**P G BHAGWAT LLP**
**Chartered Accountants**
LLPIN: AAT-9949

**MUMBAI OFFICE**
71, Mittal Chambers, Barrister Rajni Patel Marg,
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# INDEPENDENT AUDITOR'S REPORT

**To the Members of Praj HiPurity Systems Limited**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the Financial Statements of Praj HiPurity Systems Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2023, 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 Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ('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 March 31, 2023, and 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 Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

### Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the Financial Statements and our auditor's report thereon.

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

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

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended).

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

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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 Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, 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:

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a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
d) In our opinion, the aforesaid Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
e) On the basis of the written representations received from the directors as on 31 March, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2023 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”.
g) As required by section 197 (16) of the Act, in our opinion and according to information and explanation provided to us, the remuneration paid by the company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this section.
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 does not have any pending litigations which would impact its financial position;
    ii) The Company did not have any long-term contracts including derivative contracts as at 31st March 2023;
    iii) There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company;
    iv) (a) The management has represented to us that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts to the financial statements, if any, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
    (b) the management has represented to us, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts to the Financial Statements, if any, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
    (c) Based on the information and explanation given to us and audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice

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that has caused us to believe that the representations made by the management and as mentioned under sub-clause (iv)(a) and (iv)(b) above contain any material misstatement.

v) The dividend declared and paid during the year by the Company is in compliance with Section 123 of the Act.

vi) The requirement to the use of accounting software for maintaining Company's books of account which has a feature of recording audit trail (edit log) facility is deferred to financial years commencing on or after April 1, 2023, therefore reporting under Rule 11(g) of Companies (Audit & Auditors) Rules, 2014 is not applicable for financial year ended on March 31, 2023.

**For P G BHAGWAT LLP**
**Chartered Accountants**
FRN: 101118W / W100682

Shriniwas Shreeram Gadgil

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**Shriniwas Shreeram Gadgil**
Partner
Membership Number: 120570

| | |
|---|---|
| Place: | Mumbai |
| Date: | 18th May 2023 |
| UDIN: | 23120570BGUEFV5840 |

**Annexure - A to the Independent Auditors' Report**

Referred to in paragraph 1 under the heading, "Report on Other legal and Regulatory Requirements" of our report on even date:

i)

a) (A) The Company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant & Equipment.
(B) The Company is maintaining proper records showing full particulars of intangible assets;

b) The Property, Plant & Equipment are physically verified by the Management according to a phased program designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, a portion of the Property, Plant & Equipment has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

c) The title deeds of immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee), as disclosed in Note 3 on Property, Plant & Equipment to the financial statements, are held in the name of the Company.

d) The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets during the year.

e) According to the information and explanations provided to us there are no proceedings have been initiated or are pending against the company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) and rules made thereunder. Hence reporting under clause 3(i) (e) of the order is not applicable.

ii)

a) The physical verification of inventory [excluding stocks with third parties] have been conducted at reasonable intervals by the Management during the year. In our opinion and based on the policy adopted by the management, the coverage and procedure of such verification is appropriate. The discrepancies noticed on physical verification of inventory as compared to book records were not 10% or more in aggregate for each class of inventory.

b) According to the information and explanations provided to us, the company has not been sanctioned working capital limits in excess of five crore rupees during the year, in aggregate, from banks or financial institutions on the basis of security of current assets. Hence reporting under clause 3(ii)(b) of the order is not applicable.

iii) The company during the year has not made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Hence reporting under Clause (iii)(a), (iii)(b), (iii)(c), (iii)(d), (iii)(e) and (iii)(f), of the said Order are not applicable to the Company.

iv) The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

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v) The Company has not accepted any deposits or amounts which are deemed to be deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi) Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii)

a) According to the records of the company, the company is regular in depositing undisputed statutory dues including Goods and Service Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities.
b) According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues referred to in sub-clause (a) which have not been deposited on account of any dispute.

viii) In terms of the information and explanations given to us and the books of account and records examined by us, the Company has not surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Hence reporting under clause 3(viii) of the order is not applicable.

ix) As the Company does not have any loans or borrowings from any lender at the balance sheet date, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x)

a) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) during the year. Accordingly, the provisions of Clause 3(x)(a) of the Order are not applicable to the Company.
b) The Company has not made any preferential allotment or private placement of shares or fully or partly or optionally convertible debentures during the year. Accordingly, the provisions of Clause 3(x)(b) of the Order are not applicable to the Company.

xi)

a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company noticed or reported during the year, nor have we been informed of any such case by the Management.
b) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, report in the form ADT-4 as specified under sub-section (12) of section

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143 of the Companies Act has not been filed. Accordingly reporting under clause 3(xi)(b) of the order is not applicable.

c) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us and as represented to us by the management, there are no whistle blower complaints received by the company during the year.

xii) As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii) The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Ind AS 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv)

a) In our opinion and based on our examination, the company has an internal audit system commensurate with the size and nature of its business.

b) We have considered the internal audit reports of the company issued till date, for the period under audit.

xv) The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi)

a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

b) According to the information and explanations given to us and procedures performed by us, we report that the Company has not conducted any Non-Banking Financial or Housing Finance activities during the year. Therefore, reporting under clause 3(xvi)(b) of the order is not applicable.

c) According to the information and explanations given to us and procedures performed by us, the Company is not Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, hence reporting under clause 3(xvi)(c) of the order is not applicable.

d) Based on information and explanation given to us and as represented by the management, the Group does not have any Core Investment Company (CIC) as part of the Group.

xvii) The Company has not incurred cash losses during current financial year and had not incurred cash losses during immediately preceding financial year.

xviii) There has been no resignation by statutory auditors during the year hence reporting under clause 3(xviii) of the order is not applicable.

xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans

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and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.

xx)

a) There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the Act. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable for the year.

b) There are no unspent amounts towards Corporate Social Responsibility (CSR) in respect of ongoing projects requiring a transfer to a Special Account in compliance with sub-section (6) of Section 135 of the Act. Accordingly, reporting under clause 3(xx)(b) of the Order is not applicable for the year.

**For P G BHAGWAT LLP**
**Chartered Accountants**
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LLPIN: AAT-9949
FRN 101118W / W100682
Mumbai-21

**Shriniwas Shreeram Gadgil**
Partner
Membership Number: 120570

Place: Mumbai
Date: 18th May 2023
UDIN: 23120570BGUEFV5840

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

Referred to in paragraph 2 (f) under the heading, "Report on Other legal and Regulatory Requirements" of our report on even date:

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

We have audited the internal financial controls with reference to the Financial Statements of Praj HiPurity Systems Limited ("the Company") as of 31st March 2023 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

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

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to the Financial Statements 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, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to the Financial Statements.

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Mumbai-21

**Meaning of Internal Financial controls with reference to the Financial Statements**

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

**Inherent Limitations of Internal Financial Controls with reference to the Financial Statements**

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

**Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to the Financial Statements and such internal financial controls with reference to the Financial Statements were operating effectively as at March 31, 2023, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India..

For **P G BHAGWAT LLP**
**Chartered Accountants**
FRN: 101118W / W100682

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Mumbai-21

**Shriniwas Shreeram Gadgil**
Partner
Membership Number: 120570

| | |
|---|---|
| Place: | Mumbai |
| Date: | 18th May 2023 |
| UDIN: | 23120570BGUEFV5840 |

**PRAJ HIPURITY SYSTEMS LIMITED**
**Balance sheet as at 31st March ,2023**

*(Amounts in Indian Rupees million unless otherwise stated)*

| Particulars | Note No. | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 165.345 | 172.592 |
| Right-of-Use assets | 3 | 26.342 | 35.449 |
| Capital work-in-progress | 3A | 2.769 | - |
| Intangible assets | 3 | 0.766 | 2.165 |
| Financial assets | | | |
| Other | 4 | 33.232 | 32.870 |
| Deferred tax assets (net) | 26 | 22.000 | 16.361 |
| Other non-current assets | 5 | 0.267 | 6.583 |
| **Total non-current assets** | | **250.721** | **266.020** |
| **Current assets** | | | |
| Inventories | 6 | 360.699 | 402.293 |
| Financial assets | | | |
| Investments | 7 | - | - |
| Trade receivables | 8 | 654.875 | 651.541 |
| Cash and cash equivalents | 9 | 238.346 | 93.217 |
| Other Bank Balance | 10 | - | 190.119 |
| Other Current Financial Assets | 11 | 2.137 | 4.158 |
| Current tax asset (net) | | - | 3.640 |
| Other current assets | 5 | 100.185 | 74.263 |
| **Total current assets** | | **1,356.242** | **1,419.231** |
| **Total assets** | | **1,606.963** | **1,685.251** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 12 | 50.000 | 50.000 |
| Other equity | 13 | 804.592 | 835.036 |
| **Total equity** | | **854.592** | **885.036** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial Liabilities | | | |
| Lease Liabilities | | 18.138 | 26.401 |
| Provisions | 14 | 14.457 | 15.157 |
| Other financial liabilities | 16 | 0.400 | - |
| **Total non-current liabilities** | | **32.995** | **41.558** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Lease Liabilities | | 11.732 | 12.040 |
| Trade payables | 15 | | |
| (i) Total outstanding dues to micro enterprises and small enterprises (MSMED) | | 117.193 | 144.813 |
| (ii) Total outstanding dues to other than micro enterprises and small enterprises | | 263.354 | 264.380 |
| Other financial liabilities | 16 | 27.343 | 25.058 |
| Other current liabilities | 17 | 260.727 | 291.505 |
| Provisions | 14 | 20.782 | 20.861 |
| Current tax liabilities (net) | | 18.245 | - |
| **Total current liabilities** | | **719.376** | **758.657** |
| **Total liabilities** | | **752.371** | **800.215** |
| **Total equity and liabilities** | | **1,606.963** | **1,685.251** |

