



ANNUAL REPORT
2021 - 22



Advanced Weapons and Equipment India Limited



Vision

To strengthen India's Defence Capabilities under 'Atma Nirbhar Bharat' & to ensure a larger global presence: For ourselves as well as for our Nation.



Mission

AWEIL is committed towards timely product delivery with highest standards of quality, prompt service, transparency, accountability and grievance redressal mechanism



Contents

Chairman's Statement.....	3
Board of Directors.....	5
Corporate Information.....	6
Our Product Profile & Capabilities.....	8
Important Events	21
Director's Report	28
Standalone Financial Statements	70
Consolidated Financial Statements	127
Notice of Annual General Meeting	181



CHAIRMAN'S STATEMENT



I am confident that together we will surmount all the challenges firmly and establish AWEIL as a strong, reliable, progressive, self-reliant and state-of-the-art arms manufacturing organization, not only for meeting to needs of our Country but for all over the world i.e. 'Make in India' for India and for the World



Dear Shareholders,

It is my privilege to extend a very warm welcome to you all for the First Annual General Body Meeting of Your Company.

Your Company **Advanced Weapons and Equipment India Limited** is one of the seven new Defence Public Sector Undertakings (DPSUs), carved out by converting the erstwhile Ordnance Factory Board, which are fully owned by the Government of India. The conversion to Corporate Entity has given us more functional autonomy and flexibility in decision making thus enabling us to unleash growth potential and innovation. This will go a long way towards facing competition, absorbing fast pace of technological advancement and making our units as vehicles of self-reliance in defence preparedness of the Nation.

Your Company started functioning in the present format w.e.f. 01 October 2021, and within a period mere six months since inception, it has completely restructured the entire functioning of the various Departments i.e. Operations, Quality, Finance, Human resources. It was a challenging task, but with commitment and cooperation of all concerned, it has been possible.

I believe we are standing at the dawn of a period of boundless Opportunities and

growth. Our journey into the future will be shaped by our ability to adapt to the new normal and address emerging challenges with agility, innovative capabilities, inclusivity and resilience.

Your Company recognizes that reforming, transforming and performing is the need of the hour and in this regard we along-with all the stakeholders are committed to put our best foot forward and Seize every opportunity to play a critical role in shaping the defence of our Country and endeavor to constantly, enhance our human skills and innovate and transform as required to meet the challenges of the future.

Your Company has continued to maintain its leadership position in supplying armaments to the Defence Forces and is on a steady growth path. I take this opportunity to share the performance highlights during the past six months and the future outlook of the company.

Financial and Performance Highlights:

In the second half of financial year 2021-22, your Company recorded a turnover of Rs. 1088.62 Crores, experiencing a strong growth in upcoming years.

Your Company is deeply dedicated towards manufacturing of Artillery Guns, AD Guns, Naval Guns, Mortars, Assault Rifles, Carbines, Light machine

Guns, Ammunition Hardware etc. under Atmanirbhar Bharat and to achieve greater milestones in the coming years. In fact, the Indigenous content in our turnover is to the tune of 94%, the highest amongst all DPSUs.

Significant Achievements:

Your Company has made some special achievements during this six month of its journey.

- Ordnance Factory Tiruchirappalli (OFT) Trichy has been able to establish production of 12.7 mm Stabilised Remote Control Gun (SRCG) through SKD and CKD route well within the defined timelines.
- Trichy Assault Rifle and Trichy Carbine has passed the trials conducted by National Security Guard (NSG) and Andhra Police. The Company has received orders for the same from CRPF.
- Your Company has carried out the successful firing of two 2nd Line of ammunition (90 rounds each) from two Dhanush Guns., which is extremely strenuous firing. This has placed us into the category of best companies producing modern Artillery Gun System around the world.
- Overhauling of 105 mm Indian Field Gun has been successfully



established at Field Gun Factory Kanpur. Indian Army has been looking for Overhauling of 105mm IFG since long. With this success, AWEIL is all set to address the long pending issue of Indian Army.

- AWEIL has secured order of 5000 Nos. of Joint Venture Protective Carbine (JVPC) from Delhi Police.
- We are constantly striving to increase the exports. Negotiations are underway for export of different types of weapons to European, African and Middle Eastern countries and we are hopeful of getting these orders. We have received export orders of Artillery Gun Spares worth Rs. 60 million and repairs of Artillery Guns worth Rs. 32 million.
- Rifle Factory Ishapore has received the 'Golden Peacock Award' for 7.62x51mm Ishapore Assault Rifle in the Innovative Product Range for the year 2022.
- As part of indigenisation drive under 'Atmanirbhar Bharat' program of MoD, AWEIL organized a webinar on 'Critical Components' with record participation from FOEMs, DPSUs and Industry on 28.02.22.
- Hon'ble Raksha Mantri, virtually inaugurated a seven-day exhibition at 75 locations Pan India on 13th December 21 as part of 'Azadi Ka Amrit Mahotsav celebrations. As a part of celebrations units of AWEIL organized Defence Exhibition at Kanpur, Korwa, Trichy, Jabalpur (GCF) & Kolkata.

Research & Development:

Your Company has continued its efforts towards the Design and Development of new platforms/products/technologies and activities to enhance its capability with a view to bring technological superiority to its products and to cope up with the future technological challenges. These efforts have resulted in major achievements such as indigenous production of 12.7 mm SRGC gun through SKD & CKD route, establishing overhauling of 105 mm Indian Field Gun at Field Gun Kanpur, successful establishment of Recoil

System production, successful trials and commercialization of 7.62 x 39 mm Trichy Carbine etc.

Corporate Governance and Sustainability:

Your Company is constantly adopting and maintaining the highest standard of values and principles. A detailed report on compliance of the guidelines on corporate governance on issued by the Department of Public Enterprises, forms part of the Board's Report.

Future Outlook:

The prevailing turbulence in the global business environment has been impacting business and posing a major threat for growth. To combat the risks associated, your company is foraying into new business areas and keeping pace with fast changing technological advancements besides enhancing operational efficiency. Also, the Government's emphasis on 'Make in India' and 'Atmanirbhar Bharat' initiatives in Defence sector provides a great opportunity for your Company to enhance indigenization efforts and address the emerging opportunities in the Indian Defence sector.

The future of your Company looks promising as well as challenging. The Defence Sector is being opened up for private sector participation with evolution of Defence Procurement Procedure. In this changing business scenario, your company is focusing on enhancing exports, increased turnover, profitability leading to enhanced employment and better terms to employees.

We have to bring a change in our ideology and work culture, so that we can thrive in the competitive world. I am confident that with everyone's cooperation, we will be able to achieve our envisaged objectives by having a paradigm shift in work culture.

Your Company will witness a high growth in the coming years. We have secured orders worth Rs. 2559 Crores in the last six months and the outstanding order book position at the end of F.Y. 2022-23 is likely to be approximately Rs. 5500 Crores.

Our products in the form of small arms, medium & large caliber guns and ammunition have tremendous export potential. Keeping in view the demand for core products, we have made a comprehensive plan. AWEIL's aspires to double its current annual turnover by 2025-26.

Acknowledgement:

Your Company will continue to pursue global standards, and I am confident that the Company will achieve many milestones. We hope to attain all round success with the continued support and guidance of all our stakeholders.

I am grateful to the Board of Directors and members of the Management Committee for their unwavering support and guidance. Department of Defence Production, Ministry of Defence, Defence Services, and Para military & State Police Forces have been continuously providing valuable guidance and support, bestowing their confidence in us. I deeply appreciate our shareholders, esteemed customers and business associates for providing opportunities to earn their confidence.

The dedication, resilience and commitment of our employees and officers at all levels continue to be the major strength of your Company by which we continue to deliver the solutions to constantly meet the Customers' requirements. We shall make continuous efforts to launch new initiatives and build on these strengths to face future challenged and sustain the momentum for profitable growth in the coming years.

I am confident that together we will surmount all the challenges firmly and establish AWEIL as a strong, reliable, progressive, self-reliant and state-of-the-art arms manufacturing organization, not only for meeting to needs of our Country but for the whole World

Thank you for the continuous support to Advanced Weapons and Equipment India Limited.

Jai Hind!



BOARD OF DIRECTORS



Shri Rajesh Choudhary, IOFS, ndc
Chairman & Managing Director



Shri Surendra Prasad Yadav, IFoS
Government Nominee Director



Smt. Anupma Tripathi, IOFS
Director (HR)



Shri Akhilesh Kumar Maurya, IOFS, ndc
Director (Operations)



Shri Ravin Kulshrestha, IOFS
Director (Finance & CFO)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri Rajesh Choudhary

Chairman & Managing Director

Shri Surendra Prasad Yadav

Government Nominee Director

Shri Akhilesh Kumar Maurya

Director (Operations)

Smt. Anupma Tripathi

Director (HR)

Shri Ravin Kulshrestha

Director (Finance & Chief Financial Officer)

COMPANY SECRETARY

Shri Manish Kumar Singh

CHIEF VIGILANCE OFFICER

Shri Shrikant Walgad, IAS

Phone: 033-22485486

E-mail: cvo@ord.gov.in

CHIEF INFORMATION OFFICER

Ms. Sonali Sahu, IOFS

PRINCIPAL ACCOUNT OFFICER

Shri Vivekanand Chaubey, IOFS

STATUTORY AUDITORS

M/s S.K Kapoor & Co.

(Chartered Accountants)

FRN: 000745C

SECRETARIAL AUDITORS

M/s Ankit Misra & Co.

(Company Secretary)

C.O.P. No. 23471

BANKERS

State Bank of India

REGISTERED OFFICE

**Ordnance Factory Kanpur, Kalpi Road,
Kanpur-208009, U.P.**

WEBSITE: www.aweil.in

EMAIL: contact@aweil.in

PHONE: 0512-2986979

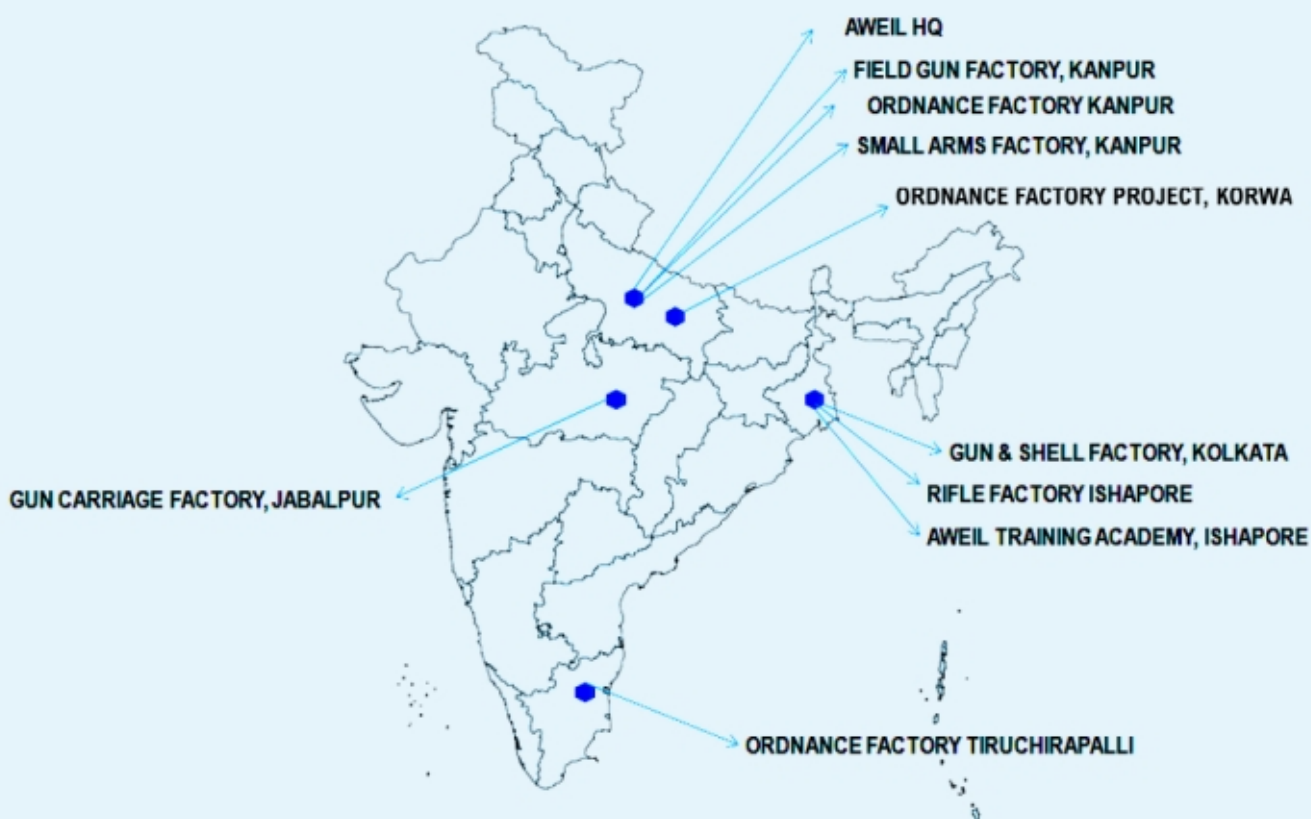


ABOUT AWEIL

Advanced Weapons and Equipment India Limited (AWEIL) is one of the seven (7) new Defence PSUs incorporated by converting the Ordnance Factory Board into fully owned Government of India Enterprise.

- Incorporated on 14th August 2021 and commenced its business from 1st October 2021.
- It comprises of eight productions and one non- production unit.
- Conversion into DPSU gives AWE India Ltd, autonomy, allowing it to explore new opportunities in the global defence market.
- Comprehensive product range of Weapons and Equipment.
- Integrated State of the Art facilities for high quality, cost effective production.
- Extensive facilities for inspection and material testing with NABL Accredited Labs.

Production and Non-Production Units



OUR PRODUCT PROFILE

Advanced Weapons and Equipment India Limited (AWEIL), the ultimate weapon system provider in India, has a comprehensive product matrix ranging from small caliber 5.56 mm Rifles to 155 mm Artillery Guns, Tank Guns viz. Arjun Tank, T-90 Tank, T-72 Tank as well as Mortars, Naval Guns and Anti-Aircraft Guns. It also manufactures ammunition hardware ranging from 30 mm to 155 mm.

Dhanush Artillery Gun System



- Indigenized Artillery Gun System
- Range > 36 km
- AGSS- Advance Gun Sighting System
- Shoot and Scoot Capability
- GPS aided Inertial Navigation System (INS)
- Direct Firing Capabilities : Day and Night
- Rate of Fire :
 - Burst : 3 rounds in 30 sec
 - Intense : 12 rounds in 3 min
 - Works with wide range of ammunition and charges

Sharang Up-Gunned Gun



- Developed by AWEIL through in-house R&D by up-gunning the existing 130 mm M46 Gun System
- Range > 36 km
- Capable of firing all existing standard 155 mm Ammunition
- Work under all climatic conditions
- Very Cost Effective Solution

Light Field Gun (LFG)



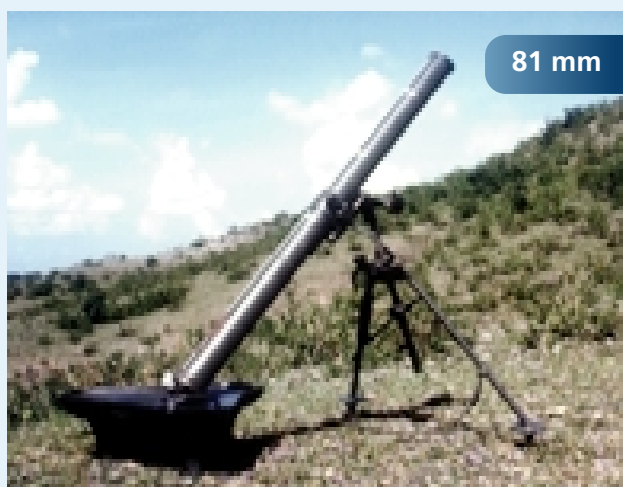
- Calibre: 105 mm
- Range: 17.2 km
- Elevation: -5 deg to 73 deg
- Traverse: 360 deg on firing platform

Mortar



- Light Artillery Weapon
- Range: 8.9 km
- Fires HE, Smoke and Illuminating ammunition

Mortar



- Light and powerful weapon designed to increase the fighting power of Infantry
- Range: 5 km

RL Mk-III



- Sophisticated and precise Infantry Weapon 84 mm Carl Gustaf Recoilless Gun MK-III
- Range: 700 m to 1000 m
- Capable of firing varieties of ammunition including anti-tank



AK-630 Naval Gun



30 mm

- Caliber: 30 mm
- Range: 5000 m
- Rate of Fire: 5000 rds/min

Stabalized Remote Control Gun System (SRCG)



12.7 mm

- Caliber: 12.7 mm
- Effective Range: 1.89 km
- Rate of Fire: 450-630 rds/min
- Fully remotely controlled, deck mounted
- Belt Fed

MAG



7.62 x 51 mm

- 7.62 x 51 mm
- Belt Fed
- Effective Range: 1800 m
- Rate of fire: 1000 rds/min

LMG



7.62 x 51 mm

- 7.62 x 51 mm
- Belt Fed
- Effective Range: 800 m
- Rate of fire: 600 rds/min
- Cleared in MHA trials

Trichy Assault Rifle

7.62 x 39 mm



- 7.62 x 39 mm
- Effective Range: 350 m
- Rate of fire: 600 rds/min
- Single shot and Automatic mode
- Comparable to AK-47
- Customers: CAPFs & SPOs
- Approx. 30000 nos. supplied

Ishapore Assault Rifle

7.62 x 51 mm



- 7.62 x 51 mm
- Effective Range: 500 m
- Rate of fire: 700 rds/min
- Single Shot and Automatic mode
- Customers: CAPFs & SPOs

Joint Venture Protective Carbine (JVPC)

5.56 x 30 mm



- 5.56 x 30 mm
- Effective Range: 100 m
- Rate of fire: 800 rds/min
- Single shot and Automatic firing mode
- Approx. 6000 nos. supplied

TRICa

7.62 x 39 mm



- 7.62 x 39 mm
- Effective Range: 140 m
- Rate of fire: 600 rds/min
- Single shot and Automatic firing mode

CQB Carbine

5.56 x 45 mm



- 5.56 x 45 mm
- Effective Range: 200 m
- Rate of fire: 700 rds/min
- Single shot and Automatic firing mode
- Cleared in MHA trials

Sniper Rifle

7.62 x 51 mm



- 7.62 x 51 mm
- Effective Range: 800 m
- Single Shot fire
- Accuracy of 1 minute of angle at 100 m

Anti Material Rifle

14.5 /20 mm



- 14.5 /20 mm multi calibre
- Effective Range: 1800 m/1300 m

Tear Gas Gun

38.8 mm



- 38.8 mm bore
- Single shot
- Rate of fire: 10 shell/min



Ammunition Hardware



- 30 mm Shells
- 40 mm Shells
- 105 mm Shells (High Explosive, Colour, Smoke, Illuminating)
- 120 mm Shells (Tank Ammunition)
- 125 mm Shells (Tank Ammunition)
- 130mm Shells (Artillery Gun Ammunition)
- 155 mm Shells (Artillery Gun Ammunition)

Revolver

0.32"



- 0.32 " Revolver and its variants
- 0.22 " Revolver and variants

Major R&D Initiatives

Assault Rifle

7.62 X 51mm



- Designed, developed and manufactured by Rifle Factory Ishapore.

LMG Belt Fed

7.62 X 51mm



- Designed, developed and manufactured by Small Arms Factory, Kanpur

Mounted Gun System (MGS)

155 mm x 52 Cal



- Designed, developed and manufactured by AWEIL in collaboration with M/s BEML & M/s BEL, Chennai

Close in Weapon System (CIWS) for AD Gun

40 mm



- Designed, developed and manufactured by AWEIL in collaboration with BEL, Bangalore.



CUSTOMER BASE AT A GLANCE





STATE OF THE ART MANUFACTURING CAPABILITIES



CNC Machining Centre



CNC Machining Centre



Mandrel Manufacturing Machine



Cold Swaging Machine

STATE OF THE ART MANUFACTURING CAPABILITIES



Shell Forging Facilities



Autofrettage Plant



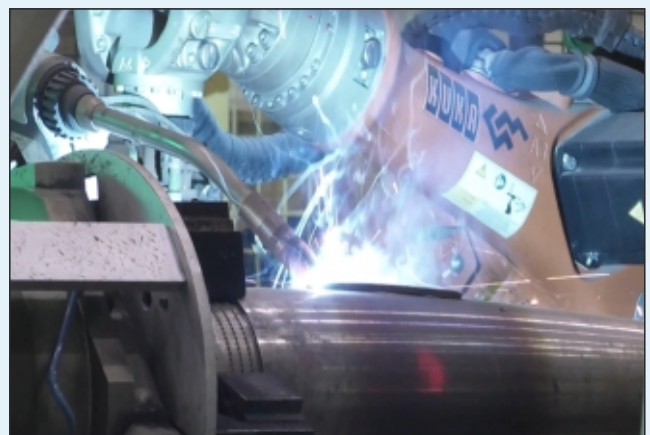
CNC Rifling Machine



CNC Deep Hole Drilling



CNC Barrel Turning



Automatic Nub Welding



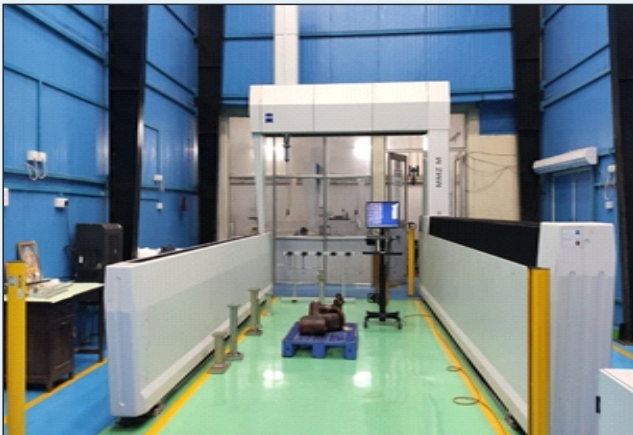
STATE OF THE ART CAPABILITIES



NABL accredited Quality Control Labs



Spectrometer



3D Coordinate Measuring Machine



Spring Testing Machine (For Small Arms)



Spring Testing Machine (For Large Calibre)



VISIT OF DIGNITARIES AT VARIOUS UNITS OF AWEIL



Hon'ble Shri Anbil Mahesh Poyyamozhi, Minister for School of Education Tamil Nadu, has visited to Defence Exhibition conducted by OFT



Shri Rakesh Singh, MP



Shri Ashok Rohani, MLA



Shri Sanjay Jaju, IAS, Addl. Sec.(DP)



Lt. Gen. R K Malhotra DG, DGQA



Brig. Puneet Aggrawal Commandant COD Jabalpur



M/s Nextar France & M/s Simmel Difesa Italy

EVENTS



Rashtriya Ekta Diwas - National Unity Day on 31.10.2021



Tree Plantation



PUBLIC EXHIBITION

Your Company organised exhibitions from 13th December 2021 to 19th December 2021 at its five different factories showcasing the product profile of its units as part of the celebrations under “Azadi Ka Amrit Mahotsav”.



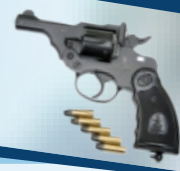
Public Exhibition, Jabalpur



Public Exhibition, Kanpur



Public Exhibition, Kolkata



Public Exhibition, Trichy





Inauguration of AWEIL, HQ





PRODUCTION PERFORMANCE

After its inception, Advanced Weapons and Equipment India Limited (AWEIL) during its start up phase (01-10-2021 to 31-03-2022) carried out sales to the tune of Rs. 1076.34 Crore. Further AWEIL is determined to achieve growth @20% per year till 2025-26.

Financial Year	Target (INR in Cr.)
2022-23	2100
2023-24	2500
2024-25	3000
2025-26	3500

Contemplating AWEIL growth vision, the target set for the upcoming year is tabulated below:-



Business Development & Marketing: Opportunities & Strategy

Growing demand and immense global as well as domestic opportunity required a focused & proactive approach in marketing. The following blue print is being contemplated to put together, an actionable marketing plan for AWEIL.

✓ Market intelligence:

Market intelligence will help AWEIL to understand the competitive landscape of the domestic and global defence procurement market. The Company will carry out in depth analysis of the business condition & prospect in the priority emerging as well as mature market.

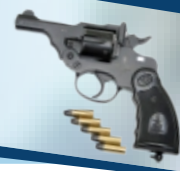
The study will provide insight into defence security spending drivers, procurement procedure affect policies and demand generated. Further insight into existing platforms & forecasting the demand, AWEIL will be able to steer its manufacturing capabilities.

✓ Exports:

AWEIL with its extensive manufacturing facilities & In house research facilities have made strides in defence technology & are well placed to take up initiative for exporting defence equipments globally. There is a huge demand in the international market for weapon system. By engaging government & private players, AWEIL will be leveraging its defence capabilities, innovation & its people to support the global demand. Area specific strategy will be carried out along with establishment of the regional offices to create thrust & aggressively avail potential export opportunity and meet the India's target of Rs. 35000 Crore by 2025 in defence sector.

✓ Participation in Exhibitions:

Exhibitions offer a wide platform for AWEIL to showcase its products & service to a more receptive audience. Such platform will facilitate AWEIL to have B2B and B2C interaction. Keeping in mind the emerging markets & demands, AWEIL will participates in domestic & international exhibition to showcase its presence at global platform and to



showcase its products par with international standards & for the penetrate global defence market.

✓ **Pro-active approach:**

Anticipating the global trends & customer demand, AWEIL will develop & offer products through its own R&D initiatives, interaction with potential customers & dealer will be organized regularly to contemplate the demand.

✓ **Publicity Material:**

Wider publicity of AWEIL products to be carried out by utilizing all platforms i.e. print media & social media. AWEIL regularly updating customers through its twitter account.

✓ **Advertisements:**

AWEIL published its progress through interview & advertisement in defence publication and at other media platform to keep its customers & stakeholders abreast of the activities of AWEIL.

EXPORT POTENTIAL FOR AWEIL:

While the theme of self-reliance is being carried forward, there is also a need for AWE India Limited to focus on developing a defence export vision that functions as a boost to AWE India Limited growth & also to meet the national agenda being a reputed arms manufacturer. Following Initiatives are being taken:

Registration on EXIM Portal:

AWEIL has registered on EXIM portal for following up the Export leads.

Channel Partners:

AWE India Ltd is engaging Channel Partners in prospective export potential countries and territories to market and create opportunities for export of its defence products.

Participation in Exhibitions:

- AWEIL is participating in National as well as International Exhibitions
- Exhibitions provide an excellent opportunity for entering the international market. Participation in exhibitions also provides an excellent platform to interact with all stakeholders at a single platform, exchange ideas, views and take forward the business and allied interests. For the various buyers, there is the opportunity to see, understand, and assess the product that it wishes to purchase.
- Strategic prices are being offered to some overseas customers in line with MOD's directive in order to become more competitive and to be able to grab future export orders.
- Participation in Competitive bidding.
- Taking Part as Indian Offset Partner (IOP) with other countries' vendor
- Bi-lateral talks/Inputs in defence cooperation etc. through MoD.
- Through R & D activities export to other countries is being boosted.
- Continuous monitoring of existing/upcoming opportunities in countries/regions of interest.

Engagement through Defence Attaches (DAs): AWE India Ltd is engaging with DAs for requirements generated in various countries.

Focus Areas Identified:

- Export of Small Arms
- Export of Ammunition Hardware
- Export of Mortars
- Supply of sub-assemblies, spares for Arty Gun System
- Overhauling of LFGs Export of Artillery Guns
- Export of Air Defence Guns
- Up-Gunning and Overhauling of Artillery Guns
- Executing Turn Key Projects in various Friendly Foreign Countries



DIRECTOR'S REPORT

Dear Members,

Your Directors have the pleasure in presenting the 1st Annual Report of the Company together with the Audited Financial Statements for the year ended March 31, 2022 and reports of the Auditors' thereon.

PERFORMANCE OF THE COMPANY:

Your Company has delivered the first year since it was incorporated by converting the erstwhile Ordnance Factory Board into a fully owned Government of India Enterprise. The company has been incorporated on 14.08.2021 under the Companies Act 2013 and commenced business on 01.10.2021. During the period the company's performance was decent, and the profit earned was very meager. We are trying to do better, so that performance would be much better in the coming years. The company has indulged in the enhancement of shareholder value through sound business decisions, prudent financial management, and a high standard of ethics throughout the organization.

The total income for the financial year under review was Rs. 1172.05 Crore. The profit before tax from the operations was Rs. 5.98 Crore for the financial year under review. The profit after tax from the operations was Rs. 4.53 Crore for the financial year under review.

FINANCIAL RESULTS AND PERFORMANCE HIGHLIGHTS:

The Company's financial performance for the period from October 1, 2021 to March 31, 2022 is summarised below:

	(Crore)
PARTICULARS	2021-2022
Total Turnover	1172.05
Profit before depreciation, exceptional items and tax	72.23
Less: Depreciation, amortization, impairment and obsolescence	66.25
Profit before exceptional items and tax	5.98
Add: Exceptional Items	-
Profit before tax	5.98
Less: Provision for tax	1.45
Profit after tax for the year	4.53

INCOME DISTRIBUTION FOR THE YEAR 2021-22 IS SUMMARISED AS UNDER:

	(Crore)
INCOME DISTRIBUTION	2021-2022
Cost of materials consumed	323.14
Employee benefit expenses	617.93
Finance costs	-
Depreciation and amortization expenses	66.25
Power & Fuel	41.09
Other Expenses	66.00
Exceptional Items	-
Tax Expense	1.45
Other Comprehensive Income	-

CONSOLIDATED FINANCIAL STATEMENT:

The consolidated financial statements of the Company prepared for its Joint Venture Company Indo- Russian Rifles Private Limited (IRRPL) pursuant to provisions of section 129(3) of the Companies Act, 2013 and applicable accounting standards together with the



Auditors' Report forms part of this Report.

Financial Position: The financial position of the Company as on March 31, 2022 is shown below;

Type of Ratio	2021-22
(i) Current Ratio (In times)	2.50
(ii) Return on Equity Ratio (%)	0.18%
(iii) Inventory turnover ratio (In times)	0.45
(iv) Trade receivables turnover ratio (In times)	4.24
(v) Trade payables turnover ratio (In times)	1.55
(vi) Net capital turnover ratio (In times)	0.46
(vii) Net profit ratio (%)	0.42%
(viii) Return on capital employed (%)	0.23%

AMOUNT TO BE CARRIED TO GENERAL RESERVE:

The Company has transferred amount to Rs. 4.53 Crore to retained earnings during the current financial year.

CAPITAL STRUCTURE:

The Authorized Equity Share Capital of the Company as on March 31, 2022 stood at Rs. 1,50,00,00,00,000/- (Rupees Fifteen Thousand Crore only) comprising of 15,00,00,00,000/- (One Thousand Five Hundred Crore) Equity shares of Rs. 10/- each.

The Paid-up Equity Share Capital as on March 31, 2022 was Rs. 528.37 Crore comprising of 52,83,70,000 (Fifty Two Crore Eighty Three Lakhs Seventy Thousand) shares of Rs. 10 each.

CAPITAL AND FINANCE:

During the year under review, the Company has received Rs. 528.36 Crore in form of Capex and Emergency Authorisation Fund (EAF) which is required to be apportioned in the form of Equity share capital.

Accordingly Company has apportioned the money in Equity shares through Right Issue of 52,83,60,000 equity shares of Rs. 10/- each to Government of India.

CONTRIBUTION TO THE EXCHEQUER:

Your Company's contribution during 2021-22 to the Central Exchequer was Rs. 212.59 Crore by way of: - Goods & Services Tax and custom duty. This is first year, so we did not pay any income tax so far, although provision for income tax has been made amounting to Rs. 1.45 Crore in statement of profit & loss.

CAPITAL EXPENDITURE:

As at March 31, 2022, the carrying value of property, plant and equipment and intangible assets were at Rs. 1919.07 Crore and Capital work-in-progress were amounted to Rs. 253.98 Crore.

DIVIDEND:

As per the guidelines issued by Department of Investment and Public Asset management (DIPAM), every CPSE would pay a minimum of annual dividend of 30% of PAT or 5% of net-worth whichever is higher subject to maximum of dividend permissible under the Companies Act, 2013.

Being the first year of incorporation of Company, the Board has not recommended any dividend for the year 2021-22, the profit will be used in fulfilling the requirement of capital expenditure.

DEPOSITS:

During the year under review, the Company has not accepted any deposits covered under chapter V of the Companies Act, 2013. So the Company does not fall within the meaning of section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.



REVIEW OF OPERATIONS:

Targets and Achievements:

Target and achievement from 01.10.2021 to 31.03.2022 is as below:-

DPSU	Target 2021-22	Sales 2021-22
AWEIL	1050	1076.34

(Crore)

- Totally, items worth Rs. 1,332 Crore have been produced after 01.10.2021 against Rs. 400.40 Crore up to 30.09.2021.
- Also, AWEIL has registered a profit of Rs. 4.53 Crore during the period 01.10.2021 to 31.03.2022. This has been a major turnaround in comparison to the erstwhile OFB, where the average 06 monthly loss during the last 03 years has been to the tune of Rs. 398.5 Crore by the factories which are now a part of AWEIL.

The targets for AWEIL up to 2025-26 are tabulated below:-

Financial Year	Target (Rs. in Crore)
2022-23	2100
2023-24	2500
2024-25	3000
2025-26	3500

KEY ACHIEVEMENTS:

Following are some of the major achievements from 01.10.21 to 31.03.2022:-

- Dhanush Gun System successfully fired highest charge (Zone 6) with 155mm ERFB BT Shells at PFFR in December 2021 and two second line firing in March 31, 2022.
- Production of 12.7 mm Stabilized Remote Control Gun (SRCG) System has been successfully established at Ordnance Factory Trichurapalli with SKD & CKD components in last quarter of 2021.
- AWEIL has bagged an order of AK-630 Naval Gun worth INR 88 cr from GSL.
- Board of Officers of NSG & AP Police has carried out evaluation trials of Trichy Assault Rifle & Trichy Carbine during December'2021 and January'2022. The trial was successful.
- CRPF has given an order of 10,000 Trichy Assault Rifles worth Rs 76.48 crores.
- 81mm Mortar production has been established at Field Gun Factory Kanpur, & Ordnance factory Kanpur also in addition to Gun & Shell Factory Cossipore. The first 81mm Mortar manufactured at Field Gun Factory Kanpur has been successfully proof fired at LPR Khamaria on 31.03.22. This has paved the way for enhancement of production capacity of 81 mm mortar in AWEIL group of factories.
- Based on the successful trials of Trichy Carbine, an order of the same has been received from Kerala Police.
- 105mm IFG Overhaul has also been successfully established at Field Gun Factory Kanpur. It needs to be appreciated that Indian Army has been looking for Overhauling of 105mm IFG since long. In this connection, the first 105mm IFG has been successfully proof fired at LPR Khamaria on 31.03.22. With this success, AWEIL is all set to address the long pending issue of Indian Army in addition to getting substantial workload.
- AWEIL has received an order of 5000 Nos. of JVPC from Delhi Police worth INR 85 Crore.

QUALITY:

Your Company views quality improvement as a business strategy and hence remains proactive in the areas of product and service quality. At AWEIL, Corporate Quality Policy emphasizing Total Quality Management (TQM) ensures that products, services and processes meet stringent standards and requisite performance criteria. A separate Quality Department spearheads the thrust towards Total Quality Management.

The products manufacturing & development is undertaken based on Quality Requirements (QRs) specified in RFIs/RFPs issued by the Army, Navy, Air force & other customers. In addition relevant International Standards such as STAN AGs, JSS specifications and I-TOPS are also referred during product development. As far as testing is concerned, Field Evaluation Trials (FETs) are conducted strictly in accordance with trial directives issued by the user as well as DGQA. In addition, environmental & endurance testing of the equipment is under taken by DGQA confirming to relevant JSS specifications.



All products are manufactured and tested as per relevant ATP specified by the concerned AHSP. Comprehensive quality systems exist and all quality related parameters are captured online through NQDBMS for all stages of production.

ISO Standard and accreditations:-All units of AWEIL believe in producing stores of highest international quality which is revealed from the fact that units have implemented the International Quality Management System standard (ISO 9001: 2015) in all spheres of its production activities. The units possess ISO 14000: 2015, ISO 50001: 2011 and OHSAS 45001:2018 certification. The units also have a NABL accredited lab to ensure that all the measurement devices and instruments, used in production activities are calibrated to International Standards.

MAKE IN INDIA INITIATIVE AND INDIGENIZATION OF PRODUCTS:

Your Company has been able to successfully indigenise maximum equipment/items manufactured. Indigenization continues to be one of the prime initiatives of the Company keeping in line with the clarion call of Hon'ble Prime Minister of India for self-reliance through "Make in India".

Your Company is working aggressively towards 'Atmanirbhar Bharat' as one of the strategic tools to achieve cost benefits. Approx. 94% of AWEIL turnover comes from indigenous sources. Major products indigenized in recent past include Power Pack of 155 X 45 mm Dhanush Gun System, Pneumatic Belt Feed Booster of Ak-630 Naval Gun System etc. Further, Barrel Assembly of 84 mm LWL is being indigenized under iDEX. AWEIL is also making efforts to indigenize AO-18 (Ordnance) for Ak-630 Naval Gun System through In-house R&D efforts. AWEIL is fully committed towards making Nation "ATMANIRBHAR" in field of Small Arms and Large Caliber weapons. Further efforts are underway to reach higher levels.

EXPORT INITIATIVES:-

Future Planning for exports:

Self-reliance in defence manufacturing by the application of science and technology is a crucial component of effective defence capability and to maintain national sovereignty and achieve military superiority. The attainment of this will ensure strategic independence, cost-effective defence equipment and may lead to saving on defence import bill. AWEIL is taking Part as Indian Offset Partner (IOP) with other countries' vendor, exploring opportunities by Bi-lateral talks/Inputs in defence cooperation etc. through MoD & Continuous monitoring of existing/upcoming opportunities in countries/regions of interest.

Export cases under way:

AWEIL has Techno-Commercial offer for various Small Arms to European & African Countries, Ammunition Hardware to European Firm & Arty Gun Spares to Middle East Countries.

BUSINESS DEVELOPMENT:-

Your Company has participated in various RFPs/RFIs and anticipated potential business opportunity of value Rs. 6820 Crore. Likewise AWEIL has also participated in Tenders having anticipated business potential of Rs. 500 Crore.

Areas of Collaborations:-

AWEIL is exploring the process of entering into new markets. In this connection:

AWEIL is looking for an offset partnership agreement with UK's BAE Systems.

In addition, signed MoUs with:-

- Sudan's Defense Production Institute,
- ARDE and the country's leading defence production companies Kalyani Defence,
- BEML, BEL, BHEL, L&T Defence
- Higher education institutions such as IIT Madras.

Apart from these, AWEIL also tied up with big foreign company like M/s ELBIT System.

GROWTH DRIVEN PROJECTS:-

AWEIL has various Growth Driver projects such as Anti Matter Rifles of value INR 375 Cr., Close In Weapon System (CIWS) of value INR 347 Cr., AK-203 Rifle of value INR 1881 Cr., 12.7 mm Stabilised Remote Control Gun (SRCG) of worth INR 1250 Cr & 120 mm Article for MBT Arjun mk-1A of value INR 360 Cr. Concerted efforts are being made in progressing the projects in time bound manner.

FUTURE PLAN OF ACTION:

AWEIL is aggressively pursuing export opportunity through interaction with defence attaches at various Indian embassies and exploring the opportunity of entering into MoU with private defence industries for offering state of the art defence equipment to Defence Services/CAPFs/SPFs. AWEIL understands the advantages of continuous modernization & up-gradation of its facilities in order to have state of the art set up for promoting exports and for being able to offer the best in class products/systems to the



Defence Services.

