ESTERLINA SOLAR ENGINEERS PRIVATE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

Esterlina Solar Engineers Private Limited

Balance sheet
as at 31 March 2023

(Currency : Indian rupees in million)

	Particulars	Note	31 March 2023	31 March 2022
	Assets			
1	**Non-current assets**			
	(a) Other income tax assets	*4*	**0.01**	2.70
	Total non-current assets		**0.01**	2.70
2	**Current assets**			
	(a) Financial assets			
	(i) Cash and cash equivalents	*5*	**0.08**	0.31
	(ii) Loans	*6*	**1.49**	-
	(b) Other current assets	*7*	**1.29**	1.22
	Total current assets		**2.86**	1.53
	Total assets		**2.87**	4.23
	Equity and Liabilities			
	Equity			
	(a) Equity share capital	*8*	**0.10**	0.10
	(b) Other equity	*9*	**1.50**	1.33
	Total equity		**1.60**	1.43
	Liabilities			
1	**Current liabilities**			
	(a) Financial liabilities			
	(i) Trade payables	*10*		
	- Total outstanding dues of micro enterprises and small enterprises		**-**	-
	- Total outstanding dues of creditors other than micro enterprises and small enterprises		**1.22**	2.18
	(ii) Other financial liabilities	*11*	**0.03**	-
	(b) Other current liabilities	*12*	**0.02**	0.62
	Total current liabilities		**1.27**	2.80
	Total equity and liabilities		**2.87**	4.23

The attached notes 1-25 are an integral part of these financial statements.

As per our report of even date attached.

For Kalyaniwalla and Mistry LLP
Chartered Accountants
Firm's Registration No: 104607W / W100166

Daraius Z. Fraser
PARTNER
M. No.: 42454

Mumbai
19 April 2023

For and on behalf of Board of Directors
Esterlina Solar Engineers Private Limited
CIN: U74999MH2018PTC315871

Khurshed Daruvala
Chairman
DIN:00216905

Zarine Y Daruvala
Director
DIN:00190585

Mumbai
19 April 2023

Esterlina Solar Engineers Private Limited

Statement of profit and loss
for the year ended 31 March 2023

(Currency : Indian rupees in million)

Particulars	*Note*	**For the year ended 31 March 2023**	For the year ended 31 March 2022
Income			
Other income	*13*	**0.41**	32.82
Total income		**0.41**	32.82
Expenses			
Direct project costs	*14*	-	0.18
Finance costs	*15*	**0.07**	21.63
Other expenses	*16*	**0.26**	28.46
Total expenses		**0.33**	50.27
Profit / (Loss) before tax		**0.08**	(17.45)
Tax expenses:			
Tax credit relating to earlier periods	*22*	**(0.09)**	-
		(0.09)	-
Profit / (Loss) for the year		**0.17**	(17.45)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (loss) for the year		**0.17**	(17.45)
Earnings per equity share (nominal value of Rs. 10 each, fully paid-up)			
Basic and diluted earnings per share (Rs.) - Class A equity shares	*20*	**16.65**	(1,745.11)

The attached notes 1-25 are an integral part of these financial statements.

As per our report of even date attached.

For Kalyaniwalla and Mistry LLP
Chartered Accountants
Firm's Registration No: 104607W / W100166

Daraius Z. Fraser
PARTNER
M. No.: 42454

Mumbai
19 April 2023

For and on behalf of Board of Directors
Esterlina Solar Engineers Private Limited
CIN: U74999MH2018PTC315871

Khurshed Daruvala
Chairman
DIN:00216905

Zarine Y Daruvala
Director
DIN:00190585

Mumbai
19 April 2023

Esterlina Solar Engineers Private Limited

Statement of cash flows
for the year ended 31 March 2023

(Currency : Indian rupees in million)

	Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
A	**Cash flows from operating activities**		
	Profit / (Loss) before tax	**0.08**	(17.45)
	Adjustments:		
	Unrealised foreign exchange (gain)	**(0.00)**	-
	Interest income	**(0.17)**	(32.82)
	Finance cost	**0.07**	21.63
	Operating (loss) before working capital changes	**(0.02)**	(28.64)
	Changes in working capital:		
	Decrease in trade receivables	-	23.03
	(Increase) in other current assets	**(0.08)**	(0.25)
	(Decrease) in trade payables	**(1.01)**	(303.34)
	Increase in other financial liabilities	**0.03**	-
	(Decrease) / Increase in other current liabilities	**(0.60)**	0.36
	Net change in working capital	**(1.66)**	(280.20)
	Cash flows (used in) operations	**(1.68)**	(308.84)
	Income taxes paid (net)	**2.81**	(5.68)
	Net cash flows generated from / (used in) operating activities (A)	**1.13**	(314.52)
B	**Cash flows from investing activities**		
	Loan given to Holding Company	**(1.49)**	(3.60)
	Loan repaid by Holding Company	-	301.09
	Interest received	**0.17**	38.41
	Net cash flows (used in) / generated from investing activities (B)	**(1.32)**	335.90
C	**Cash flows from financing activities**		
	Interest paid	**(0.04)**	(21.47)
	Loan taken from holding company	**1.20**	310.45
	Loan repaid to holding company	**(1.20)**	(310.45)
	Net cash flows (used in) financing activities (C)	**(0.04)**	(21.47)
	Net (decrease) in cash and cash equivalents (A+B+C)	**(0.23)**	(0.09)
	Cash and cash equivalents at the beginning of the year	**0.31**	0.40
	Cash and cash equivalents at the end of the year	**0.08**	0.31

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

Esterlina Solar Engineers Private Limited

Statement of cash flows *(Continued)*
for the year ended 31 March 2023

(Currency : Indian rupees in million)

Notes to statement of cash flows:

1 The statement of cash flows has been prepared under the indirect method as set out in Indian Accounting Standard - 7 'Statement of Cash Flows'.

2 **Components of cash and cash equivalents:**

Particulars	31 March 2023	31 March 2022
Balances with banks		
- On current accounts	**0.08**	0.31
Total cash and cash equivalents	**0.08**	0.31

3 Changes in liabilities arising from financing activity, including both changes arising from cash flows and non-cash changes:

Particulars	31 March 2023	31 March 2022
Short term borrowings		
At the beginning of the year	-	-
Loan taken during the year	1.20	310.45
Loan repaid during the year	(1.20)	(310.45)
At the end of the year	-	-

The attached notes 1-25 are an integral part of these financial statements.

As per our report of even date attached

For Kalyaniwalla and Mistry LLP
Chartered Accountants
Firm's Registration No: 104607W / W100166

Daraius Z. Fraser
PARTNER
M. No.: 42454

Mumbai
19 April 2023

For and on behalf of Board of Directors
Esterlina Solar Engineers Private Limited
CIN: U74999MH2018PTC315871

Khurshed Daruvala
Chairman
DIN:00216905

Zarine Y Daruvala
Director
DIN:00190585

Mumbai
19 April 2023

Esterlina Solar Engineers Private Limited

Statement of changes in equity

for the year ended 31 March 2023

(Currency : Indian rupees in million)

A. Equity share capital

	Balance as at 1 April 2022	Changes in Equity Share Capital during the year	Balance as at 31 March 2023
Equity Share Capital	0.10	-	**0.10**

	Balance as at 31 March 2021	Changes in Equity Share Capital during the period	Balance as at 31 March 2022
Equity Share Capital	0.10	-	0.10

B. Other equity

	Retained Earnings
Balance as at 1 April 2021	18.78
Profit for the period	(17.45)
Total comprehensive income for the period	**(17.45)**
Balance as at 31 March 2022	**1.33**
Balance as at 1 April 2022	1.33
Profit for the year	0.17
Total comprehensive income for the year	**0.17**
Balance as at 31 March 2023	**1.50**

The attached notes 1-25 are an integral part of these financial statements.

As per our report of even date attached.