Summary of significant accounting policies
*The accompanying notes are an integral part of these financial statements*

As per our report of even date attached
**For P.G. Bhagwat LLP**
Chartered Accountants
FRN: 101118W/ W100682

**For and on behalf of the Board of Directors of**
**PRAJ HIPURITY SYSTEMS LIMITED**

| | | | | |
|---|---|---|---|---|
| **Shrinivas Gadgil** | **Dr. Pramod Chaudhari** | **Mihir Mehta** | **Shishir Joshipura** | **Anant Bavare** |
| (Partner) | (Chairman) | (Whole-time Director) | (Director) | (Company Secretary) |
| M. No. 120570 | DIN: 00196415 | DIN: 09736913 | DIN: 00574970 | M. No.21405 |
| Place: Pune | | | | |
| Date: 5th May 2023 | | | | |

P G BHAGWAT LLP Chartered Accountants
LLPIN: AAT-9949
FRN 101118W / W100682
Mumbai-21

## PRAJ HIPURITY SYSTEMS LIMITED
### Statement of profit and loss for the period ended 31st March 2023

*(Amounts in Indian Rupees million unless otherwise stated)*

| Particulars | Note No. | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 18 | 2,417.817 | 2,055.373 |
| Other income | 19 | 10.067 | 17.016 |
| **Total income** | | 2,427.884 | 2,072.389 |
| **Expenses** | | | |
| Cost of materials consumed | 20 | 1,356.879 | 1,214.694 |
| Changes in inventories of finished goods and work-in-progress | 21 | 67.617 | 27.508 |
| Employee benefits expense | 22 | 226.649 | 205.177 |
| Finance costs | 23 | 7.472 | 7.198 |
| Depreciation and amortisation expense | 3 | 32.913 | 26.737 |
| Other expenses | 24 | 507.973 | 399.385 |
| **Total expense** | | 2,199.503 | 1,880.699 |
| **Profit before exceptional items and tax** | | 228.381 | 191.690 |
| Exceptional items | | - | - |
| **Profit before tax** | | 228.381 | 191.690 |
| **Tax expenses** | 26 | | |
| Current tax | | 64.700 | 54.270 |
| Deferred tax | | -5.638 | -4.356 |
| (Excess) / Short Provision of Earlier Year | | -0.290 | - |
| **Total tax expense** | | 58.772 | 49.914 |
| **Profit for the period** | | 169.609 | 141.776 |
| **Other comprehensive income** | | | |
| Items that will not be reclassified to profit or loss | 25 | -0.053 | 0.528 |
| Income tax relating to items that will not be reclassified to profit or loss | | - | - |
| **Total comprehensive income for the period (comprising profit (loss) and other comprehensive income for the period)** | | 169.556 | 142.304 |
| **Earnings per equity share (for discontinued and continuing operations)** | | | |
| (1) Basic | | 33.922 | 28.355 |
| (2) Diluted | | 33.922 | 28.355 |

*The accompanying notes are an integral part of these financial statements*

As per our report of even date attached
**For P.G. Bhagwat LLP**
Chartered Accountants
FRN: 101118W/ W100682

**For and on behalf of the Board of Directors of**
**PRAJ HIPURITY SYSTEMS LIMITED**

**Shriniwas Gadgil**
(Partner)
M. No. 120570
Place : Pune
Date : 18th May 20[illegible]

**Dr. Pramod Chaudhari**
(Chairman)
DIN: 00196415

**Mihir Mehta**
(Whole-time Director)
DIN: 09736913

**Shishir Joshipura**
(Director)
DIN: 00574970

**Anant Bavare**
(Company Secretary)
M. No.21405

P G BHAGWAT LLP Chartered Accountants
LLPIN: AAT-9949
FRN 101118W / W100682
* Mumbai-21 *

## PRAJ HIPURITY SYSTEMS LIMITED
### Statement of cash flows for the year ended 31st March, 2023

*(Amounts in Indian Rupees million unless otherwise stated)*

| | Particulars | 31 MAR 2023 | 31 MAR 2022 |
|---|---|---|---|
| A. | **Cash flow from operating activities** | | |
| | **Net profit before tax** | 228.381 | 191.690 |
| | **Adjustments** | | |
| | (Profit) / loss on sale of property, plant and equipment | | |
| | Unrealised foreign exchange (gain) / loss (net) | 1.577 | - |
| | Net Gain on termination of lease | 6.404 | -0.138 |
| | Depreciation and amortisation | - | - |
| | **Sundry balances written back** | 32.913 | 26.737 |
| | Sundry balances written off | -0.431 | -1.773 |
| | **Provision for doubtful debts** | 0.125 | 0.891 |
| | Interest earned | 22.997 | 20.432 |
| | Interest charged | -7.939 | -13.356 |
| | **Operating profit before working capital changes** | 2.756 | 2.483 |
| | | 286.784 | 226.966 |
| | **Changes in working capital** | | |
| | (Increase) /decrease in trade receivables | | |
| | (Increase)/decrease in inventories | -32.859 | -58.014 |
| | (Increase)/decrease in other non current financial assets | 41.594 | -7.633 |
| | (Increase)/decrease in other assets | -0.362 | -3.233 |
| | (Increase)/decrease in other current financial assets | 6.316 | 18.997 |
| | (Increase)/decrease in other financial assets | 2.021 | -19.234 |
| | Increase/(decrease) in trade payables | -25.921 | 3.720 |
| | Increase/(decrease) in other current financial liabilities | -28.681 | 47.850 |
| | Increase/(decrease) in other lease liabilities | 2.685 | 6.938 |
| | Increase/(decrease) in other current liabilities | - | - |
| | Increase/(decrease) in provisions | -30.777 | 97.413 |
| | **Cash generated from operations** | -0.779 | 5.103 |
| | | 220.021 | 318.873 |
| | Direct taxes paid (including taxes deducted at source), net of refunds | | |
| | NET CASH FROM OPERATING ACTIVITIES | -46.227 | -41.649 |
| | | 173.794 | 277.224 |
| B. | **Cash flow from investing activities** | | |
| | Purchase of property, plant and equipment and intangible assets (including capital work-in-progress and intangibles under development) | -11.908 | -21.866 |
| | Proceeds from sale of property, plant and equipment | | |
| | Interest received on investments | - | - |
| | Investment in Fixed Deposit | 7.939 | 13.356 |
| | NET CASH FROM / (USED) IN INVESTING ACTIVITIES | - | - |
| | | -3.969 | -8.510 |
| C. | **Cash flow from financing activities** | | |
| | Repayment of short term borrowings (net) | | |
| | Dividend paid (including dividend distribution tax) | - | - |
| | Interest expense | -200.00 | -300.00 |
| | | - | - |
| | Payment of Interest of Lease Liabilities | | |
| | Payment of Principal of Lease Liabilities | -1.773 | -2.318 |
| | NET CASH FROM / (USED) IN FINANCING ACTIVITIES | -12.959 | -7.089 |
| | | -214.732 | -309.407 |
| | **Net increase/(decrease) in cash and cash equivalents (A+B+C)** | -44.907 | -40.693 |
| | **Cash and cash equivalents at the beginning of the year (Refer Note 9)** | | |
| | **Effect of exchange rate changes on cash and cash equivalent** | 310.051 | 350.744 |
| | | - | - |
| | **Cash and cash equivalents at the end of the year (Refer Note 9)** | | |
| | Notes: | 265.144 | 310.051 |
| | 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 Cash Flow Statement | | |

As per our report of even date attached
**For P.G. Bhagwat LLP**
Chartered Accountants
FRN: 101118W/ W100682

**For and on behalf of the Board of Directors of PRAJ HIPURITY SYSTEMS LIMITED**

| | | | | |
|---|---|---|---|---|
| **Shriniwas Gadgil** | **Dr. Pramod Chaudhari** | **Mihir Mehta** | **Shishir Joshipura** | **Anant Bavare** |
| (Partner) | (Chairman) | (Whole-time Director) | (Director) | (Company Secretary) |
| M. No. 120570 | DIN: 00196415 | DIN: 09736913 | DIN: 00574970 | M. No.21405 |
| Place: Pune | | | | |
| Date: 18th May 2023 | | | | |

P G BHAGWAT LLP Chartered Accountants LLPIN: AAT-9949 FRN 101118W / W100682 * Mumbai-21 *

## Praj HiPurity Systems Limited

Notes to the financial statements for the year ended 31 March 2023
(All amounts are in Indian rupees million unless otherwise stated)

### 1 The Company overview

Praj HiPurity Systems Limited (the Company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The Company's registered office is Unit 1604, DLH Park, S V Road, Near MTNL Signal, Goregaon West, Mumbai-400104, Maharashtra, India.

The Company is engaged in the business of manufacturing, installing and commissioning of water purification systems used for Food, Pharma and Beverage Industries, undertake contracts / sub contracts of Turnkey Projects.