PROCUREMENT THROUGH GEM PORTAL:

Government e-Marketplace (GeM) is implemented by the Government with the aim to transform the way in which procurement of goods and services is done by the Government Ministries and Departments, Public Sector Undertakings and other apex autonomous bodies of the Central Government. Procurement through GeM has been authorized by General Financial Rules by making necessary changes in government rules. GeM is a completely paperless, cashless and system driven e-market place that enables procurement of common use goods and services with minimal human interface. During the year 2021-22, materials worth Rs. 14,961 Lakhs had been procured through GeM.

MICRO AND SMALL ENTERPRISES:

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across defence sector, producing diverse range of products and services to meet demands of domestic as well as global markets. The MSMEs in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth. AWEIL is giving support to MSME sector by placing orders in the domain of available product categories as well as exploring wide spectra in the umbrella facilities of MSME sector and AWEIL has done procurement through Micro & Small Enterprises (MSEs) from 01.10.2021 to 31.03.2022 were INR 18,649 Lakh.

HUMAN RESOURCE DEVELOPMENT:

As per DDP OM No. 1(5)2021/OF/DP(Plg-V)/02 dated 24.09.2021, all employees of AWEIL are on deemed deputation from erstwhile OFB for 02 years up to 30.09.2023. Till such time the employees remain on deemed deputation to the New DPSUs, they shall continue to be subject to all the extant rules, regulations and orders are applicable to the central Government employees, including related to their pay scales, allowances, leave medical facilities, career progression and other services conditions. At present, DoO (C&S) is the Cadre Controlling Authority.

Company has been putting emphasis on the overall growth & development of Human Resources and is committed to continue its relentless efforts in updating the competencies of its workforce through exposure to various learning and development programs organised by Institutes of National Importance and through sponsoring function based seminar/ conferences / workshops. Besides, in order to ensure smooth supply of skill sets for Company's requirement, various training programs were conducted for employees.

Regular in-house training programs were organized on various topics at Company. In order to spread awareness on health, wellness and environment, training on First Aid, Safety, Firefighting, Retirement Planning, etc. was organized during the FY 2021-22.

MANPOWER AND RESERVATION OF POSTS FOR SCs/STs:

Your Company has been following the Directives of the Government with regard to reservation of posts for SCs/STs in recruitments.

Total manpower strength as on March 31, 2022 is 13,772. Out of the total strength, 160 are ex-servicemen, 3,260 are of Schedule Caste and 708 are of Scheduled Tribes. The percentage of scheduled caste and scheduled tribes in respect of employees was at 23.67% and 5.12% respectively.

EMPOWERMENT & WELFARE OF WOMEN:

In AWEIL, the strength of women employee is around 6.87% of the total strength in the Company.

AWEIL has already implemented "Visakha Guidelines" and "The Sexual Harassment of Women at Workplace (Preventive, Prohibition and Redressal) Act, 2013" for all its Units.

Women employees are not deployed at odd hours duty shift. All basic amenities like proper working area, separate toilets, restrooms have been provided to women employees in all AWEIL Units.

In order to encourage building self-confidence amongst women and to boost their morale, a large number of activities are organized by wives of employees at all levels on a voluntary basis through WWA. WWA provides an opportunity to undertake genuine welfare and educational activities through its innumerable welfare programs.

PERSONS WITH DISABILITIES (PWD) AS ON 31 MARCH 2022:

The total number of physically challenged employees as on March 31, 2022 was 345 and its percentage to total employees works out to 2.50%.

GRIEVANCE REDRESSAL COMMITTEES FOR SCs/STs:

Reservation for SC/ST i.e. 15% in case of SCs and 7.5% in case of STs is being ensured by AWEIL units in promotion. Reservation rosters are being maintained separately for promotion and direct recruitment and a liaison officer belonging to SC/ST category has been nominated at each of AWEIL to ensure that reservation for SCs and STs are followed.

There is an internal grievance committee for redressal of the complaint received from the SC/ST employees. A SC-ST cell headed by



senior officer belonging to SC/ST is also available to redress grievances pertaining to SC/ST employees.

DISCLOSURES PERTAINING TO THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

The Company is an equal opportunity employer and consciously strives to build a work culture that promotes dignity of all employees. As required under the provisions of the Sexual Harassment of Woman at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder, the Company has implemented the policy on prevention, prohibition and redressal of sexual harassment at the workplace.

All women, permanent or contractual, including those of the service providers, are covered under the Policy.

An Internal Complaints Committee has been constituted in each of the nine units, including the Corporate office to redress complaints relating to sexual harassment. Awareness programs were conducted across the Company to sensitise employees and uphold the dignity of their colleagues at the workplace, particularly with respect to prevention of sexual harassment.

OFFICIAL LANGUAGE IMPLEMENTATION:

Your Company has been adhering to the directives issued by the Govt. of India from time to time for extensive use of Hindi for official purposes. AWEIL has been following all the directives issued by Indian official language Act.

VIGILANCE ACTIVITIES:

The company's Vigilance Organisation is headed by Chief Vigilance officer (CVO). A Deputy Chief vigilance officer is posted at AWEIL Headquarters to assist CVO in vigilance activities. Further, each unit has a Vigilance officer to look after vigilance administration in the units. Preventive Vigilance has been the thrust area of the Vigilance Organisation and the same received focused attention during the current year. The Vigilance Department examines procurements and processes on continual basis, conducts regular and surprise inspections and investigates instances of any suspected transactions referred to it. An employee or third parties can refer any suspected transaction to the notice of CVO for investigation which are examined as per the Complaint Handling Policy of the Company.

Vigilance is an integral managerial function. Vigilance department takes appropriate action to carry out preventive, participative and punitive vigilance in AWEIL.

SPECIAL ACTIVITIES UNDERTAKEN BY AWEIL UNITS:

Azadi Ka Amrit Mahotsav : Commemoration of celebration of 75 years of Indian Independence;

- Special campaign from 2nd to 31st October 2021 to identify the pending references/matters from Member of Parliaments, Parliamentary Assurances, references received from State Government Inter-Ministerial consultation, Public Representation/Grievances etc. All out efforts were made to dispose of all the identified pending references/matters.
- Showcasing the success of Ordnance factories in area of New facilities / plants from 29th October to 4th November 2021.
- Regarding India @75 celebration from 13th December to 19th December 2021 - All AWEIL units exhibited their products for local public.
- A dedicated curated museum opened at RFI for general public.
- Vigilance week celebration carried out from 26th October to 1st November 2021.
- All AWEIL units nominated their Cyber security officers in compliance with DDP guidelines on cyber security.

ASSOCIATE COMPANY:

The Company has one Joint-Venture i.e. Indo-Russian Rifles Private Limited (IRRPL). IRRPL is a Joint Venture company formed under the Companies Act, 2013 in accordance with the Inter-Governmental Agreement (IGA) between Union of India represented by Advanced Weapons And Equipment India Limited (AWEIL) and Munitions India Limited (MIL) and Russian Federation represented by JSC Rosoboronexport (JSC ROE) and JSC concern Kalashnikov (JSC CK), for production of AK series Assault Rifles AK-203 and other small arms in India.

REPORT ON THE PERFORMANCE AND FINANCIAL POSITION OF JOINT VENTURE COMPANY:

Indo Russian Rifles Private Limited, an associate company of Advanced Weapons and Equipment India Limited (AWEIL) has concluded a contract with M/s Rosboronexport (RoE) Russia for indigenous manufacturing of AK-203 Rifles. The contract is for transfer of the license for the production of Kalashnikov assault rifle, as well as provision of technical assistance in manufacturing 7.62 mm AK-203 Kalashnikov assault rifle. The Company is under process to start its business operations.

A separate section on report on the performance and financial position of the Joint Venture Company are placed under Form AOC-1 annexed in **Appendix I** (in the consolidated financial statement of the Company, in terms of section 129(3) of the Companies Act, 2013 read with rule 5 of Companies (Accounts) Rules, 2014.



MATERIAL ORDERS PASSED BY THE REGULATORS:

There was no material order passed by the regulators or courts or tribunals that impact the going concern status and the company's operations in future.

PUBLIC DEPOSITS:

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

LOANS, GUARANTEES OR INVESTMENTS:

Your Company has not given any loans, guarantees or made any investments under section 186 of the Companies Act, 2013.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

There were no significant related party transactions with the Company's Promoters, Directors, Management or their relatives, which could have had a potential conflict with the interests of the Company.

Your Company being a Government Company with 100% shareholding by the President of India and under the administrative control of the Ministry of Defence is subject to strict rules and norms for every transaction entered into during the normal course of business.

BOARD OF DIRECTORS:

The Board of Directors of the Company comprises of Functional Directors and Government Nominee Directors who are appointed from Government of India from time to time. Further, the tenure and remuneration of Functional Directors including Chairman and Managing Director are decided by Government of India.

(a) As on year ended March 31, 2022, the Board had strength of five directors:

S. NO.	NAME	DESIGNATION
1.	Shri Rajesh Choudhary	Chairman & Managing Director
2.	Shri Chandraker Bharti	Government Nominee Director
3.	Shri Akhilesh Kumar Maurya	Director (Operations)
4.	Smt. Anupma Tripathi	Director (HR)
5.	Shri Ravin Kulshrestha	Director (Finance)

CHANGE OF DIRECTORS/KEY MANAGERIAL PERSONNEL:

The following appointments on the Board of your Company were effected during 2021-22 as per the directives of Government of India:

- Shri Chandraker Bharti (DIN: 02599261) was appointed as Government Nominee Director with effect from November 30, 2021 later on he ceased the office due to superannuation w.e.f. 14.09.2022 and Shri Surendra Prasad Yadav was appointed as Government Nominee Director in place of him.
- Shri Ravin Kulshrestha (DIN: 09315769) was appointed as an Additional Director with effect from September 14, 2021.

There is no inter-se relationship among the directors.

REMUNERATION OF DIRECTORS/KEY MANAGERIAL PERSONNEL:

Your Company being a defence PSU, the appointment, tenure and remuneration of Directors are decided by the Government of India. The Government communication appointing the Functional Directors indicate the detailed terms and conditions of their appointment including a provision for the applicability of the relevant rules of the Company.

Government Nominee Directors were neither paid any remuneration nor sitting fee for attending Board meetings.

Neither there was payment of commission to the Board of Directors nor any stock option scheme offered to them during the year. Further, none of the Directors had any pecuniary relationship nor entered into any related party transactions with the Company during the year.

MEETING OF BOARD OF DIRECTORS:

During the financial year, the Board of Directors met Five (5) times, which were held on 20.08.2021, 14.09.2021, 04.10.2021, 17.01.2022, & 31.03.2022.



ATTENDANCE OF DIRECTORS AT BOARD MEETING:

Attendance of directors, in Board Meetings is as follows:

Directors	Meetings held during respective tenure of Director	No. of Board Meetings Attended
Shri Rajesh Choudhary	5	5
Shri Chandraker Bharti	2	1
Shri Akhilesh Kumar Maurya	5	5
Smt. Anupma Tripathi	5	4
Shri Ravin Kulshrestha	4	4

ROTATION OF DIRECTOR:

Not applicable to Government Companies.

DIRECTORS' RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors, in terms of Sections 134(3)(c) & 134(5) of the Companies Act, 2013 state that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2022 and of the profit of the Company for the year ended March 31, 2022;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors have prepared the annual accounts on a going concern basis;
- The Directors ensured proper internal financial controls were in place and such financial controls were adequate and were operating effectively; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws were in place and same were adequate and operating effectively.

AUDIT COMMITTEE:

The provision of section 177 of Companies Act, 2013, relating constitution of Audit Committee was not applicable during the financial year 2021-22. However as per DPE guidelines the Company shall constitute Audit Committee. The Audit Committee could not be constituted during the financial year 2021-22, due to lack of Non-Official (Independent) Directors in the Board. However the Management has requested with Ministry of Defence for the appointment of Non-Official (Independent) Directors in the Board of the Company, which is under consideration.

POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION AND BOARD EVALUATION:

In the term of Ministry of Corporate Affairs Notification No. GSR 463(E) dated 5th June, 2015, Government Companies are not required to frame a Policy on Directors' appointment and remuneration under section 178(3) of the Companies Act, 2013. Your Company being a Government Company under administrative control of Ministry of Defence, the appointment, tenure and remuneration of Directors of the Company are decided by the Government of India.

MATERIAL CHANGES AND COMMITMENT THAT AFFECT THE COMPANY'S FINANCIAL POSITION:

There was no material change during the year 2021-22 that affect the financial position of company and therefore no requirement was raised to disclose remedial measures.

DECLARATION BY INDEPENDENT DIRECTOR:

The provision relating to appointment of Independent directors were not applicable during the financial year 2021-22. It shall become applicable for the F.Y. 2022-23. It is informed that filling up of the vacancies of Independent Directors was pending with the appointing authorities namely Government of India.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has robust internal financial control system. Internal financial controls were adopted in the design or operations were observed. Functional autonomy is ensured by way of delegation of financial powers of the Board to the CMD/Directors. The



Company is also in process to appoint an internal auditor who will monitors compliances of Company's procedures, and policies with well defined annual audit program and significant audit observations which will be presented before the Board of Directors.

REPORTING OF FRAUDS:

There have been no instances of fraud reported by the Statutory Auditors under Section 143 of the Act read with relevant Rules framed thereunder either to the Company or to the Central Government.

COMPLIANCE OF APPLICABLE SECRETARIAL STANDARDS:

Your Company has complied with the provisions of applicable secretarial standards issued by the Institute of Company Secretaries of India in terms of Section 118(10) of the Companies Act 2013.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:

The Company needs not to comply with the provisions of Section 135 of Companies Act, 2013, as the Company does not fall in eligibility ambit of Corporate Social Responsibility initiatives for year ended March 31, 2022.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information required to be furnished under section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 relating to Conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo is annexed in "Appendix II" herewith and forming part of this report.

STATUTORY AUDITORS:

M/s. S.K. Kapoor & Co., Chartered Accountant (FRN 000745C), Kanpur were appointed as the Statutory Auditors for the financial year 2021-22 by the Comptroller & Auditor General of India. Observations made in the Independent Auditors' Report on the financial statement including consolidated financial statement and the reply of the Board of Directors thereto are given by way of an **Appendix III** to the Director's Report.

SECRETARIAL AUDITORS:

Pursuant to provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the Company has appointed M/s Ankit Misra & Co., Company Secretary in Whole Time Practice to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report is annexed herewith as "Appendix IV" in the Form MR-3.

The reply on observations made in the Secretarial Auditors' Report are given by the Board of Directors thereto are given by way of an **Appendix V** to the Director's Report.

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA (C&AG):

The comments of the C&AG under section 143(6)(b) of the Companies Act, 2013 on the financial statements including consolidated financial statements of the company for the year ended 31 March 2022 are append by way of **Appendix VI** to the Director's Report.

CORPORATE GOVERNANCE:

Your Company is committed to maintain the highest standards of corporate governance in all spheres of business activities carried out by the Company and continues to lay strong emphasis on transparency, accountability and integrity. A detailed Report on Corporate Governance as per the Guidelines on Corporate Governance for CPSEs 2010 issued by DPE vide OM No. 18(8)/2005-GM dated 14.05.2010 along with Compliance Certificate from the Practicing Company Secretary is placed at **Appendix VII** to the Director's Report.

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2022:

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return will be placed on the website of the Company. The link of the same is <https://www.aweil.in/>

BUSINESS RISK MANAGEMENT:

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: Regulations, competition, Business risk, Technology obsolescence, Investments, retention of talent and expansion of facilities. Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk. As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

AWEIL is in inception stage, all business related risks are being studied so that AWEIL can mitigate business risks and cultivate a better management system in the field of defence manufacturing.



VIGIL MECHANISM / WHISTLE BLOWER POLICY:

In order to ensure that the activities of the Company and its employees are conducted in a fair and transparent manner by adoption of highest standards of professionalism, honesty, integrity and ethical behavior the company has adopted a vigil mechanism policy.

PARTICULARS OF EMPLOYEES:

The provisions of Section 197 of the Companies Act and the relevant Rules regarding particulars of employees drawing remuneration in excess of the limits specified are exempted for Government Company, in view of the Gazette Notification No. GSR 463 (E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India.

COMPLIANCE UNDER THE RIGHT TO INFORMATION ACT, 2005:

Pursuant to Section 4(1)(b) of Right to Information Act, 2005 (RTI), the requisite information for citizens is provided on Company website, i.e., www.aveil.in. In compliance with the RTI Act. RTI Cells are functional in all units of the Company along with the headquarters for dealing with RTI applications in a time bound manner.

MANAGEMENT DISCUSSION & ANALYSIS REPORT:

The Management Discussion & Analysis Report as required under the DPE Guidelines on Corporate Governance for CPSEs is placed at **Appendix VIII** to this Report

ACKNOWLEDGMENT:

Your Directors place on record their sincere appreciation of the services rendered by the employees of the Company. They are grateful to shareholders, bankers, customers and vendors of the Company for their continued valued support. The Directors look forward to a bright future with confidence.

Your Directors express their hearty thanks to the Company's valued customers, Government of India, Administrative Ministry, the Ministry of Defence and in particular, the Department of Defence Production, Indian Army, Indian Airforce, Indian Navy, MHA, State Police and other DPSUs for their patronage and confidence reposed on the Company. The Directors also acknowledge and thank all collaborators, vendors and other service providers for their valuable assistance and cooperation extended to the Company.

The Directors wish to thank the Comptroller & Auditor General of India.

The Directors also acknowledge the valuable support and assistance received from various Ministries of Government, in particular Ministry of Defence.

Your Directors take this opportunity to place on record their appreciation for the invaluable contribution made and excellent co-operation extended by the employees and executives at all levels for the continued progress and prosperity of the Company.

CAUTIONARY STATEMENT:

The statements contained in the Director's Report contain certain statements relating to the future and therefore are forward looking within the meaning of applicable laws and regulations various factors such as economic conditions, changes in government regulations, tax regime, other statutes, market forces and other associated and incidental factors may however lead to variation in actual results.

For and on behalf of the Board of Directors

Date: 17.02.2023

Place: Kanpur

Rajesh Choudhary

Chairman & Managing Director



Appendix -I

Form AOC-I JOINT VENTURE

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

Sl. No.	Name of Joint Venture	Indo- Russian Rifles Private Limited
1	Latest audited Balance Sheet Date	31-03-2022
2	Shares of Associate / Joint Ventures held by the company on the year end in No.	4,25,000
4	Extend of Holding %	42.50
5	Description of how there is significant influence	Investment in the equity to the extent of 42.5% paid-up capital is considered to be significant influence.
7	Net worth attributable to Shareholding as per latest audited Balance Sheet	₹1063.07 Lakhs
8	Profit for the year	₹82.83 Lakhs



Appendix -II

ADDITIONAL INFORMATION UNDER SECTION 134(3)(m) OF THE COMPANIES ACT 2013

1) CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

Utilization of alternative sources of energy-

- AWEIL is significantly contributing to Green Energy and has installed 17.84 MW Solar Power Plants in its units.
- Efforts made towards technology absorption-

Advanced Weapon and Equipment India Limited is one of the seven DPSUs carved out of erstwhile OFB and started its business operation from 01st Oct 2021. The adoption of new technologies is a continuous process which has been continued in the factories of AWEIL from the period of erst-while OFB. Some of the examples are as under:

- Replacement of Conventional Machines with state of the art CNC machines.
 - Introduction of Coordinate Measuring Machine (CMM) in place of Manual Inspection.
 - Use of software for real time monitoring and process control
- Capital investment made on Energy conservation equipments during 2021-22-

Expenditure made during 2021-22 (INR in Cr.): 15.78

Expenditure incurred by your Company towards Sustainable Development and Energy Conservation projects for the FY 2021 -22 was as under:

AWEIL is significantly contributing to Green Energy and has installed 11.79 MW Solar Power Plants in its units.

The operations involve low energy consumption. Wherever possible, energy conservation measures have been implemented. Efforts to conserve and optimise the use of energy are a continuous process.

Following steps taken or conservation of energy

- Replacement of Conventional lighting system, HPMV Lights for Street/ Perimeter Lights, with latest Energy Efficient LED lighting at various locations across the Divisions/Units.
- Reconditioning of Wester works Furnace & PIT-3 Carburizing Furnace at HT shop to reduce heat loss and to improve thermal efficiency & achieve energy conservation.

Efforts made towards Technology Absorption:

R&D Centers at KGF, Mysuru & Bengaluru took initiatives for design and development of new products, aggregates and upgradation of existing products as per customer requirements during the year:

Future plan of action

Future plan for solar power, likely to be installed is approximately 450 KW in various units of AWEIL.

2) UTILIZATION OF ALTERNATIVE SOURCES OF ENERGY:

- Utilisation of Green Energy from Wind Mill Projects (23MW) and solar Project (260KW) to an extent of 85.12% of Grid Power Consumption by all the Production Division. Achieved GHG emission reduction of about 23871 Tons of Co2 equivalent by utilisation of Green Energy from Wind & Solar Projects.
- 2 nos. of Solar water heaters are procured for replacement of electric water heaters in Guest house under CAPEX 2021-22 and commissioning is scheduled in May 2022.
- Capital investment made on Energy conservation equipment during 2021-22.

During the year under review, your Company has invested `120.93 Lakhs for implementing various energy saving measures.

3) RESEARCH & DEVELOPMENT (R&D):

AWEIL, since its inception on 01.10.2021 has identified global technologies in field of Large Caliber Weapons & Small Arms and is trying to inculcate the same in its production range through R&D efforts.

In this context, there are R&D centers which are engaged in development of items for Large Caliber, Small Arms & Ammunition Hardware. AWEIL is progressing R&D projects in various weapon systems having cutting edge technologies in advanced stage. AWEIL has focused on Research & Development (R&D) of Artillery Guns, Mortars and Small Arms Weapons. For last 06 months i.e. from 01.10.2021 to 31.03.2022 AWEIL has made expenditure of 0.67% of its sale on R&D. More over AWEIL is committed to increase this expenditure to the tune of 3 to 5 % in subsequent years in order to develop further products. AWEIL has also involved academia in these efforts and is trying to have collaboration with prestigious institutes like IIT Kanpur, IIT Madras, IIITDM Jabalpur etc.

4) FOREIGN EXCHANGE EARNINGS AND OUTGO:

There were no Foreign Exchange Earnings and Outgo the period from 01.10.2021 to 31.03.2022.

OBSERVATIONS OF STATUTORY AUDITOR'S AND REPLIES OF MANAGEMENT THEREON

Sl. No.	Observation of Statutory Auditor's	Management Replies
1	The opening balances of assets and liabilities as on 1st October 2021 have been taken as per the data provided by PCFA (Principal Controller of Accounts Ordinance Factories, Kolkata). The units made certain adjustments for differences based on the data available with the units. This has resulted in net increase/decrease in Assets and liabilities with corresponding effect in Retained earning amounting to net decrease of Rs. 891.90 crores (reference to Note No. 37(2)). These differences in various Assets and Liabilities are subject to correction/ adjustments based on future information hence the impact of the same is presently not quantifiable in financial statement of current period.	The opening balances of asset and liabilities as on 01.10.2021 have been taken as per the financial statements prepared in commercial format by Principal Controller of Accounts Ordinance Factory, Kolkata after making certain adjustments for differences based on records available with the factories. The appropriate disclosure in this regard has been made in financial statements of the Company in Note 37. Any adjustments based on future information will be made in the financial statements of the Company.
2	The company is accounting computers, office equipment (including air conditioners) and furniture & fixtures acquired after 1st October 2021 at cost. However, the same assets existing as on 30th September 2021 in the books of PCFA have been accounted at Re 1 instead of at its carrying value. This is in violation of Para 7 of Ind AS 101, which requires the said assets to be accounted for at their carrying value as on 1st Oct 2021. The non-compliance has resulted in understatement of property plant and equipment and retained earnings by the same amount. This also has impact on subsequent depreciation and on statement of profit and loss, on those assets over their remaining useful life. The impact of the above could not be quantified in absence of related data not being provided by the management.	The Company has accounted computers, office equipment (including air conditioners) and furniture & fixtures existing as on 30th September 2021 in the books of accounts at Rs. 1. The previous financial statements prepared by PCFA, the same were considered as fully depreciated in the year of its acquisition and were charge to revenue. Hence, the carrying cost of these assets were Nil as on the date of transition i.e., 01.10.2021. The Company has elected to major all its property, plant & equipment, and intangible assets at carrying value as recognised in the previous financial statement on the date of transition to Ind AS and used those carrying value as deemed cost of property, plant & equipment, and intangible assets, since there is no change in the functional currency. Hence to have better control over all these assets the Company has accounted these assets at Rs. 1/- which is in compliance with Ind AS.
3	The company is not recognising various items of spare parts, stand-by equipment and servicing equipment which are expected to be used during more than one period which is in violation of para 6 & 8 of Ind AS 16 - "Property plant and Equipment". The impact of the same in financial statements of current period and on deemed equity is not quantifiable.	The Company is in the process of identifying major items of Spare parts, Stand-by Equipment and Servicing Equipment which are expected to be used during more than one period which qualify as Property, Plant and Equipment.
4	It has been observed that the item of PPE becomes available for use from the date of commissioning and the depreciation should be charged from the same date. However, the company is charging depreciation from the M-Voucher date and B-voucher date respectively in case of Plant and Machinery and Building. This is in violation of Para 55 of Ind AS 16 - "Property, Plant and Equipment". In certain instances, gap of many months was noted between the two dates due to which the depreciation being charged is not accurate. Since the practice is prevalent in all the units the impact of the deficiencies in financial statements is presently not quantifiable.	As per the policy of the Company, Building can be capitalized only after completion of construction work and completion of required document formalities in form of generation of B-Voucher and Machineries can be capitalized only after commissioning and generation of M-Voucher. Plant & Machineries and Buildings are depreciated from the date of generation of these vouchers which are generally having same date as of the date of Completion/Commissioning.
5	Accounting of Intangible Assets existing as on 1st Oct 2021 meeting the definition of "Intangible Assets" as per Ind AS 38 has not been done in compliance with Ind AS 101 - "First Time Adoption". The carrying value of such assets has not been brought in books as on 1st October 2022. In absence of related data of earlier years, the impact of the same in the current period financial statements cannot be commented upon. Further, the company is not maintaining proper records of expenses incurred in research and development. There does not exist a proper procedure to identify and recognize internally generated Intangible Assets when the specified criteria as per Ind AS 38 are met. The impact of the above in the financial statements of current period is not quantifiable.	Research and Development expenditure (R&D Exps.) incurred up to the date of transition of Ind AS and qualifies for Intangible Asset as per Ind AS - 38 have not been recognised as "Intangible Assets" as the Company does not have adequate records and proper line of demarcation of expenditure incurred up to Research Phase and subsequent Development Phase. However, the Company has prepared R&D Policy for recognising Intangible Assets in future period.



6	<u>Valuation of Inventory:</u> <u>Accounting of Scrap:</u> It has been observed that the raw material which was issued for production but subsequently got rejected due to quality issues, etc. fails to get accounted at the end of financial year as scrap unless and until a return voucher for such material is prepared. The Industrial Employees usually follow a practice of posting such voucher after the completion of warrant. The impact of such non-accounting of scrap which is rejected after issue for warrants is presently not quantifiable. <u>Fixed Overhead Allocation in valuation of WIP:</u> In valuation of inventory, the Fixed Overhead is being allocated on the basis of actual production instead of normal capacity as the company does not have proper system to identify the normal production capacity of the plants for production of specific items by the various factories. This results in violation of para 13 of Ind AS 2 – “Inventories” which requires FOH to be allocated based on the normal capacity of the production facilities. Allocation of Fixed Overheads has been made on the basis of management estimates by each factory hence the compliance with Ind AS could not be verified by us. The impact of the non-compliance of Ind AS 2 of above para cannot be quantified by us in absence of the desired information at this stage.	a. Raw Materials are considered as inventory only after quality clearance. There are very rare cases where during the course of production the raw material got rejected due to quality issue. As per policy of the Company, all such rejected material along with generated waste are declared as Scrap and valued/accounted accordingly. b. For valuation of Inventory, fixed production overhead is allocated to the cost of conversion on the basis of actual production. The Company's seven factories out of eight are running almost at normal capacity where the actual level of production approximates normal capacity and hence actual production has been considered for fixed overhead allocation. However, one factory which is being underutilized has allocated fixed production overhead on the basis of standard/normal capacity. c. Fixed production overheads have been allocated based on actual contribution to production of inventory on a rational and consistent basis.
7	<u>Confirmation of Balances:</u> The company has not communicated with the Foreign Trade Payables with respect to confirmation of balances amounting to Rs. 4.19 Crs. The company has communicated with Domestic Trade Receivables and Trade Payables amounting to Rs. 451.40 Crs. and Rs. 393.05 Crs. respectively existing in the books of all the units through units themselves based on “negative confirmation request”. It has been observed that only few parties have responded to the above confirmation requests as approximately 90% of the amount of balance confirmations requests have not been responded which is deemed as confirmed balances as per the Negative Confirmation Request. However, such non confirmation of the above stated balances may result in loss to the company if the same is not actually reconciled with books of accounts. The impact of the non-confirmation of balance is not quantifiable in financial statements.	The Company has sent request for confirmation of balances to its 99% vendors and 100% customers on behalf of its statutory auditors. The majority of vendors and customers are of the Government entities. The Company is in the process of reconciling the balances with these entities. The Company does not expect any material deviations from the balances of its vendors at the time of payment and customers at the time of collection.
8	The company has not provided the appropriate supporting documents for the verification of the ageing of Trade Receivables and Trade Payables as disclosed in Note No. 7(b) and Note No. 12(a) respectively of the standalone financial statements.	The report of ageing of trade receivable and trade payables are available at each factory and are available for audit.
9	We have reviewed the trial balance of the Cossipore unit based on GST Returns, Salary payment summaries, purchases through updated GSTR 2A to the extent available and other records made available at the Headquarter. In view of limited record verified by us in respect of the unit due to paucity of time, many misstatements may not have been detected.	In response to the Statutory Auditor's queries, the Accounts Department of Cossipore factory/unit has corrected and addressed all material misstatements. Accounts department has prepared required reconciliations and documentation that are necessary for accurate bookkeeping and accounting. The Statutory Auditors have also reviewed the factory's trial balance by alternate audit procedures. The Management also gives reasonable assurances that all the Material Misstatements has been rectified and the accounts give a true and fair view.
10	The Company has not provided for interest on overdue amount of MSME Trade Payables as referred to in Note 12 (a) in accordance with the Sec 16 of MSME Act, 2006. Due to absence of relevant supporting, the impact of the same in the current period financial statements cannot be commented upon.	The Company has not provided for interest on the overdue amount of MSME trade payables. However, the Company has implemented a process of clearing MSME dues within the stipulated time as per MSME Act, 2006.
11	The Company has not made the disclosure as required by Ind AS 16 “Property Plant & Equipment” Para 74b “the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction”.	There are no expenditures incurred in the course of construction of Property, Plant and Equipment which qualifies for capitalization and disclosure as required by Para 74(b) of Ind AS – 16 “Property, Plant and Equipment”.



Annexure A i.(a)	A. The records showing particulars, including quantitative details and situation, of Property, Plant and Equipment maintained are also deficient to the extent that they are not updated regularly for changes in location and condition. B. The company is not maintaining proper records showing full particulars of intangible assets.	Fixed Assets Register is updated up to March 31, 2022. The Company has also maintained proper records showing full particulars of Intangible Assets recognised in the financial statement up to March 31, 2022.
Annexure C	According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2022: a. Inadequate documentation of the components of internal control - It has been observed that the company does not have any practice of maintaining vouchers for the bills recorded in Tally software due to which it is not possible to trace whether a particular transaction has been recorded in tally or not. Eg: There have been instances where a particular bill has been recorded twice – once as an expense and another on account of provisioning because of lack of control over the recording process. b. Absent or inadequate segregation of duties within a significant account or process - There is no restrictions on creation of ledgers in tally due to which the person responsible for accounting is creating multiples ledgers for one account. There does not exist any control at the time of recording of transactions in books of accounts i.e., there is a lack of regular maker or checker concept. The financial statement closing process is not properly implemented. c. Inadequate design of internal control over the financial reporting process - The company has not maintained proper reconciliations of all the statutory dues such as NPS and GPF, income tax dues such as TDS and goods and service tax liability on month - on month basis with the PPC server. The company also does not reconcile the party balances (including branch offices) outstanding at year end with the PPC server to ensure that all the transactions are recorded in the head of respective parties and discrepancies, if any, can be corrected on timely basis. The company does not have proper closing guidelines regarding the accounting of all the assets and liabilities as part of financial reporting process. d. Inadequate design of internal control over a significant account or process - The company does not have a proper system of identifying the items of furniture/fixtures, office equipment and IT hardware meeting the definition of PPE as per Ind AS 16 due to which these items are being expensed off instead of being capitalised. Certain corrections have been made based on our reporting based on our audit as per Standards on Auditing however many mistakes may remain uncorrected in absence of proper system of accounting and segregation of duties so that work of one person gets checked by another person. e. Absent or inadequate controls over the safeguarding of assets - The company does not have proper exhaustive records of all the items of Property, Plant and Equipment as required by various statutes.	The Company is in the process of implementing Internal Financial Controls in various procedures like maintenances of documents, segregation of duties, reconciliation of statutory dues, inter factory balances, physical verification of fixed assets and inventory, information technology general and application controls, and imparting training to employees to have robust internal controls.



	f. Inadequate design of information technology (IT), general and application controls that prevent the information system from providing complete and accurate information consistent with financial reporting objectives and current needs The company does not have any established procedure or guideline for identifying the bills relating to goods purchased or services availed for whom the provision needs to be created. The IT system seems to be lacking the ability to identify the goods and service bills for whom the provision needs to be created. g. Employees or management who lack the qualifications and training to fulfil their assigned functions - The person responsible for accounting appears to be deficient in knowledge for recording the complex transactions relating to sale of scrap through MSTC, contract labour and building maintenance, GST, GST TDS, IT TDS, etc. deductions and payments. Further, the classification of transactions according to the nature of expense has not been made properly due to the lack of appropriate training and knowledge to the employee.	
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Appendix -IV

Form No. MR-3 SECRETARIAL AUDIT FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2022

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

To,

The Members,

ADVANCED WEAPONS AND EQUIPMENT INDIA LIMITED

Kanpur

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ADVANCED WEAPONS AND EQUIPMENT INDIA LIMITED (CIN:U29270UP2021GOI150734)** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2022, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter :

I have examined the books, papers, minute, books, forms and returns filed and other records maintained by the company for the financial year ended on 31st March, 2022 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made thereunder; (Not applicable to the Company during Audit Period);



- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (Not applicable for Government Company);
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulation made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (Not applicable to the Company during Audit Period);
- (v) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') are not applicable as the company is an unlisted Company.
- (vi) Other applicable Laws:
 - (a) The Employees Provident Fund & Miscellaneous Provisions Act, 1952;
 - (b) The Employees State Insurance Act, 1948;
 - (c) The Maternity Benefit Act, 1961;
 - (d) The Payment of Bonus Act, 1965;
 - (e) The Payment of Gratuity Act, 1972;
 - (f) Environmental Laws like The Water (Prevention and Control of Pollution) Act, 1974, The Environment (Protection) Act, 1986;
 - (g) Factories Act, 1948;
 - (h) DPE Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreement/Listing Regulation, (Not applicable to the Company during Audit Period as the Company is an unlisted Company);

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations;

- i. As the Company has been carved out from the Ordnance Factory Board (OFB) subsequent to the



corporatisation of 41 Factories of OFB into SEVEN Defence Public Sector Undertaking (DPSU's) by Ministry of Defence, Government of India, so the factories license of the Factories of the Company are still held in the old name except for the Factory situated at Tiruchirappalli for which the License has been renewed in the name of AWEIL instead of the legal name of the Company;

- ii. Immovable Properties of the Company are yet to be mutated in the name of the Company;
- iii. Copy of half yearly returns under Factories Act, 1948 were not available for inspection for Field Gun Factory, Kanpur;
- iv. Form L,M,N and O under Maternity Benefit Act, 1961 was not available for inspection for Field Gun Factory; Ordnance Factory, Kanpur; Rifle Factory, Ishapur; Small Arms Factory;
- v. During the Audit Period, the non-functional Directors were less than 50% of the total Board Strength as required in clause 3.1.2 of the DPE Guidelines, 2010;
- vi. During the Audit Period the Company does not have Independent Directors as required in clause 3.1.4 of the DPE Guidelines, 2010;
- vii. The Company has not constituted audit Committee and Nomination & Remuneration Committee as required in clause 4 & 5 of the DPE Guidelines, 2010;

Provided however that, as per the Articles of Association of the Company, the power to appoint Directors vests with the President of India.

For the compliances of Labour Laws & other General Laws, my examination and reporting is based on the documents, records and files as produced and shown to me and the information and explanations as provided to me, by the officers and management of the Company and to the best of my judgment and understanding of the applicability of the different enactments upon the Company, in my opinion there are adequate systems and processes exist in the Company to monitor and ensure compliance with applicable General laws and Labour Laws.

I further report that

The Board of Directors of the Company is duly constituted. The changes in the composition of the Board of Directors that took place during the period under review are carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to convene the Board Meetings, agenda and detailed notes on agenda were sent atleast seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.



Decisions were passed with unanimous majority and recorded as part of the minutes.

I further report that

There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines to the extent applicable.

I further report that during the audit period, the Company has made right issue of equity shares to the existing shareholders on proportionate basis after complying with provisions of Companies Act made there under.

Date: 27/12/2022

Place: Kanpur

For **ANKIT MISRA & Co.**

ANKIT MISRA

Proprietor

CP No. 23471

Company Secretaries

Unique Code Number S2020UP749900

Peer Review Certificate Number 1447/2021

UDIN: A030650D002811441



Appendix -V

OBSERVATION OF SECRETARIAL AUDITOR AND REPLY OF MANAGEMENT THEREON

Sl. No.	Observation of Secretarial Auditor	Management Replies
1.	As the Company has been carved out from the Ordnance Factory Board (OFB) subsequent to the corporatisation of 41 Factories of OFB into SEVEN Defence Public Sector Undertaking (DPSU's) by Ministry of Defence, Government of India, so the factories license of the Factories of the Company are still held in the old name except for the factory situated at Tiruchirappalli for which the License has been renewed in the name of AWEIL instead of the legal name of the Company.	The fresh registration of all factories has been done after corporatization; however fresh intimation has been issued to factories for acquiring the license in the name of Advanced Weapons and Equipment India Limited.
2.	Immovable Properties of the Company are yet to be mutated in the name of the Company;	Action for the transfer of land from OFB to AWEIL has been completed in all units. However requirement for mutation is being taken up.
3.	Copy of half yearly returns under Factories Act, 1948 were not available for inspection for Field Gun Factory, Kanpur;	Instruction has been issued to Field Gun Factory, Kanpur to file half yearly return under the Factories Act, 1948.
4.	Form L,M,N and O under Maternity Benefit Act, 1961 was not available for inspection for Field Gun Factory; Ordnance Factory, Kanpur; Rifle Factory, Ishapur; Small Arms Factory.	All employees of AWEIL are on deemed deputation from erstwhile OFB for 02 years up to 30.09.2023, Till such time the employees are getting benefit provided to the Central Government employees. However instruction has been issued to concerned factories to comply with the provisions of Maternity Benefit Act, 1961.
5.	During the Audit Period, the non-functional Directors were less than 50% of the total Board Strength as required in clause 3.1.2 of the DPE Guidelines, 2010;	As per the Articles of Association of the Company, the power to appoint Directors vests with the President of India. The Management has requested with Ministry of Defence for the appointment of Non-Functional Directors in the Board of the Company, which is under consideration.
6.	During the Audit Period the Company does not have Independent Directors as required in clause 3.1.4 of the DPE Guidelines, 2010;	As per the Articles of Association of the Company, the power to appoint Directors vests with the President of India. The Management has requested with Ministry of Defence for the appointment of Non-Functional Directors in the Board of the Company, which is under consideration.
7.	The Company has not constituted audit Committee and Nomination & Remuneration Committee as required in clause 4 & 5 of the DPE Guidelines, 2010;	The Audit Committee and Nomination & Remuneration Committee could not be constituted during the financial year 2021-22, due to lack of Non-Official (Independent) Directors in the Board. However the Management has requested with Ministry of Defence for the appointment of Non-Official (Independent) Directors in the Board of the Company, which is under consideration.



