

INDEPENDENT AUDITOR'S REPORT**To the Members of Digisol Systems Limited****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Digisol Systems Limited ("the Company"), which comprise the balance sheet as at March 31, 2019, and the statement of Profit and Loss, cash flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its loss (financial performance) and its cash flows for the year ended on that date.

Basis for Opinion

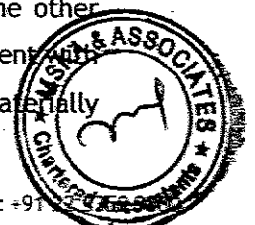
We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("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 obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' Report including Annexures, 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



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

Responsibility of Management for Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of the Financial Statements.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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 and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".
 - 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 Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 28 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



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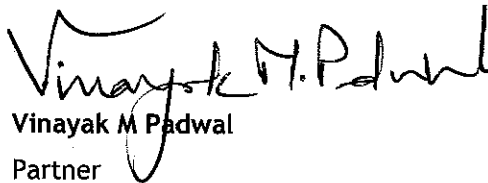
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3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W



Vinayak M Padwal

Partner

Membership No. 049639



Place: Mumbai

Date: May 15, 2019

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ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE FINANCIAL STATEMENTS OF DIGISOL SYSTEMS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the 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 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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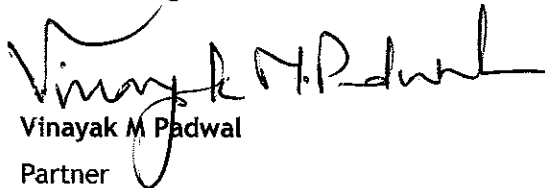
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W


Vinayak M. Padwal
Partner



Membership No. 049639

Place: Mumbai

Date: May 15, 2019

ANNEXURE B TO INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF DIGISOL SYSTEMS LIMITED FOR THE YEAR ENDED MARCH 31, 2019

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report]

- i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).

(b) As explained to us, fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size of the Company and nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.

(c) The company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause (i) (c) of CARO 2016 is not applicable.
- ii. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on verification between the physical stock and the book records.
- iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.
- iv. According to the information provided to us and explanations given us, the Company has not granted any loans, made any investments, given any guarantees or provided any security within the meaning of section 186 of the Act. Accordingly, provisions stated in paragraph 3(iv) of the Order are 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 from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.
- vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.



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- vii. (a) According to the information and explanations given to us and records examined by us, the Company has been generally regular in depositing statutory dues relating to income tax, sales tax, goods and service tax, custom duty, value added tax, professional tax, provident fund, employees state insurance and other statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they become payable.
- (b) According to the information and explanation given to us and the records of the Company examined by us, there are no outstanding dues of income tax, sales tax, goods and service tax, value added tax, provident fund, employees state insurance, custom duty, cess and duties of excise and any other statutory dues payable as on March 31, 2019 which have not been deposited on account of any dispute.
- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the banks. The Company has not issued any debentures and did not have any loans or borrowings from the Government of financial institution outstanding during the year.
- ix. According to the information and explanation given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments). Accordingly, the provisions stated in paragraph 3 (ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.
- xi. According to the information and explanations given to us, the Company has not paid / provided any managerial remuneration during the year. Accordingly, the provision of Paragraph 3(xi) of the Order is not applicable to the Company.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.



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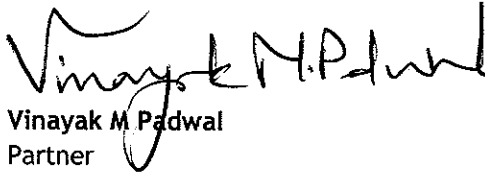
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- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions stated in paragraph 3 (xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company during the year, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W



Vinayak M. Padwal

Partner

Membership No. 049639



Place: Mumbai

Date: May 15, 2019



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ANNEXURE C TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF DIGISOL SYSTEMS LIMITED

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the Members of Digisol Systems Limited on the Financial Statements for the year ended March 31, 2019.

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

We have audited the internal financial controls with reference to financial statements of Digisol Systems Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control 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 Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

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 Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.





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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 included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls With reference to Financial Statements

A Company's internal financial control 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 control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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

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 control 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.



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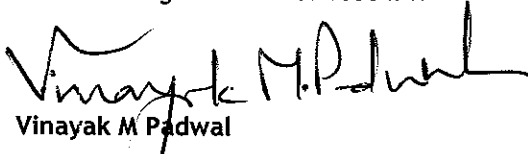
Opinion

In our opinion, the Company has, in all material respects, an internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W


Vinayak M Padwal

Partner

Membership No. 049639



Place : Mumbai

Date : May 15, 2019

Digisol Systems Limited


Balance sheet as at 31st March, 2019

Particulars	Note No.	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
I EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	410,000,000	160,000,000
(b) Reserves and surplus	4	(302,784,809)	(223,621,297)
		<u>107,215,191</u>	<u>(63,621,297)</u>
(2) Non-current liabilities			
(a) Long-term borrowings	5	-	250,000,000
(b) Other long term liabilities	6	5,712	112,342
(c) Long-term provisions	7	2,767,151	2,209,362
		<u>2,772,863</u>	<u>252,321,704</u>
(3) Current liabilities			
(a) Short-term borrowing	8	108,420,685	-
(b) Trade payables	9		
Total outstanding dues of micro enterprises and small enterprises		108,694	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		169,125,264	123,987,904
(c) Other current liabilities	10	19,427,940	33,091,402
(d) Short-term provisions	11	748,377	750,991
		<u>297,830,960</u>	<u>157,830,297</u>
	Total	<u>407,819,014</u>	<u>346,530,704</u>
II ASSETS			
(1) Non-current assets			
(a) Property, Plant and Equipment			
(i) Tangible assets	12 a	4,622,879	5,195,404
(ii) Intangible assets	12 b	810,803	15,959,404
		<u>5,433,682</u>	<u>21,154,808</u>
(b) Long-term loans and advances	13	17,527,358	17,304,463
		<u>22,961,040</u>	<u>38,459,271</u>
(2) Current assets			
(a) Current investments	14	-	7,000,000
(b) Inventories	15	159,757,979	114,519,554
(c) Trade receivables	16	147,068,765	134,878,523
(d) Cash and bank balance	17	34,029,315	11,679,993
(e) Short-term loans and advances	18	43,113,828	39,993,363
(f) Other current assets	19	888,087	-
		<u>384,857,974</u>	<u>308,071,433</u>
	Total	<u>407,819,014</u>	<u>346,530,704</u>