### 2 Significant accounting policies

**Basis of preparation of financial statements**

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified pursuant to section 133 of the Companies Act 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015, Companies (Indian Accounting Standards) Rules, 2016 and other relevant provisions of the Companies Act

The financial statements were authorised for issue by the Board of Directors on 18th May, 2023

**2.1 Basis of measurement**

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

| Items | Measurement basis |
|---|---|
| Derivative financial instruments at fair value through profit or loss | Fair value |
| Non-derivative financial instruments at fair value through profit or loss | Fair value |
| Defined benefit plan assets | Fair value |

**2.2 Functional and presentation currency**

These financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All financial information is presented in INR rounded to the nearest million with three decimal, except share and per share data, unless otherwise stated.

**Significant accounting judgements, estimates and assumptions**

The preparation of 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. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying value of assets or liabilities in future periods.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.

Critical estimates and judgements

The areas involving critical estimates or judgements are:

1. Estimation of defined benefit obligation – **Refer note 34**
2. Impairment of financial assets – **Refer note 36**

**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.

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

The Company classifies all other liabilities as non-current.

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

**Estimates and assumptions**

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

**Defined benefit plans (gratuity benefits)**

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

Further details about gratuity obligations are given in **Note No. 34**

**Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Note 35 for further disclosures.

**Summary of significant accounting policies**

**Revenue recognition**

Revenue is recognised when performance obligation is satisfied by transferring promised goods or services and 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 is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.
Goods & services tax (GST) is not received by the Company on its own account. Accordingly, it is excluded from revenue.

- **Product & Project sales**
  Revenue from sale of project & goods in the course of ordinary activities is recognised when property in the project or goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the project or goods and regarding its collection. The amount recognised as revenue is exclusive of goods and services tax (GST), and is net of returns, trade discounts and quantity discounts.

- **Service revenue**
  Revenue from services is recognised as the related services are performed.

- **Other income**
  Export benefits in the form of Duty Draw Back / Focus Market Scheme (FMS) / Focus Product Scheme (FPS) / Merchandise Exports Incentive Scheme (MEIS) claims are recognised in the statement of profit and loss on receipt basis.
  Other income comprises of interest income, net gain on financial assets at fair value through profit or loss, foreign currency gain on financial assets and liabilities.
  Interest income is recognised as it accrues in the Statement of Profit and Loss, using the effective interest method (EIR).

**Finance costs**

Finance costs comprise of interest expense on borrowings and net interest cost on net defined benefit obligations. Interest expenditure is recognised as it accrues in the Statement of Profit and Loss, using the effective interest method.

**Property, plant and equipment and depreciation**

- **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 derecognized. 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 derecognized 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.

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

| Asset | Useful life (in years) |
|---|---|
| Buildings | 30 |
| Plant and machinery | 5-15 |
| Computers and office equipment | 3-5 |
| Vehicles | 8 |
| Furniture and fixtures | 10 |

  Residual value is estimated as zero.

**Intangible assets and amortisation**

- **Recognition and measurement**
  Intangible assets are recognised when the asset is identifiable, is within the control of the Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured.
  Intangible assets acquired by the Company that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with

indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

- **Subsequent measurement**
  Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

- **Amortisation**
  Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in Statement of Profit and Loss on a Written down Value basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for current and comparative periods are as follows:

| **Asset** | **Useful life (in years)** |
|---|---|
| Technical know-how | 5-10 year |
| Software | 3 Year |

**Investment property**

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost of investment property includes its purchase price and any directly attributable expenditure.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement profit and loss in the period of derecognition.

**Impairment of non-financial assets**

The Company periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. Impairment loss is recognized when the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Intangible assets which are not yet available for use are tested for impairment annually. Other non-financial assets (tangible and intangible) are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually for impairment, the asset's recoverable amount is estimated.

If at the reporting date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. For assets other than goodwill, the impairment loss is reversed 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. Such a reversal is recognised in the statement of comprehensive income.

**Inventories**

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

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

**Foreign currency transactions and balances**

Transactions in foreign currencies 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 year-end are translated at the year-end 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.

- **Leases**

Lease is a contract that provides to the customer (lessee) the right to use an asset for a period of time in exchange for consideration.

**Company as a Lessee**

A lessee is required to recognise assets and liabilities for all leases and to recognise depreciation of leased assets separately from interest on lease liabilities in the statement of Profit and Loss. The Company uses the practical expedient to apply the requirements of this standard to a portfolio of leases with similar characteristics if the effects on the financial statements of applying to the portfolio does not differ materially from applying the requirement to the individual leases within that portfolio.

However according to Ind AS 116, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognize a right-of-use asset and a lease liability. The Company applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

**Right to use asset**

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, the Company also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

**Lease liability**

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

**Company as a Lessor**

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Company is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the Statement of profit and Loss on a straight-line basis over the term of the lease.

**Critical accounting estimates and judgements**

Critical judgements required in the application of Ind AS 116 may include, among others, the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement;
- Determining the stand-alone selling prices of lease and non-lease components.

Key sources of estimation uncertainty in the application of Ind AS 116 may include, among others, the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

**Employee benefits**

**a) 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.

**b) Post-employment benefits (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 recognizes 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 balance sheet 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 OCI in the period in which they occur. Remeasurements are not reclassified to profit or 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 recognize the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expenses on a straight-line basis over the average period until the benefits become vested. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

**c) Post-employment benefits (defined contribution plans)**

Contributions to the provident fund and superannuation fund, which are defined contribution schemes, are recognised as an expense in the Profit and loss account in the period in which the contribution is due.

**d) Long term employee benefits**

Long term employee benefits comprise of compensated absences and other employee incentives. These are measured based on an actuarial valuation carried out by an independent actuary at each Balance sheet date unless they are insignificant. Actuarial gains and losses and past service costs are recognised immediately in the Profit and loss account.

**Termination benefits**

Termination benefits are expensed at the earlier of when the group can no longer withdraw the offer of those benefits and when the group 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.

**Provisions and Contingencies**

A Provision is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources is expected to settle the obligation, in respect of which a reliable estimate can be made.

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.

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.
(b) present obligation arising from past events, when no reliable estimate is possible
(c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognized, nor disclosed.
Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**Taxes**

**a) 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.

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

Minimum Alternate Tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**b) Deferred taxes**

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

Deferred tax 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 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 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 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.

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.

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 recognized in respect of timing 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 timing differences which originate first are considered to reverse first.

**Cash and short-term deposits**

Cash and short-term deposits 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.

**Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realised in an immediate sale or settlement of the instrument.

For cash and other liquid assets, the fair value is assumed to approximate to book value, given the short term nature of these instruments. For those items with a stated maturity exceeding twelve months, fair value is calculated using a discounted cash flow methodology.

The financial instruments carried at fair value were categorized under the three levels of the Ind

AS fair value hierarchy as follows:

Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

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.

Classification

An entity classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:
(a) the entity's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial asset.

Non-derivative financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
1) Debt instruments at amortised cost
2) Debt instruments at fair value through other comprehensive income (FVTOCI)
3) Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
4) Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**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 asset**

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. Financial assets that are debt instruments and are measured as at FVTOCI
c. Lease receivables
d. Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
e. Loan commitments which are not measured as at FVTPL
f. Financial guarantee contracts which are not measured as at FVTPL

Company follows 'simplified approach' for recognition of impairment loss allowance on:

a. Trade receivables or contract revenue receivables; and
b. All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the group 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 group 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 ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

**Non-derivative financial liabilities**

Initial recognition and measurement

The company initially recognises loans and advances, deposits, debt securities issued and subordinated 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.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

**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 and the amount recognised less cumulative amortisation.

**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.

**Derivative financial instruments**

**Initial recognition and subsequent measurement**

The Company uses derivative financial instruments, such as forward 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.

**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.

**Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that changes the number of equity shares outstanding, without a corresponding change in resources.

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

## PRAJ HIPURITY SYSTEMS LIMITED

### Statement of changes in equity for the period ended 31st March, 2023

*(Amounts in Indian Rupees million unless otherwise stated)*

**A. Equity share capital**

| Balance as at 1 April 2021 | Changes in equity share capital during the year | Balance as at 31 March 2022 |
|---|---|---|
| 50.000 | - | 50.000 |

| Balance as at 1 April 2022 | Changes in equity share capital during the year | Balance as at 31st March ,2023 |
|---|---|---|
| 50.000 | - | 50.000 |

**B. Other equity**

| Particulars | Reserves and surplus | | Total |
|---|---|---|---|
| | General reserve | Retained earnings | |
| **Balance as at 31st March 2022** | **157.770** | **677.266** | **835.036** |
| Transition impact of IND AS 116 | | 169.609 | 169.609 |
| Transfer to retained earnings | - | -0.053 | -0.053 |
| Dividend Paid | | -200.000 | -200.00 |
| **Balance as at 31st Mar 2023** | **157.770** | **646.822** | **804.592** |