Appendix -VI

COMMENTS OF COMPTROLLER AND AUDITOR GENERAL OF INDIA



Confidential/ Speed Post

No. 184 /T-459/AWEIL/Accounts/2022-23

Dated:- 31.01.2023

कार्यालय
महा निदेशक लेखा परीक्षा
आयुध फैक्टरियां
कोलकाता
OFFICE OF THE
DIRECTOR GENERAL OF AUDIT
ORDNANCE FACTORIES
KOLKATA

To,
The Chairman & Managing Director,
M/s. Advanced Weapons & Equipment India Limited, Kanpur,
Ordnance Factory, GT Road
Kanpur-208022

Sub: Comment under Section 143(6) (b) of the Companies Act, 2013 on the accounts of M/s Advanced Weapons & Equipment India Limited, Kanpur for the year ended 31 March 2022.

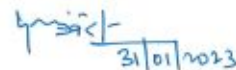
Sir,

I am to forward herewith the comments of the Comptroller and Auditor General of India under section 143 (6) (b) of the Companies Act 2013 on the Financial Statements of M/s Advanced Weapons & Equipment India Limited, Kanpur for the year ended 31st March 2022.

Receipt of this letter may kindly be acknowledged.

Yours faithfully,

Encl: As stated.


31/01/2023

(Sarat Chaturvedi)
Director General of Audit
(Ordnance Factories)
KOLKATA



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON STANDALONE FINANCIAL STATEMENTS OF ADVANCE WEAPONS AND EQUIPMENT INDIA LIMITED, KANPUR FOR THE YEAR ENDED 31 MARCH 2022

The preparation of Standalone Financial Statements of Advance Weapons and Equipment India Limited, Kanpur for the year ended 31 March 2022 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139 (7) of the Act is responsible for expressing opinion on these Financial Statements under Section 143 of the Act based on independent audit in accordance with the Standards on Auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 15 November 2022.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the Financial Statements of Advance Weapons and Equipment India Limited, Kanpur for the year ended 31 March 2022 under Section 143(6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the Financial Statements and the related Audit Report.

A. Comments on Profitability

Balance Sheet Equity and Liabilities Liabilities

Governments Grants (Note 14) – Non Current

Rs. 1998.74 crore

Rs. 93.84 crore

1. In pursuance of the decision of the Union Cabinet on 16th June 2021, the Government of India, vide Office Memorandum dated 24 September 2021, decided to corporatize the functions of the Ordnance Factories. Accordingly, the assets and liabilities in respect of the business being carried out on account of the Government was transferred to the new DPSUs on the Net Asset Value thereof. Advance Weapons and Equipment India



Limited has, however, treated the deemed cost of Fixed Assets worth of Rs.2158.24 crore as Government Grants, out of which depreciation on Property Plant and Equipment (PPE) amounting to Rs. 65.65 crore was accounted for as Income in the Statement of Profit and Loss of the company for the year ended 31 March 2022. Remaining Government Grant amounting to Rs. 2092.58 Crore was booked as Liability (Rs. 1998.74 crore as Non-current and Rs. 93.84 crore as Current) in the Balance Sheet of the company as at 31 March 2022.

This has resulted in the overstatement of Other Income as well as Profit of the company by Rs. 65.65 crore. Further, this has also resulted in the overstatement of Government Grant by Rs. 2092.58 crore and understatement of Other Equity by Rs. 2158.24 crore.

Balance Sheet
Equity and Liabilities
Liabilities

Other Current Liabilities (Note 15)

Rs. 945.19 crore

2. The above does not include a sum of Rs 35.33 crore towards the provision for employer's contribution in respect of the employees of erstwhile Ordnance Factory Board (Ordnance Factory Kanpur, Rifle Factory Ishapore and Gun Carriage Factory Jabalpur) on deemed deputation (Foreign Service) covered under Old Defined Benefit Pension Scheme and National Pension Scheme during the period from 01 October 2021 to 31 March 2022. As per Office Memorandum dated 24 September 2021, the Government of India has transferred all its Liabilities to the newly formed DPSUs, hence the company is obligated to provide this liability for availing the services of the Government employees on deemed deputation for the six months' period. This has resulted in understatement of Other Current Liabilities and overstatement of Profit of the Company by Rs 35.33 crore.

Statement of Profit and Loss

Revenue from Operation (Note 17): Rs. 1088.62 crore

3. As per the Accounting Policy (15- Revenue Recognition) of the company, in case of Ex-works contract, revenue would be recognised when the specified goods are unconditionally appropriated to the contract after prior inspection and acceptance. In case of FOR Contracts, revenue would be recognised when the goods are handed over to the carrier for transmission to the buyer after prior inspection and acceptance.

Advance Weapons and Equipment India Limited has, however, booked revenue amounting to Rs. 72.01 crore in respect of three contracts pertaining to Gun Carriage Factory Jabalpur,



though the material under these contracts was 'finally' supplied/ inspected/ packed for delivery after 31 March 2022. This has resulted in the overstatement of Revenue of the company by Rs. 72.01 crore. Impact on Profit, however, may not be estimated as the actual cost of production of these items was yet to be worked out by the company.

For and on behalf of the
Comptroller & Auditor General of India

 31/01/2023

(Sarat Chaturvedi)
Director General of Audit
(Ordnance Factories)
Kolkata

Place: Kolkata

Date: 31.01.2023



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON CONSOLIDATED FINANCIAL STATEMENTS OF ADVANCE WEAPONS AND EQUIPMENT INDIA LIMITED, KANPUR FOR THE YEAR ENDED 31 MARCH 2022

The preparation of Consolidated Financial Statements of Advance Weapons and Equipment India Limited, Kanpur for the year ended 31 March 2022 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139 (7) of the Act is responsible for expressing opinion on these Financial Statements under Section 143 of the Act based on independent audit in accordance with the Standards on Auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 15 November 2022.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of Advance Weapons and Equipment India Limited, Kanpur for the year ended 31 March 2022 under section 143(6)(a) read with section 129(4) of the Act. We conducted the supplementary audit of the Financial Statements of Advance Weapons and Equipment India Limited, Kanpur, but did not conduct the supplementary audit of the Financial Statements of one Joint Venture viz., Indo Russian Rifles Private Limited of Advance Weapons & Equipment India Limited, Kanpur for the year ended 31 March 2022. Further, section 139(5) and 143(6) (a) of the Act are not applicable to the joint venture company being private entity, for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of the company. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the Statutory Auditor and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the Financial Statements and the related Audit Report.



B. Comments on Profitability:

Balance Sheet

Equity and Liabilities

Liabilities

Governments Grants (Note 14) – Non Current

Rs. 1998.74 crore

Rs. 93.84 crore

1. In pursuance of the decision of the Union Cabinet on 16th June 2021, the Government of India, vide Office Memorandum dated 24 September 2021, decided to corporatize the functions of the Ordnance Factories. Accordingly, the assets and liabilities in respect of the business being carried out on account of the Government was transferred to the new DPSUs on the Net Asset Value thereof. Advance Weapons and Equipment India Limited has, however, treated the deemed cost of Fixed Assets worth of Rs.2158.24 crore as Government Grants, out of which depreciation on Property Plant and Equipment (PPE) amounting to Rs. 65.65 crore was accounted for as Income in the Statement of Profit and Loss of the company for the year ended 31 March 2022. Remaining Government Grant amounting to Rs. 2092.58 Crore was booked as Liability (Rs. 1998.74 crore as Non-current and Rs. 93.84 crore as Current) in the Balance Sheet of the company as at 31 March 2022.

This has resulted in the overstatement of Other Income as well as Profit of the company by Rs. 65.65 crore. Further, this has also resulted in the overstatement of Government Grant by Rs. 2092.58 crore and understatement of Other Equity by Rs. 2158.24 crore.

Balance Sheet

Equity and Liabilities

Liabilities

Other Current Liabilities (Note 15)

Rs. 945.19 crore

2. The above does not include a sum of Rs 35.33 crore towards the provision for employer's contribution in respect of the employees of erstwhile Ordnance Factory Board (Ordnance Factory Kanpur, Rifle Factory Ishapore and Gun Carriage Factory Jabalpur) on deemed deputation (Foreign Service) covered under Old Defined Benefit Pension Scheme and National Pension Scheme during the period from 01 October 2021 to 31 March 2022. As per Office Memorandum dated 24 September 2021, the Government of India has transferred all its Liabilities to the newly formed DPSUs, hence the company is obligated to provide this liability for availing the services of the Government employees on deemed deputation for the six months' period. This has resulted in understatement of Other Current Liabilities and overstatement of Profit of the Company by Rs 35.33 crore.



Statement of Profit and Loss

Revenue from Operation (Note 17): Rs. 1088.62 crore

3. As per the Accounting Policy (15- Revenue Recognition) of the company, in case of Ex-works contract, revenue would be recognised when the specified goods are unconditionally appropriated to the contract after prior inspection and acceptance. In case of FOR Contracts, revenue would be recognised when the goods are handed over to the carrier for transmission to the buyer after prior inspection and acceptance.

Advance Weapons and Equipment India Limited has, however, booked revenue amounting to Rs. 72.01 crore in respect of three contracts pertaining to Gun Carriage Factory Jabalpur, though the material under these contracts was 'finally' supplied/ inspected/ packed for delivery after 31 March 2022. This has resulted in the overstatement of Revenue of the company by Rs. 72.01 crore. Impact on Profit, however, may not be estimated as the actual cost of production of these items was yet to be worked out by the company.

For and on behalf of the
Comptroller & Auditor General of India

 31/01/2023

(Sarat Chaturvedi)
Director General of Audit
(Ordnance Factories)
Kolkata

Place: Kolkata

Date: 31.01.2023



MANAGEMENT RESPONSE TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON STANDALONE FINANCIAL STATEMENTS OF ADVANCED WEAPONS AND EQUIPMENT INDIA LIMITED, KANPUR FOR THE YEAR ENDED 31 MARCH 2022.

A. Comments on Profitability

Audit Comments No.

01

Audit Observation

Balance Sheet

Equity and Liabilities

Liabilities

Governments Grants (Note 14) — Non Current Rs. 1998.74 crore

Rs. 93.84 crore

In pursuance of the decision of the Union Cabinet on 16th June 2021, the Government of India, vide Office Memorandum dated 24 September 2021, decided to corporatize the functions of the Ordnance Factories. Accordingly, the assets and liabilities in respect of the business being carried out on account of the Government was transferred to the new DPSUs on the Net Asset Value thereof. Advanced Weapons and Equipment India Limited has, however, treated the deemed cost of Fixed Assets worth of Rs.2158.24 crore as Government Grants, out of which depreciation on Property Plant and Equipment (PPE) amounting to Rs. 65.65 crore was accounted for as Income in the Statement of Profit and Loss of the company for the year ended 31 March 2022. Remaining Government Grant amounting to Rs. 2092.58 Crore was booked as Liability (Rs. 1998.74 crore as Non-current and Rs. 93.84 crore as Current) in the Balance Sheet of the company as at 31 March 2022.

This has resulted in the overstatement of Other Income as well as Profit of the company by Rs. 65.65 crore. Further, this has also resulted in the overstatement of Government Grant by Rs. 2092.58 crore and understatement of Other Equity by Rs. 2158.24 crore.

Management response to comments of CAG

Ind AS 101 permits a first-time adopter to elect to measure an item of Property, Plant, and Equipment at the transition to Ind AS at its fair value and use that fair value as its deemed cost at that date.

However, as per para D7AA of Appendix D- Exemption from other Ind ASs- "Where there is no change in its functional currency on the date of transition to Ind ASs, a first-time adopter to Ind ASs may elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind ASs, measured as per the previous GAAP and use that as its deemed cost as at the date of transition."

The Company has elected to measure all its Property, Plant, and Equipment & intangible assets at carrying value as recognized in the "Periodical Accounts of the Ordnance & Ordnance Equipment factories in Commercial format" on the date of transition to Ind AS and used those carrying value as deemed cost of Property, Plant, and Equipment & Intangible assets since there is no change in the functional currency.

Moreover, all the fixed assets were funded by the Government. As per the "Periodical Accounts of the Ordnance & Ord. Equipment Factories in Commercial Format" as per the previous GAAP, all the fixed assets were acquired out of Capital Outlay i.e., Capital Grant. By following Ind AS 20 – Government Grants, para 26, government grant is recognized as deferred income that is recognized as income in the statement of profit and loss on a systematic basis over the useful life of the assets for which it is received. Therefore, the accounting treatment of Government Grant is in accordance with Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 read with rule 3 of Companies (Indian Accounting Standards) Rule, 2015 as amended.

It may be noted that Para no. 7 of Ind AS 101 requires that "An entity shall use the same accounting policies in its opening Ind AS Balance Sheet and throughout all periods presented in its first Ind AS financial statements. Those accounting policies shall comply with each Ind AS effective at the end of its first Ind AS reporting period, except as specified in paragraphs 13–19 and Appendices B–D. Hence the accounting of Govt Grants has been done to comply with Ind AS 101, as the non-compliance with the Ind AS will be considered as non-compliance with the provisions of Law which in this case is Companies Act 2013.

However in view of comments of CAG, we are referring the matter to Institute of Chartered Accountants of India for seeking opinion of their "Expert Advisory Committee" so that the corrective action, if any, shall be taken in the next Financial Year based on the advice of the Advisory Committee.

Moreover, Statutory Auditor has also endorsed Management response to comments of CAG.



Audit Comments No. Audit Observation

02 Balance Sheet Equity and Liabilities Liabilities

Governments Grants (Note 15)

Rs. 945.19 crore

The above does not include a sum of Rs 35.33 crore towards the provision for employer's contribution in respect of the employees of erstwhile Ordnance Factory Board (Ordnance Factory Kanpur, Rifle Factory Ishapore and Gun Carriage Factory Jabalpur) on deemed deputation (Foreign Service) covered under Old Defined Benefit Pension Scheme and National Pension Scheme during the period from 01 October 2021 to 31 March 2022. As per Office Memorandum dated 24 September 2021, the Government of India has transferred all its Liabilities to the newly formed DPSUs, hence the company is obligated to provide this liability for availing the services of the Government employees on deemed deputation for the six months' period. This has resulted in understatement of Other Current Liabilities and overstatement of Profit of the Company by Rs 35.33 crore.

Management response to comments of CAG

Kindly refer MOD vide OM No. 1(5)/2021/OF/DP (Plg-V)/02 Dated 24th Sep 2021, on subject 'Dissolution of Ordnance Factory Board and transfer of employees (Group A, B & C) of Ordnance Factory Board to new Defense Public Sector Undertakings and the Directorate of Ordnance (Coordination & Services)', in it has been categorically stated that:

Para 3: "The Government has decided that all the employees of OFB (Group A, B & C), belonging to the production units and also the identified non-production units (as per the structure set out in Annexure A) shall be transferred en masse to the New DPSUs on terms of foreign service without any deputation allowance (deemed deputation) initially for period of two year from the Appointed date, in accordance with Rule 37A of the central Civil Services (Pensions) Rules 1972.

Para 5: "till such time the employees remain on deemed deputation to the new DPSUs, they shall continue to be subject to all the extant rules, regulations and orders as are applicable to the Central Govt servants, including related to their pay scales, allowances, leave, medical facilities, career progression and other service conditions".

Para 7: "The pension liabilities of the retirees and existing employees will continue to be borne by the Government from the Ministry of Defense ("MoD") budget for Defense Pensions. For the employees recruited after 01.01.2004, National Pension Scheme applicable to the Central Page 20 of 20 Government employees is vogue and the same may adopted by the New DPSUs, including continuation of all special provisions applicable to Central Government employees under the National Pension System."

DOPT Instructions No. 2/9/2017 – Estt (Pay-II) dated 09th Oct 2020 is for calculation of monthly contribution towards cost pension payable during foreign service, however all the employees are on deemed Deputation vide MOD OM No. 1(5)/2021/OF/DP (Plg-V)/02 Dated 24th Sep 2021 vide hence DOPT OM dated 9th Oct 2020 is not applicable for any of the existing employees.

All the employees of the erstwhile OFB are working in the company on deemed deputation with same service conditions as that of government employees. The liability of terminal benefits will be borne by GOI and there is no permanent employee in the company.

Neither the Government nor the company has crystalized any future service conditions.

For the employees covered under NPS the pension liability will be taken care by PFRDA. NPS employer contribution of 14% is being made by AWEIL.

Moreover, Statutory Auditor has also endorsed Management response to comments of CAG.



Audit Comments No.
Audit Observation

03

Statement of Profit and Loss

Revenue from Operation (Note 17):

Rs. 1088.62 crore

As per the Accounting Policy (15- Revenue Recognition) of the company, in case of Ex-works contract, revenue would be recognised when the specified goods are unconditionally appropriated to the contract after prior inspection and acceptance. In case of FOR Contracts, revenue would be recognised when the goods are handed over to the carrier for transmission to the buyer after prior inspection and acceptance.

Advance Weapons and Equipment India Limited has, however, booked revenue amounting to Rs. 72.01 crore in respect of three contracts pertaining to Gun Carriage Factory Jabalpur, though the material under these contracts was 'finally' supplied/ inspected/ packed for delivery after 31 March 2022. This has resulted in the overstatement of Revenue of the company by Rs. 72.01 crore. Impact on Profit, however, may not be estimated as the actual cost of production of these items was yet to be worked out by the company.

Management response to comments of CAG

Please refer para 35 of Ind AS 115 – Revenue from Contracts with Customers as below:

35. If a performance obligation is not satisfied over time in accordance with paragraphs 35– 37, an entity satisfies the performance obligation at a point in time. To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, the entity shall consider the requirements for control in paragraphs 31–34. In addition, an entity shall consider indicators of the transfer of control, which include, but are not limited to, the following:

- (a) The entity has a present right to payment for the asset—if a customer is presently obliged to pay for an asset, then that may indicate that the customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset in exchange.
- (b) The customer has legal title to the asset—legal title may indicate which party to a contract has the ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset or to restrict the access of other entities to those benefits. Therefore, the transfer of legal title of an asset may indicate that the customer has obtained control of the asset. If an entity retains legal title solely as protection against the customer's failure to pay, those rights of the entity would not preclude the customer from obtaining control of an asset.
- (c) The entity has transferred physical possession of the asset—the customer's physical possession of an asset may indicate that the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset or to restrict the access of other entities to those benefits. However, physical possession may not coincide with control of an asset. For example, in some repurchase agreements and in some consignment arrangements, a customer or consignee may have physical possession of an asset that the entity controls. Conversely, in some bill-and-hold arrangements, the entity may have physical possession of an asset that the customer controls. Paragraphs B64–B76, B77–B78 and B79–B82 provide guidance on accounting for repurchase agreements, consignment arrangements and bill-and-hold arrangements, respectively.
- (d) The customer has the significant risks and rewards of ownership of the asset—the transfer of the significant risks and rewards of ownership of an asset to the customer may indicate that the customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. However, when evaluating the risks and rewards of ownership of a promised asset, an entity shall exclude any risks that give rise to a separate performance obligation in addition to the performance obligation to transfer the asset. For example, an entity may have transferred control of an asset to a customer but not yet satisfied an additional performance obligation to provide maintenance services related to the transferred asset.
- (e) The customer has accepted the asset—the customer's acceptance of an asset may indicate that it has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. To evaluate the effect of a contractual customer acceptance clause on when control of an asset is transferred, an entity shall consider the guidance in paragraphs B83–B86

The final manifestation of scope completion of the product readiness is the final inspection which is certified through an Inspection note (I Note). This will be issued by our Quality control dept or on the approval of SQAE viz. buyer designated inspection agency which is based in the factory premises itself. Following this an I Note is issued by the Third-party inspection agency (appointed by Customer or by us, as the case may be). This is a documentation process and may take a few days. It is the



practice of the factory to deliver goods only after Third party Inspection agency inspects and clears. This may indicate that the customer has obtained control of the goods. It is important to note that under Ind AS 115, transferring of risks and rewards of ownership is only one of the five indicators that a customer has obtained control of the asset. Not transferring the risks and rewards of ownership does not automatically preclude revenue recognition.

At the stage of QC I Note, our control on the PO execution ends and the control shifts to the Customer. The customer would decide when to place a vehicle where the transportation is in their scope or provide us a date to move based on their ship booking. This is completely at the Customer's discretion.

Considering all these facts, the Company can recognize revenue at the point it loses the control, which is after inspection.

Moreover, Statutory Auditor has also endorsed Management response to comments of CAG.

MANAGEMENT RESPONSE TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON CONSOLIDATED FINANCIAL STATEMENTS OF ADVANCED WEAPONS AND EQUIPMENT INDIA LIMITED, KANPUR FOR THE YEAR ENDED 31 MARCH 2022

B. Comments on Profitability

Audit Comments No.
Audit Observation

01
Balance Sheet
Equity and Liabilities
Liabilities
Governments Grants (Note 14) — Non-Current Rs. 1998.74 crore
Rs. 93.84 crore

In pursuance of the decision of the Union Cabinet on 16th June 2021, the Government of India, vide Office Memorandum dated 24 September 2021, decided to corporatize the functions of the Ordnance Factories. Accordingly, the assets and liabilities in respect of the business being carried out on account of the Government was transferred to the new DPSUs on the Net Asset Value thereof. Advanced Weapons and Equipment India Limited has, however, treated the deemed cost of Fixed Assets worth of Rs.2158.24 crore as Government Grants, out of which depreciation on Property Plant and Equipment (PPE) amounting to Rs. 65.65 crore was accounted for as Income in the Statement of Profit and Loss of the company for the year ended 31 March 2022. Remaining Government Grant amounting to Rs. 2092.58 Crore was booked as Liability (Rs. 1998.74 crore as Non-current and Rs. 93.84 crore as Current) in the Balance Sheet of the company as at 31 March 2022.

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Management response to comments of CAG

Ind AS 101 permits a first-time adopter to elect to measure an item of Property, Plant, and Equipment at the transition to Ind AS at its fair value and use that fair value as its deemed cost at that date.

However, as per para D7AA of Appendix D- Exemption from other Ind ASs- "Where there is no change in its functional currency on the date of transition to Ind ASs, a first-time adopter to Ind ASs may elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind ASs, measured as per the previous GAAP and use that as its deemed cost as at the date of transition."

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Moreover, all the fixed assets were funded by the Government. As per the "Periodical Accounts of the Ordnance & Ordnance Equipment Factories in Commercial Format" as per the previous GAAP, all the fixed assets were acquired out of Capital Outlay i.e., Capital Grant. By following Ind AS 20 – Government Grants, para 26, government grant is recognized as deferred income that is recognized as income in the statement of profit and loss on a systematic basis over the useful life of the assets for which it is received. Therefore, the accounting treatment of Government Grant is in accordance with Indian Accounting Standards prescribed under section 133 of the Companies Act,



2013 read with rule 3 of Companies (Indian Accounting Standards) Rule, 2015 as amended.

It may be noted that Para no. 7 of Ind As 101 requires that "An entity shall use the same accounting policies in its opening Ind AS Balance Sheet and throughout all periods presented in its first Ind AS financial statements. Those accounting policies shall comply with each Ind AS effective at the end of its first Ind AS reporting period, except as specified in paragraphs 13-19 and Appendices B-D. Hence the accounting of Govt Grants has been done to comply with Ind As 101, as the non-compliance with the Ind As will be considered as non-compliance with the provisions of Law which in this case is Companies Act 2013.

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Moreover, Statutory Auditor has also endorsed Management response to comments of CAG.

Audit Comments No. Audit Observation

02 Balance Sheet Equity and Liabilities Liabilities

Governments Grants (Note 15) Rs. 945.19 crore

The above does not include a sum of Rs 35.33 crore towards the provision for employer's contribution in respect of the employees of erstwhile Ordnance Factory Board (Ordnance Factory Kanpur, Rifle Factory Ishapore and Gun Carriage Factory Jabalpur) on deemed deputation (Foreign Service) covered under Old Defined Benefit Pension Scheme and National Pension Scheme during the period from 01 October 2021 to 31 March 2022. As per Office Memorandum dated 24 September 2021, the Government of India has transferred all its Liabilities to the newly formed DPSUs, hence the company is obligated to provide this liability for availing the services of the Government employees on deemed deputation for the six months' period. This has resulted in understatement of Other Current Liabilities and overstatement of Profit of the Company by Rs 35.33 crore.

Management response to comments of CAG

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Para 3: "The Government has decided that all the employees of OFB (Group A, B & C), belonging to the production units and also the identified non-production units (as per the structure set out in Annexure A) shall be transferred en masse to the New DPSUs on terms of foreign service without any deputation allowance (deemed deputation) initially for period of two year from the Appointed date, in accordance with Rule 37A of the central Civil Services (Pensions) Rules 1972.

Para 5: "till such time the employees remain on deemed deputation to the new DPSUs, they shall continue to be subject to all the extant rules, regulations and orders as are applicable to the Central Govt servants, including related to their pay scales, allowances, leave, medical facilities, career progression and other service conditions".

Para 7: "The pension liabilities of the retirees and existing employees will continue to be borne by the Government from the Ministry of Defense ("MoD") budget for Defense Pensions. For the employees recruited after 01.01.2004, National Pension Scheme applicable to the Central Page 20 of 20 Government employees is vogue and the same may adopted by the New DPSUs, including continuation of all special provisions applicable to Central Government employees under the National Pension System."

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Moreover, Statutory Auditor has also endorsed Management response to comments of CAG



Audit Comments No.
Audit Observation

03

Statement of Profit and Loss

Revenue from Operation (Note 17):

Rs. 1088.62 crore

As per the Accounting Policy (15- Revenue Recognition) of the company, in case of Ex-works contract, revenue would be recognised when the specified goods are unconditionally appropriated to the contract after prior inspection and acceptance. In case of FOR Contracts, revenue would be recognised when the goods are handed over to the carrier for transmission to the buyer after prior inspection and acceptance.

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Management response to comments of CAG

Please refer para 35 of Ind AS 115 – Revenue from Contracts with Customers as below:

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(f) The entity has a present right to payment for the asset—if a customer is presently obliged to pay for an asset, then that may indicate that the customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset in exchange.

(g) The customer has legal title to the asset—legal title may indicate which party to a contract has the ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset or to restrict the access of other entities to those benefits. Therefore, the transfer of legal title of an asset may indicate that the customer has obtained control of the asset. If an entity retains legal title solely as protection against the customer's failure to pay, those rights of the entity would not preclude the customer from obtaining control of an asset.

(h) The entity has transferred physical possession of the asset—the customer's physical possession of an asset may indicate that the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset or to restrict the access of other entities to those benefits. However, physical possession may not coincide with control of an asset. For example, in some repurchase agreements and in some consignment arrangements, a customer or consignee may have physical possession of an asset that the entity controls. Conversely, in some bill-and-hold arrangements, the entity may have physical possession of an asset that the customer controls. Paragraphs B64–B76, B77–B78 and B79–B82 provide guidance on accounting for repurchase agreements, consignment arrangements and bill-and-hold arrangements, respectively.

(i) The customer has the significant risks and rewards of ownership of the asset—the transfer of the significant risks and rewards of ownership of an asset to the customer may indicate that the customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. However, when evaluating the risks and rewards of ownership of a promised asset, an entity shall exclude any risks that give rise to a separate performance obligation in addition to the performance obligation to transfer the asset. For example, an entity may have transferred control of an asset to a customer but not yet satisfied an additional performance obligation to provide maintenance services related to the transferred asset.

(j) The customer has accepted the asset—the customer's acceptance of an asset may indicate that it has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. To evaluate the effect of a contractual customer acceptance clause on when control of an asset is transferred, an entity shall consider the guidance in paragraphs B83–B86

The final manifestation of scope completion of the product readiness is the final inspection which is certified through an Inspection note (I Note). This will be issued by our Quality control dept or on the approval of SQAE viz. buyer designated inspection agency which is based in the factory premises itself. Following this an I Note is issued by the Third-party inspection agency (appointed by Customer or by us, as the case may be). This is a documentation process and may take a few days. It is the practice of the factory to deliver goods only after Third party Inspection agency inspects and clears. This may indicate that the customer has obtain control of the goods. It is important to note that under Ind AS 115, transferring of risks and rewards of ownership is only one of the five indicators that a customer has obtained control of the asset. Not transferring the risks and rewards of ownership does not automatically preclude revenue recognition.



At the stage of QC I Note, our control on the PO execution ends and the control shifts to the Customer. The customer would decide when to place a vehicle where the transportation is in their scope or provide us a date to move based on their ship booking. This is completely at the Customer's discretion.

Considering all these facts, the Company can recognize revenue at the point it loses the control, which is after inspection.

Moreover, Statutory Auditor has also endorsed Management response to comments of CAG.



CORPORATE GOVERNANCE REPORT

Appendix -VII

Pursuant to guidelines on Corporate Governance for CPSEs 2010 issued by the Department of Public Enterprises, Govt. of India ('DPE Guidelines'), vide DPE's OM No. 18(8)/2005-GM dated 14 May 2010 to as applicable with regard to Corporate Governance.

1. PHILOSOPHY ON CODE OF GOVERNANCE

Management believes that Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of the transparency and integrity of the management. We believes that Corporate Governance is critical for enhancing and retaining stakeholders trust and thus seeks to ensure that its performance goals are met with integrity.

Your Company has methodically followed the core principles of Corporate Governance, which have been the order of its governance model, with the Board of Directors at the apex level, and the Management structure at the operational level. The Board guide support and complement the Management team, which endeavours to achieve the set objectives and enhancing stakeholder value.

For "Advanced Weapons And Equipment India Limited" Corporate Governance stands for responsible and value creating management and control of the Company. The company's policies and practices are not only consistent with the statutory requirement but also underline its commitment to operate in the best interest of its stakeholders. The company has always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good Corporate Governance.

The management of the company is entrusted in the hand of the key management personnel of company and is headed by the Chairman & Managing Director, who functions under the supervision and control of the Board. The Board reviews and approves strategy and oversees the action and result of management.

2. BOARD OF DIRECTORS

The Company is 100% Government owned Company under the administrative control of the Department of Defence Production, Ministry of Defence. The composition of the Board of the Company is governed by the provisions of the Companies Act, 2013 ('the Act') and DPE Guidelines. Being a Government Company and as per the Articles of Association of the Company, the power to appoint Directors vests with the President of India.

The Board of Directors of the company as on 31st March 2022 consisted of Chairman & Managing Director (CMD), three functional directors and one Government Nominee Director. The Directors as on 31 March 2022 were as under:

Shri Rajesh Gangadhar Choudhary	-	Chairman & Managing Director
Shri Akhilesh Kumar Maurya	-	Director (Operations)
Smt. Anupma Tripathi	-	Director (HR)
Shri Ravin Kulshrestha	-	Director (Finance) & Chief Financial Officer

PART-TIME OFFICIAL (GOVERNMENT) DIRECTOR:

Shri Chandraker Bharti, IAS Joint Secretary (Defence Production), Ministry of Defence*

Shri Surendra Prasad Yadav, IAS Joint Secretary (Defence Production), Ministry of Defence**

* Shri Chandraker Bharti was appointed as Government Nominee Director with effect from November 30, 2021 later on he ceased the office pursuant to Office Memorandum No. 8(32)/2019-D(Coord/DDP) dated September 14, 2022 received from Department of Defence Production, Ministry of Defence, Government of India w.e.f. 14.09.2022.

** Shri Surendra Prasad Yadav was appointed as Government Nominee Director w.e.f. September 14, 2022 pursuant to Office Memorandum No. 8(32)/2019-D(Coord/DDP) dated September 14, 2022 received from Department of Defence Production, Ministry of Defence, Government of India.

As per DPE Guidelines, the number of Functional Directors (including CMD/MD) should not exceed 50% of the actual strength of the Board, and there should be 02 Part-Time Non-Official (Independent) Directors should be in Board. Board pursuing with its administrative Ministry (MoD) for appointment of Non-Official (Independent Director), which is under consideration.

3. DIRECTOR SHAREHOLDING

No Director of Company is holding any shares of the Company as on 31st March, 2022.

4. ATTENDANCE OF DIRECTORS AT BOARD MEETING

Board of Directors meet at regular interval to review of performance of the Company. The time gap between two Board



meetings was within time prescribed under Companies Act, 2013 and DPE Guidelines.

During the period 1st October, 2021 to 31st March, 2022, the Board of Directors met on five (5) occasions, which were held on 20.08.2021, 14.09.2021, 04.10.2021, 17.01.2022, & 31.03.2022. Details of attendance of the Directors at the Board Meetings during 2021-22 are given below:

Directors	Meetings held during respective tenure of Director	No. of Board Meetings Attended
Shri Rajesh Gangadhar Choudhary	5	5
Shri Chandraker Bharti	2	1
Shri Akhilesh Kumar Maurya	5	5
Smt. Anupma Tripathi	5	4
Shri Ravin Kulshrestha	4	4

5. SUB-COMMITTEES OF BOARD OF DIRECTORS

No sub-Committees could be constituted during the financial year 2021-22, due to lack of Non-Official (Independent) Directors in the Board. However the Management has requested with Ministry of Defence for the appointment of Non-Official (Independent) Directors in the Board of the Company, which is under consideration.

6. COMMITTEE OF CORPORATE SOCIAL RESPONSIBILITY (CSR COMMITTEE)

The provision of section 135 of Companies Act, 2013 and read with Companies (Corporate Social Responsibility) Rules, 2014 relating constitution of CSR Committee and CSR expenditure were not applicable during the financial year 2021-22.

7. GENERAL MEETINGS

There was no Annual General Meeting or Extra-Ordinary General Meeting was held during the Financial Year 2021-22.

8. REMUNERATION OF DIRECTORS

AWEIL is one of the seven Defence Public Sector Undertaking formed by converting the erstwhile Ordnance Factory Board (OFB). Directors are on deemed deputation and shall continue to be subject to all the extant rules, regulations and orders as are applicable to the Central Government employees including related to their pay scales. The company does not pay any commission to its Directors.

Part-time official (Government) Directors are not paid sitting fees or any other remuneration.

9. CODE OF BUSINESS CONDUCT AND ETHICS

The Board of Directors is in process of adoption a policy on 'Code on Business Conduct and Ethics' as per DPE Guidelines as on 31st March, 2022.

10. WHISTLE BLOWER POLICY

The Board of Directors is in process of adoption a policy on 'Whistle Blower Policy' as per DPE Guidelines as on 31st March, 2022.

11. RISK MANAGEMENT POLICY

The Guidelines on Corporate Governance for CPSEs (Central Public Sector Enterprises) issued by DPE (May 2010) have recommended that the CPSUs should ensure that risk management is undertaken as a part of normal business practice and not as a separate task at set times. The Company is in process of formulating the Risk Management Policy.

12. SHAREHOLDING PATTERN

Shares of the Company are fully owned by the President of India, through Joint Secretary (LS), Ministry of Defence (Department of Defence Production), Government of India.

13. DISCLOSURE

There were no cases of non-compliance of applicable laws by the company and no penalties/ strictures were imposed on the company by a Statutory Authority on any matter related to any guidelines issued by any Government during the period.

The company has not entered into any transactions with any Directors that may have potential conflict with the interest of the company at large. The members of the Board, apart from receiving Directors' remuneration, do not have any material or pecuniary relationship or transaction with the company which in the judgment of the Board may affect independence of judgment of the directors.



14. DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

As provided under the Guidelines on Corporate Governance for CPSEs 2010 issued by the Government, it is hereby declared that all Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management Personnel of Advanced Weapons And Equipment India Limited for the year ended 31 Mar 2022.

Date: 17.02.2023

Place: Kanpur

For and on behalf of the Board of Directors

Rajesh Choudhary

Chairman & Managing Director



PRACTICING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
ADVANCED WEAPONS AND EQUIPMENT INDIA LIMITED
Ordnance Factory Kanpur Kalpi Road Kanpur
UP 208009 IN

Sir(s),

I have examined the compliance of the conditions of Corporate Governance by ADVANCED WEAPONS AND EQUIPMENT INDIA LIMITED for the year ended March 31, 2022, as stipulated in the guidelines on corporate governance for Central Public Sector Enterprises (CPSEs), 2010 issued by Department of Public Enterprises (DPE).

The Compliance of conditions of the Corporate Governance is the responsibility of the management. My examination was limited to the review of procedures and implementation thereof, as adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanation given to me and representations given by management, I certify that the Company has complied with aforesaid guidelines on corporate governance, subject to the following observations:

- 1- During the Audit Period, the non-functional Directors were less than 50% of the total Board Strength as required in clause 3.1.2 of the DPE Guidelines, 2010;
- 2- During the Audit Period the Company does not have Independent Directors as required in clause 3.1.4 of the DPE Guidelines, 2010;
- 3- The Company has not constituted audit Committee and Nomination & Remuneration Committee as required in clause 4 & 5 of the DPE Guidelines, 2010;

Provided however that, as per the Articles of Association of the Company, the power to appoint Directors vests with the President of India.

I further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Date: 22.12.2022

Place: Kanpur

For ANKIT MISRA & Co.

Sd/-

ANKIT MISRA

Proprietor

CP No. 23471

Company Secretaries

Unique Code Number S2020UP749900

Peer Review Certificate Number 1447/2021

UDIN: A030650D002779990



Appendix -VIII

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

Your Company is a defence public sector undertaking wholly-owned Government of India (GoI) company operating under the administrative control of the Ministry of Defence, Department of Defence Production, Government of India. Your Company is India's only defence Company which produces small, medium and large caliber guns for the Armed Forces, Central Armed Para-Military forces, State Police Forces, exports and also the civilian market for Non-prohibited Bore weapons.

The outlook of the business seems to be encouraging. We have a diversified range of businesses which comprises Small, Medium and Large Calibre Weapons, Mortar Equipment and Ammunition Hardware including Shells, Fuzes, primers and stabilizer assembly. We believe that we are well placed to leverage on the growth opportunities in the global & domestic defence ecosystem.

ORGANIZATION

The company has five major business verticals viz., manufacturing of Small, Medium and Large Calibre Weapons, Mortar Equipment and Ammunition Hardware including Shell, Fuzes, primers and stabilizer assembly. The Company's manpower strength stood at 13,777 as on 31.03.2022. AWEIL is a market leader in the weapon manufacturing ecosystem in India. Your company makes concerted efforts to maintain growth by securing orders from their major customer, the Indian Armed forces apart from exploring possibilities of export orders. Your company has played a vital role in fulfilling aspirations of the Indian armed forces as major contributor to the Indian defence system. A modern infrastructure, highly skilled workforce, a group of dedicated engineers has collectively transformed the factories into a center of excellence.

PRODUCTION AND NON PRODUCTION UNITS

The Company has 8 manufacturing units; Rifle Factory Ishapore, Small Arms Factory, Kanpur, Gun & Shell Factory, Cossipore, Ordnance Factory Tiruchirappalli, Ordnance Factory, Kanpur, Field Gun Factory, Kanpur, Gun Carriage Factory, Jabalpur, Ordnance Factory Project Korwa and one non-manufacturing units Ordnance Factories Institute of Learning, Ishapore.

SWOT ANALYSIS

STRENGTHS

Company is a market leader in the weapon manufacturing ecosystem in India with the expertise and capabilities to fulfill the requirements of the Armed Forces, Central Armed Para-Military forces, State Police Forces, exports and also civilian market for Non-prohibited Bore weapons. AWEIL has tremendous business potential in respect of new products which include small arms, medium calibre guns, large calibre guns & ammunition hardware. Your Company has a rich legacy of manufacturing them since its inception.

Your Company is the only public sector defence manufacturing company, who manufactured all segment of weapons like Small, Medium and Large Calibre Weapons. Large scale modernization has been carried out at OFC & FGK and as a result, AWEIL is today largest producer of large calibre weapons in the world with capacity of 400 barrels per annum. AWEIL has been a major contributor for Large Calibre inventory for Indian Army.

