# HP MMF TEXTILES LIMITED

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2023

**Independent Auditor's Report**

**To the Members of HP MMF Textiles Limited**

**Report on the Audit of the Financial Statements**

**Opinion**

1. We have audited the accompanying financial statements of HP MMF Textiles Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2023, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the period 24 June 2022 to 31 March 2023 ("period") then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2023, and its loss (including other comprehensive income), its cash flows and the changes in equity for the period ended on that date.

**Basis for Opinion**

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

**Information other than the Financial Statements and Auditor's Report thereon**

4. The Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Board Report, but does not include the financial statements and our auditor's report thereon.

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

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

   The Board Report is not made available to us at the date of this auditor's report. We have nothing to report in this regard.

**Responsibilities of Management for the Financial Statements**

5. The accompanying financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS specified under section 133 of the Act and other accounting principles generally accepted in India. This responsibility also includes

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

6. In preparing the financial statements, the Board of Directors are 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 the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

7. 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**

8. 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 Standards on Auditing 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.

9. As part of an audit in accordance with Standards on Auditing, specified under section 143(10) of the Act we exercise professional judgment and maintain professional skepticism 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 Act we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to 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 Board of Directors' 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;

10. We communicate with management 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.

**Report on Other Legal and Regulatory Requirements**

11. Based on our audit, we report that the Company has not paid or provided for any managerial remuneration during the period. Accordingly, reporting under section 197(16) of the Act is not applicable.

12. As required by the Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

13. Further to our comments in Annexure I, as required by section 143(3) of the Act based on our audit, 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 purpose of our audit of the accompanying 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;

    c) The financial statements dealt with by this report are in agreement with the books of account;

    d) In our opinion, the aforesaid financial statements comply with Ind AS specified under section 133 of the Act;

    e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2023 from being appointed as a director in terms of section 164(2) of the Act;

    f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company as on 31 March 2023 and the operating effectiveness of such controls, refer to our separate Report in Annexure II wherein we have expressed an unmodified opinion; and

    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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

        i. The Company does not have any pending litigation which would impact its financial position as at 31 March 2023;

        ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2023;

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the period ended 31 March 2023;

        iv. (a) The management has represented that, to the best of its knowledge and belief, as disclosed in note 18(j) to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Company to or in any persons or entities, including foreign entities ('the 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 ('the Ultimate

Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;

(b) The management has represented that, to the best of its knowledge and belief, as disclosed in note 18(k) to the financial statements, no funds have been received by the Company from any persons or entities, including foreign entities ('the 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; and

(c) Based on such audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the management representations under sub-clauses (iv)(a) and (iv)(b) above contain any material misstatement.

v. The Company has not declared or paid any dividend during the period ended 31 March 2023; and

vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 requires all companies which use accounting software for maintaining their books of account, to use such an accounting software which has a feature of audit trail, with effect from the financial year beginning on 1 April 2023 and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 (as amended) is not applicable for the current financial period.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Ashish Gera**
Partner
Membership No.: 508685
UDIN: 23508685BGYCRC4267

**Place**: Gurugram
**Date**: 25 May 2023

**Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of HP MMF Textiles Limited on the financial statements for the period from 24 June 2022 to 31 March 2023**

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) The Company does not have any property, plant and equipment, intangible assets, right of use assets or investment property and accordingly, reporting under clause 3(i) of the Companies (Auditor's Report) Order, 2020 (hereinafter referred to as 'the Order') is not applicable to the Company.

(ii) (a) The Company does not hold any inventory. Accordingly, reporting under clause 3(ii)(a) of the Order is not applicable to the Company.

(b) The Company has not been sanctioned working capital limits by banks or financial institutions on the basis of security of current assets at any point of time during the period. Accordingly, reporting under clause 3(ii)(b) of the Order is not applicable to the Company.

(iii) The Company has not made any investment in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or any other parties during the period. Accordingly, reporting under clause 3(iii) of the Order is not applicable to the Company.

(iv) The Company has not entered into any transaction covered under sections 185 and 186 of the Act. Accordingly, reporting under clause 3(iv) of the Order is not applicable to the Company.

(v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits or there are no amounts which have been deemed to be deposits within the meaning of sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, reporting under clause 3(v) of the Order is not applicable to the Company.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of section 148 of the Act, in respect of Company's products/ services / business activities. Accordingly, reporting under clause 3(vi) of the Order is not applicable.

(vii)(a) In our opinion, and according to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, 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. Further, no undisputed amounts payable in respect thereof were outstanding at the period-end for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no statutory dues referred to in subclause (a) above that have not been deposited with the appropriate authorities on account of any dispute.

(viii) According to the information and explanations given to us, no transactions were surrendered or disclosed as income during the period in the tax assessments under the Income Tax Act, 1961 (43 of 1961) which have not been previously recorded in the books of accounts.

(ix) According to the information and explanations given to us, the Company does not have any loans or other borrowings from any lender. Accordingly, reporting under clause 3(ix) of the Order is not applicable to the Company.