For Kalyaniwalla and Mistry LLP
Chartered Accountants
Firm's Registration No: 104607W / W100166

Darius Z. Fraser
PARTNER
M. No.: 42454

Mumbai
19 April 2023

For and on behalf of Board of Directors
Esterlina Solar Engineers Private Limited
CIN. U74999MH2018PTC315871

Khurshed Daruvala
Chairman
DIN:00216905

Zarine Y Daruvala
Director
DIN:00190585

Mumbai
19 April 2023

Esterlina Solar Engineers Private Limited

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

(Currency : Indian rupees in million)

1. Background

Esterlina Solar Engineers Private Limited ("the Company") is a Private Limited Company domiciled in India with its registered office situated at 9th Floor, Universal Majestic, P.L.Lokhande Marg, Chembur (West) Mumbai - 400043. The Company has been incorporated on 16 October 2018 under the provisions of the Companies Act, 2013 having CIN no U74999MH2018PTC315871. The Company has been incorporated to design, engineer, supply, erect, commission, maintain, repair solar power plants, accessories, components, spare parts thereof and provide renewable energy solutions, both in India and abroad.

The Company is a wholly owned subsidiary of Sterling and Wilson Renewable Energy Limited (formerly known as Sterling and Wilson Solar Limited ('Holding Company').

2. Basis of preparation of the financial statements

(a) *Statement of compliance*

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016 notified under Section 133 of Companies Act, 2013 ('the Act') and other relevant provisions of the Act.

The financial statements were authorised for issue by the Board of Directors of the Company at their meeting held on 19 April 2023.

As at 31 March 2023, the Company does not have any order on hand. The financial statements have been prepared on a going concern basis as the Company has received a letter from the ultimate holding company for continued financial support in the foreseeable future as necessary to enable the Company to continue its operations in the near future and to settle its obligations as they fall due in the foreseeable future.
Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets or to amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

(b) *Functional and presentation currency*

These financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded off to the nearest two decimal places in million, unless otherwise stated.

(c) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value.

(d) *Use of estimates and judgements*

The preparation of the financial statements in accordance with Ind AS requires use of judgements, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised prospectively.

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

(Currency : Indian rupees in million)

2. Basis of preparation of the financial statements *(Continued)*

(d) Use of estimates and judgements (continued)

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the year ending 31 March 2023 are as follows:

(i) Evaluation of percentage of completion

Determination of revenue under percentage of completion method necessarily involves making estimates, some of which are of a technical nature, concerning, where relevant, the percentage of completion, costs to completion, the expected revenue from the project or activity and foreseeable losses to completion. Estimates of project income, as well as project costs, are reviewed periodically. The effect of changes, if any, to estimates is recognised in the financial statements for the year/period in which such changes are determined.

(ii) Recoverability of deferred income tax assets

In determining the recoverability of deferred income tax assets, the Company primarily considers current and expected profitability of applicable operating business segments and their ability to utilise any recorded tax assets. The Company reviews its deferred income tax assets at every reporting period end, taking into consideration the availability of sufficient current and projected taxable profits, reversals of taxable temporary differences and tax planning strategies.

(iii) Impairment losses on financial assets

The Company reviews its financial assets to assess impairment at regular intervals. The Company's credit risk is primarily attributable to its financial assets. In determining whether impairment losses should be reported in the standalone statement of profit and loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for expected credit loss is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

(iv) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values, which includes overseeing all significant fair value measurements, including Level 3 fair values by the management. The management regularly reviews significant unobservable inputs and valuation adjustments.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Company's Board of Directors.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Mumbai

(Currency : Indian rupees in million)

2. Basis of preparation of the financial statements *(Continued)*

(iv) Measurement of fair values (Continued)

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 28 to the Financial statements.

(v) Determination of lease term and discount rate

Ind AS 116 Leases requires lessee to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of lease and the importance of the underlying to the Company's operations taking into account the location of the underlying asset and the availability of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

(vi) Impairment losses on trade receivables

The Company reviews its trade receivables to assess impairment at regular intervals. The Company's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in the statement of profit and loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for expected credit loss is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

3. Significant accounting policies

3.1 Current/ non-current classification

The Schedule III to the Act requires assets and liabilities to be classified as either current or non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

(i) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

(ii) it is expected to be realised within twelve months from the reporting date;

(iii) it is held primarily for the purposes of being traded; or

(iv) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

(i) it is expected to be settled in the Company's normal operating cycle;

(ii) it is due to be settled within twelve months from the reporting date;

(iii) it is held primarily for the purposes of being traded; or

(iv) the Company does not have an unconditional right to defer settlement of the liability for atleast twelve months from the reporting

All other liabilities are classified as non-current.