**Praj HiPurity Systems Limited**

**Notes to the financial statements for the year ended 31st March, 2023**

*(Amounts in Indian Rupees million unless otherwise stated)*

**Note 3: Property, plant and equipment and intangible asets**

| Particulars | Tangible assets | | | | | | | | | | | | | Intangible assets | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold land | Factory Building | Right of Use Asset - Building-DLH | Right of Use Asset - Workshop Equipment | Right of Use Asset - Laptop | Right of Use Asset - Vehicle | Plant and machinery | Office equipments | Vehicles | Furniture and fixtures | Electric fittings and installations | Computers | Total | Software | Total | Grand total |
| **Gross block** | | | | | | | | | | | | | | | | |
| As at 1 April 2022 | 6.667 | 241.242 | 25.270 | 5.450 | 15.842 | - | 207.654 | 9.982 | 4.544 | 26.371 | 9.609 | 12.104 | 564.736 | 12.256 | 12.256 | 576.992 |
| Additions during the year | - | 3.038 | - | - | 2.191 | 1.213 | 8.137 | 0.531 | - | - | - | 0.201 | 15.312 | - | - | 15.312 |
| Deletions during the year | - | | | | | | 2.005 | 5.461 | 0.034 | 2.376 | - | 4.081 | 13.957 | - | - | 13.957 |
| **As at 31st March, 2023** | 6.667 | 244.280 | 25.270 | 5.450 | 18.034 | 1.213 | 213.786 | 5.052 | 4.511 | 23.995 | 9.609 | 8.224 | 566.090 | 12.256 | 12.256 | 578.347 |
| **Accumulated depreciation and amortisation** | | | | | | | | | | | | | | | | |
| As at 1 April 2022 | - | 148.214 | 6.639 | 3.633 | 0.841 | - | 149.269 | 8.959 | 3.089 | 15.117 | 9.475 | 11.460 | 356.695 | 10.091 | 10.091 | 366.786 |
| Charge for the year | - | 5.39 | 5.124 | 1.817 | 5.551 | 0.020 | 10.611 | 0.294 | 0.614 | 1.756 | 0.026 | 0.315 | 31.513 | 1.399 | 1.399 | 32.913 |
| Depreciation on deletions | - | | | | | | 1.935 | 5.460 | 0.034 | 2.30 | - | 4.081 | 13.804 | - | - | 13.804 |
| **As at 31st March, 2023** | - | 153.600 | 11.763 | 5.450 | 6.392 | 0.020 | 157.945 | 3.793 | 3.669 | 14.577 | 9.500 | 7.694 | 374.404 | 11.490 | 11.490 | 385.894 |
| **Adjusted through reserves** | - | | | | | | | | | | - | | - | | - | - |
| **Net carrying value** | | | | | | | | | | | | | | | | |
| **As at 31st March, 2023** | 6.667 | 90.680 | 13.507 | - | 11.642 | 1.193 | 55.841 | 1.259 | 0.842 | 9.418 | 0.108 | 0.530 | 191.687 | 0.766 | 0.766 | 192.453 |
| **As at 31 March 2022** | 6.667 | 93.028 | 18.631 | 1.817 | 15.001 | 15.001 | 58.385 | 1.023 | 1.456 | 11.254 | 0.134 | 0.644 | 208.041 | 2.165 | 2.165 | 210.206 |

**Note 3 -A Capital-Work-in-Progress (CWIP)**

a) For Capital-work-in progress, following aging schedule shall be given :

CWIP aging schedule

| CWIP | Amount in CWIP for a period of | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| Effluent & Sewage Treatment Plant | 2.769 | | | | 2.769 |
| Project Temporarily suspended | | | | | |
| *Total | 2.769 | | | | 2.769 |

**PRAJ HIPURITY SYSTEMS LIMITED**
**Notes to the financial statements for the year ended 31st March, 2023**
*(Amounts in Indian Rupees million unless otherwise stated)*

**Note 4: Other Non Current Financial Asset**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Security deposits** | | |
| Unsecured, considered good | | |
| Non-current | 6.434 | 6.156 |
| **Bank Deposit with remaining maturity of more than 12 months** | 26.798 | 26.714 |
| **Total** | 33.232 | 32.870 |

**Note 5: Other assets**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **(i) Prepaid expenses** | 9.887 | 10.129 |
| Unsecured, considered good | | |
| Non-current | 0.267 | 0.573 |
| Current | 9.620 | 9.557 |
| **(ii) Balances with central excise, customs and VAT authorities** | 76.697 | 43.124 |
| Unsecured, considered good | | |
| Non-current | - | 6.010 |
| Current | 76.697 | 37.114 |
| **(iii) Advance to vendors** | 9.462 | 24.658 |
| Unsecured, considered good | | |
| Non-current | - | - |
| Current | 9.462 | 24.658 |
| **(iv) Advance to Staff** | 4.406 | 2.935 |
| Unsecured, considered good | | |
| Non-current | - | - |
| Current | 4.406 | 2.935 |
| **Total** | 100.452 | 80.846 |
| **Non-current** | 0.267 | 6.583 |
| **Current** | 100.185 | 74.263 |

**Note 6: Inventories**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Raw materials | 223.543 | 195.408 |
| Work-in-progress | 129.209 | 180.531 |
| Packing material | 0.814 | 0.511 |
| Consumables, stores and spares | 6.142 | 8.556 |
| Finished goods | 0.991 | 17.286 |
| **Total** | 360.699 | 402.293 |

(i) Inventories are valued at lower of cost or net realisable value, unless otherwise stated.
(ii) The Company follows suitable provisioning norms for writing down the value of Inventories towards slow moving and non-moving inventory.

(iii) Write down of Inventories for the year Rs 16.632 - (Previous year Rs.10.049 ). Inventory values shown above are net of the write down.

**Note 7: Investments at amortised cost**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Deposit with Bajaj Finance Limited | - | - |
| **Total** | - | - |

**Note 8: Trade receivables**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Trade receivables | 654.875 | 651.541 |
| Unsecured, considered good | | |
| From related parties | 2.974 | - |
| From others | 651.901 | 651.541 |
| Unsecured, considered doubtful from others | 58.792 | 35.795 |
| | 713.667 | 687.336 |
| Less: Impairment allowance (allowance for doubtful debts) | 58.792 | 35.795 |
| **Total** | 654.875 | 651.541 |

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

For terms and conditions relating to related party trade receivables, refer note 31.

Trade receivables are non interest bearing and generally on credit terms ranging from 120 to 180 days.

**PRAJ HIPURITY SYSTEMS LIMITED**
**Notes to the financial statements for the year ended 31st March, 2023**
*(Amounts in Indian Rupees million unless otherwise stated)*

**Note 9: Cash and cash equivalents**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **(i) Balances with banks** | | |
| On current accounts | 15.741 | 23.052 |
| Deposits with original maturity of less than 3 months | 222.525 | 70.118 |
| **(ii) Cash on hand** | 0.080 | 0.047 |
| Total | 238.346 | 93.217 |

**Note 10: Other Bank Balance**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Bank Deposit with remaining maturity of less than 12 months | - | 190.119 |
| Bank Deposit with remaining maturity of more than 12 months | | |
| Deposit with Bajaj Finance Limited | - | - |
| | - | 190.119 |
| Non-current | - | - |
| Current | - | 190.119 |

**Note 11: Other Current Financial Assets**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Other Financial Assets | | |
| Interest accrued on deposit | 0.798 | 1.850 |
| Security deposits | 1.339 | 2.308 |
| Total | 2.137 | 4.158 |
| Non-current | - | - |
| Current | 2.137 | 4.158 |

**PRAJ HIPURITY SYSTEMS LIMITED**

**Notes to the financial statements for the year ended 31st March, 2023**

*(Amounts in Indian Rupees million unless otherwise stated)*

**Note 12: Equity share capital**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Authorised shares** | | |
| 5 (31 March 2023: 5 ; 1 April 2022: 5) equity shares of INR 10 each | 50.000 | 50.000 |
| **Issued, subscribed and fully paid-up shares** | | |
| 5 (31 March 2023: 5 ; 1 April 2022: 5) equity shares of INR 10 each | 50.000 | 50.000 |
| **Total** | **50.000** | **50.000** |

**a) Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of INR 10 per share. Each holder of the equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. During the year ended 31 March 2023, no dividend was declared and paid to equity shareholders In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distributing all preferential amounts.

**b) Reconciliation of share capital**

| Particulars | 31st Mar 2023 | | 31st Mar 2022 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| At the beginning of the period | 5.000 | 50.000 | 5.000 | 50.000 |
| Add: Additions during the period | | | | |
| Outstanding at the end of the period | 5.000 | 50.000 | 5.000 | 50.000 |

**c) Shares held by holding / ultimate holding Company and / or their subsidiaries / associates**

Entire share capital of the Company is held by Praj Industries Limited (Holding company)

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

| Particulars | 31st Mar 2023 | | 31st Mar 2022 | |
|---|---|---|---|---|
| | Number | % holding | Number | % holding |
| **Equity shares of INR 10 each fully paid** | | | | |
| Holding Company (Praj Industries Limited) | 5.000 | 100% | 5.000 | 100% |

**e) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Number of bonus shares issued, shares issued for consideration other than cash and shares bought back | - | - |

*(Amounts in Indian Rupees million unless otherwise stated)*

**Note 13: Other equity**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **(i) General reserve** | 157.770 | 157.770 |
| **(ii) Surplus in the Statement of Profit and Loss** | | |
| At the beginning of the period | 677.266 | 834.960 |
| Transition impact of IND AS 116 | - | - |
| Total comprehensive income as per Statement of Profit and Loss | 169.556 | 142.305 |
| Dividend Paid | -200.000 | -300.000 |
| **At the end of the period** | 646.822 | 677.266 |
| Total | 804.592 | 835.036 |

**Nature & Purpose of Reserve**

a) General reserve is created out of profits earned by the Company by way of transfer from surplus in the statement of profit and loss. As General reserve is created by transfer on one component of equity to another and is not an item of other comprehensive income, items included in the General reserve will not be subsequently reclassified to statement of profit and loss

b) Surplus in the Statement of Profit and Loss are the profits that the Company has earned till date, less any transfers to General reserve and payment of dividend.