(x) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments), during the period. Accordingly, reporting under clause 3(x)(a) of the Order is not applicable to the Company.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or (fully, partially or optionally) convertible debentures during the period. Accordingly, reporting under clause 3(x)(b) of the Order is not applicable to the Company.

(xi) (a) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company has been noticed or reported during the period covered by our audit.

(b) According to the information and explanations given to us including the representation made to us by the management of the Company, no report under sub-section 12 of section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014, with the Central Government for the period covered by our audit.

(c) According to the information and explanations given to us including the representation made to us by the management of the Company, there are no whistle-blower complaints received by the Company during the period.

(xii) The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, reporting under clause 3(xii) of the Order is not applicable to the Company.

(xiii) The Company has not entered into any transactions with the related parties covered under Section 177 or Section 188 of the Act. Accordingly, reporting under clause 3(xiii) of the Order is not applicable to the Company.

(xiv) According to the information and explanations given to us, the Company is not required to and consequently, does not have an internal audit system as per the provisions of section 138 of the Act. Accordingly, reporting under clause 3(xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with its directors and accordingly, reporting under clause 3(xv) of the Order with respect to compliance with the provisions of section 192 of the Act 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, reporting under clauses 3(xvi)(a), (b) and (c) of the Order are not applicable to the Company.

(d) Based on the information and explanations given to us and as represented by the management of the Company, the Group (as defined in Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.

**Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of HP MMF Textiles Limited on the financial statements for the period from 24 June 2022 to 31 March 2023**

(xvii) The Company has incurred cash losses amounting to ₹ 2 lacs in the current financial period. Since, this is first year of reporting, accordingly reporting with respect to cash losses for previous year is not applicable.

(xviii) There has been no resignation of the statutory auditors during the period. Accordingly, reporting under clause 3(xviii) of the Order is not applicable to the Company.

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

(xx) According to the information and explanations given to us, the Company does not meet the criteria as specified under sub-section (1) of section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and accordingly, reporting under clause 3(xx) of the Order is not applicable to the Company.

(xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements of the Company. Accordingly, no comment has been included in respect of said clause under this report.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Ashish Gera**
Partner
Membership No.: 508685
UDIN: 23508685BGYCRC4267

**Place**: Gurugram
**Date**: 25 May 2023

**Annexure II**

**Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the financial statements of HP MMF Textiles Limited ('the Company') for the period from 24 June 2022 to 31 March 2023, we have audited the internal financial controls with reference to financial statements of the Company for the period ended on that date.

**Responsibilities of Management for Internal Financial Controls**

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements 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 the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note 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 financial statements were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, 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 financial statements, whether due to fraud or error.

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

**Meaning of Internal Financial Controls with Reference to Financial Statements**

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

**Inherent Limitations of Internal Financial Controls with Reference to Financial Statements**

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

**Opinion**

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

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Ashish Gera**
Partner
Membership No.: 508685
UDIN: 23508685BGYCRC4267

Place: Gurugram
Date: 25 May 2023

**HP MMF Textiles Limited**
**CIN:U17299HR2022PLC104655**
**Balance Sheet as at 31 March 2023**
*(All amounts in ₹ lacs, unless stated otherwise)*

| Particulars | Note | As at 31 March 2023 |
|---|---|---|
| **I ASSETS** | | |
| **Current assets** | | |
| (a) Financial assets | | |
| (i) Cash and cash equivalents | 3 | 1.00 |
| | | **1.00** |
| **Total** | | **1.00** |
| **II EQUITY AND LIABILITIES** | | |
| **EQUITY** | | |
| (a) Equity share capital | 4 | 1.00 |
| (b) Other equity | 5 | (2.00) |
| | | **(1.00)** |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| (a) Financial liabilities | | |
| (i) Trade payables | 6 | |
| i) total outstanding dues of micro enterprises and small enterprises | | - |
| ii) total outstanding dues of creditor other than micro enterprises and small enterprises | | 2.00 |
| | | **2.00** |
| **Total** | | **1.00** |

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

**This is the balance sheet referred to in our report of even date**

**For Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration Number:001076N/N500013

**Ashish Gera**
Partner
Membership No.: 508685

Place: Gurugram
Date : 25 May 2023

**For and on behalf of the Board of Directors of**
**HP MMF Textiles Limited**

**Kailash Kumar Agarwal**
Director
DIN: 00063470

**RaghavKumar Agarwal**
Director
DIN: 02836610

Place: New Delhi
Date: 25 May 2023

**HP MMF Textiles Limited**
**CIN:U17299HR2022PLC104655**
**Statement of Profit and Loss for the period from 24 June 2022 to 31 March 2023**
*(All amounts in ₹ lacs, unless stated otherwise)*

| Particulars | Note | For the period from 24 June 2022 to 31 Mar 2023 |
|---|---|---|
| **Income** | | |
| Revenue from operations | | - |
| Other income | | - |
| **Total Income** | | **-** |
| **Expenses** | | |
| Other expenses | 7 | 2.00 |
| **Total expenses** | | **2.00** |
| **Loss before finance costs, depreciation and tax** | | **(2.00)** |
| Finance cost | 8 | 0.00 |
| **Loss for the period** | | **(2.00)** |
| **Other comprehensive income:** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Remeasurement of post employment benefit obligations | | - |
| Income tax relating to above items | | - |
| **Total other comprehensive income** | | **-** |
| **Total comprehensive income for the period** | | **(2.00)** |
| **Loss per equity share (face value of ₹ 10/- per share)** | | |
| Basic earnings per share (in ₹) | 9 | (26.02) |
| Diluted earnings per share (in ₹) | | (26.02) |