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

(Currency : Indian rupees in million)

3. Significant accounting policies *(Continued)*

3.1 Current/ non-current classification (Continued)

Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out above which are in accordance with the Schedule III to the Act.

For purpose of current / non-current classification of assets and liabilities, the Company has ascertained its normal operating cycle as 12 months. This is based on the nature of services and the time between the acquisition of assets and their realisation in cash and cash equivalents.

3.2 Financial instruments

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

(a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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

(b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at
- amortised cost;
- FVOCI – debt investment;
- FVOCI – equity investment; or
- FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– the asset is held within a business model whose objective is to hold assets 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 on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
– the 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 on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

3. Significant accounting policies *(Continued)*

(b) Classification and subsequent measurement (Continued)

Financial assets (Continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Company's management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:
– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable interest rate features;
– prepayment and extension features; and
– terms that limit the Company's claim to cash flows from specified assets (e.g. non- recourse features).

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

3. Significant accounting policies *(Continued)*

(b) Classification and subsequent measurement (Continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (Continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

(i) Financial assets at FVTPL:

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit and loss.

(ii) Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit and loss. Any gain or loss on derecognition is recognised in the statement of profit and loss.

(iii) Debt investments at FVOCI:

These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of profit and loss.

(iv) Equity investments at FVOCI:

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to the statement of profit and loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of profit and loss. Any gain or loss on derecognition is also recognised in the statement of

(c) Derecognition

Financial assets

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

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

(Currency : Indian rupees in million)

3. Significant accounting policies *(Continued)*

(c) Derecognition (Continued)

Financial assets (Continued)

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the statement of profit and loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.3 Fair Value

The Company measures financial instruments at fair value in accordance with the accounting policies mentioned above. 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

(i) in the principal market for the asset or liability; or

(ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy that categorises into three levels, as described as follows, the inputs to valuation techniques used to measure value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

Level 1 : quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : inputs that are unobservable for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

3.4 Provisions and Contingencies

A provision is recognised 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. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Kalyaniwalla & Mistry LLP Mumbai

Esterlina Solar Engineers Pvt. Ltd. Mumbai

3. Significant accounting policies *(Continued)*

3.4 Provisions and Contingencies (Continued)

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources embodying economic benefits or the amount of such obligation cannot be measured reliably. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources embodying economic benefits is remote, no provision or disclosure is made.

A contingent asset is disclosed where an inflow of economic benefits is probable.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

3.5 Revenue recognition

The Company has adopted Ind AS 115, Revenue from Contracts with Customers, with effect from 1 April 2018. The Company has applied the following accounting policy for revenue recognition:

Revenue from contracts with customers

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: 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 amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company performance as the company performs; or
2. The Company performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company performance does not create an asset with an alternative use to and the entity has an enforceable right to payment for performance completed to date.

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

3. Significant accounting policies *(Continued)*

3.5 Revenue recognition (Continued)

Revenue from contracts with customers: *(Continued)*

Revenue towards satisfaction of a performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that performance obligation. The transaction price of goods sold and services rendered is net of variable consideration on account of various discounts and schemes offered by the Company as part of the contract and excludes taxes and duties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from works contract

Revenue from works contracts, where the outcome can be estimated reliably, is recognised under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. Determination of revenues under the percentage of completion method necessarily involves making estimates by the management.

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration to be earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Any variations in contract work, claims, incentive payments are included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved.

Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the Company.

Revenue from sale of goods

The Company recognises revenue from sale of goods once the customer takes possession of the goods. Revenue represents the invoice value of goods provided to third parties net of discounts and taxes.

Contract assets

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Contract liabilities

Contract Liabilities are recognised when there is billing in excess of revenue and advance received from customers.

3.6 Property, plant and equipment

Recognition and measurement

The cost of an item of property, plant and equipment is recognised 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 and is measured at cost. Subsequent to recognition, all items of property, plant and equipment (except for freehold land) are stated at cost less accumulated depreciation and accumulated impairment losses.