**Note 14: Provisions**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Provision for employee benefits** | | |
| **(i) Provision for leave encashment** | **16.230** | **16.983** |
| Non-current | 14.457 | 15.157 |
| Currrent | 1.773 | 1.826 |
| **(ii) Provision for gratuity** | **19.009** | **19.035** |
| Non-current | - | - |
| Currrent | 19.009 | 19.035 |
| Total | 35.239 | 36.018 |
| **Non-current** | 14.457 | 15.157 |
| **Current** | 20.782 | 20.861 |

**Note 15: Trade payables**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **To related parties** | 1.822 | 1.067 |
| **To others** | | |
| Total outstanding dues to micro enterprises and small enterprises (MSMED) | 117.193 | 144.813 |
| Total outstanding dues to other than micro enterprises and small enterprises | 261.532 | 263.314 |
| **Total** | **380.547** | **409.194** |

Micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) have been identified by the Company on the basis of the information available with the Company and the auditors have relied on the same. Accordingly, there is no undisputed amount overdue as on March 31, 2023, to Micro, Small and Medium Enterprises on account of principal or interest.

Trade Payable are generally on credit terms ranging from 60 to 90 days.

**Note 16: Other financial liabilities**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **(i) Payables for purchases of property, plant and equipment** | | |
| Non-current | - | - |
| Currrent | - | - |
| **(ii) Other financial liabilities** | | |
| **Employee Benefits Payable** | **0.997** | **1.059** |
| Currrent | 0.997 | 1.059 |
| **Other Payable** | **26.746** | **23.999** |
| Non-current | 0.400 | - |
| Current | 26.346 | 23.999 |
| **(iii) Corporate guarantee payable** | - | - |
| Non-current | - | - |
| Currrent | - | - |
| **(iv) Accrued expenses** | | |
| Non-current | - | - |
| Currrent | - | - |
| **Total** | **27.743** | **25.058** |
| **Non-current** | **0.400** | **-** |
| **Current** | **27.343** | **25.058** |

**Note 17: Other current liabilities**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **(i) Advances received from customers** | **257.187** | **288.636** |
| Non-current | - | - |
| Currrent | 257.187 | 288.636 |
| **(ii) Statutory Dues Payable** | **3.540** | **2.869** |
| Non-current | - | - |
| Currrent | 3.540 | 2.869 |
| **Total** | **260.727** | **291.505** |
| **Non-current** | **-** | **-** |
| **Current** | **260.727** | **291.505** |

**PRAJ HIPURITY SYSTEMS LIMITED**

**Notes to the financial statements for the year ended 31st March, 2023**

*(Amounts in Indian Rupees million unless otherwise stated)*

**Note 18: Revenue from operations**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Sale of products and projects | 1,813.375 | 1,645.527 |
| Sale of services | 142.651 | 133.461 |
| Export service | 18.467 | 3.978 |
| Export sales | 443.324 | 272.407 |
| Total | 2,417.817 | 2,055.373 |

**Note 19: Other income**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Interest income | 7.939 | 13.356 |
| Income calculated using effective interest rate method | - | - |
| Net gain on sale of property, plant and equipment | - | - |
| Sundry balances written back | 0.431 | 1.773 |
| Foreign exchange gain (net) | | 0.138 |
| Miscellaneous income | 1.696 | 1.749 |
| Total | 10.067 | 17.016 |

**Note 20: Cost of materials consumed**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Raw material consumed | 1,356.879 | 1,214.694 |
| Total | 1,356.879 | 1,214.694 |

**Note 21: Changes in inventories of finished goods and work-in-progress**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Inventories at the end of the year** | | |
| Finished goods | 0.991 | 17.286 |
| Work-in-progress | 129.209 | 180.531 |
| | 130.200 | 197.817 |
| **Inventories at the beginning of the year** | | |
| Finished goods | 17.286 | - |
| Work-in-progress | 180.531 | 225.325 |
| | 197.817 | 225.325 |
| (Increase) / decrease in inventories | 67.617 | 27.508 |

**Note 22: Employee benefits expense**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Salaries, wages and bonus | 204.318 | 186.004 |
| Contributions to provident and other funds (Refer note 33) | 5.066 | 5.010 |
| Gratuity expense (Refer note 34) | 2.290 | 2.064 |
| Staff welfare | 14.975 | 12.099 |
| Total | 226.649 | 205.177 |

**Note 23: Finance costs**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Interest on borrowings | 3.003 | 2.550 |
| Net interest cost on net defined benefit obligations | 1.260 | 1.140 |
| Other (Interest on Delayed Payment) | 0.453 | 1.025 |
| Interest on Lease Liability | 2.756 | 2.483 |
| Total | 7.472 | 7.198 |

**PRAJ HIPURITY SYSTEMS LIMITED**
**Note 24: Other expenses**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Consumption of Stores & spares | 24.797 | 18.138 |
| Site expenses and labour charges | 190.638 | 129.069 |
| Freight and transport | 24.452 | 21.437 |
| Factory expenses | 6.600 | 7.254 |
| Bank charges | 4.069 | 3.286 |
| Testing charges | 4.414 | 1.022 |
| Duties and taxes | -0.163 | 9.475 |
| Bad Debts | 5.375 | 5.519 |
| Provision for doubtful debts | 22.997 | 20.432 |
| Sundry balances written off | 0.125 | 0.891 |
| Commission and brokerage | 23.211 | 16.096 |
| Travelling and conveyance | 61.981 | 50.690 |
| Professional consultancy charges | 26.492 | 21.238 |
| Insurance | 11.321 | 10.450 |
| Rent | 3.104 | 3.063 |
| Royalty Fees | 4.170 | 3.568 |
| Power and fuel | 3.842 | 3.639 |
| Communication expenses | 1.910 | 1.794 |
| Business promotion expenses | 7.984 | 2.485 |
| Staff Expense -other | 48.898 | 48.347 |
| Repairs and maintenance - Plant and machinery | 5.545 | 4.300 |
| Repairs and maintenance - Others | 9.455 | 10.443 |
| Auditor's remuneration - Audit service | 1.035 | 1.035 |
| Auditor's remuneration - Other services | 0.017 | 0.008 |
| Rates and taxes | 0.691 | 0.717 |
| Foreign Exchange fluctuation loss | 6.404 | - |
| Corporate social responsibility expenses | 1.929 | 0.666 |
| Loss on Sale of Asset | 1.577 | - |
| Miscellaneous expenses | 5.103 | 4.323 |
| Total | 507.973 | 399.385 |

**Note 25: Items that will not be reclassified to profit or loss**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Items that will not be reclassified to profit or loss** | | |
| Remeasurements gains and losses on post-employment benefit plans | 0.053 | -0.528 |
| **Income tax relating to items that will not be reclassified to profit or loss** | | |
| Tax on remeasurements gains and losses on post-employment benefit plans | - | - |

**PRAJ HIPURITY SYSTEMS LIMITED**

**Notes to the financial statements for the year ended 31st March, 2023**

(All amounts are in Indian rupees million unless otherwise stated)

| | Particulars | 31 March 2023 | 31 March 2022 |
|---|---|---|---|
| 26 | **Income tax** | | |
| A | **Statement of profit and loss:** | | |
| | **Current income tax:** | | |
| | Current income tax charge | 64.700 | 54.270 |
| | Tax relating to earlier periods | -0.290 | - |
| | **Deferred tax:** | | |
| | Relating to origination and reversal of temporary differences | -5.638 | -4.356 |
| | **Income tax expense reported in the statement of profit and loss** | 58.772 | 49.913 |
| B | **Statement of other comprehensive income:** | | |
| | **Deferred tax:** | | |
| | Remeasurements gains and losses on post employment benefits | - | - |
| | **Income tax expense reported in the statement of other comprehensive income** | - | - |
| C | **Reconciliation of effective tax rate** | | |
| | **Accounting profit before tax** | 228.381 | 191.692 |
| | **Tax using the Company's domestic tax rate (25.17%)** | 57.479 | 48.245 |
| | Adjustments in respect of current income tax of previous years | -0.290 | - |
| | Adjustments in respect excess tax paid during the year | | |
| | **Less: Tax effect of:** | | |
| i | Tax rate difference on book profit as per Minimum Alternate Tax | - | - |
| ii | Tax effect on exempt income dividend | - | - |
| iii | Tax effect of reversal of Deffered Tax on adjustment to Opening Reserve in respect of IND AS 115 | - | - |
| iv | Additional Allowances for tax purpose | - | -2.368 |
| | **Add: Tax effect of** | | |
| i | Tax liability on IND AS adjustment to Retained earnings | | |
| ii | Tax liability on permanent Difference 14A Disallowance | - | - |
| iii | Effect on deduction claimed in MAT for Doubtful debt provision written back | - | - |
| iv | Effect on deduction claimed in MAT for Provision for Impairment of Investment | - | - |
| v | Effect on deduction claimed in MAT for Expenditure debited to Reserves-ESOP expenses | - | - |
| vi | Deferred Tax expenses accounted as no effect of Timing differences on MAT liability | 0.888 | -4.356 |
| vii | Expenses not allowed for tax purpose (including Exceptional Item) | 0.695 | 8.392 |
| | **Total** | 58.772 | 49.913 |
| | **Income tax expense reported in the statement of profit and loss** | 58.772 | 49.913 |

**PRAJ HIPURITY SYSTEMS LIMITED**

**Notes to the financial statements for the year ended 31st March, 2023**

(All amounts are in Indian rupees million unless otherwise stated)