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

**This is the statement of profit and loss referred to in our report of even date**

**For Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration Number:001076N/N500013

**For and on behalf of the Board of Directors of**
**HP MMF Textiles Limited**

**Ashish Gera**
Partner
Membership No.: 508685

**Kailash Kumar Agarwal**
Director
DIN: 00063470

**RaghavKumar Agarwal**
Director
DIN: 02836610

Place: Gurugram
Date : 25 May 2023

Place: New Delhi
Date: 25 May 2023

**HP MMF Textiles Limited**
**CIN:U17299HR2022PLC104655**
**Cash Flow Statement for the period from 24 June 2022 to 31 March 2023**
*(All amounts in ₹ lacs, unless stated otherwise)*

| | Particulars | For the period from 24 June 2022 to 31 Mar 2023 |
|---|---|---|
| **A.** | **Cash flows from operating activities** | |
| | **Net loss before tax** | (2.00) |
| | **Adjustments for:** | |
| | Interest expense | 0.00 |
| | **Operating (loss)/profit before working capital changes** | **(2.00)** |
| | **Movements in working capital :** | |
| | Increase in trade payables | 2.00 |
| | **Net cash flow generated from operating activities** | **-** |
| | | |
| **B.** | **Cash flows from financing activities** | |
| | Proceeds from issue of equity share | 1.00 |
| | Finance charges paid | (0.00) |
| | **Net cash flow generated from financing activities** | **1.00** |
| | | |
| **C.** | **Net increase in cash and cash equivalents (A+B)** | **1.00** |
| D. | Cash and cash equivalents at the beginning of the period | - |
| **E.** | **Cash and cash equivalents at the end of the period (C+D)** | **1.00** |
| **F.** | **Cash and cash equivalents comprises of:** | |
| | i. Balances with scheduled banks - in current accounts | 1.00 |
| | | **1.00** |

**Note:**
The above cash flow statement has been prepared under the 'indirect method' as set out in Ind AS 7, 'Statement of cash flows'.

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

**This is the Cash Flow Statement referred to in our report of even date**

**For Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration Number:001076N/N500013

**For and on behalf of the Board of Directors of**
**HP MMF Textiles Limited**

**Ashish Gera**
Partner
Membership No.: 508685

**Kailash Kumar Agarwal**
Director
DIN: 00063470

**RaghavKumar Agarwal**
Director
DIN: 02836610

Place: Gurugram
Date : 25 May 2023

Place: New Delhi
Date: 25 May 2023

**HP MMF Textiles Limited**
**CIN:U17299HR2022PLC104655**
**Statement of changes in equity for the period from 24 June 2022 to 31 March 2023**
*(All amounts in ₹ lacs, unless stated otherwise)*

**A. Equity share capital**

**As at 31 March 2023**

| Balance at the beginning of the current reporting period | Changes in Equity Share capital due to prior period errors | Restated balance at the beginning | Changes in equity share capital during the period | Balance at the end of the current reporting period |
|---|---|---|---|---|
| - | - | - | 1.00 | 1.00 |

**B. Other equity**

| Particulars | Reserves and surplus | Total |
|---|---|---|
| | Retained Earnings | |
| **Current reporting period** | | |
| Balance at the beginning of the period | - | - |
| Loss for the period | (2.00) | (2.00) |
| **As at 31 March 2023** | **(2.00)** | **(2.00)** |

**Analysis of accumulated other comprehensive income included in retained earnings**

| Particulars | As at 31 March 2023 |
|---|---|
| Balance at beginning of the period | - |
| Other comprehensive income for the period | - |
| **Balance as at the end of the period** | **-** |

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

**This is the statement of changes in equity referred to in our report of even date**

**For Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration Number:001076N/N500013

**For and on behalf of the Board of Directors of**
**HP MMF Textiles Limited**

**Ashish Gera**
Partner
Membership No.: 508685

**Kailash Kumar Agarwal**
Director
DIN: 00063470

**RaghavKumar Agarwal**
Director
DIN: 02836610

Place: Gurugram
Date: 25 May 2023

Place: New Delhi
Date: 25 May 2023

## 1. Corporate information

### Nature of operations

HP MMF Textiles Limited ('the Company') is a public company domiciled in India and is incorporated under the provisions of the Companies Act, 2013. It has its registered office at Delhi Road, V.P.O Mayar, Hisar.

## 2. Significant accounting policies

### 2.1 Statement of Compliance and Basis of preparation of financial statements

#### (a) General information and statement of compliance with Ind AS

These financial statements have been prepared in accordance with the Indian Accounting Standards ('Ind AS') notified under section 133 of the Companies Act, 2013 ('the Act') read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other pronouncements/provisions of applicable laws.