See accompanying notes forming part of the
Financial Statements


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In terms of our report attached
For MSKA & Associates
Chartered Accountants
Firm Registration No.:105047W



Vinayak M. Padwal
Partner
Membership No. 049639

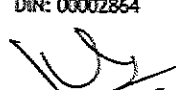


For and on behalf of the Board of Directors of
Digisol Systems Limited
CIN : U31909GA2016PLC012970


K. R. Naik
Wholetime Director
DIN: 00002013


Pankaj Baliga
Director
DIN: 00002864


Darshan Karekar
Company Secretary


K. G. Prabhu
Chief Financial Officer


Mumbai, dated : 15th May, 2019


Mumbai, dated : 15th May, 2019

Digisol Systems Limited**Statement of Profit and Loss for the year ended 31st March, 2019**

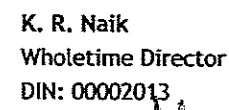
Particulars	Note No.	For the year ended	For the year ended
		31st March, 2019	31st March, 2018
		Rupees	Rupees
I Revenue from operations (gross)	20	880,616,757	825,058,561
Less : Excise duty		-	6,339,328
Revenue from operations (net)		880,616,757	818,719,233
II Other income	21	3,850,512	3,760,962
III Total Revenue (I + II)		884,467,269	822,480,195
IV Expenses :			
Cost of raw materials consumed	22	-	28,253,562
Purchases of traded goods	23	753,444,858	479,947,689
(Increase) / Decrease in inventories of finished goods, work-in-progress and traded goods	24	(45,295,344)	154,163,652
Employee benefits expense	25	110,255,359	123,510,952
Finance costs	26	8,691,978	22,626,521
Depreciation and amortisation expense	12	17,134,652	6,941,927
Other expenses	27	119,399,278	123,991,513
Total Expenses		963,630,781	939,435,816
V (Loss) before tax (III - IV)		(79,163,512)	(116,955,621)
VI Tax Expenses			
- Current tax		-	-
- Deferred tax		-	-
VII (Loss) for the period (V-VI)		(79,163,512)	(116,955,621)
VIII Earnings per equity share (Face value of Rs. 10/- per share)			
Basic and Diluted	34	(4.13)	(7.31)
See accompanying notes forming part of the Financial Statements	1-37		


In terms of our report attached
For MSKA & Associates
Chartered Accountants
Firm Registration No.:105047W

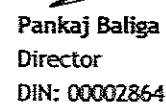

Vinayak M. Padwal
Partner
Membership No. 049639



For and on behalf of the Board of Directors of
Digisol Systems Limited
CIN : U31909GA2016PLC012970


K. R. Naik
Wholetime Director
DIN: 00002013


Darshan Karekar
Company Secretary


Pankaj Baliga
Director
DIN: 00002864


K. G. Prabhu
Chief Financial Officer

Mumbai, dated : 15th May, 2019

Mumbai, dated : 15th May, 2019

Digisol Systems Limited

Cash flow statement for the year ended 31st March, 2019

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
	Rupees	Rupees
A. Cash flows from operating activities		
(Loss) before tax	(79,163,512)	(116,955,621)
Adjustments for:		
Depreciation and amortisation expense	17,134,652	6,941,927
Gain on sale of current investments (net)	(822,882)	(2,855,754)
Profit on Fixed Assets sold/written off (net)	(126,757)	(115,765)
Provision for doubtful debts and advances (net)	(10,627,669)	(573,043)
Bad debts written off	8,331,020	-
Unrealised exchange differences	(59,644)	(88,823)
Sundry balances written off	3,492	-
Finance costs	8,691,978	22,626,521
Interest income	(986,763)	-
Operating (loss) before working capital changes	(57,626,085)	(91,020,558)
(Increase) in trade receivables	(9,897,261)	(1,084,097)
(Increase) / Decrease in inventories	(45,238,425)	181,736,244
(Increase) in loans and advances	(3,256,140)	(23,639,639)
Increase / (Decrease) in trade and other payables	31,752,018	(11,800,962)
Cash (used in) / from operations	(84,265,894)	54,190,988
Direct taxes (paid)	(90,712)	-
Net cash (used in) / from operating activities	(84,356,606)	54,190,988
B. Cash flows from investing activities		
Purchase of fixed assets (Refer note 2)	(1,420,614)	(538,924)
Sale of fixed assets	133,845	2,753,191
Purchase of current investments	(68,800,000)	(483,273,313)
Sale of current investments	76,622,883	513,325,150
Bank balances not considered as Cash and bank balance Placed	(30,000,000)	-
Interest received	98,676	-
Net cash (used in) / from investing activities	(23,365,210)	32,266,104
C. Cash flows from financing activities		
Redemption of Debentures	-	(50,000,000)
Proceeds from / (Repayment of) short term borrowings	108,420,685	(6,825,475)
Interest paid	(8,385,469)	(22,614,993)
Net cash generated / (used in) from financing activities	100,035,216	(79,440,468)
Net (Decrease) / Increase in cash and bank balance	(7,686,600)	7,016,624
Cash and bank balance at the beginning of the period	11,679,993	4,516,554
Effect of exchange differences on restatement of foreign currency Cash and bank balance.	35,922	7,416
Cash and bank balance at the end of the year (Refer note 3)	4,029,315	11,679,993