**D Deferred tax**

| Deferred tax relates to the following: | Balance sheet | |
|---|---|---|
| **Deferred tax asset / (liability)** | **31 March 2023** | **31 March 2022** |
| **Deferred tax asset** | | |
| Provision for doubtful debts and advances | 14.797 | 9.009 |
| Gratuity | 4.784 | 4.791 |
| Leave encashment | 4.085 | 4.274 |
| Long term capital losses | | |
| Carry forward business loss | - | - |
| Compensated absences | | |
| Others | - | |
| Lease Liability | 7.524 | 9.675 |
| IND AS 115 Deferred Tax reversal | - | - |
| **Total** | **31.190** | **27.749** |
| **Deferred tax liability** | | |
| Property, plant & equipment and intangible assets | -9.190 | -11.388 |
| Amortisation of prepaid lease rentals / others | | |
| **Total** | **-9.190** | **-11.388** |
| **Net deferred tax asset / (liability)** | **22.000** | **16.361** |
| **Deferred tax expense/(income)** | | |
| - Recognised in the statement of profit and loss | -5.638 | -4.356 |
| - Recognised in the statement of other comprehensive income | - | - |
| - Recognised in opening reserve under statement of changes in equity | - | - |

## Praj HiPurity Systems Limited
### Notes to the financial statements for the year ended 31st March 2023
*(Amounts in Indian Rupees million unless otherwise stated)*

**Note 27: Payment to Statutory Auditor (for audit services exclusive of service tax/ GST)**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Audit Fees | 1.035 | 1.035 |
| In other Capacity | 0.079 | 0.064 |
| Reimbursement of Expense | 0.016 | 0.008 |

**Note 28: Dues to micro and small enterprises - As per Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED' Act)**

This information has been determined to the extent such parties have been identified on the basis of information available with the company

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Principal amount remaining unpaid to any supplier as at the end of the year | 117.193 | 144.813 |
| Amount of Interest due remaining unpaid to any supplier as the end of the year | - | - |
| Amount of interest paid under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year. | - | - |
| Amount of interest due and payable for the period of delay in making payment (where the principal has been paid but interest under the MSMED Act, 2006 not paid). | - | - |
| Amount of interest accrued and remaining unpaid at the end of year. | - | - |
| Amount of further interest remaining due and payable even in the succeeding year. | - | - |

**Note 29: Contingent liabilities**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Contingent liabilities** | | |
| Disputed demands in appeal towards sales tax | - | - |

**Note 30: Segment reporting**

a) The business activities of the Company from which it earns revenues and incurs expenses; whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available involve predominantly one reportable operating segment i.e. Engineering goods for pharmaceuticals industries.

b) Secondary segment information

| Particulars | Within India | Outside India |
|---|---|---|
| Revenue based on location of customers | 1,956.026 | 461.792 |
| | Total | 2,417.818 |

**Note 31: Related party transactions**

**a) Parties which are members of the same group**
**(i) Holding company**
Praj Industries Limited

**(ii) Fellow Subsidiaries**
Praj Engineering & Infra Limited
Praj Far East Co. Limited
Praj Americas Inc.
Praj Industries (Africa) Pty Limited
Praj Industries (Namibia) Limited
Praj Far East (Philippines) Inc

**b) Key management personnel and their close family members**

| | |
|---|---|
| Mr. Pramod Madhukar Chaudhari | Chairman |
| Mr. Sivaramakrishnan Srinivasan Iyer | Independent Director |
| Mr. Sandeep Rajnikant Mehta | Independent Director |
| Mrs. Mrunalini Harish Joshi | Independent Director |
| Dr. Shridhar Bhalchandra Shukla | Additional Director |
| Mr. Shishir Joshipura | Director |
| Mr. Vikram Shrirang Pandit | Director |
| Mr. Mihir Mehta | Whole-time Director |
| Mr. Anant Bavare | Company Secretary |

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

Transactions with related parties and year end balances

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Praj Industries Limited** | | |
| Sale of products | 4.031 | - |
| Sale of services | - | - |
| Expenses reimbursed to holding company | | |
| Purchase of products | 5.142 | 0.484 |
| Receipt of services | 4.975 | 4.388 |
| Expenses incurred and reimbursed by holding company | | |
| **Director Seating Fees** | | |
| Sandeep Mehta | 0.350 | 0.300 |
| Vikram Pandit | 0.350 | - |
| **Director Remuneration** | | |
| Mihir Mehta | 35.430 | - |
| **Praj Industries Limited** | | |
| Receivable | 2.974 | - |
| Payable | 1.822 | 1.067 |
| **Dividend Paid** | 200.000 | 300.000 |
| **Sandeep Mehta** | | |
| Payable | - | - |

Note 32: Leases

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Depreciation for right-of-use asset | 12.512 | 7.797 |
| Interese expense on lease liabilities | 2.756 | 2.483 |
| Expenses relating to short-term / low value leases | 3.034 | 2.786 |
| Total Cash outhflow for leases | 17.765 | 12.193 |
| Carrying amount of right-of-use asset | 26.342 | 35.449 |
| Maturity analysis of lease liabilities: | | |
| - Upto 180 days | 5.571 | 5.720 |
| - 180 to 365 days | 6.161 | 5.949 |
| - 1 year to 3 years | 17.594 | 22.298 |
| - More than 3 years | 0.545 | 4.474 |

Note 33: Earnings per share

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Reconciliation of basic and diluted shares used in computing earnings per share** | | |
| Weighted average number of basic equity shares | 5.000 | 5.000 |
| Weighted average number of diluted equity shares | 5.000 | 5.000 |
| **Computation of basic and diluted earnings per share** | | |
| Net profit after tax attributable to equity shareholders | 169.609 | 141.776 |
| Basic earnings per equity share of INR 10 each | 33.922 | 28.355 |
| Diluted earnings per equity share of INR 10 each | 33.922 | 28.355 |

**Note 34: Employee benefits**

**a) Defined contribution plans**
The Company has recognised INR 5.066 MN (31 March 2022: INR 5.010 MN) towards post-employment defined contribution plans comprising of provident and superannuation fund in the statement of profit and loss.

**b) Defined benefit plan**
In accordance with the Payment of Gratuity Act, 1972, the Company is required to provide post-employment benefit to its employees in the form of gratuity. The Company has maintained a fund with the Life Insurance Corporation of India to meet its gratuity obligations. In accordance with the Standard, the disclosures relating to the Company's gratuity plan are provided below:

**The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Present value of obligation as at the beginning of the period** | 19.741 | 18.313 |
| Interest cost | 1.375 | 1.204 |
| Past service cost | - | - |
| Current service cost | 2.176 | 1.968 |
| Benefits paid | (1.824) | (1.217) |
| Remeasurements on obligation - (gain) / loss | 0.005 | (0.528) |
| **Present value of obligation as at the end of the period** | 21.473 | 19.741 |

**The changes in the fair value of planned assets representing reconciliation of opening and closing balances thereof are as follows:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| **Fair value of plan assets at the beginning of the period** | 0.705 | 1.134 |
| Interest income | 0.117 | 0.064 |
| Contributions | 2.773 | 0.839 |
| Benefits paid | (0.968) | (1.217) |
| Mortality Charges and Taxes | (0.113) | (0.115) |
| Return on plan assets, excluding amount recognized in interest income - gain / (loss) | (0.051) | (0.000) |
| **Fair value of plan assets as at the end of the period** | 2.464 | 0.705 |
| Actual return on plan assets | 0.067 | 0.064 |

**Amounts recognised in the balance sheet are as follows:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Present value of obligation as at the end of the period | 21.473 | 19.741 |
| Fair value of plan assets as at the end of the period | 2.464 | 0.705 |
| **Surplus / (deficit)** | **(19.009)** | **(19.035)** |

**Amounts recognised in the statement of profit and loss are as follows:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Current service cost | 2.176 | 1.968 |
| Past service cost | - | - |
| Net interest (income) / expense | 1.257 | 1.140 |
| **Net periodic benefit cost recognised in the statement of profit and loss at the end of the period** | **3.433** | **3.108** |

**Amounts recognised in the statement of other comprehensive income (OCI) are as follows:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Opening amount recognised in OCI outside statement of profit and loss | | |
| Remeasurement for the year - obligation (gain) / loss | 0.005 | (0.528) |
| Remeasurement for the year - plan assets (gain) / loss | 0.051 | 0.000 |
| **Total remeasurements cost / (credit) for the year** | 0.056 | (0.528) |

**Net interest (income) / expense recognised in statement of profit and loss are as follows:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Interest (income) / expense - obligation | 1.375 | 1.204 |
| Interest (income) / expense - plan assets | (0.117) | (0.064) |
| **Net interest (income) / expense for the year** | **1.257** | **1.140** |

**The broad categories of plan assets as a percentage of total plan assets are as follows:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Government of India securities | 0% | 0% |
| High quality corporate bonds | 0% | 0% |
| Equity shares of listed companies | 0% | 0% |
| Property | 0% | 0% |
| Special deposit scheme | 0% | 0% |
| Funds managed by insurer | 100% | 100% |
| Others | 0% | 0% |
| Total | 100% | 100% |

**Principal actuarial assumptions used in determining gratuity benefit obligations for the Company's plans are as follows:**

| Particulars | 31st Mar 2023 | 31st Mar 2022 |
|---|---|---|
| Discount rate | 7.50% | 7.30% |
| Rate of increase in compensation levels | 5% | 5% |
| Expected rate of return on plan assets | 7.30% | 6.80% |
| Expected average remaining working lives of employees (in years) | 13.91* | 14.54* |
| Withdrawal rate | | |
| Age upto 30 years | 2% | 2% |
| Age 31 - 40 years | 2% | 2% |
| Age 41 - 50 years | 2% | 2% |
| Age above 50 years | 2% | 2% |

* It is actuarially calculated term of the plan using probabilities of death, withdrawal and retirement.