The financial statements have been prepared on accrual and going concern basis. The accounting policies have been consistently applied to all the periods presented in the financial statements except where newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The financial statements for the period 24 June 2022 to 31 March 2023 were authorised and approved for issue by the Board of Directors on 25 May 2023. Revisions to financial statements, if required, is permitted by the Board of Directors subject to obtaining necessary approvals or at the instance of regulatory authorities as per provisions of the Act.

#### Application of new and revised Indian Accounting Standard (Ind AS)

All the Ind AS issued and notified by the Ministry of Corporate Affairs ('MCA') under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are authorised have been considered in preparing these financial statements.

#### Recent accounting pronouncements issued but not made effective

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 31 March 2023, MCA amended the (Indian Accounting Standards) Amendment Rules, 2023, applicable from 1 April 2023, as below:

- Ind AS 1 - Presentation of standalone financial statements
  The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what 'material accounting policy information' is and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Ind AS 8 - Accounting policies, changes in accounting estimates and errors
  The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Ind AS 12 - Income taxes
  The amendment requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The Company does not expect the aforesaid amendments to have any significant impact on its financial statements.

**(b) Historical cost convention**

The financial statements have been prepared on a historical cost basis.

**(c) Current and non-current classification**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle (not exceeding twelve months) and other criteria set out in the Schedule III to the Act.

**(d) Rounding of amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lacs with two decimal places as per the requirement of Schedule III, unless otherwise stated.

**(e) Use of estimates**

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Differences between actual results and estimates are recognised in the period in which the results are known/materialised.

The said estimates are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

**(f) Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Uncertainty about the assumptions and estimates could result in outcomes that require material adjustment to the carrying value of assets or liabilities affected in future periods.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

**Critical judgments in applying accounting policies**

The key judgments, made by the management, in applying the Company's accounting policies having an effect on these financial statements are as follows:

(i) **Recognition of deferred tax-** The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilised.

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

(iii) **Recoverability of advances/receivables –** At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

(iv) **Provisions and contingencies-** The amount of provisions and contingencies have been recognised in accordance with Ind AS 37 Provisions, contingent liabilities and contingent assets as the evaluation of the likelihood of the contingent events requires best judgment by management regarding the probability of exposure to potential loss.

**Key source of estimation uncertainty**

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

(i) **Useful lives of property, plant and equipment-** The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal assessment of user experience and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the assets. The Company reviews the useful life of property, plant and equipment at the end of each reporting date.

(ii) **Recoverable amount of property, plant and equipment-** The recoverable amount of property plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and expected future cash flows. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.

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

(iv) **Fair value measurement of financial instruments-** The fair values of financial assets and financial liabilities recorded in the balance sheet in respect of which quoted prices in active markets are not available are 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 judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 2.2 Summary of significant accounting policies

### i. Property, plant and equipment

An item on property, plant and equipment is recognized as asset, 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.

Freehold land is carried at cost. All other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. All costs including borrowing costs related to the acquisition and installation of property, plant and equipment are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance including assets having cost upto ₹ 10,000 are charged to the statement of profit and loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit and loss.

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

### ii. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, etc. The amortisation method and useful lives are reviewed periodically at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit and loss.

Useful life considered for calculation of amortisation for various intangible assets are as follows-

| Asset category | Estimated useful life (in years) |
|---|---|
| Software | 3-5 years |

### iii. Depreciation

The Company depreciates its property, plant and equipment (PPE) over the useful life on Straight line basis in the manner prescribed in Schedule II to the Act. Management believes that useful life of assets are same as those prescribed in Schedule II to the Act.

Leasehold improvements are depreciated over the period of lease or 3 years, whichever is less.

The residual values are not more than 5% of the original cost of the asset. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on additions / deletions is calculated pro-rata from the month of such addition / deletion, as the case maybe.

**iv. Impairment of non-financial asset**

The Company tests the assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**v. Revenue and other income**

Revenue from sale of goods is recognised when the Company satisfies its performance obligation and substantial risks and rewards of ownership are transferred to the buyer which generally coincides when the goods are dispatched from the factory. Amounts disclosed as revenue are net of returns and allowances, trade discounts and rebates. The Company collects Goods and Service Tax on behalf of the government and therefore, these are not economic benefits flowing to the Company. Hence, these are excluded from revenue.

**Contract balances**

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Trade receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (x) Investment and other financial assets – initial recognition and subsequent measurement.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**Financing component**

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

**Cost to obtain a contract with customer**

The Company pays sales commission to selling agents for each contract that they obtain for sales of Company's products. Such commission are in nature of incremental cost to obtain contract with customer and the Company has elected to apply the optional practical expedient for costs to obtain a contract wherein it immediately expenses off such sales commissions because the amortisation period of the asset that the Company otherwise would have used is one year or less.

**Duty drawbacks and other export incentives**: Duty drawbacks and other export incentives under various schemes are recognised as revenue in the year of export when no significant uncertainty exists with respect to their recovery.