Footnotes :

- Cash flows are reported using the indirect method.
- Purchase of Fixed assets are stated inclusive of movements of capital work in progress and capital creditors between the commencement and end of the period and are considered as part of investing activity.
- Reconciliation of Cash and bank balance :

Cash and bank balance (Refer note 17)	34,029,315	11,679,993
Less : Bank balances not considered as Cash and bank balance as defined in Accounting Standard (AS) 3 on 'Cash Flow Statements'		
In earmarked accounts:		
Deposits held as margin money	30,000,000	-
Net Cash and bank balance as defined in AS3 on 'Cash Flow Statements'	4,029,315	11,679,993

In terms of our report attached

For MSKA & Associates

Chartered Accountants

Firm Registration No.:105047W

Vinayak M. Padwal
Partner
Membership No. 049639



Mumbai, dated : 15th May, 2019

For and on behalf of the Board of Directors of
Digisol Systems Limited

CIN : UB1909GA2016PLC012970

K. R. Naik
Wholtime Director
DIN: 00002013

Pankaj Baliga
Director
DIN: 00002864

Dajshan Karekar
Company Secretary

K. G. Prabhu
Chief Financial Officer

Mumbai, dated : 15th May, 2019

Digisol Systems Limited

Notes forming part of the financial statements

NOTE 1 : BACKGROUND OF THE COMPANY

Digisol Systems Limited ("Company") was incorporated on 17th August, 2016. The Company is in the business of developing, manufacturing, marketing, distributing and servicing of various categories of Networking and Information Technology (IT) Products sold under brand name "DIGISOL" , hereinafter referred to as ("Digisol Business")

NOTE 2 : SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act"), and the relevant provisions of the Act. The financial statements have been prepared on accrual basis and going concern assumption under the historical cost convention. The accounting policies adopted in preparation of the financial statements are consistent with those followed in the previous year.

(b) **Use of estimates**

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the year in which the results are known / materialised.

(c) **Inventories**

Items of inventory are valued at lower of cost and net realisable value, on the following basis:

- (i) Raw materials, components, stores and spares - on weighted average basis.
- (ii) Work-in-progress and finished goods - on the basis of absorption costing comprising of direct costs and overheads other than financial charges.
- (iii) Traded goods - on weighted average basis.

(d) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks, other short term highly liquid investments with original maturities of three months or less.

(e) **Depreciation and amortisation**

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on property, plant and equipments has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, and operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.:

Motor Vehicle	- 5 years
Plant and Equipment	- 8 years
Furniture and Fixture	- 8 years

Intangible assets are amortised over their estimated useful life on straight line method as follows:

Acquired Goodwill	- 30 months (Previous year, 5 years)
Computer Software	- 4 years

(f) **Revenue recognition**

Revenue (income) is recognized when no significant uncertainty as to determination / realization exists.

Revenue from sale of products is recognised net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods. Sales include excise duty but exclude sales tax, goods and service tax and value added tax.

Revenue from services is recognised when the services are rendered. Revenue from maintenance contracts are recognised pro-rata over the period of contract.

Interest income is accounted on accrual basis.

Dividend income is accounted for when the right to receive the same is established.

(g) **Property, Plant and Equipment**

i) **Tangible assets**

Tangible assets are carried at cost of acquisition or construction less accumulated depreciation and impairment loss, if any.

ii) **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.



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Digisol Systems Limited

Notes forming part of the financial statements

(h) **Foreign currency transactions**

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected. In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of contract. Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognised as income or expense. At the year-end, monetary items denominated in foreign currency and the relevant foreign exchange contracts are reported using the closing rate of exchange. Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expenses in the relevant year.

(i) **Investments**

Long-term (non-current) investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognize the decline. Current investments are carried at lower of cost and fair value.

(j) **Employee Benefits**

Compensation to employees for service rendered is accounted for in accordance with AS-15 on "Employee Benefits".

Employee Benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident and other funds, which fall due for payment within a period of 12 months after rendering services, are charged as expense to the Statement of profit and loss in the period in which the service is rendered.

Employee Benefits such as defined benefit plan and other long term employee benefits, such as gratuity and compensated absences which fall due for payment after a period of 12 months from rendering services and after completion of employment are measured by the Project Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each balance sheet date. The company's obligation recognised in the balance sheet represents the present value of obligations as reduced by the fair value of plan assets, where applicable.

Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

(k) **Borrowing costs**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(l) **Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

The weighted average numbers of equity shares are adjusted for events such as bonus issue, bonus element in the rights issue, share split and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(m) **Taxes on income**

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred income-tax reflect the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years/period. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future income will be available except that deferred tax assets in case there are unabsorbed depreciation and losses are recognised if there is virtual certainty that supported by convincing evidence sufficient future taxable income will be available to realise the same (Refer note 35)

(n) **Impairment of assets**

At the end of each accounting period, the Company determines whether a provision should be made for impairment loss on Property, plant and equipment by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". An impairment loss is charged to the Statement of Profit and Loss in the period in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

(o) **Provisions and contingencies**

Provision is recognised in the accounts when there is a present obligation as a result of past event/s and it is probable that an outflow of resources will be required to settle the obligation. Contingent liabilities, if any are disclosed in the notes to the financial statements.