If the cost of an individual part of property, plant and equipment is significant relative to the total cost of the item, the individual part is accounted for and depreciated separately.

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

3. Significant accounting policies *(Continued)*

3.6 Property, plant and equipment (Continued)

The cost of property, plant and equipment comprises its purchase price plus any costs 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 initial estimate of decommissioning, restoration and similar liabilities, if any. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the subsequent expenditure can be measured reliably.

Items such as spare parts, stand-by equipments and servicing that meets the definition of property, plant and equipment are capitalised at cost and depreciated over the useful life. Cost of repairs and maintenance are recognised in the statement of profit and loss as and when incurred.

Depreciation

Depreciation on property, plant and equipment has been provided using the straight line method in the manner and at the rates prescribed by Schedule II of the Act. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

3.7 Leases

At the inception of a contract, the Company assesses whether a contract is or contains, a lease. 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 of consideration. To assess whether a contract conveys the right to control the use of an asset the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capability of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Company has the tight to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

As a lessee

Right-of-use assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. At the commencement date, a lessee shall measure the right-of-use asset at cost which comprises initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company measures right-of-use assets at cost less accumulated depreciation and any accumulated impairment losses.

Lease Liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Short-term lease and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of less than 12 months or less and leases of low-value assets, including IT Equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The election for short-term leases shall be made by class of underlying asset to which the right of use relates. A class of underlying asset is a grouping of underlying assets of a similar nature and use in Company's operations. The election for leases for which the underlying asset is of low value can be made on a lease-by-lease basis.

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

3. Significant accounting policies *(Continued)*

3.7 Leases (Continued)

Changes in accounting policies and Transition note

On 30 March 2019, the Ministry of Corporate Affairs ("MCA") through the Companies (Indian Accounting Standards) Amendment Rules, 2019 and the Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

Effective from 1 April 2019 ('the date of transition'), the Company applied Ind AS 116 using the modified retrospective approach, under which the right-of-use asset is equals to lease liability on 1 April 2019.

On transition to Ind AS 116, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied Ind AS 116 only to contracts that were previously identified as leases under Ind AS 17. Therefore, the definition of a lease under Ind AS 116 was applied only to contracts entered into or changed on or after 1 April 2019.

The cumulative effect on transition in retained earnings is Rs Nil.

3.8 Advances from customers, progress payments and retention

Advances received from customers in respect of contracts are treated as liabilities and adjusted against progress billing as per terms of the contract.

Progress payments received are adjusted against amount receivable from customers in respect of the contract work performed.

Amounts retained by the customers until the satisfactory completion of the contracts are recognised as receivables.

3.9 Inventories

Material at central stores comprises modules, wires, cables, components, stores and spares.

Inventories are valued at lower of cost or net realisable value; cost is determined on the moving weighted average method basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

3.10 Impairment

Impairment of non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company applies expected credit losses (ECL) model for measurement and recognition of loss allowance on the following:
(i) Trade receivables, lease receivables and contract assets; and
(ii) Financial assets measured at amortised cost (other than trade receivables, lease receivables and contract assets).

In case of trade receivables, lease receivables and contract assets, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognition as loss allowance. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime of ECL.

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai

3. Significant accounting policies *(Continued)*

3.10 Impairment (Continued)

Impairment of non-derivative financial assets (Continued)

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.
Lifetime ECL are the expected credit losses resulting from all possible defaults events over the expected life of a financial asset. 12 month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is 90 days or more past due.

ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in the statement of profit and loss

Impairment of non-financial assets

Non-financial assets other than inventories, deferred tax assets and non-current assets classified as held for sale are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. The recoverable amount is the higher of the asset's or Cash-Generating Unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its

3.11 Income tax

Income tax comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

On 30th March 2019, MCA has issued amendment regarding the income tax Uncertainty over Income Tax Treatments. The notification clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment. This notification is effective for annual reporting periods beginning on or after April 1, 2019. As per the Company's assessment, there are no material uncertainties over income tax treatments.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous periods. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using best estimate of the weighted average annual income tax rate expected for the full financial year.

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

KALYANIWALLA & MISTRY LLP MUMBAI

Esterlina Solar Engineers Pvt. Ltd. Mumbai