**Insurance and other claims**: Revenue in respect of claims is recognised when no significant uncertainties exist with regard to the amount to be realised and the ultimate collection thereof.

**Interest income:** Income from interest is accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest.

**vi. Inventories**

Inventories are valued at cost or net realisable value, whichever is lower.

The cost of raw materials and stores and spares is determined using moving weighted average formula and includes cost of purchase and other cost incurred in bringing the inventory to their present location and condition. Raw materials and stores and spares are not written down below cost if the finished product in which they will be manufactured are expected to be sold at or above cost.

Work-in-progress is valued at raw material cost plus conversion cost incurred on them depending upon the stage of completion based on weighted average formulae.

Cost of finished goods include raw material cost, conversion cost and packing cost incurred to bring the goods to their present location and condition. Inventory of finished goods is measured at cost or net realisable value, whichever is lower.

Goods in transit are stated at cost. Net realisable value of the inventories is measured at estimated selling price of each item of inventory in the ordinary course of business less the estimated cost of completion and estimated costs necessary to make the sale.

**vii. Earnings per share**

**Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

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

### viii. Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of profit and loss on a straight – line basis over the expected lives of related assets and presented within other income.

Government grants related to revenue are recognised on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate. Government grant receivable as compensation for expenses or losses already incurred with no future related cost are recognised in statement of profit and loss of the period in which it becomes receivable.

### ix. Dividend

Final dividends on shares are recognised as a liability on the date of approval by the shareholders and interim dividends are recognised as a liability on the date of declaration by the Company's Board of Directors.

### x. Investments and other financial assets

*Classification*
The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Equity investments in subsidiaries are measured at cost. The investments are reviewed at each reporting date to determine whether there is any indication of impairment considering the provisions of Ind AS 36 'Impairment of Assets'. If any such indication exists, policy for impairment of financial assets is followed.

Investments in mutual fund are measured at FVTPL. Profit or loss on fair value of mutual fund is recognised in the standalone statement of profit and loss.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

*Initial recognition*
Purchases and sales of financial assets are recognised on the trade-date i.e. the date on which the Company commits to purchase or sale the financial asset.

*Measurement*
At initial recognition, the Company measures a financial asset at its fair value, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

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

*Debt instruments at amortised cost*
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ losses. Impairment losses are presented as separate line item in the statement of profit and loss.

*Debt instrument at FVTOCI*
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ losses. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ losses and impairment expenses are presented as separate line item in statement of profit and loss.

*Debt instrument at FVTPL*
Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/ losses in the period in which it arises. Interest income from these financial assets is included in other income.

*Equity instruments*
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gain/ losses in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

*Impairment of financial assets*
The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVTOCI debt instruments. The impairment methodology applied depends on whether there has been a

significant increase in credit risk. Note 37 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach required by Ind AS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

*De-recognition*
A financial asset is derecognised only when

- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if it has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

*Income recognition*

*Interest income*
Interest income from FVTPL is disclosed as interest income within other income. Interest income on financial assets at amortised cost and financial assets at FVTOCI is calculated using the effective interest method is recognised in the statement of profit and loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

*Dividends*
Dividends are received from financial assets at FVTPL and at FVTOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

## xi. Financial liabilities

*Initial recognition*
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loan and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

The Company’s financial liabilities include trade payables, other payables, short-term and long-term borrowings.

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

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

*Financial liabilities at FVTPL*
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. 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. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

*Borrowings*
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/ losses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

*Trade and other payables*
These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60-90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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

**xii. Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**xiii. Fair value measurement of financial instruments**

The Company measures financial instruments at fair value at each balance sheet date.

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset and 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:

- Disclosure regarding significant estimates and assumptions- Note 2.1
- Quantitative disclosures of fair value measurement hierarchy- Note 2.2, paragraph xiii.
- Financial instruments (including those carried at amortised cost)- Note 2.2, paragraph x.

**xiv. Provisions, contingent liabilities and contingent assets**

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made.

Contingent assets

Contingent assets are not recognised in the financial statements. Contingent assets are disclosed in the financial statements to the extent it is probable that economic benefits will flow to the Company from such assets.

**xv. Borrowing cost**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**xvi. Employees benefits**

**(i) Short term employee benefits:** Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**(ii) Other long-term employee benefits obligations:** The liabilities for earned leave and sick leave that are not expected to be settled wholly within 12 months are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the discount rates for Government Securities (G-Sec) at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurement as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of profit and loss.

**(iii) Post-employment benefits:** The Company operates the following post-employments schemes:

(a) defined contribution plans- provident fund; and
(b) defined benefit plans- gratuity

**(a) Defined contribution plan**

**<u>Provident fund</u>**

The Company makes payment to statutory fund in accordance with the Employees Provident Fund and Miscellaneous Provisions Act, 1952 which is a defined contribution plan. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense in the statement of profit and loss as and when they are due.

**(b) Defined benefit plans**

**<u>Gratuity</u>**

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

**xvii. Foreign currency translations**

**(i) Functional and presentation currency**

The financial statements are presented in Indian rupee (INR), which is Company's functional and presentation currency.