**A quantitative sensitivity analysis for significant assumption is shown as follows:**

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the present value of obligation.

**a) Impact of change in discount rate when base assumption is decreased / increased by 100 basis point**

| Discount rate | Present value of obligation | |
|---|---|---|
| | 31st Mar 2023 | 31st Mar 2022 |
| 6.50% | 23.895 | 22.095 |
| 8.50% | 19.374 | 17.714 |

**b) Impact of change in salary increase rate when base assumption is decreased / increased by 100 basis point**

| Salary increment rate | Present value of obligation | |
|---|---|---|
| | 31st Mar 2023 | 31st Mar 2022 |
| 4.00% | 19.636 | 17.932 |
| 6.00% | 23.420 | 21.753 |

**c) Impact of change in withdrawal rate when base assumption is decreased / increased by 100 basis point**

| Withdrawal rate | Present value of obligation | |
|---|---|---|
| | 31st Mar 2023 | 31st Mar 2022 |
| 1.00% | 20.961 | 19.275 |
| 3.00% | 21.939 | 20.162 |

**d) Risk Exposure And Asset Liability Matching**

Provision of a defined benefit scheme process certain risks, some of which are detailed hereunder, as companies take on uncertain long term obligations to make future benefit payments.

**i) Liability Risks**

**a) Asset-Liability Mismatch Risk-**

Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. By matching duration with the defined benefit liabilities, the company is successfully able to neutralize valuation swings caused by interest rate movements. Hence companies are encouraged to adopt asset-liability management.

**b) Discount Rate Risk-**

Variation in the discount rate used to compute the present value of the liabilities may seem small, but in practise can have a significant impact on the defined benefit liabilities.

**c) Future Salary Escalation and Inflation Risk-**

Since price inflation and salary growth rate linked economically, they are combined for disclosure purposes. Rising salaries will often result in higher future defined benefit payments resulting in a higher present value of liabilities especially unexpected salary increases provided at management's discretion may lead to uncertainities in estimating this increasing risk.

**ii) Asset Risk-**

All plan assets are maintained in a trust fund managed by a public sector insurer viz LIC of India. LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years.

The company has adopted for a traditional fund wherein all assets are invested primarily in risk averse markets. The company has no control over the management of funds but this option provides a high level of safety for the total corpus. A single account is maintained for both the investment and claim settlement and hence 100% liquidity is ensured. Also interest rate and inflation risk are taken care of.

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**Notes to the financial statements for the year ended 31st March 2023**

*(Amounts in Indian Rupees million unless otherwise stated)*

**Note 35: Fair value of financial assets and liabilities**

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are recognised in the financial statements

| Particulars | Carrying value | | Fair value | |
|---|---|---|---|---|
| | 31st March 2023 | 31st March 2022 | 31st March 2023 | 31st March 2022 |
| **A. Financial asset** | | | | |
| **i. Measured at amortised cost** | | | | |
| Security deposits | 6.434 | 6.156 | 6.434 | 6.156 |
| Trade receivables * | 654.875 | 651.541 | 654.875 | 651.541 |
| Cash and cash equivalent * | 238.346 | 93.217 | 238.346 | 93.217 |
| Investment in Deposit* | - | - | - | - |
| **ii. Measured at fair value through profit and loss** | | | | |
| Forward exchange contracts {Asset/(Liability)} | - | - | - | - |
| **B. Financial liability** | | | | |
| **i. Measured at amortised cost** | | | | |
| Borrowings | - | - | - | - |
| Trade payables * | 380.547 | 409.194 | 380.547 | 409.194 |
| Other financial liabilities | 27.743 | 25.058 | 27.743 | 25.058 |

The Company maintains policies and procedures to value financial assets or financial liabilities using the best and most relevant data available. In addition, the Company internally reviews valuations, including independent price validation for certain instruments.

The fair value of the financial assets and liabilities are included at the amount at which the instrument that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date.

**The following methods and assumptions were used to estimate the fair values:**

* The company has not disclosed the fair values of trade payables, trade receivables and cash and cash equivalents because their carrying amounts are reasonable approximation of fair value.

i. Fair value of security deposit (non-current) is estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about interest rates, maturity period, credit risk, forecasted cash flows etc.

**Fair value hierarchy**

The following table provides the fair value measurement hierarchy of Company's assets and liabilities grouped into Level 1 to Level 3 as described in significant accounting policies - Note 2. Further, table describes the valuation techniques used, key inputs to valuations and quantitative information about significant unobservable inputs for fair value measurements.

**Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 March 2023:**

| Particulars | Fair value measurement using | | | Valuation technique used | Inputs used |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | |
| **a) Financial assets measured at fair value** | | | | | |
| Forward exchange contracts {Asset/(Liability)} | | - | | The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies. | Quoted forward exchange rates, high credit quality yield curves. |
| **b) Assets for which fair values are disclosed** | | | | | |
| **Financial assets measured at amortised cost** | | | | | |
| Security deposits | | 6.434 | | Discounted cash flows | Forecast cash flows, discount rate, maturity date etc. |
| **c) Financial liability measured at amortised cost** | | | | | |
| Borrowings | | - | | Discounted cash flows | Forecast cash flows, discount rate, maturity date etc. |
| Other financial liabilities | | 27.743 | | | |

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**Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 March 2022:**

| Particulars | Fair value measurement using | | | Valuation technique used | Inputs used |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | |
| **a) Financial assets measured at fair value** | | | | | |
| Forward exchange contracts {Asset/(Liability)} | | - | | The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies. | Quoted forward exchange rates, high credit quality yield curves. |
| **b) Assets for which fair values are disclosed** | | | | | |
| **Financial assets measured at amortised cost** | | | | | |
| Security deposits | | 6.156 | | Discounted cash flows | Forecast cash flows, discount rate, maturity date etc. |
| **c) Financial liability measured at amortised cost** | | | | | |
| Borrowings | | - | | Discounted cash flows | Forecast cash flows, discount rate, maturity date etc. |
| Other financial liabilities | | 27.743 | | | |

During the year ended 31 March 2023 & 31 March 2022 there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurement.

Fair value of trade receivables, cash and cash equivalents and trade payables approximates their carrying value. Accordingly, fair value hierarchy disclosures are not applicable

## Note 36: Financial risk management policy and objectives

The key objective of the Company's capital management is to ensure that it maintains a stable capital structure with the focus on total equity to uphold investor, creditor, and customer confidence and to ensure future development of its business. The Company is focused on maintaining a strong equity base to ensure independence, security, as well as financial flexibility for potential future borrowings, if required without impacting the risk profile of the Company.

Company's principal financial liabilities, comprise borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance Company's operations (short term) and to provide guarantees to support its operations. Company's principal financial assets include investments, foreign exchange forward contracts, security deposit, trade and other receivables, and cash and cash equivalents, that derive directly from its operations.

Company is exposed to market risk, credit risk and liquidity risk.

### i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk interest rate risk, currency risk and other price risk such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, trade and other payables, investments, foreign exchange forward contracts, security deposit, advances to subsidiaries, trade and other receivables, deposits with banks.

The sensitivity analysis in the following sections relate to the position as at 31 March 2023 and 31 March 2022. The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt, proportion of financial instruments in foreign currencies are all constant at 31 March 2023

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations.

Company's activities expose it to variety of financial risks, including effect of changes in foreign currency exchange rate and interest rate.

### a) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Company transacts business in local currency INR and in different foreign currencies. The Company manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 6 month period for hedges of forecasted sales and purchases.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

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**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and GBP exchange rates, with all other variables held constant.

| Particulars | Currency | Amount in foreign currency | | Amount in INR | |
|---|---|---|---|---|---|
| | | 31-Mar-23 | 31-Mar-22 | 31-Mar-23 | 31-Mar-22 |
| **Financial assets** | | | | | |
| Trade receivables | EUR | 0.916 | 0.267 | 74.753 | 18.738 |
| | USD | 2.384 | 1.301 | 195.184 | 97.503 |
| Bank | EUR | - | - | - | - |
| | USD | - | - | - | - |
| Cash | EUR | - | - | - | - |
| | USD | - | - | - | - |
| **Financial liabilities** | | | | | |
| Trade payables | EUR | 0.001 | 0.483 | 0.067 | 40.560 |
| | GBP | - | - | - | - |
| | USD | 0.164 | 0.543 | 13.654 | 40.300 |
| PCFC | USD | - | - | - | - |
| Buyer's credit | USD | - | - | - | - |

**Currency wise net exposure (liabilities - assets)**

| Particulars | Amount in foreign currency | | Amount in INR | |
|---|---|---|---|---|
| | 31-Mar-23 | 31-Mar-22 | 31-Mar-23 | 31-Mar-22 |
| USD | 2.220 | 0.758 | 181.530 | 57.203 |
| EUR | 0.916 | -0.217 | 74.686 | -21.822 |
| GBP | - | - | - | - |

**Sensitivity analysis**

| Currency | Amount in INR | | Sensitivity % | Impact on Profit Before Tax | |
|---|---|---|---|---|---|
| | 31-Mar-23 | 31-Mar-22 | | 31-Mar-23 | 31-Mar-22 |
| USD | 181.530 | 57.203 | +5% | 181.580 | 2.860 |
| | | | -5% | -9.076 | -2.860 |
| EUR | 74.686 | -21.822 | +5% | 3.734 | -1.091 |
| | | | -5% | -3.734 | 1.091 |
| GBP | - | - | | - | - |

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

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**ii) Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. Trade receivables are non interest bearing and are generally on 120 days to 180 days credit term. The Company has no concentration of risk as customer base in widely distributed both economically and geographically.