AWEIL has core competencies in Small, Medium and Large Calibre Weapons, Mortar Equipment and Ammunition Hardware including Shell, Fuzes, primers and stabilizer assembly. The Company has good infrastructure and other facilities combined with our vast expertise are capable of serving the requirements of the Ministry of Defence.

Your Company has an experienced senior management team in the industry and a large pool of experienced engineers and draftsmen. Enhanced maturity in design and equipment availability at the time of commencement of production giving an impetus to the pace of manufacturing process.

WEAKNESSES

The manufacturing processes for our products are highly complex, require technically advanced and high state of art equipment and hazardous materials and involve risks, including breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, environmental and industrial hazards which could result in damages and litigation.

Furthermore AWEIL is new DPSUs the following challenges/problems may be faced after Corporatization of erstwhile Ordnance Factories:

- (1) Transition from Government setup to Commercial Entity Skewed Workload - Factories engaged in manufacture of High Explosives, Small Arms Ammunition are sub-optimally loaded.
- (2) Gap between the available and required Skill set.



- (3) Low exports.
- (4) Market governed by global geo political that leads to uncertainty in orders.
- (5) Timely receipt of Import / product support items
- (6) High Cost of Production due to sub-optimal workload, and stringent test/proof requirement.

OPPORTUNITIES

India being one of the major markets and a potent destination, many elements of the supply chains are expected to be relocated to India. Also, current geopolitical events have highlighted the importance of self-reliance, especially in strategic sectors like Defence. Advanced Weapons and Equipment India Limited (AWEIL), is a fully owned Govt. of India Enterprise, carved out of erstwhile OFB on 01.10.2021. The conversion to DPSU has given us more autonomy and powers which led us to focus to improve our functioning and enabling, it to cope with greater competition, fast pace of technological advancement and making our factories as vehicles of self-reliance in defence preparedness of the Nation.

So, with greater autonomy and operational freedom AWEIL is fully committed for timely delivery of products. AWEIL is a market leader in the weapon manufacturing ecosystem in India with the expertise and capabilities to fulfill the requirements of Armed Forces, Central Armed Para-Military Forces, State police Forces, exports and also civilian market for Non-prohibited Bore weapons. AWEIL is also aggressively pursuing export opportunity through regular interaction with defence attaches at various Indian embassies and exploring the opportunity of entering into MoU with private defence industries. AWEIL understands the advantages of continuous modernization & up-gradation of its facilities in order to have state –of –the art set up for promoting exports and for being able to offer the best in class products/systems to the Defence Services.

Your Company can facilitate self-reliance in defence production under 'Make In India' initiative promulgated by the Gol, for some of the critical equipment in close liaison with OEMs, and can emerge as manufacturer of indigenously designed products/systems from being presently TOT based Manufacturer.

THREATS

With the entry of private players in defence manufacturing, there is stiff competition from various private sector companies in the international markets who based on their stronger market positions, competitive labour cost, government supports and flexible production capacities, these companies may compete vigorously on price, however we believe that customers consider, among other things, the technical capabilities, quality, delivering and efficiency of weapons constructed by us.

BUSINESS RISKS AND CONCERNS

The risks that may affect the Company include:

There needs to be a reasonably firm allocation of financial resources for the first five years and an indicative allocation for the subsequent period. Defence Forces are not having a firmed up long term plan. AWEIL, being a Weapons Manufacturer, suffers from the absence of long-term projection of demand from Army, Navy, Air force & MHA.

The issues from the factories producing medium calibre weapons have been inconsistent as a whole, primarily due to lack of regular orders from Army, which is presently offset through securing orders from the MHA. Absence of long term orders from Army & MHA is a major constraint for perspective planning of the concerned factories.

The INSAS Rifle was the major contributor in Small Arms segment. Army has not placed any indent in respect of INSAS Rifles since 2010 and load in respect of LMG, 9mm Pistol has also been dwindling. At the same time MHA orders are also tapering down. The orders from MHA & Civil Trade are main contributors of workload for Small Calibre. But their requirement is fluctuating to a large extent. Consequently, it is difficult to plan for future efficiently. Long term projection of requirement is required, both from the Services & MHA. Your Company is in process of developing an appropriate risk management framework to strategize, monitor, identify, assess and mitigate risks that may potentially impact the Company's performance and barriers to success.

RESEARCH & DEVELOPMENT

Company has R&D centers which are engaged in development of items for Large Caliber, Small Arms & Ammunition Hardware. AWEIL is progressing R&D projects in various weapon systems having cutting edge technologies in advanced stage. Company has focused on Research & Development (R&D) of Artillery Guns, Mortars and Small Arms Weapons. For last 06 months i.e. from 01.10.2021 to 31.03.2022, AWEIL has made expenditure of 0.67% of its sale on R&D. More over AWEIL is committed to increase this expenditure to the tune of 3 to 5 % in subsequent years in order to develop further products. We have also involved academia in these efforts and are trying to have collaboration with prestigious institutes like IIT Kanpur, IIT Madras, and IIITDM Jabalpur etc.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has robust internal financial control system. Functional autonomy is ensured by way of delegation of financial powers of the Board to the CMD/Directors. The Company is also in process to appoint an internal auditor who will monitors compliances of



Company's procedures, and policies with well defined annual audit program and significant audit observations which will be presented before the Board of Directors.

FORWARD LOOKING STATEMENTS

Statements in this management discussion and analysis of financial condition and results of operations of the company describing the company's objectives, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realised.

The company assumes no responsibility to publicly amend, modify or revise forward looking statements on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include government's strategy, changes in government regulations, tax laws, economic developments within the country and such other factors globally.

For and on behalf of the Board of Directors

Date: 17.02.2023

Place: Kanpur

Rajesh Choudhary

Chairman & Managing Director



Independent Auditor's Report

To,
The Members of Advanced Weapons and Equipment India Limited
Report on the Audit of the Ind AS Standalone Financial Statements

Qualified Opinion

We have audited the Standalone Ind AS Financial Statements of Advanced Weapons and Equipment India Limited (hereinafter referred to as "the Company"), which comprise the Balance sheet as at March 31, 2022, and the statement of Profit and Loss (including other comprehensive income), statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion Para of our report, the aforesaid financial statements 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 31st, 2022 and profit, changes in equity and other comprehensive income and its cash flows for the period ended on that date.

Basis for Qualified Opinion:

Attention is drawn to following paras:

- 1- The opening balances of assets and liabilities as on 1st October 2021 have been taken as per the data provided by PCFA (Principal Controller of Accounts Ordinance Factories, Kolkata). The units made certain adjustments for differences based on the data available with the units.

This has resulted in net increase/decrease in Assets and liabilities with corresponding effect in Other Equity amounting to net decrease of Rs. 889.54 crores (reference to Note No. 37(2)). These differences in various Assets and Liabilities are subject to correction/ adjustments based on future information hence the impact of the same is presently not quantifiable in financial statement of current period.

- 2- The company is accounting computers, office equipment (including air conditioners) and furniture & fixtures acquired after 1st October 2021 at cost. However, the same assets existing as on 30th September 2021 in the books of PCFA have been accounted at Re 1 instead of at its carrying value. This is in violation of Para 7 of Ind AS 101, which requires the said assets to be accounted for at their carrying value as on 1st Oct 2021.

The non-compliance has resulted in understatement of property plant and equipment and retained earnings by the same amount. This also has impact on subsequent depreciation and on statement of profit and loss, on those assets over their remaining useful life. The impact of the above could not be quantified in absence of related data not being provided by the management.

- 3- The company is not recognising various items of spare parts, stand-by equipment and servicing equipment which are expected to be used during more than one period which is in violation of para 6 & 8 of Ind AS 16 - "Property plant and Equipment".

The impact of the same in financial statements of current period and on deemed equity is not quantifiable.

- 4- It has been observed that the item of PPE becomes available for use from the date of commissioning and the depreciation should be charged from the same date. However, the company is charging depreciation from the M-Voucher date and B-voucher date respectively in case of Plant and Machinery and Building. This is in violation of Para 55 of Ind AS 16 - "Property, Plant and Equipment".

In certain instances, gap of many months was noted between the two dates due to which the depreciation being charged is not accurate. Since the practice is prevalent in all the units the impact of the deficiencies in financial statements is presently not quantifiable.

- 5- Accounting of Intangible Assets existing as on 1st Oct 2021 meeting the definition of "Intangible Assets" as per Ind AS 38 has not been done in compliance with Ind AS 101 - "First Time Adoption". The carrying value of such assets has not been brought in books as on 1st October 2021.

In absence of related data of earlier years, the impact of the same in the current period financial statements cannot be commented upon.

Further, the company is not maintaining proper records of expenses incurred in research and development. There does not exist a proper procedure to identify and recognize internally generated Intangible Assets when the specified criteria as per Ind AS 38 are met.

The impact of the above in the financial statements of current period is not quantifiable.



6- Valuation of Inventory

a. Accounting of Scrap:

It has been observed that the raw material which was issued for production but subsequently got rejected due to quality issues, etc. fails to get accounted at the end of financial year as scrap unless and until a return voucher for such material is prepared.

The Industrial Employees usually follow a practice of posting such voucher after the completion of warrant. The impact of such non-accounting of scrap which is rejected after issue for warrants is presently not quantifiable.

b. Fixed Overhead Allocation in valuation of WIP:

In valuation of inventory, the Fixed Overhead is being allocated on the basis of actual production instead of normal capacity as the company does not have proper system to identify the normal production capacity of the plants for production of specific items by the various factories.

This results in violation of para 13 of Ind AS 2 – “Inventories” which requires FOH to be allocated based on the normal capacity of the production facilities.

Allocation of Fixed Overheads has been made on the basis of management estimates by each factory hence the compliance with Ind AS could not be verified by us. The impact of the non-compliance of Ind AS 2 of above para cannot be quantified by us in absence of the desired information at this stage.

7- Confirmation of Balances:

The company has not communicated with the Foreign Trade Payables with respect to confirmation of balances amounting to Rs. 4.19 Crs.

The company has communicated with Domestic Trade Receivables and Trade Payables amounting to Rs. 451.40 Crs. and Rs. 393.05 Crs. respectively existing in the books of all the units through units themselves based on “negative confirmation request”.

It has been observed that only few parties have responded to the above confirmation requests as approximately 90% of the amount of balance confirmations requests have not been responded which is deemed as confirmed balances as per the Negative Confirmation Request.

However, such non confirmation of the above stated balances may result in loss to the company if the same is not actually reconciled with books of accounts. The impact of the non-confirmation of balance is not quantifiable in financial statements.

- 8- The company has not provided the appropriate supporting documents for the verification of the ageing of Trade Receivables and Trade Payables as disclosed in Note No. 7(b) and Note No. 12(a) respectively of the standalone financial statements.
- 9- We have reviewed the trial balance of the Cossipore unit based on GST Returns, Salary payment summaries, purchases through updated GSTR 2A to the extent available and other records made available at the Headquarter. In view of limited record verified by us in respect of the unit due to paucity of time, many misstatements may not have been detected.
- 10- The Company has not provided for interest on overdue amount of MSME Trade Payables as referred to in Note 12 (a) in accordance with the Sec 16 of MSME Act, 2006. Due to absence of relevant supporting, the impact of the same in the current period financial statements cannot be commented upon.
- 11- The Company has not made the disclosure as required by Ind AS 16 “Property Plant & Equipment” Para 74b “the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction”.

We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 Companies Act, 2013 and rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 statement 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with 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.

Information Other than the Financial Statements and Auditor's Report Thereon

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 standalone financial statements and our auditor's report thereon) (hereinafter referred to as "Other reports"). The other reports are expected to be made available to us after the date of this auditor's report.

Our opinion on the Standalone 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 Standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the „Other reports, if we conclude that there is a material misstatement therein, we are required to communicate the



matter to those charged with governance and take appropriate actions, if required. We have nothing to report in this regard.

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" statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing our report in terms of Section 143(5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the "Annexure B", on the directions and sub-directions issued by the Comptroller and Auditor General of India.
3. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books except for the matters reported in para "Basis for Qualified Opinion", "Report on Companies (Auditor's Report) Order, 2020 ("the Order")" and "Report on Internal Financial Controls on Financial Reporting".
 - (c) We are sole auditors of the company and no separate financial statements were prepared by the company in respect of the units except trial balance as per management decision. As we are sole auditors reporting under this para is not applicable for the company.
 - (d) The Balance Sheet, the Statement of Profit and Loss (including the statement of Other Comprehensive Income) and the Cash Flow Statement and the statement of changes in equity dealt with by this Report are in agreement with the books of account.
 - (e) In our opinion, except for Ind AS 16 as referred to in para "3", "4" and "11", Ind AS 101 as referred to in para "2" & "5" and Ind AS 2 "Valuation of Inventories" as referred to in para "6" of Basis for Qualified Opinion, the aforesaid standalone Ind As financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015, as amended.
 - (f) We have not come across any observation on the financial transactions or the matters which have any adverse impact on the functioning of the company.
 - (g) Being a Government Company pursuant to the Notification No. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act, are not applicable to the company.
 - (h) We have not come across any qualification, reservation or adverse remark relating to maintenance of accounts and other matters connected therewith except for the matters specified in our report on Internal Financial Controls on Financial Reporting.
 - (i) With respect to the adequacy of the internal financial controls over financial reporting with reference to these Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C" to this report.
 - (j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as on 31st March, 2022 on its financial position in its standalone financial statements – Refer Note 25 to the financial statements;
 - ii. As per the information and explanation given to us by the management and based on our examination of the records of the company, the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv. a) The management has represented that, to the best of its knowledge and belief, 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 that, to the best of its knowledge and belief, 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 such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
- v. The company has not declared any dividend during the year. Hence, this para is not applicable.
- (k) The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

For S.K. Kapoor & Co.
Chartered Accountants FRN: 000745C

(Mr. V.B. Singh)
Partner
Membership No. 073124
UDIN: 22073124BEHWDC1112

Place of Signature: Kanpur
Date: 15.11.2022



ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in "paragraph 1" under "Report on other legal and regulatory requirements" of our report of even date to the members of the company on the Standalone Ind AS Financial Statements for the year ended March 31, 2022.

- i.
- a.
- A. The Company is maintaining records showing particulars, including quantitative details and situation, of Property, Plant and Equipment except for office equipment, computer equipment, furniture and fittings etc. as reported in para "Basis for Qualified Opinion" and para (d) of "Report on Internal Financial Controls on Financial Reporting" with respect to non-accounting of these items at carrying value as on 1st Oct 2021 and lack of proper controls for identification of these items.

Further, the records maintained are also deficient to the extent that they are not updated regularly for changes in location and condition.

- B. The company is not maintaining proper records showing full particulars of intangible assets.
- b. The management has a policy of getting the Property, Plant and Equipment physically verified with the assistance of accounts staff on a six-month basis.
- The management has certified the conduct of physical verification of property, Plant and Equipment but substantive evidence regarding the same have not been made available to us, hence, we cannot comment on the discrepancies noticed, if any and their treatment in books of accounts on such physical verification.
- c. The title deeds of all the 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 5 on Property, plant and equipment to the standalone Ind AS financial statements, are held in the name of the Company, except for the following:

Description of property	Gross carrying Value	Held in name of	Whether promoter, director or their relative or employee	Period held	Reason for not being held in name of company*
Land	32.04 crores	Ordnance Factory Board ("OFB") under Department of Defence Production, Ministry of Defence	Promotor	6 months	Under process. With reference to the Notification no – "CG-DL- E-1102021-230101" dated 1 st Oct 2021, all the immovable properties of OFB have been transferred to newly formed DPSUs consisting of AWEIL as one of the PSU.

*Note: The above data has been provided by the management but could not be verified by us due to non-availability of title deeds and other related information.

- d. The Company has not revalued its Property, Plant and Equipment (including Right-of-use assets) or intangible assets during the year. Accordingly, the reporting under Clause 3(i)(d) of the Order is not applicable to the Company.
- e. Based on the information and explanations furnished to us, no proceedings have been initiated on or are pending against the Company for holding benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) (formerly the Benami Transactions (Prohibition) Act, 1988 (45 of 1988)) and Rules made thereunder, and therefore the question of our commenting on whether the Company has appropriately disclosed the details in its standalone financial statements does not arise.

- ii.
- a. The company has a policy of conducting physical verification of inventory on a continuous stock verification basis (on actual count/ weighment) selecting a few items each day so that each item is physically verified at least once during the year. This verification is conducted by the central stock verification staff of each factory under the administrative control of DGOF's HQ organization.
- The management has certified the conduct of physical verification of inventory but substantive evidence regarding the same has not been made available to us, hence, we cannot comment on the discrepancies noticed, if any and their treatment in books of accounts of such physical verification.
- b. According to the information and explanation given to us and on the basis of our examination of the records of the company, the company has not been sanctioned working capital limits from any banks or financial institutions on the



basis of security of current assets. Accordingly, the provisions of clause 3(ii)(b) is not applicable to the company.

- iii. According to the information and explanation given to us and on the basis of our examination of the records of the company, the company has not made any investments, 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 during the year except for the investment in Joint Venture – “Indo-Russian Rifles Private Ltd.” which has been accounted in company's books as investment at Rs. 4.25 crores with corresponding impact in capital reserve.

As the investment in the above said company has been made as per the directives of the government, we cannot offer any comment under this clause.

- iv. According to the information and explanation given to us and on the basis of our examination of the records of the company, the company has not given any loans, investments, guarantees, and security, to the director or any other party. Accordingly, the provisions of clause 3(iv) is not applicable to the company.
- v. The Company has not accepted any deposits or amounts which are deemed to be deposits within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is not required to maintain cost records as specified under Section 148(1) of the Act in respect of its products being the 1st year of incorporation of the company.
- vii.

- a. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, The Company is generally regular in depositing undisputed statutory dues in respect of provident fund, employees' state insurance, income tax, goods and services tax and labour welfare fund, sales tax, service tax, duty of customs, duty of excise, value added tax, Cess and other material statutory dues, as applicable, with 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 which are pending on account of dispute. Accordingly, the provisions of clause 3(vii) (b) is not applicable to the company.

- viii. According to the information and explanations given to us and the records of the Company examined by us, there are no transactions in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

- ix.
 - a. According to the records of the Company examined by us and the information and explanations given to us, the Company has not taken any loans or other borrowings from any lender during the year. Accordingly, the provisions of clause 3(ix) (a) is not applicable to the company.
 - b. According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared Wilful Defaulter by any bank or financial institution or government or any government authority.
 - c. According to the information and explanations given to us and on the basis of our audit procedures, no term loan has been taken by the company. Accordingly, the provisions of clause 3(ix) (c) is not applicable to the company.
 - d. According to the information and explanations given to us and on the basis of our audit procedures, no funds on short term basis have been raised by the company. Accordingly, the provisions of clause 3(ix) (d) is not applicable to the company.
 - e. According to the information and explanations given to us and on the basis of our audit procedures, the company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures. Accordingly, the provisions of clause 3(ix) (e) is not applicable to the company.
 - f. According to the information and explanations given to us and on the basis of our audit procedures, company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Accordingly, the provisions of clause 3(ix) (f) is not applicable to the company.

- x.
 - a. No moneys have been raised by way of initial public offer or further public offer (including debt instruments) during the year by the company. Accordingly, the provisions of clause 3 (x)(a) of the order is not applicable to the company.
 - b. The company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Accordingly, the provisions of clause 3 (x)(b) of the order is not applicable to the company.



- xi.
- Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company has been noticed or reported during the year. Accordingly, the provisions of clause 3 (xi)(a) of the order are not applicable to the company.
 - Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company has been noticed or reported during the year. Accordingly, the provisions of clause 3 (xi)(b) of the order are not applicable to the company.
 - As per the information and explanation given to us by the company, there does not exist any whistle blower mechanism, hence reporting under this clause is not applicable.
- xii. According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- xiii. In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, and the details of the related party transactions have been disclosed in the financial statements as required by the applicable Indian Accounting Standards.
- xiv. The provisions of this clause referring to the requirement of Internal Audit System are not applicable on the company in view of 1st year of operations of the company.
- xv. In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected to its directors and hence, provisions of Section 192 of the Companies Act, 2013 are not applicable to the Company.
- xvi.
- The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(a) of the Order is not applicable.
 - The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(b) of the Order is not applicable.
 - The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.
 - According to the information and explanations provided to us during the course of audit, the Group does not have any CIC. Accordingly, the requirements of clause 3(xvi)(d) are not applicable.
- xvii. According to the information and explanations provided to us during the course of audit, company has not incurred cash losses during the period under audit.
- xviii. There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.
- xix. According to the information and explanations provided to us during the course of audit and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans supported by Govt. of India and based on our examination of the evidence supporting the assumption, we are of the opinion that no material uncertainty exists as on the date of the audit report that company is 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.
- xx. The provisions of this clause referring to the requirement of Section 135 are not applicable on the company in view of 1st year of operations of the company.
- xxi. The reporting under Clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements. Accordingly, no comment in respect of the said clause has been included in this report.

For S.K. Kapoor & Co.
Chartered Accountants
FRN: 000745C

(Mr. V.B. Singh)
Partner

Membership No. 073124
UDIN: 22073124BEHWDC1112

Place of Signature: Kanpur
Date: 15.11.2022



ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in "paragraph 2" under "Report on other legal and regulatory requirements" of our report of even date to the members of the company on the Standalone Ind AS Financial Statements for the year ended March 31, 2022.

Directions /Additional directions of the CAG of India under Section 143(5) of the Companies Act 2013 on the accounts of Advanced Weapons and Equipment India Limited for the period ended 31st March 2022.

S. No.	Direction u/s 143(5) of the Companies Act 2013	Auditor's reply on Action taken on the directions	Impact on Financials
1	Whether the company has system in place to process all the accounting transactions through IT systems? If yes, the implications of processing of accounting transactions outside IT system on the integrity of accounts along with the financial implications, if any, may be stated.	The company is using various softwares for recording and processing of accounting transactions through IT system. Following software is being used by the company: PPC package: For maintaining records pertaining to inventory, recording of purchases and sales, creation of vendor and employee profiles, calculation of salary, etc. For the purpose of accounting as per double entry system, the company has purchased Tally software and accounting has been done by hired consultants having experience of accounting in Tally. Due to the varied experience of consultants, various discrepancies were noticed in various units which has been corrected based on our observations pointed during the course of our audit conducted in accordance with Standards on Auditing.	Not quantifiable for the reasons stated in auditors reply column.
2	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, the lender is a government company, then this direction is also applicable for statutory auditor of lending company).	Not applicable. The company is not availing any loan from any bank or financial institution or any other lender.	Nil
3	Whether funds (grants/subsidy etc.) received/receivable for specific schemes from Central/State Government or its agencies were properly accounted for /utilized as per its term and conditions? List the cases of deviation.	No funds have been received/ is receivable for specific schemes from Central/State Government or its agencies except for an amount of Rs. 117.12 cr which was allocated by, DOO(C&S), DODP, MOD, GOI for the payment of committed liabilities which accrued before the commencement of business by the new DPSUs from 1st Oct 2021. It has been observed that out of the total allocated funds, Rs. 108.82 crores have been utilized and accounted by the company as per the terms and conditions. Balance Rs. 8.30 crores remaining utilized is to be refunded to GOI.	



S. No.	Direction u/s 143(5) of the Companies Act 2013	Auditor's reply on Action taken on the directions	Impact on Financials
4	Whether the Company has migrated the Assets and Liabilities from the erstwhile ordnance factories to the newly formed DPSU in accordance with the provisions of Ind AS and other related Govt. of India orders or directives? If there is any deviation, the nature of deviation and its impact on the Financial Statement may be stated.	Yes, the Company has migrated the Assets and Liabilities from the erstwhile ordnance factories to the newly formed DPSU in accordance with the provisions of Ind AS 101 and other related Govt. of India orders or directives. Our observations on deviations with the provisions of Ind As 101 – “First Time Adoption” are reported in para 2 “Basis for qualified opinion”, The impact of the same cannot be quantified at this stage in absence of related records with the company.	Not quantifiable for the reasons stated in auditors reply column.
5	Whether the Company has reconciled the opening balances of the Assets and Liabilities of newly formed DPSU with the closing balances of the erstwhile ordnance factories as per Financial Statements prepared by the Principal Controller of Accounts (Fys) in the commercial format? The discrepancies observed (if any) and its impact on the Financial Statements may be stated.	The Company has reconciled the opening balances of the Assets and Liabilities of newly formed DPSU with the closing balances of the erstwhile ordnance factories as per Financial Statements prepared by the Principal Controller of Accounts (Fys) in the commercial format. The discrepancies observed between the factory records and PCFA records have been routed through Retained earnings and parked in Equity at the end of the Financial Year. These differences in various Assets and Liabilities are subject to correction / adjustments based on future information as reported in para no. 6 of “Basis for Qualified Opinion” of our report. The impact of the same could not be quantified in absence of the reasons of differences available at present.	Not quantifiable for the reasons stated in auditors reply column.
6	Whether the Company has carried out reconciliation exercise of inter-factory balances on the date of migration to Ind AS with the other DPSUs and whether conformation have been obtained from other DPSUs for balances due to/due from them? The number of unreconciled balances, if any, for each DPSU may be stated.	The Company has initiated the process of reconciliation of inter- factory balances on the date of migration to Ind AS with the other DPSUs but could not receive any information in this regard hence the balances with DPSUs could not be reconciled. Unconfirmed balances may have impact on the financial statements, the impact of which could not be commented in absence of conformation at this stage.	Not quantifiable for the reasons stated in auditors reply column.
7	Whether the Accounting Policies have been framed by the DPSU as per the provisions of the Ind AS and in accordance with the prudent accounting principles applicable to Defence sector? Inconsistency, if any, may be stated.	Yes, the Accounting Policies have been framed by the DPSU as per the provisions of the Ind AS and in accordance with the prudent accounting principles applicable to Defence sector. However, certain non- compliances have been noted which are reported in para 2 to 6 of “Basis for qualified opinion” of our report. The impact of the non- compliance with the accounting policy on the financial statement could not be quantified in absence of availability of related data at this stage.	Not quantifiable for the reasons stated in auditors reply column.



S. No.	Direction u/s 143(5) of the Companies Act 2013	Auditor's reply on Action taken on the directions	Impact on Financials
8	Whether the provision for employee benefit liabilities and their valuation on the date of formation of DPSU have been made in accordance with the provision of Ind AS? Deviation. If any, may be stated.	With reference to the office memorandum no. No.1(5)/2021/OF/DP (Plg-V)/02, the Government had decided that all the employees of OFB (Group A, B & C) belonging to the production units and also the identified non- production units shall be transferred enmasse to the New DPSUs on terms of foreign service without any deputation allowance (deemed deputation) initially for a period of two years from the Appointed Date, in accordance with Rule 37A of the Central Civil Services (Pension) Rules 1972. The pension liabilities of the retirees and existing employees will continue to be borne by the Government from the Ministry of Defence ("MoD") budget for Defence Pensions. Till such time the employees remain on deemed deputation to the new DPSUs, they shall continue to be subject to all the extant rules, regulations and orders as are applicable to the Central Government servants, including related to their pay scales, allowances, leave, medical facilities, career progression and other service conditions. Therefore, necessary provisioning for the salaries, allowances, medical facilities and other service conditions have been done in accordance with applicable Ind AS in the books of the company. There was no need for valuation on the date of financial statement with regard to Ind AS 19 as all these expenses are being born by MOD, GOI itself.	Nil

For S.K. Kapoor & Co.
Chartered Accountants
FRN: 000745C

(Mr. V.B. Singh)
Partner

Membership No. 073124
UDIN: 22073124BEHWDC1112

Place of Signature: Kanpur
Date: 15.11.2022



ANNEXURE C TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph 3(i) under "Report on other legal and regulatory requirements" of our report of even date to the members of the company on the Standalone Ind AS Financial Statements for the period ended March 31, 2022.

Report on Internal Financial Controls under Clause (i) of sub-section 3 of section 143 of The Companies Act, 2013 ("The Act")

Qualified Opinion

We have audited the internal financial controls over financial reporting of Advanced Weapons and Equipment India Limited ("the Company") as of March 31, 2022 in conjunction with our audit of the financial statements of the Company for the period ended on that date.

In our opinion, the Company does not have adequate internal financial controls system over financial reporting at March 31, 2022, based on the internal financial controls over financial reporting criteria established by the company considering the 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.

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2022:

- a. Inadequate documentation of the components of internal control - It has been observed that the company does not have any practice of maintaining vouchers for the bills recorded in Tally software due to which it is not possible to trace whether a particular transaction has been recorded in tally or not.

Eg: There have been instances where a particular bill has been recorded twice – once as an expense and another on account of provisioning because of lack of control over the recording process.

- b. Absent or inadequate segregation of duties within a significant account or process - There is no restrictions on creation of ledgers in tally due to which the person responsible for accounting is creating multiples ledgers for one account. There does not exist any control at the time of recording of transactions in books of accounts i.e., there is a lack of regular maker or checker concept. The financial statement closing process is not properly implemented.

- c. Inadequate design of internal control over the financial reporting process - The company has not maintained proper reconciliations of all the statutory dues such as NPS and GPF, income tax dues such as TDS and goods and service tax liability on month -on month basis with the PPC server. The company also does not reconcile the party balances (including branch offices) outstanding at year end with the PPC server to ensure that all the transactions are recorded in the head of respective parties and discrepancies, if any, can be corrected on timely basis. The company does not have proper closing guidelines regarding the accounting of all the assets and liabilities as part of financial reporting process.

- d. Inadequate design of internal control over a significant account or process - The company does not have a proper system of identifying the items of furniture/fixtures, office equipment and IT hardware meeting the definition of PPE as per Ind AS 16 due to which these items are being expensed off instead of being capitalised. Certain corrections have been made based on our reporting based on our audit as per Standards on Auditing however many mistakes may remain uncorrected in absence of proper system of accounting and segregation of duties so that work of one person gets checked by another person.

- e. Absent or inadequate controls over the safeguarding of assets - The company does not have proper exhaustive records of all the items of Property, Plant and Equipment as required by various statutes.

There does exist a standard operating procedure for conducting physical verification of these items. The management has certified the conduct of physically verification of Property, Plant and Equipment but substantive evidence regarding the same have not been made available to us.

- f. Inadequate design of information technology (IT), general and application controls that prevent the information system from providing complete and accurate information consistent with financial reporting objectives and current needs

The company does not have any established procedure or guideline for identifying the bills relating to goods purchased or services availed for whom the provision needs to be created. The IT system seems to be lacking the ability to identify the goods and service bills for whom the provision needs to be created.

- g. Employees or management who lack the qualifications and training to fulfil their assigned functions - The person responsible for accounting appears to be deficient in knowledge for recording the complex transactions relating to sale of scrap through MSTC, contract labour and building maintenance, GST, GST TDS, IT TDS, etc. deductions and payments.

Further, the classification of transactions according to the nature of expense has not been made properly due to the lack of appropriate training and knowledge to the employee.

A „material weakness“ is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2022, based on "the internal control over financial reporting criteria existing in the Company and updated during the period of our audit, considering the essential



components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2022 standalone financial statements of the Company, and these material weaknesses does not affect our opinion on the standalone Ind AS financial statements of the Company.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the guidance note on the audit of internal financial control over financial reporting (the Guidance Note) 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these 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 as specified under section 143(10) of the Act, 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 with reference to financial statements 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 over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over financial reporting with reference to these Financial Statements

A company's internal financial controls over financial reporting with reference to these 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 control over financial reporting with reference to these 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 over financial reporting with reference to Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these 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 over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For S.K. Kapoor & Co.
Chartered Accountants
FRN: 000745C

(Mr. V.B. Singh)
Partner

Place of Signature: Kanpur
Date: 15.11.2022

Membership No. 073124
UDIN: 22073124BEHWDC1112



Standalone Balance Sheet

as at March 31, 2022

Rs. In Crores

Particulars	Notes	As at March 31, 2022
ASSETS		
I. Non-current assets		
(a) Property, plant and equipment	5	1,911.75
(b) Capital work-in-progress	5	253.98
(c) Investment properties	-	-
(d) Intangible assets	6	7.32
(e) Intangible assets under development	6	1.02
(f) Right Of Use Assets	-	-
(g) Financial assets		
(i) Investments	7 (a)	4.25
(ii) Loans	7 (c)	-
(iii) Other financial assets	7 (f)	18.65
(h) Other non-current assets	8	13.10
Total non-current assets (A)		2,210.07
II. Current assets		
(a) Inventories	9	2,027.81
(b) Financial assets		
(i) Trade receivables	7 (b)	451.40
(ii) Cash and cash equivalents	7 (d)	109.65
(iii) Bank balance other than (ii) above	7 (e)	1,168.03
(iv) Loans	7 (c)	2.59
(v) Other financial assets	7 (f)	7.42
(c) Other current assets	8	164.12
Total current assets (B)		3,931.02
Assets Classified as held for Sale (C)	5	7.47
Total Assets (A+B+C)		6,148.56
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	10	528.37
(b) Other equity	11	2,049.08
Total equity (A)		2,577.45
LIABILITIES		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	-	-
(ii) Lease Liabilities	-	-
(iii) Other financial liabilities	12 (b)	-
(b) Long-term provisions	13	-
(c) Deferred tax liabilities (net)	24	1.96
(d) Government grants	14	1,998.74
Total non-current liabilities (B)		2,000.70
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	-	-
(ii) Lease Liabilities	-	-
(iii) Trade payables	12 (a)	-
- Total Outstanding dues of Micro Enterprises and Small Enterprises		57.83
- Total Outstanding dues other than Micro Enterprises and Small Enterprises		339.41
(iv) Other financial liabilities	12 (b)	128.06
(b) Short-term provisions	13	5.38
(c) Current Tax Liabilities	16	0.70
(d) Government grants	14	93.84
(e) Other current liabilities	15	945.19
Total current liabilities (C)		1,570.41
Total Equity and Liabilities (A+B+C)		6,148.56

Significant Accounting Policies

The accompanying notes are an integral part of these Standalone Financial Statements.

In terms of our report attached

For S. K. Kapoor & Co.
Chartered Accountants
Firm Registration No. 000745C

V. B. Singh
Partner
Membership No. 073124

Place: Kanpur
Date: November 15, 2022

Rajesh Choudhary
Chairman cum Managing Director
DIN: 09282229

Ravin Kulshrestha
Director cum CFO
DIN: 09315769

Place: Kanpur
Date: November 15, 2022

For and on behalf of the board of directors of
Advanced Weapons & Equipment India Limited

Manish Kumar Singh
Company Secretary
M.No.: 50295

Place: Kanpur
Date: November 15, 2022



Standalone Statement of Profit and Loss

for the period from August 14, 2021 to March 31, 2022

Rs. In Crores

Particulars	Notes	Period ended March 31, 2022
I. Income		
(a) Revenue from operations	17	1,088.62
(b) Other income	18	83.43
Total income (I)		1,172.05
II. Expenses		
(a) Cost of raw materials and accessories consumed	19	323.14
(b) Purchase of stock-in-trade	-	-
(c) Changes in inventories of finished goods and work-in-progress	20	51.36
(d) Employee benefits expense	21	617.93
(e) Finance costs	-	-
(f) Depreciation and amortisation expense	22	66.25
(g) Other expenses	23	107.39
Total expenses (II)		1,166.07
III. Profit before exceptional items and tax (I-II)		5.98
IV. Exceptional items		-
V. Profit before tax (III+IV)		5.98
VI. Tax expense	24	
(a) Current tax		1.38
(b) Deferred tax (Credit)/ charge		0.07
Total tax expense (VI)		1.45
VII. Profit for the year (V-VI)		4.53
VIII. Other comprehensive income		-
Total other comprehensive income for the year		-
IX. Total comprehensive income for the year, net of tax (VII+VIII)		4.53
X. Earning per equity share	30	
Nominal value per share ₹ 10		
- Basic and Diluted		0.09

Significant Accounting Policies

3

The accompanying notes are an integral part of these Standalone Financial Statements.

In terms of our report attached

For S. K. Kapoor & Co.
Chartered Accountants
Firm Registration No. 000745C

V. B. Singh
Partner
Membership No. 073124

Place: Kanpur
Date: November 15, 2022

Rajesh Choudhary
Chairman cum Managing Director
DIN: 09282229

Ravin Kulshrestha
Director cum CFO
DIN: 09315769

Place: Kanpur
Date: November 15, 2022

For and on behalf of the board of directors of
Advanced Weapons & Equipment India Limited

Manish Kumar Singh
Company Secretary
M.No.: 50295

Place: Kanpur
Date: November 15, 2022



Standalone Statement of cash flows

for the period from August 14, 2021 to March 31, 2022

Rs. In Crores

Particulars	Period ended March 31, 2022
A Cash Flow from Operating activities	
Profit Before taxation	5.98
Adjustments to reconcile profit after tax to net cash flows:	
Depreciation and Amortization expense	66.25
Interest Income	8.24
Government Grant	(65.65)
Loss on Rejection of Machinery	0.20
Profit on Sale of Property, plant and equipment	(0.30)
Operating Profit before Working Capital Changes	14.72
Adjustments for changes in working capital :	
Changes in Inventories	35.82
Changes in trade receivables	(892.71)
Changes in other financial assets	(3.94)
Changes in other assets	(9.18)
Changes in trade payables	659.46
Changes in other financial liabilities	108.54
Changes in other current liabilities	851.89
Changes in Loans and advances	0.64
Changes in provisions	5.38
Net Changes in Working Capital	755.90
Cash Generated from Operations	770.62
Direct Taxes (Paid)/Refund (Net)	(0.68)
Net Cash Flow from Operating Activities	769.94
B Cash Flow from Investing Activities	
Purchase of Property, plant and equipment and intangible assets	(37.10)
Proceeds from Sale of Property, plant and equipment and intangible assets	0.33
Capital Advance given	(13.10)
Changes in other bank balances not considered as cash and cash equivalents	(1,168.03)
Interest Received	(8.49)
Net Cash Flow used in Investing Activities	(1,226.39)
C Cash Flow from Financing Activities	
Proceeds from Issue of Share Capital	528.37
Net Cash Flow used in Financing Activities	528.37
Net Increase/(Decrease) in cash and cash equivalents	71.92
Cash and Cash equivalent at October 01, 2021 (Refer Note 37)	37.73
Cash and Cash equivalent at the end of the year	109.65
Reconciliation of cash and cash equivalents	
Particulars	Year ended March 31, 2022
Cash and cash equivalents comprise of: (Refer Note 7(d))	
Cash on Hand	-
Cheques on hand	
Balances with Banks	109.65
Cash and cash equivalents	109.65

Notes:

- The standalone cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) "Statement of Cash Flows".
The accompanying notes are an integral part of these Standalone Financial Statements.

In terms of our report attached

For and on behalf of the board of directors of
Advanced Weapons & Equipment India Limited

For S. K. Kapoor & Co.
Chartered Accountants
Firm Registration No. 000745C

Rajesh Choudhary
Chairman cum Managing Director
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Manish Kumar Singh
Company Secretary
M.No.: 50295

Place: Kanpur
Date: November 15, 2022

Place: Kanpur
Date: November 15, 2022

Place: Kanpur
Date: November 15, 2022



Standalone Statement of changes in equity

for the year ended March 31, 2022

A. Equity share capital

₹ in Crores

Particulars	Changes in Equity Share Capital during the period	Balance as at March 31, 2022
For the year ended March 31, 2022	528.37	528.37

B. Other equity

₹ in Crores

Particulars	Reserves and Surplus		Total other equity
	Capital Reserve	Retained Earnings	
Adjustment on implementation of Ind AS (Refer Note 37)	4.25	2,042.19	2,046.44
Deferred Tax on Ind AS Implementation	-	(1.89)	(1.89)
Restated balance on Ind AS Implementation	4.25	2,040.30	2,044.55
Profit for the year	-	4.53	4.53
Total Comprehensive income for the period	4.25	2,044.83	2,049.08
Balance as at March 31, 2022	4.25	2,044.83	2,049.08

The accompanying notes are an integral part of these Standalone Financial Statements.