**ii)Transaction and balances**

Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the statement of profit and loss.

Monetary foreign currency assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance cost. All other foreign exchange gains/ losses are presented in the statement of profit and loss on net basis.

**xviii. Income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statement. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are excepted to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, only if, it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are off set where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum alternate tax credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

**xix. Leases**

On inception of a contract, the Company (as a lessee) assesses whether it contains a lease. A contract is, or contains a lease when it 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: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises 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 recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs incurred, lease payments made at or before the commencement date, any asset restoration obligation, and less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are also adjusted for any re-measurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased assets or renewal of the leases at the end of the lease term, recognised right-of-use assets are depreciated to a residual value over the shorter of their estimated useful life or lease term.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease term includes periods subject to extension options which the Company is reasonably certain to exercise and excludes the effect of early termination options where the Company is not reasonably certain that it will exercise the option. Minimum lease payments include the cost of a purchase option if the Company is reasonably certain it will purchase the underlying asset after the lease term.

Lease liabilities are re-measured 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 and any lease modification.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments are presented as follows in the Company's statement of cash flows:

• short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities;

• payments for the interest element and principal element of recognised lease liabilities are presented within cash flows from financing activities

**xx. Segment reporting**

In accordance with Ind AS 108, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments. The business activities of the Company predominantly fall within a single reportable operating segment, i.e., Textiles. The Board of Directors is the Company's 'Chief Operating Decision Maker' or 'CODM' within the meaning of Ind AS 108.

**xxi. Cash and cash equivalents**

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

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as borrowings under financial liabilities in the balance sheet.

**xxii. Cash flow statement**

Cash flows are reported using indirect method in accordance with the Indian Accounting Standard (Ind AS) - 7 "Statement of Cash flows". The cash flows from regular revenue generating, financing and investing activities of the Company are segregated. Cash and cash equivalents in the cash flow comprise cash at bank, cash/cheques in hand and short-term investments with an original maturity of three months or less.

*(This space has been intentionally left blank)*

*(All amounts in ₹ lacs, unless stated otherwise)*

| Particulars | As at 31 March 2023 |
|---|---|
| **3. Cash and cash equivalents** | |
| Balances with banks-in current accounts | |
| -In current accounts | 1.00 |
| | **1.00** |
| **4. Equity Share Capital** | |
| **Authorised share capital** | |
| 150,000 equity shares of ₹ 10/- each | 15.00 |
| | **15.00** |
| **Issued, subscribed and paid up share capital** | |
| 10,000 equity shares of ₹ 10/- each | 1.00 |
| | **1.00** |

**a) Reconciliation of equity shares outstanding at the beginning and end of the period**

| Particulars | As at 31 March 2023 | |
|---|---|---|
| | Number of shares | Amount |
| Balance at the beginning of the period | - | - |
| Addition/(deletion) during the period | 10,000 | 1.00 |
| **Balance at the end of the period** | **10,000** | **1.00** |

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

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

| Name of the Shareholder | As at 31 March 2023 | |
|---|---|---|
| | Number of shares | % holding |
| HP Cotton Textile Mills Limited | 10,000 | 100.00% |

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

d) The Company has not issued any bonus shares, shares for consideration other than cash or bought back shares during the period from 24 June 2022 to 31 March 2023.

e) Shareholding of promoter - Shares held by promoters as at 31 March 2023*

| Promoter name | No. of Shares | % of total shares |
|---|---|---|
| HP Cotton Textile Mills Limited | 10,000 | 100.00% |
| **Total** | **10,000** | **100.00%** |

The promoter's shareholding is as per Section 2(69) of the Companies Act, 2013.

*The Company has been incorporated on 24 June 2022 and therefore, disclosures regarding to change in promoter holding are not applicable.

*(All amounts in ₹ lacs, unless stated otherwise)*

| **Particulars** | **As at 31 March 2023** |
|---|---|
| **5. Other equity** | |
| **Retained earnings** | |
| Balance at the beginning of the period | - |
| Add: transferred from statement of profit and loss | (2.00) |
| | **(2.00)** |
| **6. Trade Payables** | |
| Trade payables: | |
| Total outstanding dues of micro enterprises and small enterprises (refer note below) | **-** |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 2.00 |
| | **2.00** |

i. Information, as required to be furnished as per section 22 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 for the period ended 31 March 2023 is given below. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

| **Particulars** | **As at 31 March 2023** |
|---|---|
| (a) The principal amount remaining unpaid to any supplier at the end of the period; | - |
| (b) Interest due remaining unpaid to any supplier at the end of the period; | - |
| (c) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the period; | - |
| (d) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under the MSMED Act, 2006; | - |
| (e) The amount of interest accrued and remaining unpaid at the end of each accounting period; and | - |
| (f) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act, 2006 | - |

ii. Trade payable ageing:

As at 31 March 2023

| **Particulars** | **Outstanding for following periods from due date of payment** | | | | | |
|---|---|---|---|---|---|---|
| | **Not Due** | **Less than 1 Year** | **1-2 years** | **2-3 years** | **More than 3 years** | **Total** |
| (i) Undisputed dues - MSME | - | - | - | - | - | **-** |
| (ii) Undisputed dues - Others | 2.00 | - | - | - | - | **2.00** |
| (iii) Disputed dues - MSME | - | - | - | - | - | **-** |
| (iv) Disputed dues - Others | - | - | - | - | - | **-** |
| **Total** | - | - | - | - | - | **-** |

*(This space has been intentionally left blank)*

**HP MMF Textiles Limited**
**CIN:U17299HR2022PLC104655**
**Summary of significant accounting policies and other explanatory information to the financial statements for the period from 24 June 2022 to 31 March 2023**
*(All amounts in ₹ lacs, unless stated otherwise)*

| Particulars | For the period from 24 June 2022 to 31 Mar 2023 |
|---|---|
| **7. Other expenses** | |
| Payment to auditors (see note 7(a) below) | 2.00 |
| | **2.00** |
| | |
| **7(a). Details of payment made to auditors (excluding goods and service tax)** | |
| Statutory audit fees (including fees for limited reviews) | 2.00 |
| | **2.00** |
| | |
| **8. Finance costs** | |
| Bank charges* | 0.00 |
| | **0.00** |
| *rounded off to zero (0) | |
| | |
| **9. Earnings per share** | |
| Loss for the period | (2.00) |
| Nominal value per share (in ₹) | 10.00 |
| **Weighted average number of equity shares for basic earnings per share** | 7,699 |
| **Weighted average number of equity shares for diluted earnings per share** | 7,699 |
| | |
| **Loss per share (in ₹)** | |
| Basic earnings per share | (26.02) |
| Diluted earnings per share | (26.02) |

*(This space has been intentionally left blank)*

*(All amounts in ₹ lacs, unless stated otherwise)*

**10. Related party disclosures**

In accordance with the requirements of Ind AS - 24 'Related Party Disclosures', the names of the related party where control/ability to excercise significant influence exists, along with the aggregate amount of transactions and year end balances with them as identified and certified by the management are given below:

**(a) List of related parties and nature of relationship where control exists**

**Holding Company**
H.P. Cotton Textile Mills Limited

| Key managerial personnel | Relationship |
|---|---|
| Mr. Kailash Kumar Agarwal | Director |
| Mr. RaghavKumar Agarwal | Director |
| Mr. Suraj Parkash Setia | Director |

**b) The following transactions were carried out with related parties in the ordinary course of business:-**

| Nature of transaction | Name of the related party | 31-Mar-23 |
|---|---|---|
| Issue of share capital | H.P. Cotton Textile Mills Limited | 1.00 |

**c)** The Company has not granted any loans or advances to any of its promoter, director, key managerial personal or any other related party.

**11. Fair value measurements**

**(i) Financial instruments by category**

| | 31 March 2023 | | | |
|---|---|---|---|---|
| | **FVTPL** | **FVTOCI** | **Amortised cost** | **Total** |
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | 1.00 | 1.00 |
| **Total financial assets** | **-** | **-** | **1.00** | **1.00** |
| **Financial liabilities** | | | | |
| Trade payables | - | - | 2.00 | 2.00 |
| **Total financial liabilities** | **-** | **-** | **2.00** | **2.00** |

**(ii) Fair value hierarchy**

| **Financial assets and liabilities measured at amortised cost for which fair values are disclosed** | 31 March 2023 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | 1.00 | 1.00 |
| **Total financial assets** | **-** | **-** | **1.00** | **1.00** |
| **Financial liabilities** | | | | |
| Trade payables | - | - | 2.00 | 2.00 |
| **Total financial liabilities** | **-** | **-** | **2.00** | **2.00** |

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates;

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period, there were no transfers between level 1 and level 2, and no transfers into and out of level 3 fair value measurements.

The Company's policy is to recognise transfers into and transfer out of fair value hierarchy levels as at the end of reporting period.

**(iii)** Specific valuation techniques used to value financial instruments include the use of qouted market prices and NAV of the instrument.

**(iv) Fair value of financial assets and liabilities measured at amortised cost.**
The carrying amount of trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

**12. Financial instruments**

**A. Capital risk management**
The Company's objective when managing capital are to
- safeguard their ability to continue as a going concern, so they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital, in order to maintain capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

**B. Financial risk management**

**Financial risk management objectives and policies**
The Company's principal financial liabilities comprise trade payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The management is responsible for formulating an appropriate financial risk governance framework for the Company and for periodically reviewing the same. The senior management ensures that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

**(I) Market risk :**
Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments and deposits, foreign currency receivables, payables and loans and borrowings.

The Company manages market risk through a treasury department, which evaluates and exercises independent control over the entire process of market risk management. The treasury department recommend risk management objectives and policies, which are approved by Senior Management and the Audit Committee. The activities of this department include management of cash resources, implementing hedging strategies for foreign currency exposures like foreign exchange forward contracts, borrowing strategies and ensuring compliance with market risk limits and policies.