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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
NOTE 3 : SHARE CAPITAL		
<u>Authorised</u>		
41,000,000 (Previous Year 16,000,000) Equity Shares of Rs.10/- each	410,000,000	160,000,000
<u>Issued, subscribed and paid-up</u>		
41,000,000 (Previous Year 16,000,000) Equity Shares of Rs.10/- each, fully paid-up (Out of the above, 25,000,000 Equity shares have been issued as fully paid, for consideration other than cash)	410,000,000	160,000,000
Total	410,000,000	160,000,000

Footnotes:

a) Terms / rights attached to equity shares

The Company has only one class of Equity shares having a par value of Rs. 10/- per share. Each holder of Equity shares is entitled to one vote per share and each Equity share carries an equal right to dividend and in case of repayment of capital.

b) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	As at 31st March, 2019 No. of Shares	As at 31st March, 2018 No. of Shares
At the beginning of the period	16,000,000	16,000,000
Add : Shares issued during the period	25,000,000	-
Shares outstanding at the end of the period	41,000,000	16,000,000

c) Details of shares held by Holding Company

	As at 31st March, 2019		As at 31st March, 2018	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of Rs.10/- each fully paid-up.				
Smartlink Holdings Limited	41,000,000	100%	16,000,000	100%

d) Details of shareholders holding more than 5% shares in the company.

	As at 31st March, 2019		As at 31st March, 2018	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of Rs.10/- each fully paid-up.				
Smartlink Holdings Limited	41,000,000	100%	16,000,000	100%

The above shareholding represents both legal and beneficial ownership of shares as at the balance sheet date.

e) The Paid-up Equity Capital of the Company as on 31st March, 2019 stood at Rs. 410,000,000/- consisting of 41,000,000 Equity Shares of Rs. 10/- each. During the financial year ended 31st March, 2019, the terms of 8% 2,500,000 Non-convertible Debentures of Rs. 100/- amounting to Rs. 250,000,000 were changed from Non-convertible Debentures to Compulsorily Convertible Debentures (CCD) vide approval given by shareholders at their meeting held on February 2, 2019. Further, based on the request letter received from the Debenture Holder, Smartlink Holdings Limited, the Company has exercised the option of converting CCDs into Equity shares with swap ratio as 10:1 (Ten equity shares of Rs. 10/- each for each CCD of Rs. 100/-). Further, the Company has made an application before the National Company Law Tribunal (NCLT) on 8th March, 2019 to reduce the paid-up equity share capital from Rs. 410,000,000/- (41,000,000 equity shares of Rs. 10/- each, fully paid up) to Rs. 41,000,000/- (41,000,000 equity shares of Re. 1/- each, fully paid up), thereby reducing the nominal value of equity shares from Rs. 10/- each to Re. 1/- each by cancelling the equity share capital of Rs. 9/- per equity share. The NCLT has admitted the application and vide its order dated 8th of April, 2019 (order received on 8th of May 2019) has provided directions for issuing notices to Regional Director, Registrar of Companies, creditors of the company and also to make an advertisement in local newspapers for confirming the reduction of equity share capital of the Company. The next hearing is scheduled on 11th July 2019.

Note:- Post reduction of equity share capital, company's issued and subscribed capital would be at Rs. 41,000,000/- (41,000,000 equity shares of Re.1/- each)

NOTE 4 : RESERVES AND SURPLUS

	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
<u>Surplus in Statement of Profit and Loss</u>		
As per last Balance sheet	(223,621,297)	(106,655,676)
(Loss) for the period	(79,163,512)	(116,955,621)
Closing balance	(302,784,809)	(223,621,297)
Total	(302,784,809)	(223,621,297)



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Digisol Systems Limited**Notes forming part of the financial statements**

	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
NOTE 5 : LONG -TERM BORROWINGS		
Unsecured Debentures :		
NIL , (Previous year, 8%, 2,500,000 Non-Convertible Debentures of Rs. 100/- each redeemable on 14th November, 2021) (Ref footnote below)	-	250,000,000
Total	-	250,000,000
Footnote:		
The terms of the Non-Convertible Debentures inter-alia were changed to Compulsorily Convertible Debentures on 2nd February, 2019 and 2,500,000 Compulsorily Convertible Debentures of Rs. 100 each were converted to 25,000,000 Equity Shares of Rs. 10 each on 14th February, 2019.		
NOTE 6 : OTHER LONG-TERM LIABILITIES		
Other payables :		
Security deposits	-	95,206
Unearned revenue	5,712	17,136
Total	5,712	112,342
NOTE 7 : LONG-TERM PROVISIONS		
Provision for employee benefits		
For Gratuity (Refer note 31)	1,339,219	803,603
For Leave encashment	1,427,932	1,405,759
Total	2,767,151	2,209,362
NOTE 8 : SHORT TERM BORROWING		
Bank Overdraft (Refer footnote 1 below)		
	58,420,685	-
Unsecured Loan		
Loan from Director(Refer footnote 2 below)	50,000,000	-
Total	108,420,685	-
Footnote :		
1. Overdraft with banks are secured, by a charge ranking pari passu, by way of hypothecation of all present and future current assets, Bank Guarantee from Smartlink Holdings Limited (Holding Company) and charge on Fixed Deposit.		
2. Loan from Director taken for a tenure of 90 days with an option to roll over for further 4 terms of 90 days each.		
NOTE 9 : TRADE PAYABLE		
Total outstanding dues of micro enterprises and small enterprises (Refer footnote below)		
	108,694	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		
	169,125,264	123,987,904
Total	169,233,958	123,987,904
Footnote :		
The disclosures under the Micro, Small and Medium Enterprises Development Act, 2006 have been made in respect of such vendors to the extent they could be identified as micro and small enterprises on the basis of information available with the Company.		
Particulars		
Outstanding principal amount and interest as on 31st March.		
- Principal Amount	108,694	-
- Interest due thereon	-	-
Amount of interest paid along with the amounts of payment made beyond the appointed day		
	11,493	6,479
Amount of interest due and payable (where the principal has already been paid but interest has not been paid)		
	9,571	11,528
The amount of interest accrued and remaining unpaid at the end of each accounting year		
	9,571	11,528
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid for the purpose of disallowance as a deductible expenditure under section 23 of the said Act		