In terms of our report attached

For S. K. Kapoor & Co.
Chartered Accountants
Firm Registration No. 000745C

V. B. Singh
Partner
Membership No. 073124

Place: Kanpur
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Chairman cum Managing Director
DIN: 09282229

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Director cum CFO
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Place: Kanpur
Date: November 15, 2022

For and on behalf of the board of directors of
Advanced Weapons & Equipment India Limited

Manish Kumar Singh
Company Secretary
M.No.: 50295

Place: Kanpur
Date: November 15, 2022



Notes to the Standalone Financial Statements

1. CORPORATE INFORMATION

Advanced Weapons And Equipment India Limited (hereinafter referred to as “the Company”) is incorporated in India and limited by shares (CIN No:U29270UP2021GOI150734) is one of the seven (7) new Defense PSUs formed by converting the Ordnance Factory Board into fully Government owned Enterprises. The Company has been incorporated under the Companies Act 2013 on 14th August, 2021 however, its commencement of business took place on 1st October 2021 notified by DDP. The registered office of the Company is located at Ordnance Factory Kanpur, Kalpi Road, Kanpur–208009, Uttar Pradesh. It comprises of the following productions and non- production units: Rifle Factory, Ishapore, Small Arms Factory, Kanpur, Gun & Shell Factory, Cossipore, Ordnance Factory Tiruchirapalli, Ordnance Factory, Kanpur, Field Gun Factory, Kanpur, Gun Carriage Factory, Jabalpur, and Ordnance Factory Project Korwa and non- production units at Ordnance Factories Institute of Learning, Ishapore.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on November 15, 2022.

2. BASIS OF PREPARATION

a) Statement of Compliance

These standalone financial statements are prepared on going concern basis following accrual system of accounting and comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended, and presentation requirements of Division II of schedule III of the Companies Act, 2013 (Ind AS compliant schedule III) as applicable to financial statement.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for:

- Certain financial assets and liabilities (including derivative instruments) that are measured at fair value; and
- Plan assets in the case of employees defined benefit plans that are measured at fair value.
- The methods used to measure fair values are discussed in notes to the financial statements.
- Historical cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition or the amount of proceeds received in exchange for the obligation, or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c) Functional and presentation currency

The standalone financial statements are presented in Indian Rupee (“INR”) and all values are rounded to the nearest Rupees in Lakhs as per the requirement of Schedule III, except when otherwise indicated

d) Current versus non-current classification

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

An asset is current when it is:

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



Notes to the Standalone Financial Statements

The Company classifies all other liabilities as non-current.

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

Operating cycle of the Company is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. As the Company's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

3. SIGNIFICANT ACCOUNTING POLICIES

1. Property, plant and equipment

1.1 Initial Recognition and Measurement

An item of property, plant and equipment is recognized as an asset if and only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognized at cost. Cost comprises purchase price including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the present value of initial estimate of cost of dismantling, removal and restoration. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent measurement is done at cost less accumulated depreciation/amortization and accumulated impairment losses.

When parts of an item of property, plant and equipment that are significant in value and have different useful lives as compared to the main asset, they are recognized separately.

In the case of assets put to use, where final settlement of bills with contractors is yet to be effected, capitalization is done on provisional basis subject to necessary adjustment in the year of final settlement.

Items of spare parts, stand-by equipment and servicing equipment which meet the definition of property, plant and equipment are capitalized. Other spare parts are carried as inventory and recognized in the statement of profit and loss on consumption.

The acquisition or construction of some items of property, plant and equipment although not directly increasing the future economic benefits of any particular existing item of property, plant and equipment, may be necessary for the Company to obtain future economic benefits from its other assets. Such items are recognized as property, plant and equipment.

1.2 Subsequent Cost

Subsequent costs Subsequent expenditure is recognized in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

Expenditure on major inspection and overhauls of generating unit is capitalized, when it meets the asset recognition criteria. Any remaining carrying amount of the cost of the previous inspection and overhaul is derecognized.

The cost of replacing major part of an item of property, plant and equipment is recognized 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 regardless of whether the replaced part has been depreciated separately. If it is not practicable to determine the carrying amount of the replaced part, the Company uses the cost of the replacement as an indication of what the cost of replaced part was at the time it was acquired or constructed. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit and loss as and when incurred.

1.3 Decommissioning costs

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

1.4 De-recognition

Property, plant and equipment is derecognized when no future economic benefits are expected from their use or upon their disposal. Gains and losses on de-recognition of an item of property, plant and equipment are determined as the difference between sale proceeds from disposal, if any, and the carrying amount of property, plant and



Notes to the Standalone Financial Statements

equipment and are recognized in the statement of profit and loss.

In circumstance, where an item of property, plant and equipment is abandoned, the net carrying cost relating to the property, plant and equipment is written off in the same period.

1.5 Depreciation

Depreciation on property, plant and equipment is provided so as to write off the cost of assets less residual values over their useful lives of the assets, using the straight line method as prescribed under Part C of Schedule II to the Companies Act 2013 except for the assets where useful life of assets as per Schedule II and management estimates are different. In case management estimates are different depreciation is charged as per management estimates of useful life.

Sr.	Asset	Useful Life as prescribed by Schedule II of the Companies Act, 2013	Estimated Useful Life
I	Factory Building	30 years	60 years
II	Other than Factory Buildings	60 years	60 years
III	Roads (other than RCC & RCC)	5 & 10 years	10 Years
IV	Plant & Machinery	15 Years	20 Years
V	Furniture and Fixtures (Including Air Conditioners and office equipment)	10 years	10 Years
VI	Vehicles	6 Years	7 Years
VII	Computer (Hardware and Software)	3 & 6 Years	5 Years
VIII	Laboratory Equipment (including all QC equipment but excluding gauges used in inspection)	10 Years	10 Years
IX	Electrical Installations and Equipment	10 Years	10 Years
X	Hydraulic Works, pipelines and sluices (including Submersible & Centrifugal Pump etc.)	10 Years	10 Years

The management believes that the useful life as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (Major Components) and are depreciated over their useful life or over the remaining useful life of the principal assets whichever is less.

Depreciation for assets purchased/sold during a period is proportionately charged for the period of use.

Major overhaul and inspection costs which have been capitalized are depreciated over the period until the next scheduled outage or actual major inspection/overhaul, whichever is earlier. Capital spares are depreciated considering the useful life ranging between 2 to 40 years based on technical assessment.

Where it is probable that future economic benefits deriving from the expenditure incurred will flow to the Company and the cost of the item can be measured reliably, subsequent expenditure on a property, plant and equipment along-with its unamortized depreciable amount is charged off prospectively over the revised useful life determined by technical assessment

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with Ind AS 105 and the date that the asset is derecognised.

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

2. Capital works in Progress

Cost incurred for property, plant and equipment that are not ready for their intended use as on the reporting date, is classified under capital work- in-progress.

The cost of self-constructed assets includes the cost of materials & direct labour, any other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management and the borrowing costs attributable to the acquisition or construction of qualifying asset.

Expenses directly attributable to construction of property, plant and equipment incurred till they are ready for their



Notes to the Standalone Financial Statements

intended use are identified and allocated on a systematic basis on the cost of related assets.

Deposit works/cost plus contracts are accounted for on the basis of statements of account received from the contractors.

Unsettled liabilities for price variation/exchange rate variation in case of contracts are accounted for on estimated basis as per terms of the contracts.

3. Intangible assets and intangible assets under development

3.1 Initial recognition and measurement

An intangible asset is recognized if and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets that are acquired by the Company, which have finite useful lives, are recognized at cost. Subsequent measurement is done at cost less accumulated amortization and accumulated impairment losses. Cost comprises purchase price including import duties, non-refundable taxes after deducting trade discounts and rebates and any directly attributable expenses of preparing the asset for its intended use.

Expenditure on development activities is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to & has sufficient resources to complete development and to use or sell the asset.

Expenditure incurred which are eligible for capitalizations under intangible assets are carried as intangible assets under development till they are ready for their intended use.

3.2 Subsequent costs

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

3.3 De-recognition

An intangible asset is derecognized when no future economic benefits are expected from their use or upon their disposal. Gain or loss on de-recognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of intangible assets and are recognized in the statement of profit and loss.

3.4 Amortization

Cost of software recognized as intangible asset, is amortized on straight-line method over a period of legal right to use or 5 years, whichever is less. Other intangible assets are amortized on straight-line method over the period of legal right to use or life of the related assets, whichever is less. The amortization period and the amortization method of intangible assets with a finite useful life is reviewed at each financial year end and adjusted prospectively, wherever required.

4. NON-CURRENT ASSETS HELD FOR SALE

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use and a sale is considered highly probable.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-Current Assets held for sale and disposal groups are measured at the lower of their carrying amount and the fair value less cost of disposal. Non-current assets classified as held for sale are not depreciated or amortized.

5. BORROWING COST

Borrowing costs consist of (a) interest expense calculated using the effective interest method as described in Ind AS 109 – 'Financial Instruments' (b) interest expense on lease liabilities recognized in accordance with Ind AS 116– 'Leases' and (c) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction/exploration/ development or erection of qualifying assets are capitalized as part of cost of such asset until such time the assets are substantially ready for their intended use. Qualifying assets are assets which necessarily take substantial period of time to get ready for their intended use or sale.



Notes to the Standalone Financial Statements

When the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the borrowing costs incurred are capitalized. When Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the capitalization of the borrowing costs is computed based on the weighted average cost of all borrowings that are outstanding during the period and used for the acquisition, construction/exploration or erection of the qualifying asset. However, borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset, are excluded from this calculation, until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

Income earned on temporary investment made out of the borrowings pending utilization for expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalization.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use are complete. Capitalisation of borrowing costs is suspended and charged to the statement of profit and loss during the extended periods when the active development on the qualifying assets is interrupted

Other borrowing costs are recognized as an expense in the year in which they are incurred.

6. LEASES

Company as a lessee

The Company's lease asset classes primarily consist of leases for buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset (ROU) and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Company as a lessor

Leases are classified as operating lease or a finance lease based on the recognition criteria specified in IndAs 116–Leases.

a) Finance Lease:

At commencement date, amount equivalent to the "net investment in the lease" is presented as a Receivable. The implicit interest rate is used to measure the value of the "net investment in Lease".

Each lease payment is allocated between the Receivable created and finance income. The finance income is recognized in the Statement of Profit and loss over the lease period so as to reflect a constant periodic rate of return on the net investment in Lease.

The asset is tested for de-recognition and impairment requirements as per Ind AS 109 – Financial Instruments.

Lease modifications, if any are accounted as a separate lease if the recognition criteria specified in the standard are met.



Notes to the Standalone Financial Statements

b) Operating lease:

The company recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis, if required. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognised on a straight-line basis over the lease term.

Lease modifications, if any are accounted as a separate lease if the recognition criteria specified in the standard are met.

7. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit and loss. Impairment losses recognized in respect of CGUs are reduced from the carrying amounts of the assets of the CGU.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

8. INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost includes cost of purchase, cost of conversion and other costs incurred in bringing the Inventories to their present location and condition. In case of Finished goods and work in progress cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis. Costs of purchased inventory are determined after deducting rebates, trade discounts and other similar items.

As per Para 32 of Ind-As 2, materials and other supplies 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.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The diminution in the value of obsolete, unserviceable, surplus and non-moving items of stores and spares is ascertained on review and provided for.

Steel scrap is valued at estimated realizable value.

9. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments in subsidiaries, associates and joint ventures are carried at cost/deemed cost applied on transition to Ind AS, less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of investment is assessed and an impairment provision is recognised, if required immediately to its recoverable amount. On disposal of such investments, difference between the net disposal proceeds and carrying amount is recognised in the statement of profit and loss.



Notes to the Standalone Financial Statements

10. FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

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. The Company recognizes a financial asset or a financial liability only when it becomes party to the contractual provisions of the instrument.

a) Financial assets

(i) Initial recognition and measurement of financial assets

All financial assets are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition of financial assets, which are not valued at fair value through profit or loss, are added to the fair value on initial recognition.

(ii) Subsequent measurement of financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)
- **Financial assets at amortised cost:**

A financial asset is measured at amortised cost if:

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

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

- **Financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

- **Financial assets at fair value through profit or loss**

FVTPL is a residual category for financial assets. Any financial asset, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

After initial measurement, such financial assets are subsequently measured at fair value with all changes



Notes to the Standalone Financial Statements

recognised in Statement of profit and loss under head. Interest income on such investment is presented under "other income".

(iii) Derecognition of financial assets

A financial asset is derecognised when:

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

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

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

(iv) Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for.

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

(v) Impairment of financial assets

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



Notes to the Standalone Financial Statements

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- 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

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

- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18 that contain a significant financing component, if the Company applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 17

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

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

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

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

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Company is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected in a separate line under the head "Other expenses" in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

b) Financial Liabilities

(i) Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.



Notes to the Standalone Financial Statements

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

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

(ii) Subsequent measurement of financial liabilities

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

• Financial liabilities at fair value through profit or loss

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

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

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

• Loans and Borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to borrowings.

(iii) Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

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.

c) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment



Notes to the Standalone Financial Statements

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(i) Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit and loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit and loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

d) 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.

11. FAIR VALUE MEASUREMENT

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

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

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

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



Notes to the Standalone Financial Statements

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

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

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

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

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

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and for non-recurring measurement, such as asset held for sale.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

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

Management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable on yearly basis.

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

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Significant accounting judgements, estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Property, plant and equipment & Intangible assets measured at fair value on the date of transition
- Financial instruments (including those carried at amortised cost)

12. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to a provision is presented in the statement of profit and loss net of reimbursement, if any.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the



Notes to the Standalone Financial Statements

occurrence or non-occurrence of one or more future events not wholly within the control of the Company. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgment of the management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable on the basis of judgment of management. These are assessed continually to ensure that developments are appropriately reflected in the financial statements.

Provision for expenditure on account of performance guarantee & replacement / repair of goods sold is made on the basis of trend-based estimates. In cases where a trend is not ascertainable, provision for warranty is made based on the best estimates of management.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

14. GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in Statement of Profit or Loss on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Grants that compensate the Company for the cost of depreciable asset are recognized as income in statement of profit and loss on a systematic basis over the period and in the proportion in which depreciation is charged.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

15. REVENUE RECOGNITION

A. Revenue from Contract with Customers

- i. The Company derives revenues primarily from sale of Artillery Gun, Field Gun, Ordnance & Small Arms and related services. Revenue is recognized when (or as) the company satisfies a performance obligation by transferring a promised goods or services (i.e., an Asset) to a Customer.
- ii. **Satisfaction of performance obligation over time**
 - a. Revenue is recognised overtime where the transfer of control of goods or services take places over time by measuring the progress towards complete satisfaction of that performance obligation, if one of the following criteria is met:
 - The company's performance entitles the customer to receive and consume the benefits simultaneously as the company performs
 - The company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
 - The company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date.
 - b. Progress made towards satisfying a performance obligation is assessed based on the ratio of actual costs incurred on the contract up to the reporting date to the estimated total costs expected to complete the contract. If the outcome of the performance obligation cannot be estimated reliably and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.
 - c. In case of AMC contracts, where passage of time is the criteria for satisfaction of performance obligation, revenue is recognised using the output method.
- iii. **Satisfaction of performance obligation at a point in time**
 - a. In respect of cases where the transfer of control does not take place over time, the company recognises the



Notes to the Standalone Financial Statements

revenue at a point in time when it satisfies the performance obligations.

- b. The performance obligation is satisfied when the customer obtains control of the asset. The indicators for transfer of control include the following:
 - The company has transferred physical possession of the asset
 - The customer has legal title to the asset
 - The customer has accepted the asset
 - when the company has a present right to payment for the asset
 - the customer has the significant risks and rewards of ownership of the asset. The transfer of significant risks and rewards ownership is assessed based on the Inco-terms of the contracts.

Ex-Works contract– In case of Ex-works contract, revenue is recognised when the specified goods are unconditionally appropriated to the contract after prior inspection and acceptance, if required.

FOR Contracts – In the case of FOR contracts, revenue is recognized when the goods are handed over to the carrier for transmission to the buyer after prior inspection and acceptance, if stipulated, and in the case of FOR destination contracts, if there is a reasonable expectation of the goods reaching destination within the accounting period.

iv. Measurement

- a. Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties.

In case of price escalation and ERV, revenue is recognised at most likely amount to be realised from customer in line with contractual terms.

- b. In case where the contracts involve multiple performance obligations, the company allocates the transaction price to each performance obligation on the relative stand-alone selling price basis.

Bundled Contracts - In case of a Bundled contract, where separate fee for installation and commissioning or any other separately identifiable component is not stipulated, the Company applies the recognition criteria to separately identifiable components (sale of goods and installation and commissioning, etc.) of the transaction and allocates the revenue to those separate components based on stand-alone selling price.

Multiple Elements – In cases where the installation and commissioning or any other separately identifiable component is stipulated and price for the same agreed separately, the Company applies the recognition criteria to separately identified components (sale of goods and installation and commissioning, etc.) of the transaction and allocates the revenue to those separate components based on their stand-alone selling price.

v. Penalties

Penalties (including levy of liquidated damages for delay in delivery) specified in a contract are not treated as an inherent part of Transaction Price if the levy of same is subject to review by the customer.

vi. Significant financing component

Advances received towards execution of Defense related projects are not considered for determining significant financing component since the objective is to protect the interest of the contracting parties.

B. Other Income

i. Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in other income in the statement of profit or loss.

ii. Insurance claims

Claims receivable on account of Insurance are accounted for to the extent the Company is reasonably certain of their ultimate collection.



Notes to the Standalone Financial Statements

iii. Rental Income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term unless increase in rentals are in line with expected inflation or otherwise justified.

iv. Other Income

Other income not specifically stated above is recognized on accrual basis.

16. EMPLOYEE BENEFITS

Short Term Employee Benefits

All employee benefits payable within twelve months of rendering the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex-gratia, performance pay etc. and the same are recognized in the period in which the employee renders the related service.

17. INCOME TAXES

Tax expense comprises current and deferred tax. Current tax expense is recognized in statement of profit and loss except to the extent that it relates to items recognized directly in OCI or equity, in which case it is recognized in OCI or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year computed as per the provisions of Income Tax Act, 1961, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 and interests in joint arrangements, 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 is measured at the tax rates that are expected to be applied to temporary differences when they materialize, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against the current tax liabilities, and they relate to income taxes levied by the same tax authority.

Deferred tax is recognized in statement of profit and loss except to the extent that it relates to items recognized directly in OCI or equity, in which case it is recognized in OCI or equity, respectively.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the sufficient taxable profits will be available in future to allow all or part of deferred tax assets to be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized. The income tax consequences of dividends are recognized in profit or loss, other comprehensive income or equity according to where the Company originally recognized those past transactions or events.



Notes to the Standalone Financial Statements

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. MAT credit is recognized as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future taxable profit will be available against which MAT credit can be utilized.

18. FOREIGN CURRENCY TRANSACTION AND TRANSLATION

Transactions in foreign currencies are initially recorded at the functional currency spot exchange rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss in the year in which it arises.

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

In case of advance consideration received or paid in a foreign currency, the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it), is when the Company initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

19. EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit / loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit / loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

20. CASH FLOW STATEMENT

Cash flow statement has been prepared in accordance with the indirect method prescribed in IndAS7-Statement of Cash Flows.

21. SEGMENT REPORTING

In accordance with Ind AS 108-'Operating segments', the operating segments used to present segment information are identified on the basis of internal reports used by the Company's management to allocate resources to the segments and assess their performance. The Board of Directors is collectively the Company's 'Chief Operating Decision Maker' or 'CODM' within the meaning of Ind AS 108. The indicators used for internal reporting purposes may evolve in connection with performance assessment measures put in place.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate expenses, finance costs, income tax expenses and corporate income that are not directly attributable to segments.

Revenue directly attributable to the segments is considered as segment revenue. Expenses directly attributable to these segments and common expenses allocated on a reasonable basis are considered as segment expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, Capital Work in Progress, intangible assets other than goodwill and intangible assets under development.

Segment assets comprise property, plant and equipment, intangible assets, capital work in progress, intangible assets under development, advances for capital expenditures, trade and other receivables, inventories and other assets that can be directly or reasonably allocated to segments. For the purpose of segment reporting, property, plant and equipment have been allocated to segments based on the extent of usage of assets for operations attributable to the respective segments. Unallocated assets comprise investments, income tax assets, corporate assets and other assets that cannot reasonably be allocated to segments.

Segment liabilities include all operating liabilities in respect of a segment and consist principally of trade payable, payable for capital expenditure and other payables, provision for employee benefits and other provisions. Unallocated liabilities comprise equity, income tax liabilities, loans and borrowings and other liabilities and provisions that cannot reasonably be allocated to segments.



Notes to the Standalone Financial Statements

22. EVENTS AFTER THE REPORTING PERIOD

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue. Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted but disclosed.

23. EXCEPTIONAL ITEM

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the Company is treated as an exceptional item and the same is disclosed in the notes to accounts.

24. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the Company's standalone financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The estimates and management's judgments are based on previous experience & other factors considered reasonable and prudent in the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the critical judgements and estimations that have been made by the management in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the financial statements and / or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Useful lives of Property, Plant and Equipment and Intangible assets

The estimated useful life of property, plant and equipment and intangible assets is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Property, Plant & Equipment represent a significant proportion of the asset base of the Company. The depreciation charge with respect to such asset is derived based on the estimated useful life of the asset and its residual value.

The Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

2. Recoverable amount of property, plant and equipment and intangible assets

The recoverable amount of property, plant and equipment and intangible assets is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the power plants. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.

3. Revenue recognition

The Company assesses its revenue arrangement in order to determine if its business partner is acting as a principle or as an agent by analysing whether the Company has primary obligation for pricing latitude and exposure to credit / inventory risk associated with the sale of goods. The Company has concluded that certain arrangements are on principal to agent basis where its business partner is acting as an agent. Hence, sale of goods to its business partner is recognised once they are sold to the end customer.

4. Assets held for sale

Significant judgment is required to apply the accounting of non-current assets held for sale under Ind AS 105 - 'Non-current assets held for sale and discontinued operations. In assessing the applicability, management has exercised judgment to evaluate the availability of the asset for immediate sale, management's commitment for the sale and probability of sale within one year to conclude if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

5. 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. The inputs to these models are



Notes to the Standalone Financial Statements

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 relating to these factors could affect the reported fair value of financial instruments.

6. Income Taxes

Significant estimates are involved in determining the provision for current and deferred tax, including amount expected to be paid/recovered for uncertain tax positions.

7. Inventories

An inventory provision is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item, the seasonality of the item's sales profile and losses associated with expired / slow-moving inventory items.

8. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

9. Provisions and contingencies

The assessments undertaken in recognizing provisions and contingencies have been made in accordance with Ind AS 37- 'Provisions, contingent liabilities and contingent assets'. The evaluation of the likelihood of the contingent events requires best judgment by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, this likelihood could alter.

The Company has significant capital commitments in relation to various capital projects which are not recognized on the balance sheet. In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company.

There are certain obligations which management has concluded, based on all available facts and circumstances, are not probable of payment or are very difficult to quantify reliably, and such obligations are treated as contingent liabilities and disclosed in the notes but are not reflected as liabilities in the Financial Statements. Although there can be no assurance regarding the final outcome of the legal proceedings in which the Company involved, it is not expected that such contingencies will have a material effect on its financial position or profitability.

10. Impairment test of investments in Joint Venture Companies

The recoverable amount of investment in joint venture companies is based on estimates and assumptions regarding in particular the future cash flows associated with the operations of the investee Company. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.



Notes to the Standalone Financial Statements

Rs. In Crores

Note 5 : Property, plant and equipment

Particulars	Freehold land	Building	Plant & Machinery	Furniture & fixture	Office Equipment	Vehicles	Computers, Servers and Network	Total	CWIP
Gross Carrying Amount									
Deemed Cost as at October 01, 2021 (Refer Note 37)	32.04	277.72	1,526.19	0.16	0.82	6.60	0.11	1,843.64	361.35
Additions	-	100.85	35.45	0.49	2.21	0.97	1.52	141.49	41.60
Assets retired from active use	-	-	7.28	0.06	(Rs 37,362/-)	0.08	0.05	7.47	-
Deductions	-	-	0.02	-	(Rs 15,317/-)	0.01	-	0.03	148.97
As at March 31, 2022	32.04	378.57	1,554.34	0.59	3.03	7.48	1.58	1,977.63	253.98
Accumulated Depreciation and Impairment									
Depreciation for the year	-	4.08	60.74	0.02	0.18	0.79	0.07	65.88	-
Depreciation on Assets retired from Active use	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-
As at March 31, 2022	-	4.08	60.74	0.02	0.18	0.79	0.07	65.88	-
Net Carrying Amount									
As at March 31, 2022	32.04	374.49	1,493.60	0.57	2.85	6.69	1.51	1,911.75	253.98

Notes:

1 Title deeds of Immovable Properties are not held in name of the Company (Other than properties where the Company is Lessee and where the lease agreements are duly executed in favour of the Company).

Following is the details of immovable property not held in the name of the Company

Relevant line item in the Balance sheet	Description of item of property	Gross Value of property	Title deed held in the name of	Relation with Title holder	Property held since	Reason for not being held in the name of the company
Property, plant and equipment	Land	32.04	Ordinance Factory Board (OFB) under Department of Defence Production, Ministry of Defence	Promoter	6 Months	With reference to the Notification no – "CG-DL-E-1102021-230101" dated 1st Oct 2021, all the immovable properties of OFB have been transferred to newly formed DPSUs consisting of AWEIL as one of the PSU. Registration is under process.

2 Contractual Commitments

Refer Note 26 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

3 There is no charge or lien on Property, Plant and Equipment.

4 The Company has not revalued its property, plant and Equipment and therefore disclosure, whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017 does not arise.

Notes to the Standalone Financial Statements

5 Capital work-in-progress ageing schedule:

As at March 31, 2022

Capital work-in-progress	Amount in Capital work-in-progress for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	123.66	30.39	24.35	75.58	253.98
Projects temporarily suspended	-	-	-	-	-
Total	123.66	30.39	24.35	75.58	253.98

6 Projects whose completion is overdue or has exceeded its cost compared to its original plan

As at March 31, 2022

Contractual Commitments	To be Completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Project 1	-	-	-	-	-
Total	-	-	-	-	-

7 Break up of Assets held for Sale

Plant & Machinery	7.28				
Furniture & Fixtures	0.06				
Office Equipment	(Rs 37,362/-)				
Vehicles	0.08				
Computer, Servers & Network	0.05				
Total	7.47				

Note 6 : Intangible assets

Rs. In Crores

Particulars	Computer Software	Technical Know How	Total	Intangible assets under development
Gross Carrying Amount				
As at October 1, 2021 (Refer Note 37)	0.13	7.53	7.66	-
Additions	0.03	-	0.03	1.02
Deductions	-	-	-	-
As at March 31, 2022	0.16	7.53	7.69	1.02
Accumulated Depreciation				
As at October 1, 2021	-	-	-	-
Amortisation for the year	0.07	0.30	0.37	-
Deductions	-	-	-	-
As at March 31, 2022	0.07	0.30	0.37	-
Net Carrying Amount				
As at March 31, 2022	0.09	7.23	7.32	1.02

Note:

1. Company has not revalued its Intangibles assets and therefore disclosure, whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017 does not arise.

2. Intangible asset under development ageing schedule:

As at March 31, 2022

Capital work-in-progress	Amount in Capital work-in-progress for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	1.02	-	-	-	1.02
Projects temporarily suspended	-	-	-	-	-
Total	1.02	-	-	-	1.02



Note 7 : Financial assets

7 (a) Investments

Rs. In Crores

Particulars	No. of Shares	Face Value per share in Rs.	As at March 31, 2022
Non-current investment			
(a) Investment in equity shares (fully paid up)			
Joint Venture - measured at Cost (Unquoted)			
Indo Russian Rifles Private Limited	4,25,000	100	4.25
Total Investments			4.25
Aggregate amount of quoted investments			-
Aggregate amount of unquoted investments			4.25
Aggregate impairment in value of investment			-

7 (b) Trade receivables ~ Current

Rs. In Crores

Particulars	As at March 31, 2022
Unsecured, considered good	451.40
Significant increase in Credit Risk	-
Credit Impaired	-
Total Trade receivables	451.40

Notes:

- 1) No trade receivables are due from directors or other officers of the Company either severally or jointly with any person nor any trade receivables are due from firms or private companies respectively in which any director is a director, a partner or a member.
- 2) Trade receivables are non-interest bearing and are generally on terms of 7 to 180 days.

Ageing of Trade Receivables from due date of payments as at March 31, 2022 is as follows:

Rs. In Crores

Particulars	Unbilled	Not due	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 Months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade receivable - Considered Good	-	-	433.28	8.47	8.59	0.03	1.03	451.40
Undisputed Trade receivable - which have significant increase in risk	-	-	-	-	-	-	-	-
Undisputed Trade receivable - credit impaired	-	-	-	-	-	-	-	-
Disputed Trade receivable - Considered Good	-	-	-	-	-	-	-	-
Disputed Trade receivable - which have significant increase in risk	-	-	-	-	-	-	-	-
Disputed Trade receivable - credit impaired	-	-	-	-	-	-	-	-
Total	-	-	433.28	8.47	8.59	0.03	1.03	451.40



7 (c) Loans

Rs. In Crores

Particulars	As at March 31, 2022
(Unsecured, considered good unless otherwise stated)	
Non-current	-
Current	
Loans to	
- Employees	2.59
	2.59
Total Loans	2.59

Note:

1. No Loans are due from Directors or to firm / private company where director is interested

7 (d) Cash and cash equivalents

Rs. In Crores

Particulars	As at March 31, 2022
Cash on hand	-
Balance with Banks	
In Current accounts	76.16
Deposit with bank having maturity less than 3 months	33.49
Total cash and cash equivalents	109.65

1. There are no repatriation restrictions with regard to cash and cash equivalents.

7 (e) Other bank balance

Rs. In Crores

Particulars	As at March 31, 2022
Deposit with bank having maturity more than 3 months and less than 12 months*	1,168.03
Total other bank balances	1,168.03
* Under lien with bank as Security for LC Facility given by the bankers of Rs. 56.28 Crores	

7 (f) Other financial assets

Rs. In Crores

Particulars	As at March 31, 2022
(Unsecured, considered good unless otherwise stated)	
Non-current	
Security deposits	18.65
	18.65
Current	
Security deposits	7.17
Interest Accrued	0.25
Others	-
	7.42
Total other financial assets	26.07



7 (g) Financial Instruments by category

Rs. In Crores

Particulars	Period ended March 31, 2022				Total
	Cost	Fair value through Profit and Loss (FVTPL)	Fair value through Other Comprehensive Income (FVTOCI)	Amortised cost	
Investment	-	-	-	4.25	4.25
Trade receivables	-	-	-	451.40	451.40
Loans	-	-	-	2.59	2.59
Cash and cash equivalents	-	-	-	109.65	109.65
Other bank balances	-	-	-	1,168.03	1,168.03
Other financial assets	-	-	-	26.07	26.07
Total Financial assets	-	-	-	1,757.74	1,757.74

1. Financial instruments risk management objectives and policies, refer Note 34.

2. Fair value disclosure for financial assets and liabilities and fair value hierarchy refer Note 33.

Note 8 : Other assets

Rs. In Crores

Particulars	As at March 31, 2022
(Unsecured, considered good unless otherwise stated)	
Non-current	
Capital advances	13.10
	13.10
Current	
Advance to suppliers	155.76
Balance with Government Authorities (Refer note (i) below)	8.35
Other Current Assets	0.01
	164.12
Total (A) + (B)	177.22

Notes :

(i) Balance with Government Authorities mainly consists of input credit availed.

(ii) No advances are due from directors or promoters of the Company either severally or jointly with any person.

Note 9 : Inventories (At lower of cost and net realisable value)

Rs. In Crores

Particulars	As at March 31, 2022
Raw materials and components	965.30
Raw materials in transit	2.48
Work-in-progress	1,001.48
Finished goods	39.58
Scrap	18.97
Total	2,027.81

Notes:

1) Inventory write downs are accounted, considering the nature of inventory, ageing and net realisable value. Accordingly Rs. 270.93 Crores has been provided. The changes in write downs are recognised as an expense in the Statement of Profit and Loss [Refer Note No. 4(7)].



Note 10 : Equity share capital:

Particulars	As at March 31, 2022	
	No. of shares	Rs. in Crores
Authorised share capital		
Equity shares of ₹ 10 each	15,00,00,00,000	15,000.00
Issued, subscribed and paid-up share capital		
Equity shares of ₹ 10 each	52,83,70,000	528.37
Total	52,83,70,000	528.37

10.1. Reconciliation of shares outstanding at the beginning and at the end of the Reporting period :

Particulars	As at March 31, 2022	
	No. of shares	Rs. in Crores
At the beginning of the period	-	-
Add: Issue of Share Capital	52,83,70,000	528.37
Outstanding at the end of the year	52,83,70,000	528.37

10.2. Rights, Preferences and Restrictions attached to the equity shares :

The Company has one class of shares having par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

10.3. Number of Shares held by each shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at March 31, 2022	
	No. of shares	% of shareholding
Government of India (Including nominees)	52,83,70,000	100.00

10.4. Shareholding of Promoters

Name of the Promoter	As at March 31, 2022	
	No. of shares	% of shareholding
Government of India (Including nominees)	52,83,70,000	100.00

10.5. Shares reserved for issue under options and contracts :

Nil

10.6. Objective, policy and procedure of capital management:

Refer Note 35.

Note 11 : Other Equity

Rs. In Crores

Particulars	As at March 31, 2022
Capital reserve	
Add: Adjustment on Implementation of Ind AS (Refer Note 37)	4.25
Balance at the end of the year	4.25
Retained earnings	
Add: Adjustment on Implementation of Ind AS (Refer Note 37)	2,042.19
Less : Deferred Tax on Ind AS Implementation	(1.89)
Restated balance on Ind AS Implementation	2,040.30
Add: Profit for the year	4.53
Balance at the end of the year	2,044.83
Total Other equity	2,049.08

The description of the nature and purpose of each reserve within equity is as follows

a. Capital reserve

Capital Reserve represents adjustments on recognition of Investment in Joint Venture.



Note 12 : Financial liabilities

12 (a) Trade payables

Rs. In Crores

Particulars	As at March 31, 2022
Current	
- Total Outstanding dues of Micro Enterprises and Small Enterprises	57.83
- Total Outstanding dues other than Micro Enterprises and Small Enterprises	339.41
Total	397.24

Notes :

(i) Information required to be furnished as per Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and Schedule III of the Companies Act, 2013 for the year

ended March 31, 2022. This information has been determined to extent such parties have been identified on the basis of information available with the company and relied upon by the auditors.

Rs. In Crores

Particulars	As at March 31, 2022
(i) Principal amount and the interest due thereon remaining unpaid to each supplier at the end of each accounting year (but within due date as per the MSMED Act)	
- Principal amount due to micro and small enterprise	57.83
- Interest due on above	-
(ii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	-
(iii) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year	-
(v) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-

(ii) Ageing of Trade Payables from due date of payments as at March 31, 2022 is as follows:

Rs. In Crores

Particulars	Not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
MSME	-	38.04	13.77	5.69	0.33	57.83
Others	53.97	231.17	17.70	1.89	0.21	304.94
Disputed dues - MSME	-	-	-	-	-	-
Disputed dues - Others	-	-	-	-	-	-
Unbilled dues	12.09	22.38	-	-	-	34.47
Total	66.06	291.59	31.47	7.58	0.54	397.24



12 (b) Other financial liabilities

Rs. In Crores

Particulars	As at March 31, 2022
Non-current	-
Current	
Payable to employees	76.93
Security Deposits from customers and others	16.16
Others	34.97
	128.06
Total	128.06

12 (c) Financial liabilities by category

Particulars	Period ended March 31, 2022		
	Fair value through Profit and Loss (FVTPL)	Amortised cost	Total
Trade payable	-	397.24	397.24
Other Financial Liabilities	-	128.06	128.06
Total Financial liabilities	-	525.30	525.30

1. Financial instruments risk management objectives and policies, refer Note 34.

2. Fair value disclosure for financial assets and liabilities and fair value hierarchy, refer Note 33.

Note 13 : Provisions

Rs. In Crores

Particulars	As at March 31, 2022
Long-term	-
Short-term	
Provision for Warranties	5.38
	5.38
Total	5.38

Note:

Movement of provisions

Particulars	Provision for Warranties
Opening Balance	-
Provision recognised during the year	5.38
Amount used during the year	-
As at March 31, 2022	5.38

The description of the nature and purpose of Provisions is as follows:

Provision for Warranties

The company has made warranty provision on account of performance guarantee and replacement/ repairs of goods sold.



Note 14 : Government grants

Rs. In Crores

Particulars	As at March 31, 2022
Non-current	
Deferred income	1,998.74
	1,998.74
Current	
Deferred income	93.84
	93.84
Total	2,092.58

Government grants

Rs. In Crores

Particulars	As at March 31, 2022
Balance as on October 1, 2021 (Refer Note 37)	2,158.24
Released to statement of profit and loss (Refer note 18)	65.65
Total Government Grant	2,092.59

Note 15 : Other current liabilities

Rs. In Crores

Particulars	As at March 31, 2022
Advance from customers (Refer Note 1 Below)	897.54
Statutory dues	39.31
Payable to Government of India	8.30
Other liabilities	0.04
Total	945.19

Note:

1. Advances including progressive payments received from customers are classified as contract liability and adjusted on completion of related performance obligation.

Note 16 : Current Tax Liability

Rs. In Crores

Particulars	As at March 31, 2022
Provision for Tax (Net of Advance)	0.70
Total	0.70

Note 17: Revenue from operations

Rs. In Crores

Particulars	Period ended March 31, 2022
Sale of Products	1,076.34
Sale of Services	0.50
Other Operating Income	
Disposal of Scrap and Surplus / Unserviceable Stores	11.70
Foreign Exchange Gain	0.08
Total	1,088.62



I. Disaggregation of Revenue from contracts with customers

Revenue based on Geography

Rs. In Crores

Particulars	Period ended March 31, 2022
Domestic	1,088.62
Export	-
Revenue from Operations	1,088.62

Notes :

- (a) In majority of the contract, performance obligation is satisfied "at a point in time" which is primarily determined on customer obtaining control of the asset. One of the prime indicator considered for this is transfer of significant risk and rewards to the customer based on Inco terms.

Where a contract involves multiple performance obligation, the criteria specified in Ind AS 115 is applied to determine the point in time when the performance obligation is satisfied.

- (b) Contract with the customer normally do not contain significant financing component and any advance payment received and / or amount retained by customer is with intention of protecting either parties to the contract.
- (c) The Company turnover mainly includes supply of defence electronics equipments and systems.
- (d) Warranties provided are primarily in the nature of performance warranty.