The ageing of trade receivables at the reporting date that were not impaired are as follows :

| Particulars | 31-Mar-23 | 31-Mar-22 |
|---|---|---|
| - Less than 90 days | 453.282 | 314.027 |
| - above 90 days | 201.593 | 337.514 |
| **Total** | **654.875** | **651.541** |

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on exchange losses historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 32. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

**PRAJ HIPURITY SYSTEMS LIMITED**

**b) Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Company monitors rating, credit spreads and financial strength of its counter parties. Company monitors ratings, credit spread and financial strength of its counter parties. Based on ongoing assessment Company adjust it's exposure to various counterparties.

**iii) Liquidity risk**

Liquidity risk is the risk that the Company may not be able to meet its present and future cash flow and collateral obligations without incurring unacceptable losses. Company's objective is to, at all time maintain optimum levels of liquidity to meet its cash and collateral requirements. Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including overdraft, debt from domestic and international banks at optimised cost. Company enjoys strong access to domestic and international capital market across debt, equity and hybrids.

The table summarises the maturity profile of Company's financial liabilities based on contractual undiscounted payments

| As at 31 March 2023 | | | | |
|---|---|---|---|---|
| **ii) Credit risk** | **Carrying amount** | **On demand** | **Less than 6 months** | **Total** |
| Interest bearing borrowings | - | - | - | - |
| Trade payables | 380.547 | - | 380.547 | 380.547 |
| Other financial liabilities | 27.743 | - | 27.743 | 27.743 |

| As at 31 March 2022 | | | | |
|---|---|---|---|---|
| **Particulars** | **Carrying amount** | **On demand** | **Less than 6 months** | **Total** |
| Interest bearing borrowings | - | - | - | - |
| Trade payables | 409.194 | - | 409.194 | 409.194 |
| Other financial liabilities | 25.058 | - | 25.058 | 25.058 |

**PRAJ HIPURITY SYSTEMS LIMITED**
**Note 37: Capital management**

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

| **Particulars** | **31-Mar-23** | **31-Mar-22** |
|---|---|---|
| Borrowings | - | - |
| Trade payables | **380.547** | **409.193** |
| Other financial liabilities | 27.343 | 25.058 |
| Less: Cash and cash equivalents | 238.346 | 93.217 |
| **Net debt** | **169.544** | **341.034** |
| Equity | 854.592 | 885.036 |
| **Capital and net debt** | **1,024.135** | **1,226.070** |
| Gearing ratio | 17% | 28% |

**PRAJ HIPURITY SYSTEMS LIMITED**
**Note 38: Trade Receivable**

| FY 22-23 | Outstanding for following periods from due date of payment | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars | Less than 6 | | 6 months -1 Year | 1-2 Years | 2-3 Years | More than 3 years | Total |
| | Due | Not Due | | | | | |
| (i) Undisputed Trade receivables – considered good | 487.775 | 49.489 | 107.985 | 0.533 | 0.087 | 9.007 | 654.875 |
| (iii) Undisputed Trade Receivables – credit impaired | - | - | 5.363 | 0.622 | 1.887 | 50.919 | 58.792 |
| Total | 487.775 | 49.489 | 113.347 | 1.155 | 1.975 | 59.926 | 713.667 |

| FY 21-22 | Outstanding for following periods from due date of payment | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars | Less than 6 | | 6 months -1 Year | 1-2 Years | 2-3 Years | More than 3 years | Total |
| | Due | Not Due | | | | | |
| (i) Undisputed Trade receivables – considered good | 432.147 | 22.244 | 172.629 | 11.422 | 1.074 | 12.025 | 651.541 |
| (iii) Undisputed Trade Receivables – credit impaired | - | - | 0.669 | 2.580 | 3.235 | 29.311 | 35.795 |
| Total | 432.147 | 22.244 | 173.298 | 14.001 | 4.310 | 41.336 | 687.336 |

**PRAJ HIPURITY SYSTEMS LIMITED**
**Note 39: Trade Payable**

| 31st March 2023 | | | | | | |
|---|---|---|---|---|---|---|
| Particulars | Less than 1 year | | 1-2 Years | 2-3 Years | More than 3 years | Total |
| | Due | Not Due | | | | |
| (i)MSME | 7.118 | 110.075 | - | - | - | 117.193 |
| (ii)Other | 35.133 | 228.221 | - | - | - | 263.354 |
| (iii)Disputed Dues – MSME | | - | - | - | - | - |
| (iv)Disputed Dues – Other | | - | - | - | - | - |
| (v)Unbilled Dues | | - | - | - | - | - |
| Total | 42.251 | 338.296 | - | - | - | 380.547 |

| 31st March 2022 | | | | | | |
|---|---|---|---|---|---|---|
| Particulars | Less than 1 year | | 1-2 Years | 2-3 Years | More than 3 years | Total |
| | Due | Not Due | | | | |
| (i)MSME | 13.900 | 130.912 | - | - | - | 144.813 |
| (ii)Other | 49.239 | 215.142 | - | - | - | 264.380 |
| (iii)Disputed Dues – MSME | | - | - | - | - | - |
| (iv)Disputed Dues – Other | | - | - | - | - | - |
| (v)Unbilled Dues | | - | - | - | - | - |
| Total | 63.139 | 346.054 | - | - | - | 409.193 |

**PRAJ HIPURITY SYSTEMS LIMITED**
**Note 40 : Analytical Ratios**

| Sr. No. | Ratio | Numerator | Denominator | 31 March 2023 | 31 March 2022 | % Variance | Reason for Variance |
|---|---|---|---|---|---|---|---|
| 1 | Current ratio | Current assets | Current liabilities | 1.89 | 1.87 | 0.78% | N.A. |
| 2 | Debt-equity ratio | Debt | Net worth | NA | NA | - | N.A. |
| 3 | Debt service coverage ratio | Profit before exceptional items, tax and finance cost | Interest & Lease Payments + Principal Repayments | 18.24 | 23.99 | -23.94% | N.A. |
| 4 | Return on equity ratio | Profit after tax | Average Shareholder's Equity | 19.50% | 14.71% | 32.57% | There is favourable change in these ratios on account of increase in revenue from operations during the year. |
| 5 | Inventory turnover ratio | Sales | Average Inventory | 6.34 | 5.16 | 22.87% | N.A. |
| 6 | Trade receivables turnover ratio | Sales (billed to customer) | Average Accounts Receivable | 3.70 | 3.25 | 14.04% | N.A. |
| 7 | Trade payables turnover ratio | Cost of goods sold | Average Trade Payables | 3.61 | 3.22 | 11.95% | N.A. |
| 8 | Net capital turnover ratio | Sales | Average Working capital | 3.73 | 2.75 | 35.76% | Improved ratio is on account of higher revenue from operations compared to increase in average working capital employed. |
| 9 | Net profit ratio | Profit After Tax | Sales | 7.01% | 6.90% | 1.70% | N.A. |
| 10 | Return on capital employed | Earning Before Interest & Tax | Capital Employed | 27.61% | 22.48% | 22.83% | N.A. |
| 11 | Return on investment | Income from Investments | Investment | | | | |
| | i. Mutual Funds | | | - | - | | |
| | ii. Bonds | | | - | - | | |
| | iii. Fixed Deposits | | | 3.18% | 4.64% | -31.52% | There is favourable change in ratio due to decrease in interest received on Fixed Deposits |

**PRAJ HIPURITY SYSTEMS LIMITED**
**Note 41: CSR Expenditure**

The company was required to spend INR 1.929 as expenditure on CSR as per requirements of the Companies Act, 2013. During the year, the Company has incurred CSR expenses of INR 1.929 included in other expenses (Refer Note 24) as follows:

| Amount spent on | Amounts paid |
|---|---|
| Construction/acquisition of asset | Nil |
| On other purposes covered under Schedule VII to Companies Act, 2013 | 1.929* |

*INR 1.929 given to Praj Foundation which is a related party.

| Particulars | 31-Mar-23 | 31-Mar-22 |
|---|---|---|
| a) Amount required to be spent by the company during the year | 1.929 | 0.666 |
| b) Amount of expenditure incurred | 1.929 | 0.666 |
| c) Shortfall at the end of the year | - | - |
| d) Total of previous years shortfall | - | - |

Note : "The previous period figures have been regrouped / reclassified whereever necessary to conform to current year's classification."

**For P.G. Bhagwat LLP**
Chartered Accountants
FRN: 101118W/ W100682

**For and on behalf of the Board of Directors of PRAJ HIPURITY SYSTEMS LIMITED**

**Shriniwas Gadgil**
(Partner)
M. No. 120570
Place : Pune
Date : 18th May 2023

**Dr. Pramod Chaudhari**
(Chairman)
DIN: 00196415

**Mihir Mehta**
(Whole-time Director)
DIN: 09736913

**Shishir Joshipura**
(Director)
DIN: 00574970

**Anant Bavare**
(Company Secretary)
M. No.21405

P G BHAGWAT LLP Chartered Accountants
LLPIN: AAT-9949
FRN 101118W / W100682
* Mumbai-21 *