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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
<u>NOTE 10 : OTHER CURRENT LIABILITIES</u>		
Unearned revenue	11,424	11,424
Interest accrued on unsecured loan from director	308,466	-
Interest accrued on Debentures	-	4,438,356
Other payables :		
For Gratuity (Refer note 31)	77,939	87,573
Statutory dues	684,487	3,314,232
Security deposits	2,787,452	1,793,802
Interest accrued on delayed payment to MSME vendors (Refer Note 9)	9,571	11,528
Provision of GST for Inventory held in trust	15,186,178	22,845,435
Advance from customers	362,423	589,052
Total	<u>19,427,940</u>	<u>33,091,402</u>
<u>NOTE 11 : SHORT-TERM PROVISIONS</u>		
<u>Provision for employee benefits</u>		
For Leave encashment	748,377	750,991
Total	<u>748,377</u>	<u>750,991</u>



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Digital Systems Limited
Notes forming part of the financial statements

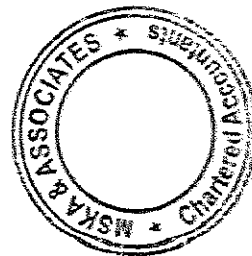
NOTE 12 : PROPERTY, PLANT AND EQUIPMENT

Nature of assets	Gross block				Depreciation / Amortisation				Net block	
	As at 01st April, 2018	Additions	Deductions	As at 31st March, 2019	Upto 01st April, 2018	For the period	Deductions	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2019
a										
Tangible assets:										
Plant and Equipment	8,969,441 (11,617,904)	(59,999)	(2,708,462)	8,969,441 (8,969,441)	5,742,263 (5,104,878)	618,715 (990,235)	(352,850)	6,360,978 (5,742,263)	2,608,463 (3,227,178)	
Furniture and Fixture	8,668,586 (8,668,586)	-	-	8,668,586 (8,668,586)	8,257,565 (7,942,185)	256,172 (315,380)	-	8,513,737 (8,257,565)	154,849 (411,021)	
Vehicles	609,084 (1,174,397)	-	609,084 (565,313)	(609,084)	569,704 (713,054)	39,380 (169,203)	609,084 (312,553)	(569,704)	(39,380)	
Office equipment	2,119,225 (2,020,495)	17,034 (98,730)	-	2,136,259 (2,119,225)	1,935,477 (1,859,987)	61,897 (75,490)	-	1,997,374 (1,935,477)	138,885 (183,748)	
Others										
Electrical installations	911,146 (911,146)	-	-	911,146 (911,146)	755,729 (664,874)	90,855 (90,855)	-	846,584 (755,729)	64,562 (155,417)	
Air conditioners	797,490 (797,490)	-	-	797,490 (797,490)	550,171 (498,671)	48,589 (51,500)	-	598,760 (550,171)	198,730 (247,319)	
Computers	15,451,534 (15,432,345)	1,403,580 (183,195)	40,956 (164,006)	16,814,158 (15,451,534)	14,520,193 (14,032,055)	870,443 (623,090)	33,868 (134,952)	15,356,768 (14,520,193)	1,457,390 (931,341)	
Tangible assets Total	37,526,506 (40,622,363)	1,420,614 (341,924)	650,040 (3,437,781)	38,297,080 (37,526,506)	32,331,102 (30,815,704)	1,986,051 (2,315,753)	642,952 (800,355)	33,674,201 (32,331,102)	4,622,879 (5,195,404)	
b										
Intangible assets :										
Goodwill	20,720,016 (20,720,016)	-	-	20,720,016 (20,720,016)	6,104,802 (1,963,068)	14,615,214 (4,141,734)	-	20,720,016 (6,104,802)	(14,615,214)	
Computer software - acquired	7,031,704 (6,834,704)	(197,000)	-	7,031,704 (7,031,704)	5,687,514 (5,203,074)	533,387 (484,440)	-	6,220,901 (5,687,514)	810,803 (1,344,190)	
Intangible assets Total	27,751,720 (27,554,720)	(197,000)	-	27,751,720 (27,751,720)	11,792,316 (7,166,142)	15,148,601 (4,626,174)	-	26,940,917 (11,792,316)	810,803 (15,959,404)	
Total	65,278,226 (68,177,083)	1,420,614 (338,924)	650,040 (3,437,781)	66,048,800 (65,278,226)	44,123,418 (37,981,846)	17,134,652 (6,941,927)	642,952 (800,355)	60,615,118 (44,123,418)	5,433,682 (21,154,808)	

Footnote:

- Goodwill represents the difference between assets and liabilities transferred and the purchase consideration paid to Smartlink Holdings Limited pursuant to scheme of arrangement for transfer of business. During the year, there has been change in estimated useful life of Goodwill from 5 years to 30 months.
- Figures in brackets are those of the previous year.

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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
NOTE 13 : LONG-TERM LOANS AND ADVANCES		
<u>Unsecured, considered good (unless stated otherwise) :</u>		
Security deposits	4,162,360	3,740,760
Others :		
Advance payment of taxes	98,676	7,964
Customs duty receivable	1,866,322	2,155,739
Pre-deposit with Government authorities in connection with appeals filed	11,400,000	11,400,000
Total	17,527,358	17,304,463
NOTE 14 : CURRENT INVESTMENTS		
Investments in Mutual Funds (unquoted) (At lower of cost and fair value)		
NIL (Previous year, 354,092.8950) Units in Franklin Templeton Mutual Fund India Low Duration Fund - Direct	-	7,000,000
Total	-	7,000,000
Footnote :		
Aggregate value of investments (net of adjustment)		
Unquoted - cost	-	7,000,000
NOTE 15 : INVENTORIES		
(At lower of cost and net realisable value)		
Finished goods	-	3,633,124
Traded goods	159,750,506	110,822,038
(Includes Goods-in-transit Rs. 2,049,301/- (Previous year Rs. 7,138,187/-))		
Stores, spares and packing materials	7,473	64,392
Total	159,757,979	114,519,554
NOTE 16 : TRADE RECEIVABLES		
<u>Unsecured</u>		
a) Outstanding for a period exceeding six month from the date they were due for payment		
Considered good	8,455,462	-
Considered doubtful	1,960,527	12,588,195
Less: Provision for doubtful receivables	1,960,527	12,588,195
b) Others		
Considered good (Refer footnote below)	138,613,303	134,878,523
Total	147,068,765	134,878,523
Footnote:		
Receivable from related parties.		
Smartlink Holdings Limited	45,637	-
Telesmart SCS Limited	23,652	425,066



Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
NOTE 17 : CASH AND BANK BALANCE		
a) Cash on hand	53,090	32,032
b) Balances with bank		
In Current accounts	1,120,502	8,849,118
In Exchange Earners Foreign Currency (EEFC) account	2,855,723	2,798,843
	<u>3,976,225</u>	<u>11,647,961</u>
Other Bank Balances		
In earmarked accounts		
Deposits held as margin money (Refer footnote below)	30,000,000	-
Total	<u><u>34,029,315</u></u>	<u><u>11,679,993</u></u>
Footnote:-		
Balances with bank includes margin monies amounting to Rs 3,00,00,000/- (previous year Rs. NIL) having an original maturity more than 12 months.		
NOTE 18 : SHORT-TERM LOANS AND ADVANCES		
<u>Unsecured, considered good (unless otherwise stated) :</u>		
Security deposits	318,000	631,600
Advances / Loans to Employees	557,867	529,942
Prepaid expenses	2,328,084	1,451,535
Others :		
GST Receivable	31,882,105	31,636,107
Custom duty receivable	314,276	97,499
Advances to suppliers	7,713,496	5,646,680
Total	<u><u>43,113,828</u></u>	<u><u>39,993,363</u></u>
NOTE 19 : OTHER CURRENT ASSETS		
Interest accrued on Bank Deposits	888,087	-
Total	<u><u>888,087</u></u>	<u><u>-</u></u>



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Digisol Systems Limited

Notes forming part of the financial statements

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
	Rupees	Rupees
NOTE : 20 REVENUE FROM OPERATIONS		
Sale of products (Refer Footnote (i) below)	830,048,877	785,615,034
Sale of services (Refer Footnote (ii) below)	39,729,931	38,545,459
Other operating revenues (Refer Footnote (iii) below)	10,837,949	898,068
Total	880,616,757	825,058,561

Footnotes :

(i) Sale of products comprises of Finished goods

Networking products	9,410,617	192,577,157
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Traded goods

Networking products	820,638,260	593,037,877
Total	830,048,877	785,615,034

(ii) Sale of Services comprises of

Repair services	39,718,507	38,148,367
AMC services	11,424	13,092
Training services	-	384,000
Total	39,729,931	38,545,459

(iii) Other operating revenues

Provision for doubtful debts and advances written back	10,627,669	573,043
Recovery of trade receivables earlier written off	210,280	-
Scrap income	-	325,025
Total	10,837,949	898,068

NOTE 21 : OTHER INCOME

Interest income on overdue trade receivables	13,823	-
Interest income on fixed deposit with banks	986,763	-
Gain on sale of current investments (net)	822,882	2,855,754
Exchange gain (net) (Refer note 29 (b))	1,900,287	789,443
Profit on fixed assets sold / written off (net)	126,757	115,765
Total	3,850,512	3,760,962

NOTE 22 : COST OF RAW MATERIALS CONSUMED

Raw materials consumed comprises

Integrated circuits	-	9,968,143
Power supplies, batteries and accessories	-	2,248,808
Enclosures and parts	-	3,693,470
Inductors, chip beads & transformers	-	1,078,263
PCBs	-	3,109,537
Others	-	8,155,341
Total	-	28,253,562

NOTE 23 : PURCHASE OF TRADED GOODS

Networking products	753,444,858	479,947,689
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Digisol Systems Limited

Notes forming part of the financial statements

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
	Rupees	Rupees
NOTE 24 : (INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS		
Stock as at 1st April, 2018		
Finished goods		
- Manufactured	3,633,124	149,602,762
- Traded	110,822,038	118,971,359
Work-in-progress	-	44,693
	<u>114,455,162</u>	<u>268,618,814</u>
Less : Stock as at 31st March, 2019		
Finished goods		
- Manufactured	-	3,633,124
- Traded	159,750,506	110,822,038
Work-in-progress	-	-
	<u>159,750,506</u>	<u>114,455,162</u>
(Increase) / Decrease	<u>(45,295,344)</u>	<u>154,163,652</u>
NOTE 25 : EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	100,890,666	113,747,614
Contribution to provident and other funds (Refer Note 31B)	3,244,956	3,289,186
Staff welfare expenses	4,712,030	4,346,937
Gratuity (Refer Note 31)	1,026,741	1,628,811
Leave encashment	380,966	498,404
Total	<u>110,255,359</u>	<u>123,510,952</u>
NOTE 26 : FINANCE COSTS		
Interest Expenses on :		
Interest on debentures	4,986,301	22,257,535
Interest on unsecured loan from director	601,644	-
Bank overdraft account	2,150,621	274,503
Delayed payment to MSME vendors (Refer Note 9)	9,571	11,528
Others		
- Interest on statutory payments etc.	943,841	82,955
Total	<u>8,691,978</u>	<u>22,626,521</u>
NOTE 27 : OTHER EXPENSES		
Stores, spares and packing material consumed	915,230	3,768,405
Excise duty (Refer Note No. 37 (f))	-	(11,942,745)
Power and fuel	5,315,292	7,127,527
Rent	15,805,728	17,793,135
Rates and taxes	1,173,629	285,079
Insurance	3,636,618	4,326,319
<u>Repairs and maintenance</u>		
Machinery	15,000	6,834
Others	<u>760,873</u>	<u>1,755,140</u>
	775,873	1,761,974
Travelling and conveyance expenses	7,570,102	8,756,968
Communication expenses	2,758,925	4,294,148
Legal and Professional fees	17,190,576	20,472,773
Advertisement and sales development expenses	19,708,589	31,958,583
Freight Outward	14,420,628	14,230,944
Servicing expenses	8,064,367	12,183,229
Sundry balances written-off	3,492	18,553
Bad debts written off	8,331,020	-
Miscellaneous expenses	13,729,209	8,956,621
Total	<u>119,399,278</u>	<u>123,991,513</u>



