognised in other gains / losses. Interest income from these financial assets is included in other income using EIR method.

## **Praj America Inc. USA**

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

### **Debt instruments at fair value through profit or loss (FVTPL)**

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on debt instrument that is subsequently measured at FVTPL and is not a part of hedging relationship is recognised in the statement of profit and loss within other gains / losses in the period in which it arises. Interest income from these financial assets is included in other income.

### **Equity investments**

All equity investments in the scope of 'Ind AS 109 - Financial instruments' 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 recognise subsequent changes in the fair value in OCI. 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 OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of equity instrument.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

### **Derecognition**

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

### **Impairment of financial assets**

The company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the assets carried at amortised cost and FVTOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the company applies the simplified approach permitted by 'Ind:AS 109 - Financial instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### **Non-derivative financial liabilities**

#### **Recognition**

The company initially recognises trade payables and related financial liabilities on the date on which they are originated.

All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument.

#### **Measurement**

Non-derivative financial liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, these liabilities are measured at amortised cost using EIR method.

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## **Praj America Inc: USA**

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

### **Derecognition**

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

### **Offsetting of financial instruments**

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

### **2.18 Cash dividend to equity holders**

The company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the corporate laws in America, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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**Praj Americas Inc. USA**

**Notes to financial statements for the period ended 31 March 2021**

(All amounts are in USD unless otherwise stated)

**3 Property, plant and equipment, Other Intangible assets & Investment property**

	Tangible Assets		
	Computers & Office Equipment	Furniture and fixtures	Total
<b>Gross Block</b>			
As at 31 March 2020	2,120	7,169	9,289
Additions during the year	-	-	-
Deletions during the year	-	-	-
<b>As at 31st March 2021</b>	<b>2,120</b>	<b>7,169</b>	<b>9,289</b>
<b>Accumulated depreciation and amortisation</b>			
As at 31 March 2020	2,120	7,169	9,289
Charge for the year	-	-	-
Depreciation on deletions	-	-	-
<b>As at 31st March 2021</b>	<b>2,120</b>	<b>7,169</b>	<b>9,289</b>
<b>Net Carrying Value</b>			
As at 31st March 2021	-	-	-
As at 31st March 2020	-	-	-

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**Praj Americas Inc, USA**

**Notes to financial statements for the period ended 31 March 2021**

(All amounts are in USD unless otherwise stated)

	31 March 2021	31 March 2020
<b>4 Loans</b>		
<b>Security Deposits</b>		
Unsecured, considered good	-	1,740
	-	1,740
<b>5 Trade Receivables</b>		
<b>Current</b>		
<b>From related parties</b>		
Unsecured, considered good	61,926	65,786
	61,926	65,786
<b>From others</b>		
Unsecured, considered good		
Less: Provision for doubtful debts		
	61,926	65,786
<b>6 Cash and Cash equivalents</b>		
Balances with banks		
On current accounts	58,285	25,269
	58,285	25,269
<b>7 Current assets</b>		
Current Tax Assets (Net)	30,000	30,000
	30,000	30,000

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**Praj Americas Inc. USA**

**Statement of changes in equity for the period ended 31 March 2021**

*(All amounts are in USD unless otherwise stated)*

**A. Equity share capital**

Balance as on 1 April 2019	Changes in equity share capital during the year	Balance as on 31 March 2020
2,00,000	-	2,00,000
Balance as on 1 April 2020	Changes in equity share capital during the year	Balance as on 31 March 2021
2,00,000	-	2,00,000

**B. Other equity**

Particulars	Reserves and Surplus	Total
	Retained earnings	
Balance at the beginning of the reporting period as at 1 April 2019	(1,36,918)	(1,36,918)
(Profit / (Loss) for the year	58,483	58,483
Balance as at 31 March 2020	(78,435)	(78,435)
Profit / (Loss) for the year	(55,910)	(55,910)
Balance as at 31 March 2021	(1,34,345)	(1,34,345)

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**Praj Americas Inc. USA**

**Notes to financial statements for the period ended 31 March 2021**

(All amounts are in USD unless otherwise stated)