II. Reconciliation of revenue from operation with contract price

Rs. In Crores

Particulars	Period ended March 31, 2022
Revenue from contract with customers as per the contract price	1,088.62
Less : Adjustment made to contract price on account of:	
a) Discounts and Rebates	-
b) Sales Return	-
Revenue from Operations	1,088.62

Note 18: Other income

Rs. In Crores

Particulars	Period ended March 31, 2022
Interest income on financial assets measured at amortized cost	
- Fixed Deposits	8.24
Scrap income	0.68
Government Grants (Refer note 14)	65.65
Rent Income	2.51
Profit on sale of Property, plant and equipment (Net)	0.30
Miscellaneous income	6.05
Total	83.43

Note 19 : Cost of Raw materials and Components

Rs. In Crores

Particulars	Period ended March 31, 2022
Inventories as at October 1, 2021 (Refer Note 37)	945.57
Add : Purchases during the year	342.87
	1,288.44
Less : Inventory at the end of the year	965.30
Total	323.14


Note 20 : Changes in inventories of finished goods and work-in-progress

Rs. In Crores

Particulars	Period ended March 31, 2022
Inventories at the end of the year	
Finished goods	39.58
Work-in-Progress	1,001.48
Scrap	18.97
	1,060.03
Inventories as at October 1, 2021 (Refer Note 37)	
Finished goods	49.20
Work-in-Progress	1,051.28
Scrap	10.91
	1,111.39
(Increase) / Decrease in Inventories	51.36

Note 21 : Employee benefits expense

Rs. In Crores

Particulars	Period ended March 31, 2022
Salaries and Wages	580.91
Contribution to provident and other funds (Refer Note 28)	10.48
Staff welfare and training expenses	1.31
Contract Labour	25.23
Total	617.93

Note 22 : Depreciation and amortization expense

Rs. In Crores

Particulars	Period ended March 31, 2022
Depreciation on Property, plant and equipment (Refer note 5)	65.88
Amortization of Intangible assets (Refer note 6)	0.37
Total	66.25

Note 23 : Other expenses

Rs. In Crores

Particulars	Period ended March 31, 2022
Power and fuel	41.09
Printing, stationery and communication	0.90
Commission and Brokerage	0.06
Rates and taxes	0.60
Repairs :	
To Building	5.57
To others	5.46
Advertisement and publicity	0.03
Computer Expenses	0.32
Software Expenses	0.04
Meeting & Conference Expenses	0.82
Security Charges	33.58
Legal and Professional charges	0.62
Transportation Charges	1.81



Particulars	Period ended March 31, 2022
Conveyance and Travelling expenses	0.63
Auditor's remuneration (Refer note (i) below)	0.06
Bank charges	0.04
Research & Development Expenses	0.55
Miscellaneous expenses	15.21
Total	107.39
(i) Break up of Auditor's remuneration	
Payment to Auditors as	
Auditors	0.06
For Other Services	-
For reimbursement of expenses	-
Total	0.06

Note 24 : Income tax

The major component of income tax expense for the year ended March 31, 2022 is as follows:

Rs. In Crores

Particulars	Period ended March 31, 2022
Statement of Profit and Loss	
-Current Tax	1.38
-Deferred tax expense/(credit)	0.07
Income tax expense/(credit) in the Statement of Profit and Loss	1.45
Statement of Other comprehensive income (OCI)	
-Current Tax	-
-Deferred tax expense/(credit)	-
Income tax expense/(credit) recognised in OCI	-

Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate:

A. Current tax

Rs. In Crores

Particulars	Period ended March 31, 2022
Accounting profit before tax	5.98
Tax Rate	25.168%
Current tax expenses on Profit before tax expenses at the enacted income tax rate in India	1.51
Adjustment	
Exempt income/not liable to tax	(0.08)
Difference in Tax Rate	(0.03)
Expenditure not deductible for tax/not liable to tax	0.05
Total income tax expense/(credit)	1.45
Effective tax rate	24.16%



B. Deferred tax

Rs. In Crores

Particulars	Balance Sheet as at March 31, 2022	Statement of Profit and Loss and OCI for the year ended on March 31, 2022	Adjusted to Retained Earnings on Implementatio n of Ind AS (Refer Note 37) October 01, 2021
Accelerated depreciation for tax purposes	0.14	0.14	-
Impact of recognition of Intangible assets	1.82	(0.07)	1.89
Deferred tax expense/(income)		0.07	1.89
Net deferred tax liabilities	1.96		
Reflected in the balance sheet as follows			
Deferred tax liabilities	1.96		
Deferred tax assets	-		
Deferred tax liabilities (net)	1.96		

(i) The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Reconciliation of Deferred Tax Assets/(Liabilities), Net

Rs. In Crores

Particulars	Period ended March 31, 2022
Opening balance as at October 1, 2021 (Refer Note 37)	1.89
Deferred Tax income/(expense) during the period recognised in profit or loss	0.07
Deferred Tax income/(expense) during the period recognised in OCI	-
Closing balance as at March 31	1.96

Note 25 : Contingent liabilities

Rs. In Crores

Particulars	Period ended March 31, 2022
Contingent liabilities not provided for	
(i) Claims against Company not acknowledged as debts	0.74
(ii) Guarantees given	-
(iii) Disputed demands in respect of Excise and Customs duty	-

Notes :

(a) It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

(b) The Company does not expect any reimbursements in respect of the above contingent liabilities.

(c) The Company believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

Note 26 : Capital commitment and other commitments

Rs. In Crores

Particulars	Period ended March 31, 2022
(a) Capital commitments	
Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	140.67
(b) Other commitments	-

Note 27 : Foreign Currency Exposures not hedged

Nature of exposure	Currency	As at March 31, 2022	
		FC In Mn	Rs. In Crores
Payable to creditors	USD	0.30	2.28
	EURO	0.18	1.48
	SEK	0.54	0.43

Note 28 : Disclosure pursuant to Employee benefits

A. Defined contribution plans:

Amount of Rs. **10.48** Crores is recognised as expenses and included in note no. 21 "Employee benefit expense".

Rs. In Crores

Particulars	Period ended March 31, 2022
(i) Contribution to National Pension Scheme [note (a)]	10.48
Total	10.48

Note

- (a) Employees of the Company receive benefits from a new pension scheme, which is a defined contribution plan. The eligible employees and the company make monthly contributions to the new pension scheme equal to a specified percentage of the covered employees' salary along with the Company Contribution. Amounts collected under the scheme are deposited in a government administered pension fund. Such contributions are accounted for as defined contribution plans and are recognised as employee benefits expenses when they are due in the Statement of profit and loss. The Company has no further obligations to the same beyond its contribution.
- (b) Employees of the Company have been deputed by the Government of India for two years from the Appointed date i.e. October 01, 2021 vide office memorandum No. 1 (5)/2021/OF/DP (Plg-V)/02 dated September 24, 2021 and their Salary and other costs are paid by the Government of India during the year as per the terms and conditions of their employment.

Note 29 : Related Party Transactions

As per the Indian Accounting Standard on "Related Party Disclosures" (Ind AS 24), the related parties of the company are as follows:

(a) Name of Related Parties and Nature of Relationship :

(I) Joint Venture

- Indo Russian Rifles Private Limited

(II) Key Management Personnel

- Mr. Rajesh Choudhary Chairman and Managing Director
- Mr. Akhilesh Kumar Maurya Director
- Ms. Anupma Tripathi Director
- Mr. Ravin Kulshrestha Director
- Mr. Chandraker Bharti Director

(b) Disclosure in respect of Related Party Transactions :

Rs. In Crores

Sr.	Particulars	Joint Venture	Key Management Personnel and relatives	Total
(I)	Transactions during the year			
	Remuneration	-	0.88	0.88
	Leases	Refer note 1 below		
(II)	Balances as at year end			
	Investments	4.25	-	4.25

Note:

- The Company has entered into a Lease agreement with Indo Russian Rifles Private Limited (a Joint Venture of the company) whereby the Company has given land measuring 8.65 acres along with building constructed on it and Plant and Machinery at a combine measuring 50 acres on token rent of Rs. 1/- per annum for the period of 30 years.



(c) Disclosures pursuant to section 186(4) of the Companies Act, 2013.

Loans and Advances in the nature of loans - Rs. Nil

(d) Terms and conditions of transactions with related parties

Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions.

(e) Commitments with related parties

The Company has not provided any commitment to the related party .

(f) Transactions with key management personnel

Compensation of key management personnel of the company

Particulars	Rs. In Crores
	Year ended March 31, 2022
Short-term employee benefits	0.88
Termination benefits	-
Total compensation paid to key management personnel	0.88

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

(g) Transaction with Government and Government Related Entities

As AWEIL is a government entity under the control of Ministry of Defence (MoD), the Company has availed exemption from detailed disclosures required under Ind AS 24 wrt related party transactions with government and government related entities.

However as required under Ind AS 24, following are the individually significant transactions :

Around 93% of the Company's Turnover, around 100% of Trade Receivables and around 83% of Customer's Advance is with respect to government and government related entities.

Note 30 : Earning per share:

Particulars	Period ended March 31, 2022
Earing per share (Basic and Diluted)	
Profit attributable to ordinary equity holders	Rs. in Crores 4.53
Weighted average number of equity shares for basic EPS (a)	No. 52,83,70,000
Nominal value of equity shares	Rs. 10.00
Basic and Diluted earning per share	Rs. 0.09

Note 31 : Segment Reporting

The Ministry of Corporate Affairs vide notification no 1/2/2014-CL-V dated 23rd February 2018 has exempted the Government companies engaged in Defence production to the extent of application of Ind AS 108 on "Operating Segment".

Note 32 : Leases

A. Operating Lease

- The Company has entered into a Lease agreement with Bharat Electronics Limited whereby the Company has given plot of land measuring 50 acres on token rent of Rs. 1/-per annum for the period of 30 years.

B. Low Value Lease

- The Company has taken Land measuring 415083 Sq. Ft. from Government of India on lease for 20 Years with option of renewal at yearly rent of Rs. 0.01 Crore and considered it as low value lease.
- The Company has taken Land measuring 38.68 acres of land from Hindustan Aeronautics Limited (HAL) on lease for 30 Years with option of renewal at yearly rent of Rs. 1/- per annum and considered it as low value lease.

C. Sub Lease

- The Company has entered into a Lease agreement with Indo Russian Rifles Private Limited (a Joint Venture of the company) whereby the Company has given land measuring 8.65 acres along with building constructed on it and Plant and Machinery at a combine measuring 50 acres on token rent of Rs. 1/- per annum for the period of 30 years.



Note 33 : Fair value disclosures for financial assets and financial liabilities:

- (a) Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Particulars	Rs. In Crores	
	Carrying amount Period ended March 31, 2022	Fair value Period ended March 31, 2022
Financial assets		
Investment at Cost	4.25	4.25
	4.25	4.25
Financial Liabilities	-	-
Total	-	-

The management assessed that the fair values of cash and cash equivalents, other bank balances, loans, trade receivables, other current financial assets, trade payables and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

(b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2022.

Particulars	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservab le inputs (Level 3)
As at March 31, 2022				
Assets measured at fair value	-	-	-	-

Quantitative disclosures fair value measurement hierarchy for financial liabilities as at March 31, 2022

Particulars	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservab le inputs (Level 3)
As at March 31, 2022				
Liabilities measured at fair value	-	-	-	-

Fair value hierarchy

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

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

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

There are no transfer between level 1, 2 and 3 during the year.

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



Note 34 : Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise trade & other payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's principal financial assets include Investments, loans given, trade and other receivables and cash & short-term deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company, based on its business operation, evaluated the following risks:

a) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company transacts business in local currency and in foreign currency, primarily in USD. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's imports for which the payment has to be done in currencies other than the functional currency of the Company. The Company also has foreign currency trade receivables and is, therefore, exposed to foreign exchange risk.

Foreign currency sensitivity: The following tables demonstrate the sensitivity to a reasonably possible change in USD rates to the functional currency of entity, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

Particulars	Change in USD rate	Effect on profit before tax	Change in EURO rate	Effect on profit before tax	Change in SEK rate	Effect on profit before tax
March 31, 2022	+2%	(0.05)	+2%	(0.03)	+2%	(0.01)
	-2%	0.05	-2%	0.03	-2%	0.01

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the Company. Credit risk arises principally from trade receivables, loans & advances, advances given to suppliers (for procurement of goods, services and capital goods), cash & cash equivalents and deposits with banks and financial institutions. The Company for the Financial Year derives 93% of its total sales from sales to the Government and Government related entities. The Company expects to continue to derive most of its sales from the Government and Government related entities under the contracts of the Ministry of Defence (MoD), Government of India (GoI) –the Company's principal shareholder and administrative ministry.

c) Provision for expected credit losses:

As the Company's debtors are predominantly the Government of India (Indian Defence Services, Ministry of External Affairs), Central Public Sector Undertakings where the counter - parties have sufficient capacity to meet the obligations and where the risk of default is nil / negligible. Accordingly, impairment on account of expected credit losses is being assessed on a case to case basis in respect of dues outstanding for significant period of time as per the accounting policy of the Company. Further, management believes that the unimpaired amounts that are due is collectable in full, based on historical payment behaviour and extensive analysis of customer credit risk.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that is settled by delivering cash or another financial asset. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

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

Particulars	Less than 1 year	1 year or more
March 31, 2022		
Trade payables	397.24	-
Other financial liabilities	128.06	-
Total	525.30	-

The Company's standard contract terms provide that, the Company receives advance payments from customers pursuant to the applicable contracts, including the Government of India and the Indian Defence Services at the time of signing of any contract and milestone payments on achievement of physical milestones. These payments are utilized to meet the Company's working capital needs (for the Company required to maintain a high level of working capital because the Company's activities are characterized by long product development periods and production cycles). Further, payments to the Company by the Indian Defence Services are reliant on the continuing availability of budgetary appropriations by Government of India and any disruptions to the availability of such appropriations could adversely affect the Company's cashflows.



e) Market risk:

The Ministry of Defence (MoD) and the Government of India (GoI) have continued efforts to reform Defence related policies such as the Defence Acquisition Procedure 2020 ("DAP 2020") to promote private participation, a level playing field and the domestic Defence manufacturing Industry and eco-system. While the MoD has given the highest priority to Indigenously Designed, Developed and Manufactured ("IDDM") products for capital procurement, the Company faces competition to be selected as the Indian production agency for such contracts. These policies have raised the level of market competition in the areas in which the Company operates.

f) Risk Mitigation Process:

As a step of institutionalizing the risk management in the Company, an elaborate framework has been developed and the Company's top management has overall responsibility for the establishment and oversight of the Company's risk management framework. An important purpose of the framework is to have a structured and comprehensive risk management system across the Company which ensures that the risks are being properly identified and these risks. The risk management process includes risk identification, risk assessment, risk evaluation, risk mitigation and regular review and monitoring of risks. The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

Note 35 : Capital management:

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains an efficient capital structure and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt

Gearing ratio

Particulars	As at March 31, 2022
Net debt (a)	-
Total Equity	
Equity share capital (Refer note 10)	528.37
Other equity (Refer note 11)	2,049.08
Total Equity (b)	2,577.45
Net Debt to Equity Ratio (a/b)	-

Note 36 : Financial Ratios

S. No	Type of Ratio	Numerator	Denominator	2021-22
1	Current Ratio (In times)	Current Assets	Current Liabilities	2.50
2	Debt-Equity Ratio (In times)		NA	
3	Debt Service Coverage Ratio (In times)		NA	
4	Return on Equity Ratio (%)	Net Profit after Tax	Total Equity	0.18%
5	Inventory turnover Ratio (In times)	Revenue from Operations	Average Inventories	0.45
6	Trade Receivables turnover Ratio (In times)	Revenue from Operations	Average Trade Receivables	4.24
7	Trade Payables turnover Ratio (In times)	Purchase of Goods	Average Trade Payables	1.55
8	Net capital turnover Ratio (In times)	Revenue from Operations	Working Capital	0.46
9	Net profit Ratio (%)	Net Profit after Tax	Total Revenue	0.42%
10	Return on Capital employed (%)	Profit before Interest, Exceptional Items and Tax	Total Capital Employed	0.23%
11	Return on investment (%)		NA	



Note 37 : First- time adoption of Ind AS

By virtue of the Memorandum of Understanding dated September 29, 2021 entered into between President of India and the Company, the activities of Ordnance Factory Board under Department of Defence Production, Ministry of Defence including assets and liabilities, have been transferred to the Company w.e.f. appointed date i.e. October 01, 2021. These financial statements, for the year ended March 31, 2022, are the first annual Ind AS financial statements, the Company has prepared in accordance with Ind AS.

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on March 31, 2022. In preparing these financial statements, the Company's opening balance sheet was prepared as at the appointed date i.e. October 1, 2021, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its previous financial statements prepared in commercial format by Defence Accounts Department, Ministry of Defence (Finance) Government of India.

A. Exemptions applied

Ind AS 101 "First-time Adoption of Indian Accounting Standards" allows first-time adopter certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

Ind AS optional exemptions

1. Deemed cost

Ind AS 101 permits a first time adopter to elect to measure an item of property, plant and equipment at the transition to Ind AS at its fair value and use that fair value as its deemed cost at that date. This exemption can also be used for intangible assets covered by Ind AS 38.

However, the Company has elected to measure all of its property, plant and equipment & intangible assets at carrying value as recognised in the previous financial statement on the date of transition to Ind AS and used those carrying value as deemed cost of Property, plant and equipment & Intangible assets since there is no change in the functional currency."

2. Investment in Joint ventures

The Company has elected the option provided under Ind AS 101 to measure its investment in Joint venture at previous carrying value on the date of transition in its separate financial statement and used that carrying value as the deemed cost of such investment.

3. Non-current assets held for sale and discontinued operations

The Company has elected the option provided under Ind AS 101 to measure non-current assets held for sale and discontinued operations at the lower of carrying value and fair value less cost to sell at the date of transition to Ind ASs.

Ind AS mandatory exceptions

1. Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous financial statements, unless there is objective evidence that those estimates were in error.

Ind AS estimates as at October 01, 2021 and March 31, 2022 are consistent with the estimates as at the same date made in the conformity with previous financial statement.

2. De- recognition of financial assets and liabilities

Ind AS 101 requires a first time adopter to apply the de-recognition provision of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from the date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result to past transactions was obtained at the time of initially accounting those transactions.

The Company has elected to apply the de-recognition provision of Ind AS 109 prospectively.



B. Reconciliations between previous financial information and Ind AS

Ind AS 101 requires an entity to reconcile equity and total comprehensive income for prior periods. The following tables represent the reconciliations from previous financial statement to Ind AS:

1. Reconciliation of equity as at October 01, 2021

Particulars	Notes	Rs. in Crores
		As at October 01, 2021
Equity under previous financial statement prepared in commercial format by Defence Accounts Department, Ministry of Defence (Finance) Government of India		2,934.09
Impact of valuation of Property, plant and equipment & Intangible assets	i	52.76
Impact of recognition of Investment in Joint Venture	ii	4.25
Impact of valuation of Financial Assets and Liabilities	iii	(154.48)
Impact of valuation of Inventories	iv	(783.24)
Impact of derecognition of Preliminary Expenses	v	(6.94)
Tax impact on Ind AS adjustments	vi	(1.89)
Equity as per Ind AS		2,044.55

C. Notes to the reconciliation of equity and total comprehensive income

i. Impact of valuation of Property, plant and equipment & Intangible assets

The Company has elected to measure all of its property, plant and equipment & intangible assets at carrying value as recognised in the previous financial statement on the date of transition to Ind AS and used those carrying value as deemed cost of Property, plant and equipment & Intangible assets since there is no change in the functional currency. However, the Company has made certain adjustments including recognition of Intangible Asset which was not recognised in previous financial statement to comply with Ind AS implementation amounting to Rs. 52.76 Crores against Retained Earnings.

ii. Impact of recognition of Investment in Joint Venture

The Company has recognised investment in a joint venture of Rs. 4.25 Crores which was held by erstwhile Ordnance Factory Board (OFB) and splitted between newly formed DPSUs based on the Official Gazette notification dated 01st October 2021 to comply with Ind AS implementation by crediting Capital Reserve.

iii. Impact of valuation of Financial Assets and Liabilities

The Company has valued its financial assets and liabilities at their realisable value in compliance with Ind AS implementation. Also, transition from Cash method of accounting to Accrual method of accounting also resulted into adjustments. The cumulative difference of Rs. 154.48 Crores has been adjusted in Retained Earnings.

iv. Impact of valuation of Inventories

Under previous financial statement prepared in commercial format by Defence Accounts Department, Ministry of Defence (Finance) Government of India, inventories were valued at Cost. Under Ind AS, the inventories are valued at lower of cost or realisable value resulting into difference of Rs. 783.24 Crores adjusted in Retained Earnings.

v. Impact of derecognition of Preliminary Expenses

Under previous financial statement prepared in commercial format by Defence Accounts Department, Ministry of Defence (Finance) Government of India, preliminary expenses of Rs. 6.94 crores were carried forward for future amortisation. Under Ind AS, such expenditure has to be charged of in the year in which it is incurred. The unamortised preliminary expenditure has been adjusted in Retained Earnings.

vi. Tax impacts on Ind AS adjustments

The impact of transition adjustments together with Ind AS mandate of using balance sheet approach (against profit and loss approach under previous GAAP) for computation of deferred tax has resulted in adjustment to Reserves, with consequential impact in the subsequent periods to the Statement of profit and loss or Other comprehensive income, as the case may be.

vii. Retained Earnings

Retained Earnings as at October 01, 2021 has been adjusted consequent to the above Ind AS transition adjustments.

viii. Classification & Presentation

a. Recognition of certain Government grant as deferred income

Under Ind AS, Property, Plant and Equipment has been recognised at gross cost and government grant has been recognised as deferred income. The deferred income is recognised as income in the statement of profit and loss on a systematic basis over the useful life of the assets for which it is received.



Note 38 : Additional Regulatory Disclosures as per Schedule III of the Companies Act, 2013

- (i) The Company does not have any benami property held in their name. No proceedings have been initiated on or are pending against the Parent and Indian subsidiaries for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.
- (ii) The Company has not been declared wilful defaulter by any bank or financial institution or other lender or government or any government authority.
- (iii) The Company has complied with the requirement with respect to number of layers as prescribed under section 2(87) of the Companies Act, 2013 read with the Companies (Restriction on number of layers) Rules, 2017.
- (iv) Utilisation of borrowed funds and share premium
 - I. The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall: a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Parent Company (Ultimate Beneficiaries) or b) Provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.
 - II. The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall: a) 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 b) Provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.
- (v) The Company has not invested or traded in Crypto Currency or Virtual Currency during the year.
- (vi) The Company has no income surrendered or disclosed as income during the year in tax assessments under the Income tax Act, 1961 (such as search or survey), that has not been recorded in the books of account.
- (vii) The Company does not have any transactions with the companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.

Note 39 : Code of Social Security, 2020

The Parliament of India has approved the Code of Social Security, 2020 (the Code) which may impact the contribution by the Company towards Provident Fund, Gratuity and ESIC. The Code have been published in the Gazette of India. However effective date has yet not been notified. The Company will assess the impact of the Code and will record related impact in the period it becomes effective.

Note 40 : New Accounting Pronouncements to be adopted after March 31, 2022

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1, 2022, as below:

Ind AS 103 – Reference to Conceptual Framework

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any material impact in its financial statements. "

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any material impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Company does not expect the amendment to have any material impact in its financial statements. "

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any material impact in its financial statements.

Ind AS 116 – Annual Improvements to Ind AS (2021)



The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Company does not expect the amendment to have any material impact in its financial statements. "

Note 41 : Indigenization Corpus

Notification on Policy for Indigenization of Components and spares used in Defence platforms for DPSUs/OFB was issued on 8th March 2019. As the guidelines from Department of Defence Production(DDP) regarding modalities has not been received as on 31st March 2022 no provision has been made during this period.

Note 42 : Balance shown under Trade Receivables, Trade Payable, Advance against Goods and Services, are under reconciliation. Since the Company is a Government entity under the control of Ministry of Defence (MoD), around 93% of the Company's turnover, around 100% of Trade receivables and around 83% of the customer advances is with respect to Government and Government related entities. The bills are raised on the customers by the divisions located at various places and reconciliation is carried out on an ongoing basis. However, management does not expect to have any material financial impact of such pending confirmation / reconciliation.

Note 43 : In the opinion of the Board, the Company do not have any assets other than fixed assets and Non-current investments having a value on realisation in the ordinary course of business less than the amount stated.

Note 44 : Events occurring after the reporting period

The Company evaluates events and transactions that occur subsequent to the balance sheet date but prior to the approval of financial statements to determine the necessity for recognition and/or reporting of subsequent events and transactions in the financial statements. As of November 15, 2022, there were no subsequent events and transactions to be recognized or reported that are not already disclosed.



Independent Auditor's Report

To,
The Members of Advanced Weapons and Equipment India Limited
Report on the Audit of the Ind AS Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying Consolidated Financial Statements of Advanced Weapons and Equipment India limited (hereinafter referred to as the "Group") which comprise the Consolidated Balance Sheet as at March 31, 2022, Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the period then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "The Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid consolidated 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 consolidated state of affairs of the Group as at March 31, 2022, of consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the period then ended.

Basis for Qualified Opinion:

In respect of Advanced Weapons and Equipment India Limited

Attention is drawn to following paras:

- 1- The opening balances of assets and liabilities as on 1st October 2021 have been taken as per the data provided by PCFA (Principal Controller of Accounts Ordnance Factories, Kolkata). The units made certain adjustments for differences based on the data available with the units.

This has resulted in net increase/decrease in Assets and liabilities with corresponding effect in Other Equity amounting to net decrease Rs. 889.45 crores. These differences in various Assets and Liabilities are subject to correction / adjustments based on future information hence the impact of the same is presently not quantifiable in the consolidated financial statement of the current period.

- 2- The company is accounting computers, office equipments (including air conditioners) and furniture & fixtures acquired after 1st October 2021 at cost. However, the same assets existing as on 30th September 2021 in the books of PCFA have been accounted at Re 1 instead of at its carrying value. This is in violation of Para 7 of Ind AS 101, which requires the said assets to be accounted for at their carrying value as on 1st Oct 2021.

The non-compliance has resulted in understatement of property plant and equipment and retained earnings by the same amount. This also has impact on subsequent depreciation and on statement of profit and loss, on those assets over their remaining useful life. The impact of the above could not be quantified in absence of related data not being provided by the management.

- 3- The company is not recognising various items of spare parts, stand-by equipment and servicing equipment which are expected to be used during more than one period which is in violation of para 6 & 8 of Ind AS 16 - "Property plant and Equipment".

The impact of the same in the consolidated financial statements of current period and on deemed equity is not quantifiable.

- 4- It has been observed that the item of PPE becomes available for use from the date of commissioning and the depreciation should be charged from the same date. However, the company is charging depreciation from the M-Voucher date and B-voucher date respectively in case of Plant and Machinery and Building. This is in violation of Para 55 of Ind AS 16 - "Property, Plant and Equipment".

In certain instances, gap of many months was noted between the two dates due to which the depreciation being charged is not accurate. Since the practice is prevalent in all the units the impact of the deficiencies in the consolidated financial statements is presently not quantifiable.

- 5- Accounting of Intangible Assets existing as on 1st Oct 2021 meeting the definition of "Intangible Assets" as per Ind AS 38 has not been done in compliance with Ind AS 101 - "First Time Adoption". The carrying value of such assets has not been brought in books as on 1st October 2021.

In absence of related data of earlier years, the impact of the same in the current period consolidated financial statements cannot be commented upon.



Further, the company is not maintaining proper records of expenses incurred in research and development. There does not exist a proper procedure to identify and recognize internally generated Intangible Assets when the specified criteria as per Ind AS 38 are met.

The impact of the above in the consolidated financial statements of current period is not quantifiable.

6- Valuation of Inventory

a. Accounting of Scrap:

It has been observed that the raw material which was issued for production but subsequently got rejected due to quality issues, etc. fails to get accounted at the end of financial year as scrap unless and until a return voucher for such material is prepared.

The Industrial Employees usually follow a practice of posting such voucher after the completion of warrant. The impact of such non-accounting of scrap which is rejected after issue for warrants is presently not quantifiable.

b. Fixed Overhead Allocation in valuation of WIP:

In valuation of inventory, the Fixed Overhead is being allocated on the basis of actual production instead of normal capacity as the company does not have proper system to identify the normal production capacity of the plants for production of specific items by the various factories.

This results in violation of para 13 of Ind AS 2 – “Inventories” which requires FOH to be allocated based on the normal capacity of the production facilities. Allocation of Fixed Overheads has been made on the basis of management estimates by each factory hence the compliance with Ind AS could not be verified by us. The impact of the non-compliance of Ind AS 2 of above para cannot be quantified by us in absence of the desired information at this stage.

7- Confirmation of Balances:

The company has not communicated with the Foreign Trade Payables with respect to confirmation of balances amounting to Rs. 4.19 Crs.

The company has communicated with Domestic Trade Receivables and Trade Payables amounting to Rs. 451.40 Crs. and Rs. 393.05 Crs. respectively existing in the books of all the units through units themselves based on “negative confirmation request”.

It has been observed that only few parties have responded to the above confirmation requests as approximately 90% of the amount of balance confirmations requests have not been responded which is deemed as confirmed balances as per the Negative Confirmation Request.

However such non confirmation of the above stated balances may result in loss to the company if the same is not actually reconciled with books of accounts. The impact of the non-confirmation of balance is not quantifiable in the consolidated financial statements.

8- The company has not provided the appropriate supporting documents for the verification of the ageing of Trade Receivables and Trade Payables as disclosed in Note No. 7(b) and Note No. 12(a) respectively of the Consolidated Financial Statements.

9- We have reviewed the trial balance of the Cossipore unit based on GST Returns, Salary payment summaries, purchases through updated GSTR 2A to the extent available and other records made available at the Headquarter. In view of limited record verified by us in respect of the unit due to paucity of time, many misstatements may not have been detected.

10- The Company has not provided for interest on overdue amount of MSME Trade Payables as referred to in Note 12 (a) of Consolidated Financial Statements in accordance with the Sec 16 of MSME Act, 2006. Due to absence of relevant supporting, the impact of the same in the current period consolidated financial statements cannot be commented upon.

11- The Company has not made the disclosure as required by Ind AS 16 “Property Plant & Equipment” Para 74b “the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction”.

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 Consolidated Financial Statements” section of our report. We are independent of the Company, its Joint Venture in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph of the Other Matters section below, is sufficient and appropriate to provide a basis for our qualified opinion.



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

The Group Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group including its Joint Venture in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and Joint Venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Group, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and its Joint Venture are responsible for assessing the ability of the Group and its Joint Venture 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 Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its Joint Venture is responsible for overseeing the financial reporting process of the Group and of its Joint Venture.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Consolidating company has adequate internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its Joint Venture 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 consolidated 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 Group and its Joint Venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its Joint Venture to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the Joint Venture included in the consolidated financial statements, which have been audited by other auditor, such other auditor remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.



We communicate with those charged with governance of the Consolidating Company of which we are the independent auditors 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.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Group's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Annual Report related to the Consolidated Financial Statements, but does not include the Consolidated Financial Statements and our auditor's report thereon.

Our opinion on the Consolidated 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 Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Other Matter

The consolidated financial statements also include the Group's share of total comprehensive income (comprising of profit and other comprehensive income) of 0.18 crores for the period ended March 31, 2022 as considered in the consolidated financial statements, in respect of one Joint Venture (Indo Russian Rifles Private Limited), whose financial statements have not been audited by us. These financial statements have been audited by other auditor whose report have been furnished to us by the Management, and our opinion on the consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of this Joint Venture and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid Joint Venture, is based solely on the report of the other auditor.

Our Opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditor.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2020 ("CARO 2020"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure A, a statement on the matter specified in paragraph 3(xxi) of CARO 2020.
2. As required by Section 143(3) of the Act, we report, to the extent applicable, that –
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - 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 except for the matters reported in para "Basis for Qualified Opinion" and "Report on Internal Financial Controls over Financial Reporting".
 - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.
 - d) In our opinion, except for Ind AS 16 as referred to in para "3", "4" and "11", Ind AS 101 as referred to in para "2" & "5" and Ind AS 2 "Valuation of Inventories" as referred to in para "6" of Basis for Qualified Opinion, the aforesaid Consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015, as amended.
 - e) On the basis of the reports of the statutory auditors of its Joint Venture, none of the directors of the Joint Venture is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act. The consolidating company being a Government Company pursuant to the Notification No. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act, are not applicable to the company.



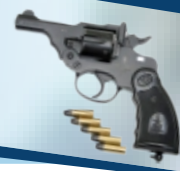
- f) With respect to the adequacy of internal financial controls over financial reporting with reference to these Ind AS Consolidated Financial Statements of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure B" to this report.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated financial statements disclose the impact of pending litigations as on March 31, 2022 on the consolidated financial position of the Group, Refer Note 25 to the consolidated financial statements
 - ii. As per the information and explanation given to us by the respective managements of the Consolidating Company and its Joint Venture and based on our examination of the records of the company, the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investors Education and Protection fund by the Consolidating Company and its Joint Venture.
 - iv. (a) The respective managements of the Consolidating Company and its Joint Venture have represented to us and the other auditor of the Joint Venture that, to the best of its knowledge and belief, 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 Consolidating Company and Joint Venture to or in any other persons or entities, 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 ("Ultimate Beneficiaries") by or on behalf of the Company and Joint Venture or
 - provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (b) The respective managements of the consolidating Company and its Joint Venture have represented to us and the other auditor of the Joint Venture that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company and Joint Venture or from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company and the Joint Venture shall,
 - 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 audit procedures, that has been considered reasonable and appropriate in the circumstances, performed by us, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) of Rule 11(4) contain any material misstatement.
 - v. No dividend has been declared or paid during the year by the company and Joint Venture hence the provisions of section 123 of the Companies Act, 2013 are not applicable.
- h) The Group and its Joint Venture have paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

For **S.K. Kapoor & Co.**
Chartered Accountants FRN: 000745C

(**Mr. V.B. Singh**)
Partner

Membership No. 073124
UDIN: 22073124BEHWLV7827

Place of Signature: Kanpur
Date: 15.11.2022



ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

Annexure A to the Independent Auditor's report on the Consolidated Financial Statements of Advanced Weapons Equipment and India Limited for the year ended 31 March 2022.

As required by paragraph 3(xxi) of the CARO 2020, we report that the auditors of the following companies have given qualification or adverse remarks in their CARO report on the standalone financial statements of the respective companies included in the Consolidated Financial Statements of the Consolidating Company:

S. No.	Name of the Company	CIN	Relationship with the Consolidating Company Date of the respective auditor's report	Date of the respective Auditor's Report	Paragraph number in the respective CARO reports
1	Advanced Weapons and Equipment India Limited	U29270UP2021GOI150734	Consolidating Company	15/11/2022	i & ii
2	Indo Russian Rifles Private Limited	U29100DL2019PTC346537	Joint Venture	28/09/2022	Nil

For S.K. Kapoor & Co
Chartered Accountants
FRN: 000745C

(Mr. V.B. Singh)

Partner

Membership No. 073124

UDIN: 22073124BEHWLV7827

Place of Signature: Kanpur

Date: 15.11.2022



Annexure "B" to the Independent Auditor's Report on the Consolidated Financial Statements of Advanced Weapons and Equipment India Limited

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

The Joint Venture namely Indo Russian Rifles Private Limited is exempted from getting an audit opinion with respect to the adequacy of the Internal Control over financial reporting of the company and the operating effectiveness of such control pursuant to MCA notification GSR 583(E) dated 13 June 2017.

Qualified Opinion

In conjunction with our audit of the Consolidated Financial Statements of Advanced Weapons and Equipment India Limited and for the year ended March 31, 2022, we have audited the internal financial controls with reference to Consolidated Financial Statements of Advanced Weapons and Equipment India Limited ("hereinafter referred to as the "Consolidating Company").

In our opinion, the Company does not have adequate internal financial controls system over financial reporting at March 31, 2022, based on the internal financial controls over financial reporting criteria established by the company considering the 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.

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2022:

- a. Inadequate documentation of the components of internal control - It has been observed that the company does not have any practice of maintaining vouchers for the bills recorded in Tally software due to which it is not possible to trace whether a particular transaction has been recorded in tally or not.

Eg: There have been instances where a particular bill has been recorded twice – once as an expense and another on account of provisioning because of lack of control over the recording process.

- b. Absent or inadequate segregation of duties within a significant account or process - There is no restrictions on creation of ledgers in tally due to which the person responsible for accounting is creating multiples ledgers for one account.

There does not exist any control at the time of recording of transactions in books of accounts i.e. there is a lack of regular maker or checker concept. The financial statement closing process is not properly implemented.

- c. Inadequate design of internal control over the financial reporting process - The company has not maintained proper reconciliations of all the statutory dues such as NPS and GPF, income tax dues such as TDS and goods and service tax liability on month -on month basis with the PPC server. The company also does not reconcile the party balances (including branch offices) outstanding at year end with the PPC server to ensure that all the transactions are recorded in the head of respective parties and discrepancies, if any, can be corrected on timely basis. The company does not have proper closing guidelines regarding the accounting of all the assets and liabilities as part of financial reporting process.

- d. Inadequate design of internal control over a significant account or process - The company does not have a proper system of identifying the items of furniture/fixtures, office equipment and IT hardware meeting the definition of PPE as per Ind AS 16 due to which these items are being expensed off instead of being capitalised. Certain corrections have been made based on our reporting based on our audit as per Standards on Auditing however many mistakes may remain uncorrected in absence of proper system of accounting and segregation of duties so that work of one person gets checked by another person.

- e. Absent or inadequate controls over the safeguarding of assets - The company does not have proper exhaustive records of all the items of Property, Plant and Equipment as required by various statutes.

There does exist a standard operating procedure for conducting physical verification of these items. The management has certified the conduct of physically verification of Property, Plant and Equipment but substantive evidence regarding the same have not been made available to us.

- f. Inadequate design of information technology (IT), general and application controls that prevent the information system from providing complete and accurate information consistent with financial reporting objectives and current needs

The company does not have any established procedure or guideline for identifying the bills relating to goods purchased or services availed for whom the provision needs to be created. The IT system seems to be lacking the ability to identify the goods and service bills for whom the provision needs to be created.

- g. Employees or management who lack the qualifications and training to fulfil their assigned functions - The person responsible for accounting appears to be deficient in knowledge for recording the complex transactions relating to sale of scrap through MSTC, contract labour and building maintenance, GST, GST TDS, IT TDS, etc. deductions and payments.



Further, the classification of transactions according to the nature of expense has not been made properly due to the lack of appropriate training and knowledge to the employee.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2022, based on "the internal control over financial reporting criteria existing in the Company and updated during the period of our audit, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2022 Consolidated financial statements of the Company, and these material weaknesses does not affect our opinion on the Consolidated Ind AS financial statements of the Company.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Consolidating Company, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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 the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidating Company's internal financial controls with reference to consolidated 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 issued by the ICAI and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. 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 with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 Consolidating Company's internal financial controls system with reference to consolidated financial statements.

Meaning of Internal Financial Controls over financial reporting with reference to Consolidated Financial Statement

A Company's internal financial controls with reference to these Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with Generally Accepted Accounting Principles. A Company's internal financial control with reference to these Consolidated 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 Consolidated 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 Consolidated Financial Statements.



Inherent Limitations of Internal Financial Controls with reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to Consolidated 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 over financial reporting to future periods are subject to the risk that the internal financial control with reference to Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For S.K. Kapoor & Co.
Chartered Accountants
FRN: 000745C

(Mr. V.B. Singh)
Partner

Membership No. 073124
UDIN: 22073124BEHWLV7827

Place of Signature: Kanpur
Date: 15.11.2022



Consolidated Balance Sheet as at March 31, 2022

Rs. In Crores

Particulars	Notes	As at March 31, 2022
ASSETS		
I. Non-current assets		
(a) Property, plant and equipment	5	1,911.75
(b) Capital work-in-progress	5	253.98
(c) Investment properties	-	-
(d) Intangible assets	6	7.32
(e) Intangible assets under development	6	1.02
(f) Right Of Use Assets	-	-
(g) Financial assets		
(i) Investments	7 (a)	4.52
(ii) Loans	7 (c)	-
(iii) Other financial assets	7 (f)	18.65
(h) Other non-current assets	8	13.10
Total non-current assets (A)		2,210.34
II. Current assets		
(a) Inventories	9	2,027.81
(b) Financial assets		
(i) Trade receivables	7 (b)	451.40
(ii) Cash and cash equivalents	7 (d)	109.65
(iii) Bank balance other than (ii) above	7 (e)	1,168.03
(iv) Loans	7 (c)	2.59
(v) Other financial assets	7 (f)	7.42
(c) Other current assets	8	164.12
Total current assets (B)		3,931.02
Assets Classified as held for Sale (C)	5	7.47
Total Assets (A+B+C)		6,148.83
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	10	528.37
(b) Other equity	11	2,049.35
Total equity (A)		2,577.72
LIABILITIES		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	-	-
(ii) Lease Liabilities	-	-
(iii) Other financial liabilities	12 (b)	-
(b) Long-term provisions	13	-
(c) Deferred tax liabilities (net)	24	1.96
(d) Government grants	14	1,998.74
Total non-current liabilities (B)		2,000.70
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	-	-
(ii) Lease Liabilities	-	-
(iii) Trade payables	12 (a)	57.83
- Total Outstanding dues of Micro Enterprises and Small Enterprises		339.41
- Total Outstanding dues other than Micro Enterprises and Small Enterprises		128.06
(iv) Other financial liabilities	12 (b)	5.38
(b) Short-term provisions	13	0.70
(c) Current Tax Liabilities	16	93.84
(d) Government grants	14	945.19
(e) Other current liabilities	15	
Total current liabilities (C)		1,570.41
Total Equity and Liabilities (A+B+C)		6,148.83

Significant Accounting Policies

The accompanying notes are an integral part of these Consolidated Financial Statements.