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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
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NOTE 28 : CONTINGENT LIABILITIES AND COMMITMENTS

- A. Contingent liabilities
- B. Capital commitments

	-	-
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NOTE 29 : FOREIGN CURRENCY

- a) The period end foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:

Amount receivable in foreign currency on account of the following:

	As at 31st March, 2019			As at 31st March, 2018		
	In foreign Currency		In Rupees	In foreign Currency		In Rupees
Trade receivables	USD	66,183	4,575,898	USD	111,655	7,275,450
Loans and advances	USD	78,553	5,409,104	USD	35,747	2,296,363

Amount payable in foreign currency on account of the following:

	As at 31st March, 2019			As at 31st March, 2018		
	In foreign Currency		In Rupees	In foreign Currency		In Rupees
Trade payable	USD	51,467	3,559,427	USD	329,511	21,477,541

- b) Amount of exchange differences included in the Statement of Profit and Loss

Exchange gain
Exchange loss

	For the year ended 31st March, 2019 Rupees	For the year ended 31st March, 2018 Rupees
	3,637,928	2,237,445
	1,737,641	1,448,002

NOTE 30 : PAYMENT TO AUDITORS (NET OF GST)

As Auditors
For other services - certifications
For Expenses

	400,000	400,000
	85,000	-
	4,530	-

Total

	489,530	400,000
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Digisol Systems Limited

Notes forming part of the financial statements

NOTE 31 : EMPLOYEE BENEFITS

A The disclosure as required under AS-15 regarding the Company's defined benefit plans is as follows:

For the year ended
31st March, 2019

For the year ended
31st March, 2018

	Gratuity (Funded)	Gratuity (Funded)	
I. Reconciliation of opening and closing balances of Defined Benefit obligation			
Defined Benefit obligation at beginning of the period	6,902,727	6,289,644	
Current Service Cost	905,269	1,047,207	
Interest Cost	512,625	374,720	
Past service cost - (vested benefit)	-	929,395	
Actuarial (gain) / loss	(23,945)	(361,350)	
Benefits paid	(385,956)	(1,376,889)	
Defined Benefit obligation at period-end	<u>7,910,720</u>	<u>6,902,727</u>	
II. Reconciliation of opening and closing balances of fair value of plan assets			
Fair value of plan assets at beginning of the period	6,011,551	6,451,824	
Adjustment to opening balance	(3,719)	(3,495)	
Expected return on plan assets	409,529	408,332	
Actuarial gain/(loss)	(42,321)	(47,171)	
Employer contribution	504,478	578,950	
Benefits paid	(385,956)	(1,376,889)	
Fair value of plan assets at period end	<u>6,493,562</u>	<u>6,011,551</u>	
III. Reconciliation of fair value of assets and obligations			
Present value of obligation as at 31st March, 2019	7,910,720	6,902,727	
Fair value of plan assets as at 31st March, 2019	6,493,562	6,011,551	
Amount recognized in Balance Sheet	<u>(1,417,158)</u>	<u>(891,176)</u>	
IV. Expense recognized during the period (Under the head "Employees benefits expense" - Refer to note 25)			
Current Service Cost	905,269	1,047,207	
Interest Cost	512,625	374,720	
Expected return on plan assets	(409,529)	(408,332)	
Actuarial (gain) / loss	18,376	(314,179)	
Net Cost	<u>1,026,741</u>	<u>1,628,811</u>	
V. Actuarial assumptions			
Discount rate (per annum)	7.66%	7.64%	
Expected rate of return on plan assets (per annum)	6.75%	6.75%	
Rate of escalation in salary (per annum)	5.00%	5.00%	
Mortality Table used	Indian Assured Lives Mortality 2006-08 ultimate table	Indian Assured Lives Mortality 2006-08 ultimate table	
Disclosed under Note 7 - Long-Term Provisions	1,339,219	803,603	
Disclosed under Note 10 - Other current liabilities	77,939	87,573	
VI. The assumptions of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment.			
VII. The amounts of the present value of the obligation, fair value of the plan assets, surplus or deficit in the plan, experience adjustments arising on plan liabilities and plan assets are furnished below.			
Experience Adjustment			
On plan liabilities	31-Mar-19	31-Mar-18	31-Mar-17
	(23,945)	(361,350)	(669,618)
On plan assets	(42,321)	(47,171)	(158,812)
Present value of benefit obligation	7,910,720	6,902,727	6,289,644
Fair value of plan assets	6,493,562	6,011,551	6,451,824
Excess of (obligation over plan assets) / plan assets over obligation	<u>(1,417,158)</u>	<u>(891,176)</u>	<u>162,180</u>

VIII. The plan assets are managed by the Gratuity trust formed by the Company. The management of funds is entrusted with Life Insurance Corporation of India. The details of investments made by them are not available.

B The disclosure as required under AS-15 regarding the Company's defined contribution plans is as follows :

- Contribution to provident fund Rs. 2,790,485/- (previous year Rs.2,857,804/-)
- Contribution to National Pension Scheme Rs.91,634 /- (previous year Rs.25,606/-)
- Contribution to ESIC Rs.362,837/- (previous year Rs. 405,776/-)
- Contribution to Labour Welfare Fund Rs. 18,288/- (previous year Rs. 29,725/-)



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Digisol Systems Limited

Notes forming part of the financial statements

NOTE 32 : SEGMENT INFORMATION

(A) Segment information for primary reporting (by business segment)

The Company has its operations in developing, manufacturing, marketing, distributing and servicing networking products. These networking products are sold to distributors, Original Equipment Manufacturers (OEM's) and System Integrators (SI). The primary reporting segment for the Company therefore, is the business segment, viz., networking products.