	31 March 2021	31 March 2020
<b>8 Share capital</b>		
<b>Equity Share Capital</b>		
<b>Issued, subscribed and fully paid-up shares</b>		
40,000 (March 31, 2018 : 40,000) equity shares of \$ 5 each	2,00,000	2,00,000
	2,00,000	2,00,000
<b>Shares held by holding/ultimate holding company and/or their subsidiaries/associates:</b>		
The Praj Industries limited, Pune is holding company		
<b>Details of shareholders holding more than 5% shares in the company:</b>		
Equity shares of \$ 5 each fully paid		
Praj Industries Limited		
	<b>% of holding</b>	<b>% of holding</b>
	100.00%	100.00%
<b>9 Other Equity</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per last financial statements	(78,435)	(1,36,918)
Profit as per statement of profit and loss	(55,910)	58,483
Net Surplus in Statement of Profit & Loss	(1,34,345)	(78,435)
<b>Total Other Equity</b>	<b>(1,34,345)</b>	<b>(78,435)</b>
<b>Financial Liabilities</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
<b>10 Trade Payables</b>		
<b>Current</b>		
-Dues to Micro and Small enterprises under MSMED Act, 2006 *		
Dues to other parties	2,214	1,229
	2,214	1,229
Notes:		
i Trade payables are non-interest bearing and are normally settled on 30-90 days terms		
ii No interest is due/payable to parties registered under MSMED Act, 2006		
<b>11 Other financial liabilities</b>		
Employee benefits payable	82,342	-
	82,342	-
<b>12 Other Current Liabilities</b>		
Statutory dues payable		

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**Praj Americas Inc. USA****Notes to financial statements for the period ended 31 March 2021**

(All amounts are in USD unless otherwise stated)~

	31 March 2021	31 March 2020
<b>13 Revenue from operations</b>		
Sales Commission and Consultancy	6,64,426	8,93,955
<b>Total Revenue from operation (Net)</b>	<b>6,64,426</b>	<b>8,93,955</b>
<b>14 Operating, selling and other costs</b>		
Travel and conveyance	3,104	60,369
Professional consultancy charges	25,764	42,602
Rent (Refer note 18)	9,200	22,080
Advertising and exhibition expenses	595	28,408
Communication expenses	9,824	7,236
Miscellaneous expenses	1,738	8,495
	<b>50,677</b>	<b>1,69,190</b>
<b>15 Employee Benefit Expenses</b>		
Salaries, wages and bonus	6,69,659	6,66,282
	<b>6,69,659</b>	<b>6,66,282</b>

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**Praj Americas Inc. USA**

Notes to financial statements for the year ended 31 March 2021  
(All amounts are in US\$ unless otherwise stated)

**Note 16: Earnings per share**

Particulars	31 March 2021	31 March 2020
<b>Reconciliation of basic and diluted shares used in computing earnings per share</b>		
Weighted average number of basic equity shares	40,000	40,000
<b>Computation of basic and diluted earnings per share</b>		
Net profit after tax attributable to equity shareholders	(55,910)	58,483
Basic earnings per equity share of \$ 5 each	(1.40)	1.46
Diluted earnings per equity share of \$ 5 each	(1.40)	1.46

**Note 17: Related party transactions**

**a) Parties where control exists**

Holding Company: Praj industries limited

**b) Key management personnel**

Director:  
Director of Holding company

Jayant Godbole  
Dr. Pramod Chaudhari  
Srushti Joshipura  
Sachin Raote  
Berjis Desai  
Parimal Chaudhari  
Sivaramakrishnan S. Iyer  
Mrunalini Joshi  
Dr. Shridhar Shukla  
Suhas Baxi

**c) Transactions and balances with related parties have been set out below:**

Particulars	31 March 2021	31 March 2020
<b>Praj Industries Limited</b>		
Sales commission and consultancy Receivable	61,926	65,786
Expenses incurred and reimbursed by the Company	6,64,426	8,93,955
<b>Jayant Godbole</b>		
Short term employee benefits	2,88,513	3,11,325
Post employment benefits	8,409	8,950
Payable	0	0

**Note 18: Leases**

The Company has entered into operating lease arrangements for office space. Certain lease arrangements provide for cancellation by either party and also contain a clause for renewal of the lease agreement. Lease payments on cancellable and non-cancellable operating lease arrangements debited to the statement of profit and loss are summarised below.