In terms of our report attached

For S. K. Kapoor & Co.
Chartered Accountants
Firm Registration No. 000745C

V. B. Singh
Partner
Membership No. 073124

Place: Kanpur
Date: November 15, 2022

Rajesh Choudhary
Chairman cum Managing Director
DIN: 09282229

Ravin Kulshrestha
Director cum CFO
DIN: 09315769

Place: Kanpur
Date: November 15, 2022

For and on behalf of the board of directors of
Advanced Weapons & Equipment India Limited

Manish Kumar Singh
Company Secretary
M.No.: 50295

Place: Kanpur
Date: November 15, 2022



Consolidated Statement of Profit and Loss

for the period from August 14, 2021 to March 31, 2022

Rs. In Crores

Particulars	Notes	Period ended March 31, 2022
I. Income		
(a) Revenue from operations	17	1,088.62
(b) Other income	18	83.43
Total income (I)		1,172.05
II. Expenses		
(a) Cost of raw materials and accessories consumed	19	323.14
(b) Purchase of stock-in-trade	-	-
(c) Changes in inventories of finished goods and work-in-progress	20	51.36
(d) Employee benefits expense	21	617.93
(e) Finance costs	-	-
(f) Depreciation and amortisation expense	22	66.25
(g) Other expenses	23	107.39
Total expenses (II)		1,166.07
III. Profit before Share of profit of joint venture, exceptional items and tax (I-II)		5.98
IV. Share of profit of joint ventures accounted for using the equity method		0.18
V. Profit before exceptional items and tax (III+IV)		6.16
IV. Exceptional items		-
VII. Profit before tax (V+VI)		6.16
VIII. Tax expense	24	
(a) Current tax		1.38
(b) Deferred tax (Credit)/ charge		0.07
Total tax expense (VIII)		1.45
IX. Profit for the year (VII-VIII)		4.71
X. Other comprehensive income		-
Total other comprehensive income for the year		-
XI. Total comprehensive income for the year, net of tax (IX+X)		4.71
XII. Earning per equity share	30	
Nominal value per share ₹ 10		
- Basic and Diluted		0.09

Significant Accounting Policies

3

The accompanying notes are an integral part of these Consolidated Financial Statements.

In terms of our report attached

For S. K. Kapoor & Co.
Chartered Accountants
Firm Registration No. 000745C

V. B. Singh
Partner
Membership No. 073124

Place: Kanpur
Date: November 15, 2022

Rajesh Choudhary
Chairman cum Managing Director
DIN: 09282229

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Place: Kanpur
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For and on behalf of the board of directors of
Advanced Weapons & Equipment India Limited

Manish Kumar Singh
Company Secretary
M.No.: 50295

Place: Kanpur
Date: November 15, 2022



Consolidated Statement of cash flows

for the period from August 14, 2021 to March 31, 2022

Rs. In Crores

Particulars	Period ended March 31, 2022
A Cash Flow from Operating activities	
Profit Before taxation	6.16
Adjustments to reconcile profit after tax to net cash flows:	
Share of profit from Joint Venture	(0.18)
Depreciation and Amortization expense	66.25
Interest Income	8.24
Government Grant	(65.65)
Loss on Rejection of Machinery	0.20
Profit on Sale of Property, plant and equipment	(0.30)
	8.56
Operating Profit before Working Capital Changes	14.72
Adjustments for changes in working capital :	
Changes in Inventories	35.82
Changes in trade receivables	(892.71)
Changes in other financial assets	(3.94)
Changes in other assets	(9.18)
Changes in trade payables	659.46
Changes in other financial liabilities	108.54
Changes in other current liabilities	851.89
Changes in Loans and advances	0.64
Changes in provisions	5.38
Net Changes in Working Capital	755.90
Cash Generated from Operations	770.62
Direct Taxes (Paid)/Refund (Net)	(0.68)
Net Cash Flow from Operating Activities (A)	769.94
B Cash Flow from Investing Activities	
Purchase of Property, plant and equipment and intangible assets	(37.10)
Proceeds from Sale of Property, plant and equipment and intangible assets	0.33
Capital Advance given	(13.10)
Changes in other bank balances not considered as cash and cash equivalents	(1,168.03)
Interest Received	(8.49)
Net Cash Flow used in Investing Activities (B)	(1,226.39)
C Cash Flow from Financing Activities	
Proceeds from Issue of Share Capital	528.37
	528.37
Net Cash Flow used in Financing Activities (C)	528.37
Net Increase/(Decrease) in cash and cash equivalents (A)+(B)+(C)	71.92
Cash and Cash equivalent at October 01, 2021 (Refer Note 37)	37.73
Cash and Cash equivalent at the end of the year	109.65
Reconciliation of cash and cash equivalents	
Particulars	Year ended March 31, 2022
Cash and cash equivalents comprise of: (Refer Note 7(d))	
Cash on Hand	-
Cheques on hand	
Balances with Banks	109.65
Cash and cash equivalents	109.65

Notes:

- The standalone cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) "Statement of Cash Flows".
The accompanying notes are an integral part of these Consolidated Financial Statements.

In terms of our report attached

For and on behalf of the board of directors of
Advanced Weapons & Equipment India Limited

For S. K. Kapoor & Co.
Chartered Accountants
Firm Registration No. 000745C

Rajesh Choudhary
Chairman cum Managing Director
DIN: 09282229

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Manish Kumar Singh
Company Secretary
M.No.: 50295

Place: Kanpur
Date: November 15, 2022

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Date: November 15, 2022

Place: Kanpur
Date: November 15, 2022



Consolidated Statement of changes in equity

for the year ended March 31, 2022

A. Equity share capital

₹ in Crores

Particulars	Changes in Equity Share Capital during the period	Balance as at March 31, 2022
For the year ended March 31, 2022	528.37	528.37

B. Other equity

₹ in Crores

Particulars	Reserves and Surplus		Total other equity
	Capital Reserve	Retained Earnings	
Adjustment on implementation of Ind AS (Refer Note 37)	4.25	2,042.19	2,046.44
Deferred Tax on Ind AS Implementation	-	(1.89)	(1.89)
Adjustment of past profit on recognition of investment in Joint Venture	-	0.09	0.09
Restated balance on Ind AS Implementation	4.25	2,040.39	2,044.64
Profit for the year	-	4.71	4.71
Total Comprehensive income for the period	4.25	2,045.10	2,049.35
Balance as at March 31, 2022	4.25	2,045.10	2,049.35

The accompanying notes are an integral part of these Consolidated Financial Statements.

In terms of our report attached

For S. K. Kapoor & Co.
Chartered Accountants
Firm Registration No. 000745C

V. B. Singh
Partner
Membership No. 073124

Place: Kanpur
Date: November 15, 2022

Rajesh Choudhary
Chairman cum Managing Director
DIN: 09282229

Ravin Kulshrestha
Director cum CFO
DIN: 09315769

Place: Kanpur
Date: November 15, 2022

For and on behalf of the board of directors of
Advanced Weapons & Equipment India Limited

Manish Kumar Singh
Company Secretary
M.No.: 50295

Place: Kanpur
Date: November 15, 2022



Notes to the Consolidated Financial Statements

1. Corporate Information

Advanced Weapons & Equipment India Limited (hereinafter referred to as "the Group") is incorporated in India and limited by shares (CIN No: U29270UP2021GOI150734) is one of the seven (7) new Defense PSUs formed by converting the Ordnance Factory Board into fully Government owned Enterprises. The Group has been incorporated under the Companies Act 2013 on 14th August, 2021 however, its commencement of business took place on 1st October 2021 notified by DDP. The registered office of the Group is located at OFC, Kalpi Road, Kanpur - 208009. It comprises of the following production and non- production units: Rifle Factory Ishapore, Small Arms Factory, Kanpur, Gun & Shell Factory, Cossipore, Ordnance Factory Tiruchirapalli, Ordnance Factory, Kanpur, Field Gun Factory, Kanpur, Gun Carriage Factory, Jabalpur, and Ordnance Factory Project Korwa and non- production units at Ordnance Factories Institute of Learning Ishapore.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on November 15, 2022.

2. Basis of Preparation

a) Statement of Compliance

These consolidated financial statements are prepared on going concern basis following accrual system of accounting and comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended, and presentation requirements of Division II of schedule III of the Companies Act, 2013 (Ind AS compliant schedule III) as applicable to financial statement.

b) Principles of Consolidation and equity accounting

The consolidated financial statements incorporate the financial statements of Advanced Weapons & Equipment India Limited and its jointly controlled entity. Control is evidenced where the Group has power over the investee or is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity returns.

Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investments in joint venture are accounted for using the equity method.

Equity Method

Under equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Consolidated Statement of Profit and Loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of joint venture is shown on the face of the Consolidated Statement of Profit and Loss. The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the Consolidated Statement of Profit and Loss. Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit and loss.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for:

- Certain financial assets and liabilities (including derivative instruments) that are measured at fair value; and
- Plan assets in the case of employees defined benefit plans that are measured at fair value.

The methods used to measure fair values are discussed in notes to the financial statements.



Notes to the Standalone Financial Statements

Historical cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition or the amount of proceeds received in exchange for the obligation, or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

d) Functional and presentation currency

The consolidated financial statements are presented in Indian Rupee ("INR") and all values are rounded to the nearest Rupees in Lakhs as per the requirement of Schedule III, except when otherwise indicated

e) Current versus non-current classification

The Group presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is current when it is:

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

The Group classifies all other liabilities as non-current.

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

Operating cycle of the Group is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. As the Group's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

3. Significant Accounting Policies

1. Property, plant and equipment

1.1 Initial Recognition and Measurement

An item of property, plant and equipment is recognized as an asset if and only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognized at cost. Cost comprises purchase price including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the present value of initial estimate of cost of dismantling, removal and restoration. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent measurement is done at cost less accumulated depreciation/amortization and accumulated impairment losses.

When parts of an item of property, plant and equipment that are significant in value and have different useful lives as compared to the main asset, they are recognized separately.

In the case of assets put to use, where final settlement of bills with contractors is yet to be effected, capitalization is done on provisional basis subject to necessary adjustment in the year of final settlement.



Notes to the Standalone Financial Statements

Items of spare parts, stand-by equipment and servicing equipment which meet the definition of property, plant and equipment are capitalized. Other spare parts are carried as inventory and recognized in the statement of profit and loss on consumption.

The acquisition or construction of some items of property, plant and equipment although not directly increasing the future economic benefits of any particular existing item of property, plant and equipment, may be necessary for the Group to obtain future economic benefits from its other assets. Such items are recognized as property, plant and equipment.

1.2 Subsequent Cost

Subsequent costs Subsequent expenditure is recognized in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

Expenditure on major inspection and overhauls of generating unit is capitalized, when it meets the asset recognition criteria. Any remaining carrying amount of the cost of the previous inspection and overhaul is derecognized.

The cost of replacing major part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized regardless of whether the replaced part has been depreciated separately. If it is not practicable to determine the carrying amount of the replaced part, the Group uses the cost of the replacement as an indication of what the cost of replaced part was at the time it was acquired or constructed. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit and loss as and when incurred.

1.3 Decommissioning costs

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

1.4 De-recognition

Property, plant and equipment is derecognized when no future economic benefits are expected from their use or upon their disposal. Gains and losses on de-recognition of an item of property, plant and equipment are determined as the difference between sale proceeds from disposal, if any, and the carrying amount of property, plant and equipment and are recognized in the statement of profit and loss.

In circumstance, where an item of property, plant and equipment is abandoned, the net carrying cost relating to the property, plant and equipment is written off in the same period.

1.5 Depreciation

Depreciation on property, plant and equipment is provided so as to write off the cost of assets less residual values over their useful lives of the assets, using the straight line method as prescribed under Part C of Schedule II to the Companies Act 2013 except for the assets where useful life of assets as per Schedule II and management estimates are different. In case management estimates are different depreciation is charged as per management estimates of useful life.

Sr.	Asset	Useful Life as prescribed by Schedule II of the Companies Act, 2013	Estimated Useful Life
I	Factory Building	30 years	60 years
II	Other than Factory Buildings	60 years	60 years
III	Roads (other than RCC & RCC)	5 & 10 years	10 Years
IV	Plant & Machinery	15 Years	20 Years
V	Furniture and Fixtures (Including Air Conditioners and office equipment)	10 years	10 Years
VI	Vehicles	6 Years	7 Years
VII	Computer (Hardware and Software)	3 & 6 Years	5 Years
VIII	Laboratory Equipment (including all QC equipment but excluding gauges used in inspection)	10 Years	10 Years
IX	Electrical Installations and Equipment	10 Years	10 Years
X	Hydraulic Works, pipelines and sluices (including Submersible & Centrifugal Pump etc.)	10 Years	10 Years



Notes to the Standalone Financial Statements

The management believes that the useful life as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (Major Components) and are depreciated over their useful life or over the remaining useful life of the principal assets whichever is less.

Depreciation for assets purchased/sold during a period is proportionately charged for the period of use.

Major overhaul and inspection costs which have been capitalized are depreciated over the period until the next scheduled outage or actual major inspection/overhaul, whichever is earlier. Capital spares are depreciated considering the useful life ranging between 2 to 40 years based on technical assessment.

Where it is probable that future economic benefits deriving from the expenditure incurred will flow to the Group and the cost of the item can be measured reliably, subsequent expenditure on a property, plant and equipment along-with its unamortized depreciable amount is charged off prospectively over the revised useful life determined by technical assessment

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with Ind AS 105 and the date that the asset is derecognised.

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

2. Capital works in Progress

Cost incurred for property, plant and equipment that are not ready for their intended use as on the reporting date, is classified under capital work- in-progress.

The cost of self-constructed assets includes the cost of materials & direct labour, any other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management and the borrowing costs attributable to the acquisition or construction of qualifying asset.

Expenses directly attributable to construction of property, plant and equipment incurred till they are ready for their intended use are identified and allocated on a systematic basis on the cost of related assets.

Deposit works/cost plus contracts are accounted for on the basis of statements of account received from the contractors.

Unsettled liabilities for price variation/exchange rate variation in case of contracts are accounted for on estimated basis as per terms of the contracts.

3. Intangible assets and intangible assets under development

3.1 Initial recognition and measurement

An intangible asset is recognized if and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets that are acquired by the Group, which have finite useful lives, are recognized at cost. Subsequent measurement is done at cost less accumulated amortization and accumulated impairment losses. Cost comprises purchase price including import duties, non -refundable taxes after deducting trade discounts and rebates and any directly attributable expenses of preparing the asset for its intended use.

Expenditure on development activities is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to & has sufficient resources to complete development and to use or sell the asset.

Expenditure incurred which are eligible for capitalizations under intangible assets are carried as intangible assets under development till they are ready for their intended use.

3.2 Subsequent costs

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

3.3 De-recognition

An intangible asset is derecognized when no future economic benefits are expected from their use or upon their



Notes to the Standalone Financial Statements

disposal. Gain or loss on de-recognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of intangible assets and are recognized in the statement of profit and loss.

3.4 Amortization

Cost of software recognized as intangible asset, is amortized on straight-line method over a period of legal right to use or 5 years, whichever is less. Other intangible assets are amortized on straight-line method over the period of legal right to use or life of the related assets, whichever is less. The amortization period and the amortization method of intangible assets with a finite useful life is reviewed at each financial year end and adjusted prospectively, wherever required.

4. Non-Current Assets Held for Sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use and a sale is considered highly probable.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-Current Assets held for sale and disposal groups are measured at the lower of their carrying amount and the fair value less cost of disposal.

Non-current assets classified as held for sale are not depreciated or amortized.

5. Borrowing Cost

Borrowing costs consist of (a) interest expense calculated using the effective interest method as described in Ind AS 109 – 'Financial Instruments' (b) interest expense on lease liabilities recognized in accordance with Ind AS 116– 'Leases' and (c) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction/exploration/ development or erection of qualifying assets are capitalized as part of cost of such asset until such time the assets are substantially ready for their intended use. Qualifying assets are assets which necessarily take substantial period of time to get ready for their intended use or sale.

When the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the borrowing costs incurred are capitalized. When Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the capitalization of the borrowing costs is computed based on the weighted average cost of all borrowings that are outstanding during the period and used for the acquisition, construction/exploration or erection of the qualifying asset. However, borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset, are excluded from this calculation, until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

Income earned on temporary investment made out of the borrowings pending utilization for expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalization.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use are complete. Capitalisation of borrowing costs is suspended and charged to the statement of profit and loss during the extended periods when the active development on the qualifying assets is interrupted

Other borrowing costs are recognized as an expense in the year in which they are incurred.

6. Leases

Group as a lessee

The Group's lease asset classes primarily consist of leases for buildings. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: (1) the contract involves the use of an identified asset (2) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use asset (ROU) and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.



Notes to the Standalone Financial Statements

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Group as a lessor

Leases are classified as operating lease or a finance lease based on the recognition criteria specified in Ind As 116–Leases.

a) Finance Lease:

At commencement date, amount equivalent to the “net investment in the lease” is presented as a Receivable. The implicit interest rate is used to measure the value of the “net investment in Lease”.

Each lease payment is allocated between the Receivable created and finance income. The finance income is recognized in the Statement of Profit and loss over the lease period so as to reflect a constant periodic rate of return on the net investment in Lease.

The asset is tested for de-recognition and impairment requirements as per Ind AS 109–Financial Instruments.

Lease modifications, if any are accounted as a separate lease if the recognition criteria specified in the standard are met.

b) Operating lease:

The group recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis, if required. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognised on a straight-line basis over the lease term.

Lease modifications, if any are accounted as a separate lease if the recognition criteria specified in the standard are met.

7. Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit and loss. Impairment losses recognized in respect of CGUs are reduced from the carrying amounts of the assets of the CGU.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.



Notes to the Standalone Financial Statements

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

8. Inventories

Inventories are valued at the lower of cost and net realizable value. Cost includes cost of purchase, cost of conversion and other costs incurred in bringing the Inventories to their present location and condition. In case of Finished goods and work in progress cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis. Costs of purchased inventory are determined after deducting rebates, trade discounts and other similar items.

As per Para 32 of Ind-As 2, materials and other supplies 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.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The diminution in the value of obsolete, unserviceable, surplus and non-moving items of stores and spares is ascertained on review and provided for.

Steel scrap is valued at estimated realizable value.

9. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are carried at cost/deemed cost applied on transition to Ind AS, less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of investment is assessed and an impairment provision is recognised, if required immediately to its recoverable amount. On disposal of such investments, difference between the net disposal proceeds and carrying amount is recognised in the statement of profit and loss.

10. Financial instruments – initial recognition and subsequent measurement

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. The Group recognizes a financial asset or a financial liability only when it becomes party to the contractual provisions of the instrument.

a) Financial assets

(i) Initial recognition and measurement of financial assets

All financial assets are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition of financial assets, which are not valued at fair value through profit or loss, are added to the fair value on initial recognition.

(ii) Subsequent measurement of financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)
- **Financial assets at amortised cost:**

A financial asset is measured at amortised cost if:

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

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently



Notes to the Standalone Financial Statements

measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

- **Financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

- **Financial assets at fair value through profit or loss**

FVTPL is a residual category for financial assets. Any financial asset, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

After initial measurement, such financial assets are subsequently measured at fair value with all changes recognised in Statement of profit and loss under head. Interest income on such investment is presented under "other income".

(iii) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire,

or

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

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

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

(iv) Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are



Notes to the Standalone Financial Statements

significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for.

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

(v) Impairment of financial assets

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

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- 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

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

- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 11 and Ind AS 18 that contain a significant financing component, if the Group applies practical expedient to ignore separation of time value of money, and
- 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. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

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

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



Notes to the Standalone Financial Statements

original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Group is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected in a separate line under the head "Other expenses" in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

b) Financial Liabilities

(i) Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

(ii) Subsequent measurement of financial liabilities

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

• Financial liabilities at fair value through profit or loss

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

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

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

• Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.



Notes to the Standalone Financial Statements

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

This category generally applies to borrowings.

(iii) Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

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.

c) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(i) Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit and loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.



Notes to the Standalone Financial Statements

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit and loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

d) 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.

11. Fair value measurement

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

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

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

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

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

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

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and for non-recurring measurement, such as asset held for sale.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether



Notes to the Standalone Financial Statements

professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

Management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable on yearly basis.

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

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Significant accounting judgements, estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Property, plant and equipment & Intangible assets measured at fair value on the date of transition
- Financial instruments (including those carried at amortised cost)

12. Provisions, contingent liabilities and contingent assets

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to a provision is presented in the statement of profit and loss net of reimbursement, if any.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgment of the management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable on the basis of judgment of management. These are assessed continually to ensure that developments are appropriately reflected in the financial statements.

Provision for expenditure on account of performance guarantee & replacement / repair of goods sold is made on the basis of trend-based estimates. In cases where a trend is not ascertainable, provision for warranty is made based on the best estimates of management.

13. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.



Notes to the Standalone Financial Statements

14. Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in Statement of Profit or Loss on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Grants that compensate the Group for the cost of depreciable asset are recognized as income in statement of profit and loss on a systematic basis over the period and in the proportion in which depreciation is charged.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

15. Revenue Recognition

A. Revenue from Contract with Customers

- i. The Group derives revenues primarily from sale of Artillery Gun, Field Gun, Ordnance & Small Arms and related services. Revenue is recognized when (or as) the group satisfies a performance obligation by transferring a promised goods or services (i.e., an Asset) to a Customer.
- ii. **Satisfaction of performance obligation over time**
 - a. Revenue is recognised overtime where the transfer of control of goods or services take places over time by measuring the progress towards complete satisfaction of that performance obligation, if one of the following criteria is met:
 - The group's performance entitles the customer to receive and consume the benefits simultaneously as the group performs
 - The group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
 - The group's performance does not create an asset with an alternative use to the group and the group has an enforceable right to payment for performance completed to date.
 - b. Progress made towards satisfying a performance obligation is assessed based on the ratio of actual costs incurred on the contract up to the reporting date to the estimated total costs expected to complete the contract. If the outcome of the performance obligation cannot be estimated reliably and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.
 - c. In case of AMC contracts, where passage of time is the criteria for satisfaction of performance obligation, revenue is recognised using the output method.
- iii. **Satisfaction of performance obligation at a point in time**
 - a. In respect of cases where the transfer of control does not take place over time, the group recognises the revenue at a point in time when it satisfies the performance obligations.
 - b. The performance obligation is satisfied when the customer obtains control of the asset. The indicators for transfer of control include the following:
 - The group has transferred physical possession of the asset
 - The customer has legal title to the asset
 - The customer has accepted the asset
 - when the group has a present right to payment for the asset
 - the customer has the significant risks and rewards of ownership of the asset. The transfer of significant risks and rewards ownership is assessed based on the Inco-terms of the contracts.

Ex-Works contract– In case of Ex-works contract, revenue is recognised when the specified goods are unconditionally appropriated to the contract after prior inspection and acceptance, if required.

FOR Contracts – In the case of FOR contracts, revenue is recognized when the goods are handed over to the carrier for transmission to the buyer after prior inspection and acceptance, if stipulated, and in the case of FOR destination contracts, if there is a reasonable expectation of the goods reaching destination within the accounting period.



Notes to the Standalone Financial Statements

iv. Measurement

- a. Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation.
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties.
In case of price escalation and ERV, revenue is recognised at most likely amount to be realised from customer in line with contractual terms.
- b. In case where the contracts involve multiple performance obligations, the group allocates the transaction price to each performance obligation on the relative stand-alone selling price basis.

Bundled Contracts - In case of a Bundled contract, where separate fee for installation and commissioning or any other separately identifiable component is not stipulated, the Group applies the recognition criteria to separately identifiable components (sale of goods and installation and commissioning, etc.) of the transaction and allocates the revenue to those separate components based on stand-alone selling price.

Multiple Elements – In cases where the installation and commissioning or any other separately identifiable component is stipulated and price for the same agreed separately, the Group applies the recognition criteria to separately identified components (sale of goods and installation and commissioning, etc.) of the transaction and allocates the revenue to those separate components based on their stand-alone selling price.

v. Penalties

Penalties (including levy of liquidated damages for delay in delivery) specified in a contract are not treated as an inherent part of Transaction Price if the levy of same is subject to review by the customer.

vi. Significant financing component

Advances received towards execution of Defense related projects are not considered for determining significant financing component since the objective is to protect the interest of the contracting parties.

B. Other Income

i. Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in other income in the statement of profit or loss.

ii. Insurance claims

Claims receivable on account of Insurance are accounted for to the extent the Group is reasonably certain of their ultimate collection.

iii. Rental Income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term unless increase in rentals are in line with expected inflation or otherwise justified.

iv. Other Income

Other income not specifically stated above is recognized on accrual basis.

16. Employee Benefits

Short Term Employee Benefits

All employee benefits payable within twelve months of rendering the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex-gratia, performance pay etc. and the same are recognized in the period in which the employee renders the related service.

17. Income Taxes

Tax expense comprises current and deferred tax. Current tax expense is recognized in statement of profit and loss except to the extent that it relates to items recognized directly in OCI or equity, in which case it is recognized in OCI or equity, respectively.



Notes to the Standalone Financial Statements

Current tax is the expected tax payable on the taxable income for the year computed as per the provisions of Income Tax Act, 1961, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 and interests in joint arrangements, 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 is measured at the tax rates that are expected to be applied to temporary differences when they materialize, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against the current tax liabilities, and they relate to income taxes levied by the same tax authority.

Deferred tax is recognized in statement of profit and loss except to the extent that it relates to items recognized directly in OCI or equity, in which case it is recognized in OCI or equity, respectively.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the sufficient taxable profits will be available in future to allow all or part of deferred tax assets to be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized. The income tax consequences of dividends are recognized in profit or loss, other comprehensive income or equity according to where the Group originally recognized those past transactions or events.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. MAT credit is recognized as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future taxable profit will be available against which MAT credit can be utilized.

18. Foreign Currency transaction and Translation

Transactions in foreign currencies are initially recorded at the functional currency spot exchange rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss in the year in which it arises.

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



Notes to the Standalone Financial Statements

In case of advance consideration received or paid in a foreign currency, the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it), is when the Group initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

19. Earnings per share

Basic EPS is calculated by dividing the profit / loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit / loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

20. Cash Flow Statement

Cash flow statement has been prepared in accordance with the indirect method prescribed in IndAS7-Statement of Cash Flows.

21. Segment Reporting

In accordance with Ind AS 108-'Operating segments', the operating segments used to present segment information are identified on the basis of internal reports used by the Group's management to allocate resources to the segments and assess their performance. The Board of Directors is collectively the Group's 'Chief Operating Decision Maker' or 'CODM' within the meaning of Ind AS 108. The indicators used for internal reporting purposes may evolve in connection with performance assessment measures put in place.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate expenses, finance costs, income tax expenses and corporate income that are not directly attributable to segments.

Revenue directly attributable to the segments is considered as segment revenue. Expenses directly attributable to the segments and common expenses allocated on a reasonable basis are considered as segment expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, Capital Work in Progress, intangible assets other than goodwill and intangible assets under development.

Segment assets comprise property, plant and equipment, intangible assets, capital work in progress, intangible assets under development, advances for capital expenditures, trade and other receivables, inventories and other assets that can be directly or reasonably allocated to segments. For the purpose of segment reporting, property, plant and equipment have been allocated to segments based on the extent of usage of assets for operations attributable to the respective segments. Unallocated assets comprise investments, income tax assets, corporate assets and other assets that cannot reasonably be allocated to segments.

Segment liabilities include all operating liabilities in respect of a segment and consist principally of trade payable, payable for capital expenditure and other payables, provision for employee benefits and other provisions. Unallocated liabilities comprise equity, income tax liabilities, loans and borrowings and other liabilities and provisions that cannot reasonably be allocated to segments.

22. Events after the reporting period

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue. Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted but disclosed.

23. Exceptional Item

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the Group is treated as an exceptional item and the same is disclosed in the notes to accounts.

4. Critical accounting Judgements and key source of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The estimates and management's judgments are based on previous experience & other factors considered reasonable and prudent in the circumstances. Actual results may differ from these estimates.



Notes to the Standalone Financial Statements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the critical judgements and estimations that have been made by the management in the process of applying the Group's accounting policies and that have the most significant effect on the amount recognised in the financial statements and / or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Useful lives of Property, Plant and Equipment and Intangible assets

The estimated useful life of property, plant and equipment and intangible assets is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Property, Plant & Equipment represent a significant proportion of the asset base of the Group. The depreciation charge with respect to such asset is derived based on the estimated useful life of the asset and its residual value.

The Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

2. Recoverable amount of property, plant and equipment and intangible assets

The recoverable amount of property, plant and equipment and intangible assets is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the power plants. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.

3. Revenue recognition

The Group assesses its revenue arrangement in order to determine if its business partner is acting as a principle or as an agent by analysing whether the Group has primary obligation for pricing latitude and exposure to credit / inventory risk associated with the sale of goods. The Group has concluded that certain arrangements are on principal to agent basis where its business partner is acting as an agent. Hence, sale of goods to its business partner is recognised once they are sold to the end customer.

4. Assets held for sale

Significant judgment is required to apply the accounting of non-current assets held for sale under Ind AS 105 - 'Non-current assets held for sale and discontinued operations. In assessing the applicability, management has exercised judgment to evaluate the availability of the asset for immediate sale, management's commitment for the sale and probability of sale within one year to conclude if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

5. 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. 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 relating to these factors could affect the reported fair value of financial instruments.

6. Income Taxes

Significant estimates are involved in determining the provision for current and deferred tax, including amount expected to be paid/recovered for uncertain tax positions.

7. Inventories

An inventory provision is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item, the seasonality of the item's sales profile and losses associated with expired / slow-moving inventory items.

8. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market



Notes to the Standalone Financial Statements

prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

9. Provisions and contingencies

The assessments undertaken in recognizing provisions and contingencies have been made in accordance with Ind AS 37- 'Provisions, contingent liabilities and contingent assets'. The evaluation of the likelihood of the contingent events require best judgment by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, this likelihood could alter.

The Group has significant capital commitments in relation to various capital projects which are not recognized on the balance sheet. In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group.

There are certain obligations which management has concluded, based on all available facts and circumstances, are not probable of payment or are very difficult to quantify reliably, and such obligations are treated as contingent liabilities and disclosed in the notes but are not reflected as liabilities in the Financial Statements. Although there can be no assurance regarding the final outcome of the legal proceedings in which the Group involved, it is not expected that such contingencies will have a material effect on its financial position or profitability.

10. Impairment test of investments in Joint Venture Companies

The recoverable amount of investment in joint venture companies is based on estimates and assumptions regarding in particular the future cash flows associated with the operations of the investee Group. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.



Notes to the Standalone Financial Statements

Particulars	Freehold land	Building	Plant & Machinery	Furniture & fixture	Office Equipment	Vehicles	Computers, Servers and Network	Total	CWIP
Gross Carrying Amount									
Deemed Cost as at October 01, 2021 (Refer Note 37)	32.04	277.72	1,526.19	0.16	0.82	6.60	0.11	1,843.64	361.35
Additions	-	100.85	35.45	0.49	2.21	0.97	1.52	141.49	41.60
Assets retired from active use	-	-	7.28	0.06	(Rs 37,362/-)	0.08	0.05	7.47	-
Deductions	-	-	0.02	-	(Rs 15,317/-)	0.01	-	0.03	148.97
As at March 31, 2022	32.04	378.57	1,554.34	0.59	3.03	7.48	1.58	1,977.63	253.98
Accumulated Depreciation and Impairment									
Depreciation for the year	-	4.08	60.74	0.02	0.18	0.79	0.07	65.88	-
Depreciation on Assets retired from Active use	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-
As at March 31, 2022	-	4.08	60.74	0.02	0.18	0.79	0.07	65.88	-
Net Carrying Amount									
As at March 31, 2022	32.04	374.49	1,493.60	0.57	2.85	6.69	1.51	1,911.75	253.98

Note 5 : Property, plant and equipment

Rs. In Crores

1 Title deeds of Immovable Properties are not held in name of the Group (Other than properties where the Group is Lessee and where the lease agreements are duly executed in favour of the Group).

Following is the details of immovable property not held in the name of the Group

Relevant line item in the Balance sheet	Description of item of property	Gross Value of property	Title deed held in the name of	Relation with Title holder	Property held since	Reason for not being held in the name of the Group
Property, plant and equipment	Land	32.04	Ordinance Factory Board (OFB) under Department of Defence Production, Ministry of Defence	Promoter	6 Months	With reference to the Notification no – "CG-DL-E-1102021-230101" dated 1st Oct 2021, all the immovable properties of OFB have been transferred to newly formed DPSUs consisting of AWEIL as one of the PSU. Registration is under process.

2 Contractual Commitments

Refer Note 26 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

3 There is no charge or lien on Property, Plant and Equipment.

4 The Group has not revalued its property, plant and Equipment and therefore disclosure, whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017 does not arise.



Notes to the Standalone Financial Statements

5 Capital work-in-progress ageing schedule:

As at March 31, 2022

Capital work-in-progress	Amount in Capital work-in-progress for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	123.66	30.39	24.35	75.58	253.98
Projects temporarily suspended	-	-	-	-	-
Total	123.66	30.39	24.35	75.58	253.98

6 Projects whose completion is overdue or has exceeded its cost compared to its original plan

As at March 31, 2022

Contractual Commitments	To be Completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Project 1	-	-	-	-	-
Total	-	-	-	-	-

7 Break up of Assets held for Sale

Plant & Machinery	7.28				
Furniture & Fixtures	0.06				
Office Equipment	(Rs 37,362/-)				
Vehicles	0.08				
Computer, Servers & Network	0.05				
Total	7.47				

Note 6 : Intangible assets

Rs. In Crores

Particulars	Computer Software	Technical Know How	Total	Intangible assets under development
Gross Carrying Amount				
As at October 1, 2021 (Refer Note 37)	0.13	7.53	7.66	-
Additions	0.03	-	0.03	1.02
Deductions	-	-	-	-
As at March 31, 2022	0.16	7.53	7.69	1.02
Accumulated Depreciation				
As at October 1, 2021	-	-	-	-
Amortisation for the year	0.07	0.30	0.37	-
Deductions	-	-	-	-
As at March 31, 2022	0.07	0.30	0.37	-
Net Carrying Amount				
As at March 31, 2022	0.09	7.23	7.32	1.02

Note:

1. Group has not revalued its Intagibles assets and therefore disclosure, whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017 does not arise.

2. Intangible asset under development ageing schedule:

As at March 31, 2022

Capital work-in-progress	Amount in Capital work-in-progress for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	1.02	-	-	-	1.02
Projects temporarily suspended	-	-	-	-	-
Total	1.02	-	-	-	1.02



Note 7 : Financial assets

7 (a) Investments

Rs. In Crores

Particulars	No. of Shares	Face Value per share in Rs.	As at March 31, 2022
Non-current investment			
(a) Investment in equity shares (fully paid up)			
Joint Venture - measured at Cost (Unquoted)			
Indo Russian Rifles Private Limited	4,25,000	100	4.25
Total Investments			4.25
Aggregate amount of quoted investments			-
Aggregate amount of unquoted investments			4.25
Aggregate impairment in value of investment			-

7 (b) Trade receivables ~ Current

Rs. In Crores

Particulars	As at March 31, 2022
Unsecured, considered good	451.40
Significant increase in Credit Risk	-
Credit Impaired	-
Total Trade receivables	451.40

Notes:

- 1) No trade receivables are due from directors or other officers of the Group either severally or jointly with any person nor any trade receivables are due from firms or private companies respectively in which any director is a director, a partner or a member.
- 2) Trade receivables are non-interest bearing and are generally on terms of 7 to 180 days.

Ageing of Trade Receivables from due date of payments as at March 31, 2022 is as follows:

Rs. In Crores

Particulars	Unbilled	Not due	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 Months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade receivable - Considered Good	-	-	433.28	8.47	8.59	0.03	1.03	451.40
Undisputed Trade receivable - which have significant increase in risk	-	-	-	-	-	-	-	-
Undisputed Trade receivable - credit impaired	-	-	-	-	-	-	-	-
Disputed Trade receivable - Considered Good	-	-	-	-	-	-	-	-
Disputed Trade receivable - which have significant increase in risk	-	-	-	-	-	-	-	-
Disputed Trade receivable - credit impaired	-	-	-	-	-	-	-	-
Total	-	-	433.28	8.47	8.59	0.03	1.03	451.40



7 (c) Loans

Rs. In Crores

Particulars	As at March 31, 2022
(Unsecured, considered good unless otherwise stated)	
Non-current	-
Current	
Loans to	
- Employees	2.59
	2.59
Total Loans	2.59

Note:

1. No Loans are due from Directors or to firm / private company where director is interested

7 (d) Cash and cash equivalents

Rs. In Crores

Particulars	As at March 31, 2022
Cash on hand	-
Balance with Banks	
In Current accounts	76.16
Deposit with bank having maturity less than 3 months	33.49
Total cash and cash equivalents	109.65

1. There are no repatriation restrictions with regard to cash and cash equivalents.

7 (e) Other bank balance

Rs. In Crores

Particulars	As at March 31, 2022
Deposit with bank having maturity more than 3 months and less than 12 months*	1,168.03
Total other bank balances	1,168.03
* Under lien with bank as Security for LC Facility given by the bankers of Rs. 56.28 Crores	

7 (f) Other financial assets

Rs. In Crores

Particulars	As at March 31, 2022
(Unsecured, considered good unless otherwise stated)	
Non-current	
Security deposits	18.65
	18.65
Current	
Security deposits	7.17
Interest Accrued	0.25
Others	-
	7.42
Total other financial assets	26.07



7 (g) Financial Instruments by category

Rs. In Crores

Particulars	Period ended March 31, 2022				Total
	Cost	Fair value through Profit and Loss (FVTPL)	Fair value through Other Comprehensive Income (FVTOCI)	Amortised cost	
Investment	-	-	-	4.25	4.25
Trade receivables	-	-	-	451.40	451.40
Loans	-	-	-	2.59	2.59
Cash and cash equivalents	-	-	-	109.65	109.65
Other bank balances	-	-	-	1,168.03	1,168.03
Other financial assets	-	-	-	26.07	26.07
Total Financial assets	-	-	-	1,757.74	1,757.74

1. Financial instruments risk management objectives and policies, refer Note 34.

2. Fair value disclosure for financial assets and liabilities and fair value hierarchy refer Note 33.

Note 8 : Other assets

Rs. In Crores

Particulars	As at March 31, 2022
(Unsecured, considered good unless otherwise stated)	
Non-current	
Capital advances	13.10
	13.10
Current	
Advance to suppliers	155.76
Balance with Government Authorities (Refer note (i) below)	8.35
Other Current Assets	0.01
	164.12
Total	177.22

Notes :

(i) Balance with Government Authorities mainly consists of input credit availed.

(ii) No advances are due from directors or promoters of the Company either severally or jointly with any person.

Note 9 : Inventories (At lower of cost and net realisable value)

Rs. In Crores

Particulars	As at March 31, 2022
Raw materials and components	965.30
Raw materials in transit	2.48
Work-in-progress	1,001.48
Finished goods	39.58
Scrap	18.97
Total	2,027.81

Notes:

1) Inventory write downs are accounted, considering the nature of inventory, ageing and net realisable value. Accordingly Rs. 270.93 Crores has been provided. The changes in write downs are recognised as an expense in the Statement of Profit and Loss [Refer Note No. 4(7)].