**(i) Interest rate risk**
**(a) Liabilities**

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. As at 31 March 2023, the Company does not have any borrowings.

**Interest rate risk exposure**
Since, the Company does not have any borrowings, there is no interest risk exposure on the Company as on 31 March 2023.

**(b) Assets**
The Company does not have any financial assets as on 31 March 2023 which are subject to interest rate risk as defined in Ind AS 107.

**(ii) Foreign currency risk**
There were no operations in the Company during the current period and hence, there is no foreign currency risk.

**(II) Credit Risk:**
Credit risk arises from the possibility that the counter party may not be able to settle their obligations as agreed. There were no operations in the Company during the current period and hence, there is no credit risk.

**Liquidity Risk :**
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Since, the Company does not have any borrowings, there is no liquidity risk as at 31 March 2023.

**13. Employee benefits**

**Contribution to provident fund**
The Company makes contribution to statutory provident fund and employee's state insurance. These are post-employment benefits and are in nature of defined contribution plans. There were no employees in the Company during the period and hence, no expense has been incurred during the period.

**Gratuity**
The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employee's last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a unfunded plan. There were no employees in the Company during the period and hence, no expense has been incurred during the period.

**14. Operating segments**
The business activity of the Company fall within the single primary business segment viz Textile. Hence there is no other reportable business segment as per Ind AS 108 "Operating segments".The segment assets, segment liabilities, segment cash flows and segment results are represented through financial statements only.

**15. Contingent liabilities and commitments**

**(a) Contingent liabilities**
The Company does not have any contingent liability as the end of the period.

**(b) Commitments**
The Company does not have any commitments as at the end of the period.

**16. Leases**
The Company follows Ind AS 116 Leases for lease accounting. On inception of a contract, the Company (as a lessee) assesses whether it contains a lease. A contract is, or contains a lease when it 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: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

The Company did not enter into any lease contract during the period.

**17. Ind AS 115 - Revenue from Contracts with Customers**
Ind AS 115: Revenue from Contracts with Customers, establishes a framework for determining whether, how much and when revenue is recognised and requires disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from customer contracts. Under Ind AS 115, revenue is recognised through a 5-step approach:

(i) Identify the contract with customer;
(ii) Identify separate performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when a performance obligation is satisfied.

The Company did not enter into any contracts with customers and did not earn revenue during the period.

*(All amounts in ₹ lacs, unless stated otherwise)*

**18. Additional regulatory information not disclosed elsewhere in the financial statements**:
a. The Company has complied with the number of layers of companies prescribed under the Companies Act, 2013.
b. The Company has not delayed in creation or satisfaction of charges with ROC beyond the statutory period.
c. The Company has not traded or invested in crypto currency or virtual currency during the current period.
d. During the current period, the Company has not entered in any transaction with any struck off company and does not have investment in securities, receviable or payable from struck off companies. Further, share(s) of the Company are not held by any struck off company.
e. No proceedings have been initiated on or are pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.
f. The Company is regular in disclosing income on timely basis and there is no undisclosed income assessed by tax officials.
g. During the current period, the Company is regular in complying with all the laws and regulations of Foreign Exchange Management Act, 1999, Companies Act, 2013 and Prevention of Money Laundering Act, 2002 as applicable.
h. The Company has not been declared a wilful defaulter by any bank or financial institution during the period.
i. The Company has no borrowings and thus, there is no requirement to file quarterly returns/statements of current assets by the Company with banks and financial institutions.
j. The Company has not advanced, loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or
(ii) provide any guarantee, security or the like to or on behalf of the Company
k. The Company has not received any funds from any person(s) or entity(ies), including foreign entities with the understanding (whether recorded in writing or otherwise) that the Company shall
(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or
(ii) provide any guarantee, security or the like to or on behalf of the Company

m. Ratio Analysis

| Ratio | Numerator | Denominator | Current Period |
|---|---|---|---|
| Current ratio (times) | Current assets | Current liabilities | 0.50 |
| Return on capital employed (%) | Earnings before interest | Capital employed | 199.31% |
| Return on equity ratio (%) | Profit after tax | Average shareholder's equity | 199.66% |

The Company is incorporated on 24 June 2022 and therefore, disclosure for change (whether positive or negative) in the ratio by more than 25% is not applicable.

**19. Subsequent events after the reporting date**
There were no significant adjusting events that occurred subsequent to the reporting period other than events disclosed in the relevant notes.

**20.** The Company was incorporated on 24 June 2022. Accordingly, these financial statements are prepared for the period from 24 June 2022 to 31 March 2023 and accordingly, no comparatives are included.

**For Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration Number:001076N/N500013

**Ashish Gera**
Partner
Membership No.: 508685

Place: Gurugram
Date : 25 May 2023

**For and on behalf of the Board of Directors of**
**HP MMF Textiles Limited**

**Kailash Kumar Agarwal**
Director
DIN: 00063470

**RaghavKumar Agarwal**
Director
DIN: 02836610

Place: New Delhi
Date: 25 May 2023