Particulars	31 March 2021	31 March 2020
<b>Lease payments debited to statement of profit and loss</b>		
cancellable leases	9,200	22,080
non-cancellable leases		

**Note 19: Fair value measurements**

As per assessments made by the management, fair values of all financial instruments carried at amortised cost (except as specified below) are not materially different from their carrying amounts since they are either short term in nature or the interest rates applicable are equal to the current market rate of interest.

Particulars	Carrying value	
	31 March 2021	31 March 2020
<b>Financial asset</b>		
<b>Carried at amortised cost</b>		
Security deposits		1,740
Trade receivable	61,926	65,786
Cash and cash equivalents	58,285	25,269
<b>Financial liabilities</b>		
Trade payables	2,214	1,229

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**Praj Americas Inc USA**  
 Notes to financial statements for the year ended 31 March 2021  
 (All amounts are in USD unless otherwise stated)

**Note 20. Financial risk management policy and objectives**

Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance company's operations. Company's principal financial assets include trade and other receivables, security deposits and cash and cash equivalents. These derive directly from its operations in order to minimise any adverse effects on the financial performance of the company. It has taken various measures. This note explains the source of risk which the entity is exposed to and how the entity manages the risk and impact of the same in the financial statements.

Risk	Exposure arising from	Measurement
Credit	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Ageing analysis, external credit rating (wherever available)
Liquidity risk	Borrowings and other liabilities	Expiring cash flow forecasts
Market risk - Foreign Currency Risk	Reserve and financial assets and liabilities not denominated in United States Dollar (USD)	Sensitivity Analysis

The company's risk management is carried out by management, under power approved by the board of directors. Company's treasury identifies, evaluates and hedges financial risks in close cooperation with the company's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk and investment of excess liquidity.

**(A) Credit risk**

Credit risk in case of the Company arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

**Credit risk management**

Credit risk arises from the possibility that counterparty may not be able to settle their obligations as agreed. To manage this, the Company periodically assesses the reliability of customers, taking into account the financial condition, current economic trends, and analysis of historical payment patterns and ageing of accounts receivable. Individual risk limits are set accordingly. The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition. It considers reasonable and supportive forward looking information such as:

- (i) Actual or expected significant adverse changes in business;
- (ii) Actual or expected significant changes in the operating results of the counterparty;
- (iii) Financial or economic conditions that are expected to cause a significant change to counterparty's ability to meet its obligations;
- (iv) Significant increases in credit risk on other financial instruments of the same counterparty;
- (v) Significant changes in the value of collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.

The company provides for expected credit loss in case of trade receivables, loans receivable and security deposits when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the company. The company categorises a receivable for provision for doubtful debts/write off when a debtor fails to make contractual payments greater than 180 days past due. The amount of provision depends on certain parameters set by the company in its provisioning policy. Where part of receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, those are recognised in profit or loss.

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**Praj Americas Inc. USA**

Notes to financial statements for the year ended 31 March 2021  
(All amounts are in USD unless otherwise stated)

**Provision for expected credit loss**

Financial assets for which loss allowance is measured using 180 days Expected Credit Losses (ECL)

Exposure to risk	31 March 2021	31 March 2020
Trade receivables	61,926	65,786
Less: expected loss		
	61,926	65,786

	31 March 2021	31 March 2020
Trade receivables		
Neither past due nor impaired	61,926	65,786
Past due but not impaired		
Less than 180 days		
181 - 365 days		
More than 365 days		
Total	61,926	65,786

**B) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is carried out in accordance with practice and limits set by the group. In addition, the company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Exposure to risk	31 March 2021	31 March 2020
Trade payables		
On demand		
Less than 180 days	2,214	1,229
181 - 365 days		
More than 365 days		
Total	2,214	1,229

**Note 21: Capital management**

**Risk management**

The company's objectives when managing capital are to

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

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the company monitors capital on the basis of the following gearing ratio: Net debt (total borrowings net of cash and cash equivalents) divided by total equity and net debt (as shown in the balance sheet).

The company's strategy is to maintain a gearing ratio 0%. The gearing ratios were as follows:

	31 March 2021	31 March 2020
Loans and borrowings		
Other financial liability		
Less: cash and cash equivalents	58,785	29,269
Net debt		
Equity	65,655	1,21,565
Capital and net debt	65,655	1,21,565
Gearing ratio	0%	0%

For and on behalf of the Board of Directors  
of Praj America Inc.



Jayant Godbole  
Director

Place: Pune  
Date: 05 May 2021