Note 10 : Equity share capital:

Particulars	As at March 31, 2022	
	No. of shares	Rs. in Crores
Authorised share capital		
Equity shares of ₹ 10 each	15,00,00,00,000	15,000.00
Issued, subscribed and paid-up share capital		
Equity shares of ₹ 10 each	52,83,70,000	528.37
Total	52,83,70,000	528.37

10.1. Reconciliation of shares outstanding at the beginning and at the end of the Reporting period :

Particulars	As at March 31, 2022	
	No. of shares	Rs. in Crores
At the beginning of the period	-	-
Add: Issue of Share Capital	52,83,70,000	528.37
Outstanding at the end of the year	52,83,70,000	528.37

10.2. Rights, Preferences and Restrictions attached to the equity shares :

The Group has one class of shares having par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Group after distribution of all preferential amounts, in proportion to their shareholding.

10.3. Number of Shares held by each shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at March 31, 2022	
	No. of shares	% of shareholding
Government of India (Including nominees)	52,83,70,000	100.00

10.4. Shareholding of Promoters

Name of the Promoter	As at March 31, 2022	
	No. of shares	% of shareholding
Government of India (Including nominees)	52,83,70,000	100.00

10.5. Shares reserved for issue under options and contracts :

Nil

10.6. Objective, policy and procedure of capital management:

Refer Note 35.

Note 11 : Other Equity

Rs. In Crores

Particulars	As at March 31, 2022
Capital reserve	
Add: Adjustment on Implementation of Ind AS (Refer Note 37)	4.25
Balance at the end of the year	4.25
Retained earnings	
Add: Adjustment on Implementation of Ind AS (Refer Note 37)	2,042.19
Less : Deferred Tax on Ind AS Implementation	(1.89)
Add: Adjustment of share in past profit on recognition of investment in Joint Venture (Refer Note 37)	0.09
Restated balance on Ind AS Implementation	2,040.39
Add: Profit for the year	4.71
Balance at the end of the year	2,045.10
Total Other equity	2,049.35

The description of the nature and purpose of each reserve within equity is as follows

a. Capital reserve

Capital Reserve represents adjustments on recognition of Investment in Joint Venture.



Note 12 : Financial liabilities

12 (a) Trade payables

Rs. In Crores

Particulars	As at March 31, 2022
Current	
- Total Outstanding dues of Micro Enterprises and Small Enterprises	57.83
- Total Outstanding dues other than Micro Enterprises and Small Enterprises	339.41
Total	397.24

Notes :

(i) Information required to be furnished as per Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and Schedule III of the Companies Act, 2013 for the year ended March 31, 2022. This information has been determined to extent such parties have been identified on the basis of information available with the Group and relied upon by the auditors.

Rs. In Crores

Particulars	As at March 31, 2022
(i) Principal amount and the interest due thereon remaining unpaid to each supplier at the end of each accounting year (but within due date as per the MSMED Act)	
- Principal amount due to micro and small enterprise	57.83
- Interest due on above	-
(ii) Interest paid by the Group in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	-
(iii) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year	-
(v) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-

(ii) Ageing of Trade Payables from due date of payments as at March 31, 2022 is as follows:

Rs. In Crores

Particulars	Not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
MSME	-	38.04	13.77	5.69	0.33	57.83
Others	53.97	231.17	17.70	1.89	0.21	304.94
Disputed dues - MSME	-	-	-	-	-	-
Disputed dues - Others	-	-	-	-	-	-
Unbilled dues	12.09	22.38	-	-	-	34.47
Total	66.06	291.59	31.47	7.58	0.54	397.24



12 (b) Other financial liabilities

Rs. In Crores

Particulars	As at March 31, 2022
Non-current	-
Current	
Payable to employees	76.93
Security Deposits from customers and others	16.16
Others	34.97
	128.06
Total	128.06

12 (c) Financial liabilities by category

Particulars	Period ended March 31, 2022		
	Fair value through Profit and Loss (FVTPL)	Amortised cost	Total
Trade payable	-	397.24	397.24
Other Financial Liabilities	-	128.06	128.06
Total Financial liabilities	-	525.30	525.30

1. Financial instruments risk management objectives and policies, refer Note 34.

2. Fair value disclosure for financial assets and liabilities and fair value hierarchy, refer Note 33.

Note 13 : Provisions

Rs. In Crores

Particulars	As at March 31, 2022
Long-term	-
Short-term	
Provision for Warranties	5.38
	5.38
Total	5.38

Note:

Movement of provisions

Particulars	Provision for Warranties
Opening Balance	-
Provision recognised during the year	5.38
Amount used during the year	-
As at March 31, 2022	5.38

The description of the nature and purpose of Provisions is as follows:

Provision for Warranties

The Group has made warranty provision on account of performance guarantee and replacement/ repairs of goods sold.



Note 14 : Government grants

Rs. In Crores

Particulars	As at March 31, 2022
Non-current	
Deferred income	1,998.74
	1,998.74
Current	
Deferred income	93.84
	93.84
Total	2,092.58

Government grants

Rs. In Crores

Particulars	As at March 31, 2022
Balance as on October 1, 2021 (Refer Note 37)	2,158.24
Released to statement of profit and loss (Refer note 18)	65.65
Total Government Grant	2,092.59

Note 15 : Other current liabilities

Rs. In Crores

Particulars	As at March 31, 2022
Advance from customers (Refer Note 1 Below)	897.54
Statutory dues	39.31
Payable to Government of India	8.30
Other liabilities	0.04
Total	945.19

Note:

- Advances including progressive payments received from customers are classified as contract liability and adjusted on completion of related performance obligation.

Note 16 : Current Tax Liability

Rs. In Crores

Particulars	As at March 31, 2022
Provision for Tax (Net of Advance)	0.70
Total	0.70

Note 17: Revenue from operations

Rs. In Crores

Particulars	Period ended March 31, 2022
Sale of Products	1,076.34
Sale of Services	0.50
Other Operating Income	
Disposal of Scrap and Surplus / Unserviceable Stores	11.70
Foreign Exchange Gain	0.08
Total	1,088.62



I. Disaggregation of Revenue from contracts with customers

Revenue based on Geography

Rs. In Crores

Particulars	Period ended March 31, 2022
Domestic	1,088.62
Export	-
Revenue from Operations	1,088.62

Notes :

- In majority of the contract, performance obligation is satisfied "at a point in time" which is primarily determined on customer obtaining control of the asset. One of the prime indicator considered for this is transfer of significant risk and rewards to the customer based on Inco terms. Where a contract involves multiple performance obligation, the criteria specified in Ind AS 115 is applied to determine the point in time when the performance obligation is satisfied.
- Contract with the customer normally do not contain significant financing component and any advance payment received and / or amount retained by customer is with intention of protecting either parties to the contract.
- The Group turnover mainly includes supply of defence electronics equipments and systems.
- Warranties provided are primarily in the nature of performance warranty.

II. Reconciliation of revenue from operation with contract price

Rs. In Crores

Particulars	Period ended March 31, 2022
Revenue from contract with customers as per the contract price	1,088.62
Less : Adjustment made to contract price on account of:	
a) Discounts and Rebates	-
b) Sales Return	-
Revenue from Operations	1,088.62

Note 18: Other income

Rs. In Crores

Particulars	Period ended March 31, 2022
Interest income on financial assets measured at amortized cost	
- Fixed Deposits	8.24
Scrap income	0.68
Government Grants (Refer note 14)	65.65
Rent Income	2.51
Profit on sale of Property, plant and equipment (Net)	0.30
Miscellaneous income	6.05
Total	83.43

Note 19 : Cost of Raw materials and Components

Rs. In Crores

Particulars	Period ended March 31, 2022
Inventories as at October 1, 2021 (Refer Note 37)	945.57
Add : Purchases during the year	342.87
	1,288.44
Less : Inventory at the end of the year	965.30
Total	323.14



Note 20 : Changes in inventories of finished goods and work-in-progress

Rs. In Crores

Particulars	Period ended March 31, 2022
Inventories at the end of the year	
Finished goods	39.58
Work-in-Progress	1,001.48
Scrap	18.97
	1,060.03
Inventories as at October 1, 2021 (Refer Note 37)	
Finished goods	49.20
Work-in-Progress	1,051.28
Scrap	10.91
	1,111.39
(Increase) / Decrease in Inventories	51.36

Note 21 : Employee benefits expense

Rs. In Crores

Particulars	Period ended March 31, 2022
Salaries and Wages	580.91
Contribution to provident and other funds (Refer Note 28)	10.48
Staff welfare and training expenses	1.31
Contract Labour	25.23
Total	617.93

Note 22 : Depreciation and amortization expense

Rs. In Crores

Particulars	Period ended March 31, 2022
Depreciation on Property, plant and equipment (Refer note 5)	65.88
Amortization of Intangible assets (Refer note 6)	0.37
Total	66.25

Note 23 : Other expenses

Rs. In Crores

Particulars	Period ended March 31, 2022
Power and fuel	41.09
Printing, stationery and communication	0.90
Commission and Brokerage	0.06
Rates and taxes	0.60
Repairs :	
To Building	5.57
To others	5.46
Advertisement and publicity	0.03
Computer Expenses	0.32
Software Expenses	0.04
Meeting & Conference Expenses	0.82
Security Charges	33.58
Legal and Professional charges	0.62
Transportation Charges	1.81



Particulars	Period ended March 31, 2022
Conveyance and Travelling expenses	0.63
Auditor's remuneration (Refer note (i) below)	0.06
Bank charges	0.04
Research & Development Expenses	0.55
Miscellaneous expenses	15.21
Total	107.39
(i) Break up of Auditor's remuneration	
Payment to Auditors as	
Auditors	0.06
For Other Services	-
For reimbursement of expenses	-
Total	0.06

Note 24 : Income tax

The major component of income tax expense for the year ended March 31, 2022 is as follows:

Rs. In Crores

Particulars	Period ended March 31, 2022
Statement of Profit and Loss	
-Current Tax	1.38
-Deferred tax expense/(credit)	0.07
Income tax expense/(credit) in the Statement of Profit and Loss	1.45
Statement of Other comprehensive income (OCI)	
-Current Tax	-
-Deferred tax expense/(credit)	-
Income tax expense/(credit) recognised in OCI	-

Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate:

A. Current tax

Rs. In Crores

Particulars	Period ended March 31, 2022
Accounting profit before tax	6.16
Tax Rate	25.168%
Current tax expenses on Profit before tax expenses at the enacted income tax rate in India	1.55
Adjustment	
Exempt income/not liable to tax	(0.08)
Difference in Tax Rate	(0.03)
Expenditure not deductible for tax/not liable to tax	0.05
Total income tax expense/(credit)	1.49
Effective tax rate	24.19%



B. Deferred tax

Rs. In Crores

Particulars	Balance Sheet as at March 31, 2022	Statement of Profit and Loss and OCI for the year ended on March 31, 2022	Adjusted to Retained Earnings on Implementatio n of Ind AS (Refer Note 37) October 01, 2021
Accelerated depreciation for tax purposes	0.14	0.14	-
Impact of recognition of Intangible assets	1.82	(0.07)	1.89
Deferred tax expense/(income)		0.07	1.89
Net deferred tax liabilities	1.96		
Reflected in the balance sheet as follows			
Deferred tax liabilities	1.96		
Deferred tax assets	-		
Deferred tax liabilities (net)	1.96		

(i) The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Reconciliation of Deferred Tax Assets/(Liabilities), Net

Rs. In Crores

Particulars	Period ended March 31, 2022
Opening balance as at October 1, 2021 (Refer Note 37)	1.89
Deferred Tax income/(expense) during the period recognised in profit or loss	0.07
Deferred Tax income/(expense) during the period recognised in OCI	-
Closing balance as at March 31	1.96

Note 25 : Contingent liabilities

Rs. In Crores

Particulars	Period ended March 31, 2022
Contingent liabilities not provided for	
(i) Claims against Group not acknowledged as debts	0.74
(ii) Guarantees given	-
(iii) Disputed demands in respect of Excise and Customs duty	-

Note:

- It is not practicable for the Group to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.
- The Group does not expect any reimbursements in respect of the above contingent liabilities.
- The Group believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Group's financial position and results of operations.

Note 26 : Capital commitment and other commitments

Rs. In Crores

Particulars	Period ended March 31, 2022
(a) Capital commitments	
Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	140.67
(b) Other commitments	-

Note 27 : Foreign Currency Exposures not hedged

Nature of exposure	Currency	As at March 31, 2022	
		FC In Mn	Rs. In Crores
Payable to creditors	USD	0.30	2.28
	EURO	0.18	1.48
	SEK	0.54	0.43

Note 28 : Disclosure pursuant to Employee benefits

A. Defined contribution plans:

Amount of Rs. **10.48** Crores is recognised as expenses and included in note no. 21 "Employee benefit expense".

Rs. In Crores

Particulars	Period ended March 31, 2022
(i) Contribution to National Pension Scheme [note (a)]	10.48
Total	10.48

Note

- (a) Employees of the Group receive benefits from a new pension scheme, which is a defined contribution plan. The eligible employees and the Group make monthly contributions to the new pension scheme equal to a specified percentage of the covered employees' salary along with the Group Contribution. Amounts collected under the scheme are deposited in a government administered pension fund. Such contributions are accounted for as defined contribution plans and are recognised as employee benefits expenses when they are due in the Statement of profit and loss. The Group has no further obligations to the same beyond its contribution.
- (b) Employees of the Group have been deputed by the Government of India for two years from the Appointed date i.e. October 01, 2021 vide office memorandum No. 1 (5)/2021/OF/DP (Plg-V)/02 dated September 24, 2021 and their Salary and other costs are paid by the Government of India during the year as per the terms and conditons of their employment.

Note 29 : Related Party Transactions

As per the Indian Accounting Standard on "Related Party Disclosures" (Ind AS 24), the related parties of the Group are as follows :

(a) Name of Related Parties and Nature of Relationship :

(I) Joint Venture

- Indo Russian Rifles Private Limited

(II) Key Management Personnel

- Mr. Rajesh Choudhary Chairman and Managing Director
- Mr. Akhilesh Kumar Maurya Director
- Ms. Anupma Tripathi Director
- Mr. Ravin Kulshrestha Director
- Mr. Chandraker Bharti Director

(b) Disclosure in respect of Related Party Transactions :

Rs. In Crores

Sr.	Particulars	Joint Venture	Key Management Personnel and relatives	Total
(I)	Transactions during the year			
	Remuneration	-	0.88	0.88
	Leases	Refer note 1 below		
(II)	Balances as at year end			
	Investments	4.25	-	4.25

Note:

- The Group has entered into a Lease agreement with Indo Russian Rifles Private Limited (a Joint Venture of the Group) whereby the Group has given land measuring 8.65 acres along with building constructed on it and Plant and Machinery at a combine measuring 50 acres on token rent of Rs. 1/- per annum for the period of 30 years.



(c) Disclosures pursuant to section 186(4) of the Companies Act, 2013.

Loans and Advances in the nature of loans - Rs. Nil

(d) Terms and conditions of transactions with related parties

Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions.

(e) Commitments with related parties

The Group has not provided any commitment to the related party .

(f) Transactions with key management personnel

Compensation of key management personnel of the Group

Rs. In Crores

Particulars	Year ended March 31, 2022
Short-term employee benefits	0.88
Termination benefits	-
Total compensation paid to key management personnel	0.88

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

(g) Transaction with Government and Government Related Entities

As AWEIL is a government entity under the control of Ministry of Defence (MoD), the Group has availed exemption from detailed disclosures required under Ind AS 24 wrt related party transactions with government and government related entities.

However as required under Ind AS 24, following are the individually significant transactions :

Around 93% of the Group's Turnover, around 100% of Trade Receivables and around 83% of Customer's Advance is with respect to government and government related entities.

Note 30 : Earning per share:

Particulars	Period ended March 31, 2022
Earing per share (Basic and Diluted)	
Profit attributable to ordinary equity holders	Rs. in Crores 4.71
Weighted average number of equity shares for basic EPS (a)	No. 52,83,70,000
Nominal value of equity shares	Rs. 10.00
Basic and Diluted earning per share	Rs. 0.09

Note 31 : Segment Reporting

The Ministry of Corporate Affairs vide notification no 1/2/2014-CL-V dated 23rd February 2018 has exempted the Government companies engaged in Defence production to the extent of application of Ind AS 108 on "Operating Segment".

Note 32 : Leases

A. Operating Lease

- The Group has entered into a Lease agreement with Bharat Electronics Limited whereby the Group has given plot of land measuring 50 acres on token rent of Rs. 1/-per annum for the period of 30 years.

B. Low Value Lease

- The Group has taken Land measuring 415083 Sq. Ft. from Government of India on lease for 20 Years with option of renewal at yearly rent of Rs. 0.01 Crore and considered it as low value lease.
- The Group has taken Land measuring 38.68 acres of land from Hindustan Aeronautics Limited (HAL) on lease for 30 Years with option of renewal at yearly rent of Rs. 1/- per annum and considered it as low value lease.

C. Sub Lease

- The Group has entered into a Lease agreement with Indo Russian Rifles Private Limited (a Joint Venture of the Group) whereby the Group has given land measuring 8.65 acres along with building constructed on it and Plant and Machinery at a combine measuring 50 acres on token rent of Rs. 1/- per annum for the period of 30 years.



Note 33 : Fair value disclosures for financial assets and financial liabilities:

(a) Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Particulars	Rs. In Crores	
	Carrying amount Period ended March 31, 2022	Fair value Period ended March 31, 2022
Financial assets		
Investment at Cost	4.25	4.25
	4.25	4.25
Financial Liabilities	-	-
Total	-	-

The management assessed that the fair values of cash and cash equivalents, other bank balances, loans, trade receivables, other current financial assets, trade payables and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

(b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2022.

Particulars	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservab le inputs (Level 3)
As at March 31, 2022				
Assets measured at fair value	-	-	-	-

Quantitative disclosures fair value measurement hierarchy for financial liabilities as at March 31, 2022

Particulars	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservab le inputs (Level 3)
As at March 31, 2022				
Liabilities measured at fair value	-	-	-	-

Fair value hierarchy

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

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

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

There are no transfer between level 1, 2 and 3 during the year.

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



Note 34 : Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise trade & other payables. The main purpose of these financial liabilities is to finance the Group's operations and to support its operations. The Group's principal financial assets include Investments, loans given, trade and other receivables and cash & short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Group, based on its business operation, evaluated the following risks:

a) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group transacts business in local currency and in foreign currency, primarily in USD. The Group's exposure to the risk of changes in exchange rates relates primarily to the Group's imports for which the payment has to be done in currencies other than the functional currency of the Group. The Group also has foreign currency trade receivables and is, therefore, exposed to foreign exchange risk.

Foreign currency sensitivity The following tables demonstrate the sensitivity to a reasonably possible change in USD rates to the functional currency of entity, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

Particulars	Change in USD rate	Effect on profit before tax	Change in EURO rate	Effect on profit before tax	Change in SEK rate	Effect on profit before tax
March 31, 2022	+2%	(0.05)	+2%	(0.03)	+2%	(0.01)
	-2%	0.05	-2%	0.03	-2%	0.01

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the Group. Credit risk arises principally from trade receivables, loans & advances, advances given to suppliers (for procurement of goods, services and capital goods), cash & cash equivalents and deposits with banks and financial institutions. The Group for the Financial Year derives 93% of its total sales from sales to the Government and Government related entities. The Group expects to continue to derive most of its sales from the Government and Government related entities under the contracts of the Ministry of Defence (MoD), Government of India (GoI) –the Group's principal shareholder and administrative ministry.

c) Provision for expected credit losses:

As the Group's debtors are predominantly the Government of India (Indian Defence Services, Ministry of External Affairs), Central Public Sector Undertakings where the counter - parties have sufficient capacity to meet the obligations and where the risk of default is nil / negligible. Accordingly, impairment on account of expected credit losses is being assessed on a case to case basis in respect of dues outstanding for significant period of time as per the accounting policy of the Group. Further, management believes that the unimpaired amounts that are due is collectable in full, based on historical payment behaviour and extensive analysis of customer credit risk.

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that is settled by delivering cash or another financial asset. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

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

Particulars	Less than 1 year	1 year or more
March 31, 2022		
Trade payables	397.24	-
Other financial liabilities	128.06	-
Total	525.30	-

The Group's standard contract terms provide that, the Group receives advance payments from customers pursuant to the applicable contracts, including the Government of India and the Indian Defence Services at the time of signing of any contract and milestone payments on achievement of physical milestones. These payments are utilized to meet the Group's working capital needs (for the Group required to maintain a high level of working capital because the Group's activities are characterized by long product development periods and production cycles). Further, payments to the Group by the Indian Defence Services are reliant on the continuing availability of budgetary appropriations by Government of India and any disruptions to the availability of such appropriations could adversely affect the Group's cashflows.



e) Market risk:

The Ministry of Defence (MoD) and the Government of India (GoI) have continued efforts to reform Defence related policies such as the Defence Acquisition Procedure 2020 ("DAP 2020") to promote private participation, a level playing field and the domestic Defence manufacturing Industry and eco-system. While the MoD has given the highest priority to Indigenously Designed, Developed and Manufactured ("IDDM") products for capital procurement, the Group faces competition to be selected as the Indian production agency for such contracts. These policies have raised the level of market competition in the areas in which the Group operates.

f) Risk Mitigation Process:

As a step of institutionalizing the risk management in the Group, an elaborate framework has been developed and the Group's top management has overall responsibility for the establishment and oversight of the Group's risk management framework. An important purpose of the framework is to have a structured and comprehensive risk management system across the Group which ensures that the risks are being properly identified and these risks. The risk management process includes risk identification, risk assessment, risk evaluation, risk mitigation and regular review and monitoring of risks. The Group's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Group's business plan along with reasonable participation in market movement.

Note 35 : Capital management:

For the purpose of the Group's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to ensure that it maintains an efficient capital structure and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt

Gearing ratio

Particulars	As at March 31, 2022
Net debt (a)	-
Total Equity	
Equity share capital (Refer note 10)	528.37
Other equity (Refer note 11)	2,049.35
Total Equity (b)	2,577.72
Net Debt to Equity Ratio (a/b)	-

Note 36 : Financial Ratios

S. No	Type of Ratio	Numerator	Denominator	2021-22
1	Current Ratio (In times)	Current Assets	Current Liabilities	2.50
2	Debt-Equity Ratio (In times)		NA	
3	Debt Service Coverage Ratio (In times)		NA	
4	Return on Equity Ratio (%)	Net Profit after Tax	Total Equity	0.18%
5	Inventory turnover Ratio (In times)	Revenue from Operations	Average Inventories	0.45
6	Trade Receivables turnover Ratio (In times)	Revenue from Operations	Average Trade Receivables	4.82
7	Trade Payables turnover Ratio (In times)	Purchase of Goods	Average Trade Payables	1.89
8	Net capital turnover Ratio (In times)	Revenue from Operations	Working Capital	0.46
9	Net profit Ratio (%)	Net Profit after Tax	Total Revenue	0.43%
10	Return on Capital employed (%)	Profit before Interest, Exceptional Items and Tax	Total Capital Employed	0.23%
11	Return on investment (%)		NA	



Note 37 : First- time adoption of Ind AS

By virtue of the Memorandum of Understanding dated September 29, 2021 entered into between President of India and the Company, the activities of Ordnance Factory Board under Department of Defence Production, Ministry of Defence including assets and liabilities, have been transferred to the Company w.e.f. appointed date i.e. October 01, 2021. These financial statements, for the year ended March 31, 2022, are the first annual Ind AS financial statements, the Group has prepared in accordance with Ind AS.

Accordingly, the Group has prepared financial statements which comply with Ind AS applicable for periods ending on March 31, 2022. In preparing these financial statements, the Group's opening balance sheet was prepared as at the appointed date i.e. October 1, 2021, the Group's date of transition to Ind AS. This note explains the principal adjustments made by the Group in restating its previous financial statements prepared in commercial format by Defence Accounts Department, Ministry of Defence (Finance) Government of India.

A. Exemptions applied

Ind AS 101 "First-time Adoption of Indian Accounting Standards" allows first-time adopter certain exemptions from the retrospective application of certain requirements under Ind AS. The Group has applied the following exemptions:

Ind AS optional exemptions

1. Deemed cost

Ind AS 101 permits a first time adopter to elect to measure an item of property, plant and equipment at the transition to Ind AS at its fair value and use that fair value as its deemed cost at that date. This exemption can also be used for intangible assets covered by Ind AS 38.

However, the Group has elected to measure all of its property, plant and equipment & intangible assets at carrying value as recognised in the previous financial statement on the date of transition to Ind AS and used those carrying value as deemed cost of Property, plant and equipment & Intangible assets since there is no change in the functional currency."

2. Investment in Joint ventures

The Group has elected the option provided under Ind AS 101 to measure its investment in Joint venture at previous carrying value on the date of transition in its separate financial statement and used that carrying value as the deemed cost of such investment.

3. Non-current assets held for sale and discontinued operations

The Group has elected the option provided under Ind AS 101 to measure non-current assets held for sale and discontinued operations at the lower of carrying value and fair value less cost to sell at the date of transition to Ind ASs.

Ind AS mandatory exceptions

1. Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous financial statements, unless there is objective evidence that those estimates were in error.

Ind AS estimates as at October 01, 2021 and March 31, 2022 are consistent with the estimates as at the same date made in the conformity with previous financial statement.

2. De- recognition of financial assets and liabilities

Ind AS 101 requires a first time adopter to apply the de-recognition provision of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from the date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result to past transactions was obtained at the time of initially accounting those transactions.

The Group has elected to apply the de-recognition provision of Ind AS 109 prospectively.



B. Reconciliations between previous financial information and Ind AS

Ind AS 101 requires an entity to reconcile equity and total comprehensive income for prior periods. The following tables represent the reconciliations from previous financial statement to Ind AS:

1. Reconciliation of equity as at October 01, 2021

Particulars	Notes	Rs. in Crores
		As at October 01, 2021
Equity under previous financial statement prepared in commercial format by Defence Accounts Department, Ministry of Defence (Finance) Government of India		2,934.09
Impact of valuation of Property, plant and equipment & Intangible assets	i	52.76
Impact of recognition of Investment in Joint Venture	ii	4.34
Impact of valuation of Financial Assets and Liabilities	iii	(154.48)
Impact of valuation of Inventories	iv	(783.24)
Impact of derecognition of Preliminary Expenses	v	(6.94)
Tax impact on Ind AS adjustments	vi	(1.89)
Equity as per Ind AS		2,044.64

C. Notes to the reconciliation of equity and total comprehensive income

i. Impact of valuation of Property, plant and equipment & Intangible assets

The Group has elected to measure all of its property, plant and equipment & intangible assets at carrying value as recognised in the previous financial statement on the date of transition to Ind AS and used those carrying value as deemed cost of Property, plant and equipment & Intangible assets since there is no change in the functional currency. However, the Group has made certain adjustments including recognition of Intangible Asset which was not recognised in previous financial statement to comply with Ind AS implementation amounting to Rs. 52.76 Crores against Retained Earnings.

ii. Impact of recognition of Investment in Joint Venture

The Company has recognised investment in a joint venture of Rs. 4.25 Crores which was held by erstwhile Ordnance Factory Board (OFB) and splitted between newly formed DPSUs based on the Official Gazette notification dated 01st October 2021 to comply with Ind AS implementation by crediting Capital Reserve.

iii. Impact of valuation of Financial Assets and Liabilities

The Group has valued its financial assets and liabilities at their realisable value in compliance with Ind AS implementation. Also, transition from Cash method of accounting to Accrual method of accounting also resulted into adjustments. The cumulative difference of Rs. 154.48 Crores has been adjusted in Retained Earnings.

iv. Impact of valuation of Inventories

Under previous financial statement prepared in commercial format by Defence Accounts Department, Ministry of Defence (Finance) Government of India, inventories were valued at Cost. Under Ind AS, the inventories are valued at lower of cost or realisable value resulting into difference of Rs. 783.24 Crores adjusted in Retained Earnings.

v. Impact of derecognition of Preliminary Expenses

Under previous financial statement prepared in commercial format by Defence Accounts Department, Ministry of Defence (Finance) Government of India, preliminary expenses of Rs. 6.94 crores were carried forward for future amortisation. Under Ind AS, such expenditure has to be charged of in the year in which it is incurred. The unamortised preliminary expenditure has been adjusted in Retained Earnings.

vi. Tax impacts on Ind AS adjustments

The impact of transition adjustments together with Ind AS mandate of using balance sheet approach (against profit and loss approach under previous GAAP) for computation of deferred tax has resulted in adjustment to Reserves, with consequential impact in the subsequent periods to the Statement of profit and loss or Other comprehensive income, as the case may be.

vii. Retained Earnings

Retained Earnings as at October 01, 2021 has been adjusted consequent to the above Ind AS transition adjustments.

viii. Classification & Presentation

a. Recognition of certain Government grant as deferred income

Under Ind AS, Property, Plant and Equipment has been recognised at gross cost and government grant has been recognised as deferred income. The deferred income is recognised as income in the statement of profit and loss on a systematic basis over the useful life of the assets for which it is received.



Note 38 : Interest in Other Entity

Sr no.	Name of Entity	Country of Incorporation	Activities	Proportion of Ownership of Interest (As at March 31, 2022)
-Joint Venture				
1	Indo Russian Rifles Private Limited	India	Defence	42.50%

(A) Group's Share in Contingent Liability of Joint Ventures

Sr no.	Particulars	As at March 31, 2022
1	Disputed Demand	-
2	Claims against the Company not acknowledged as debts	-

Note 39 : Additional information pursuant to Schedule III of Companies Act 2013

Name of Entities	For the financial year ending on / as at March 31, 2022							
	Net Assets i.e. Total Assets minus Total Liabilities		Share in Profit or (loss)		Share in other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of consolidation net assets	Amount	As a % of consolidated Profit	Amount	As a % of consolidated OCI	Amount	As a % of consolidation Total Comprehensive Income	Amount
Parent:								
Advanced Weapons & Equipment India Limited	99.82%	2573.20	96.18%	4.53	-	-	96.18%	4.53
Total	99.82%	2573.20	96.18%	4.53	-	-	96.18%	4.53
Add:								
Joint Ventures (Investment as per Equity method)								
Indo Russian Rifles Private Limited	0.18%	4.52	3.82%	0.18	-	-	3.82%	0.18
Grand Total	100%	2577.72	100%	4.71	-	-	100%	4.71

Note 40 : Additional Regulatory Disclosures as per Schedule III of the Companies Act, 2013

- The Group does not have any benami property held in their name. No proceedings have been initiated on or are pending against the Parent and Indian subsidiaries for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.
- The Group has not been declared wilful defaulter by any bank or financial institution or other lender or government or any government authority.
- The Group has complied with the requirement with respect to number of layers as prescribed under section 2(87) of the Companies Act, 2013 read with the Companies (Restriction on number of layers) Rules, 2017.
- Utilisation of borrowed funds and share premium
 - The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall: a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Parent Group (Ultimate Beneficiaries) or b) Provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.
 - The Group has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall: a) 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 b) Provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.
- The Group has not invested or traded in Crypto Currency or Virtual Currency during the year.
- The Group has no income surrendered or disclosed as income during the year in tax assessments under the Income tax Act, 1961 (such as search or survey), that has not been recorded in the books of account.



- (vii) The Group does not have any transactions with the companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.

Note 41: Code of Social Security, 2020

The Parliament of India has approved the Code of Social Security, 2020 (the Code) which may impact the contribution by the group towards Provident Fund, Gratuity and ESIC. The Code have been published in the Gazette of India. However effective date has yet not been notified. The group will assess the impact of the Code and will record related impact in the period it becomes effective.

Note 42: New Accounting Pronouncements to be adopted after March 31, 2022

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1, 2022, as below:

Ind AS 103 – Reference to Conceptual Framework

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The group does not expect the amendment to have any material impact in its financial statements.

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the group is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The group does not expect the amendments to have any material impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the group does not expect the amendment to have any material impact in its financial statements.

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability. The group does not expect the amendment to have any material impact in its financial statements.

Ind AS 116 – Annual Improvements to Ind AS (2021)

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The group does not expect the amendment to have any material impact in its financial statements.

Note 43: Indigenization Corpus

Notification on Policy for Indigenization of Components and spares used in Defence platforms for DPSUs/OFB was issued on 8th March 2019. As the guidelines from Department of Defence Production (DDP) regarding modalities has not been received as on 31st March 2022 no provision has been made during this period.

Note 44 : Balance shown under Trade Receivables, Trade Payable, Advance against Goods and Services, are under reconciliation. Since the group is a Government entity under the control of Ministry of Defence (MoD), around 93% of the Group's turnover, around 100% of Trade receivables and around 83% of the customer advances is with respect to Government and Government related entities. The bills are raised on the customers by the divisions located at various places and reconciliation is carried out on an ongoing basis. However, management does not expect to have any material financial impact of such pending confirmation / reconciliation.

Note 45 : In the opinion of the Board, the group do not have any assets other than fixed assets and Non-current investments having a value on realisation in the ordinary course of business less than the amount stated.

Note 46: Events occurring after the reporting period

The group evaluates events and transactions that occur subsequent to the balance sheet date but prior to the approval of financial statements to determine the necessity for recognition and/or reporting of subsequent events and transactions in the financial statements. As of November 15, 2022, there were no subsequent events and transactions to be recognized or reported that are not already disclosed.



NOTICE

Notice is hereby given that the First Annual General Meeting (AGM) of Advanced Weapons And Equipment India Limited will be held at shorter notice, through Video Conferencing, on Tuesday, the February 21, 2023 at 11.00 A.M. from the registered office of the company at "Ordnance Factory Kanpur, Kalpi Road, Kanpur-208009 in accordance with the applicable provisions of the Companies Act, 2013 read with MCA General Circular No. 10/2022 and General Circular No. 11/2022, dated 28.12.2022 to transact the following businesses:

ORDINARY BUSINESS:-

ITEM NO. 1

To receive, consider and adopt:

- a) the Audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2022 together with the reports of Board of Directors' and Auditors' thereon; and
- b) the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2022 and report of the Auditors' thereon.

ITEM NO. 2

To authorise the Board of Directors to fix remuneration of Statutory Auditors of the Company for the financial year 2022-2023 in compliance with the directions of Comptroller and Auditor General of India.

SPECIAL BUSINESS:-

ITEM NO. 3

To ratify the remuneration payable to the Cost auditor appointed by the Board of Directors of the Company for the financial year 2022-23 pursuant to Section 148 and all other applicable provisions of Companies Act, 2013, by passing with or without modification(s), the following resolution as Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors Rules), 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the remuneration of Rs.2,00,000/-(Rupees two lakhs only) plus GST payable to M/s. M. R. Vyas & Associates, Kanpur, Cost Accountants, for conducting cost audit of the Company for the financial year 2022-23, as approved by the Board of Directors of the Company be and is hereby ratified by the shareholders of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution."

ITEM NO. 4

To appoint Shri Biswajit Pradhan (DIN: 10045105), as Director (HR) of the Company and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013, and the Rules made there under, Shri Biswajit Pradhan (DIN: 10045105), who was appointed as Director (HR) by the Board with effect from 10th February 2023, as per Office Memorandum MoD ID No. PC-I to 1(5)/2021/OF/DP (Plg-V) Dated 6th December, 2022 from Ministry of Defence, Department of Defence Production, DTE of Planning & Coordination DP(PLG-V), consent of the Members be and is hereby accorded to the appointment of Shri Biswajit Pradhan as Director (HR) on the Board of the Company on terms and conditions as stipulated by the Government of India".

BY ORDER OF THE BOARD

Advanced Weapons and Equipment India Limited

Sd/-

(Manish Kumar Singh)

COMPANY SECRETARY

Place: Kanpur

Dated: 17.02.2023



NOTES:-

1. The Explanatory Statement setting out material facts concerning each item of Special Businesses to be transacted at the Annual General Meeting pursuant to Section 102 of the Companies Act, 2013 is annexed herewith and forms part of the Notice.
2. In view of the COVID pandemic, the Ministry of Corporate Affairs vide its Circular No. Circular No. 10/2022 and General Circular No. 11/2022, dated 28.12.2022 read with Circulars No. 20/2020 dated 05.05.2020, 02/2021 dated 13.01.2021, 19/2021 dated 08.12.2021, 21/2021 dated 14.12.2021 and 02/2022 dated 05.05.2022 (collectively referred to as 'Circulars'), has introduced certain measures enabling Companies to convene their Annual General Meetings (AGM) through Video Conferencing (VC) or Other Audio Visual Means (OAVM) and also send notice of the Meeting and other correspondences related thereto, through electronic mode. In compliance with the said requirements of the MCA Circulars, electronic copy of the Notice along with the Annual Report for the financial year ended 31st March, 2022 consisting of financial statements including Board's Report, Auditors' Report and other documents required to be attached therewith (Collectively referred to as Notice) have been sent to members on their email ids which are registered with the Company.
3. In terms of the aforesaid Circulars, the businesses set out in the Notice will be transacted by the members through the voting system provided during the meeting while participating through VC facility.
4. Members will be able to attend the AGM through VC/OAVM for which the relevant user id and password will be shared before the AGM.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

The following statement sets out all material facts relating to special business mentioned in the accompanying notice.

ITEM NO. 3:

The Board, has approved the appointment of M/s. M. R. Vyas & Associates, Kanpur, Cost Accountants, at a remuneration of Rs.2,00,000/-(Rupees two Lakhs only) plus GST payable to conduct the Cost Audit of the Company for the financial year 2022-2023.

In accordance with the provisions of Section 148 (3) of the Companies Act, 2013 read with Rule 14 of Companies (Audit & Auditors Rules), 2014, the remuneration payable to the Cost Auditor has to be ratified by the members of the Company.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the resolution.

The Board of Directors recommends the Ordinary Resolution for your approval.

ITEM NO. 4:

Shri Biswajit Pradhan (DIN: 10045105) was appointed as Director (HR), vide Office Memorandum MoD ID No. PC-I to 1(5)/2021/OF/DP (Plg-V) Dated 6th December, 2022 from Ministry of Defence, Department of Defence Production, DTE of Planning & Coordination DP(PLG-V).

Pursuant to the provisions of Section 152(2) of the Companies Act, 2013 every director of the Company has to be appointed in the general meeting of the Company. Therefore, approval of the shareholders is sought for the appointment of Shri Biswajit Pradhan (DIN: 10045105) as the Director (HR), on same terms and conditions as determined by Government of India. Shri Biswajit Pradhan is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013.

None of the Directors, Key Managerial Personnel of the Company or their relatives except Shri Biswajit Pradhan, is in any way, concerned or interested, financially or otherwise, in the resolution.

The Board of Directors recommends the Ordinary Resolution for your approval.

BY ORDER OF THE BOARD

Advanced Weapons and Equipment India Limited

Sd/-

(Manish Kumar Singh)

COMPANY SECRETARY

Place: Kanpur

Dated: 17.02.2023



We commit ourselves to meet all the requirements of weapons and equipment of our all Armed Forces, Para-Military Forces, Police Forces as well as other national and International customers with State of the Art production, meeting all quality standards, time bound delivery of products and outstanding after sales services.

With complete devotion and dedication in manufacturing defence products, we pledge to safeguard the safety and security of all citizens and our motherland.

We commit to overcome all challenges and establish AWEIL as a strong, reliable, progressive, self-reliant and world class weapons manufacturing organization.

* * *

Jai Hind



पंजीकृत कार्यालय: आयुध निर्माणी, कालपी रोड कानपुर-208009, उ.प्र.
REGD. ADDRESS: ORDNANCE FACTORY KANPUR, KALPI ROAD, KANPUR-208009, U.P.

दूरभाष/ TELE: 0512-2986979 | फ़ैक्स/ FAX: 0512-2216040

E-mail: contact@aweil.in | Website: www.aweil.in

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