(B) Segment information for secondary segment reporting (by geographical segments)

The secondary reporting segment for the Company is the geographical segment based on location of customers, which is as follows:

- i) Domestic
- ii) Export

Information about secondary segments

Particulars	Domestic	Exports	Unallocated	Total
Revenues from external customers (net) (including sale of services)	841,265,468 (780,581,931)	39,351,289 (37,812,277)	- -	880,616,757 (818,394,208)
Segment assets	368,227,038 (320,567,297)	4,575,898 (7,275,450)	35,016,078 (18,687,957)	407,819,014 (346,530,704)
Additions to Property, plant and equipment during the year	1,420,614 (538,924)	- -	- -	1,420,614 (538,924)

Figures in brackets are for the previous year

NOTE 33 : OPERATING LEASE RENTALS

Lease rental charged to the statement of Profit and Loss in respect of premises taken on cancellable operating lease are Rs. 15,805,728/- (previous year Rs.17,793,135/-) The tenure of these leases is 11 to 60 months.

NOTE 34 : EARNINGS PER SHARE

Earnings per share is calculated by dividing the Profit / (loss) attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the period, as under:

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Net (Loss) for the period attributable to Equity Shareholders (Rupees)	(79,163,512)	(116,955,621)
Weighted average number of equity shares	19,150,685	16,000,000
Par value per share (Rupees)	10.00	10.00
Basic and Diluted earnings per share net of tax (Rupees)	(4.13)	(7.31)

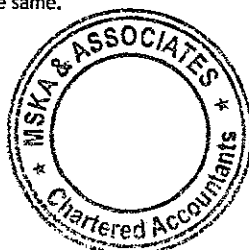
NOTE 35 : DEFERRED TAX (NET)

The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:

	As at 31st March, 2019 Rupees	As at 31st March, 2018 Rupees
a. Deferred Tax Liability		
Preliminary Expenses	(3,271)	(3,271)
Total	(3,271)	(3,271)
b. Deferred Tax Asset		
Fiscal allowances of Property, plant and equipment	3,611,504	680,389
Carry-forward depreciation loss	4,616,210	3,094,557
Carry-forward business loss	57,463,822	41,420,104
Provision for doubtful debts	509,737	3,272,931
Provision for slow moving stock	10,350,477	9,155,916
Others	1,866,821	1,858,198
Total	78,418,571	59,482,095
Deferred Tax Asset (net)	NIL*	NIL*

Note :

* The Company has a Deferred Tax Asset as at 31st March, 2019. However, in the absence of virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised, the Company has not accounted for the same.



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Digisol Systems Limited

Notes forming part of the financial statements

NOTE 36 : RELATED PARTY DISCLOSURES

a) Name of related parties where control exists

Name of the related parties
Smartlink Holdings Limited

Nature of relationship
Holding Company

b) List of related parties with whom transactions have taken place during the period and nature of relationship

Name of the related parties
Smartlink Holdings Limited
Synegra EMS Limited
Telesmart SCS Limited

Nature of relationship
Holding Company
Fellow Subsidiary
Fellow Subsidiary
Key management person

Ms. Arati K. Naik (Whole Time Director / Chief Operating Officer)

Mr. Kamalaksha R. Naik (Whole Time Director)

Key management person

c) Details of related party transactions during the period

Nature of transactions	Rupees			
	Holding Company	Fellow Subsidiary	Key Management	Total
Sale of Products				
Smartlink Holdings Limited	161,158 (1,350,214)	- -	- -	161,158 (1,350,214)
Telesmart SCS Limited	- -	235,973 (5,368,490)	- -	235,973 (5,368,490)
Synegra Ems Limited	- -	190,490 (2,662,300)	- -	190,490 (2,662,300)
Sale of Assets				
Telesmart SCS Limited	- -	- (2,355,612)	- -	- (2,355,612)
Job Work Charges				
Synegra EMS Limited	- -	- (1,711,500)	- -	- (1,711,500)
Telesmart SCS Limited	- -	- (708,739)	- -	- (708,739)
Purchase of Traded Products				
Synegra EMS Limited	- -	202,724,735 (61,559,660)	- -	202,724,735 (61,559,660)
Telesmart SCS Limited	- -	66,939,600 (42,940,173)	- -	66,939,600 (42,940,173)
Managerial Remuneration				
Ms. Arati K. Naik	- -	- -	248,200 (2,770,200)	248,200 (2,770,200)
Charges paid towards Consumption of Electricity				
Smartlink Holdings Limited	2,400,000 (600,000)	- -	- -	2,400,000 (600,000)
Rent Expense				
Smartlink Holdings Limited *	5,280,000 (13,065,000)	- -	- -	5,280,000 (13,065,000)
Ms. Arati K. Naik	- -	- -	240,000 (320,000)	240,000 (320,000)



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Digisol Systems Limited

Notes forming part of the financial statements

Nature of transactions	Holding Company	Fellow Subsidiary	Key Management	Total
Management Support Fees Expense Smartlink Holdings Limited *	- (1,350,000)	- -	- -	- (1,350,000)
Interest Expense Smartlink Holdings Limited	4,986,301 (22,257,535)	- -	- -	4,986,301 (22,257,535)
Mr. Kamalaksha R. Naik	- -	- -	601,644 -	601,644 -
Conversion of Debenture into equity shares Smartlink Holdings Limited	250,000,000 -	- -	- -	250,000,000 -
Loan from Director Mr. Kamalaksha R. Naik	- -	- -	50,000,000 -	50,000,000 -
Repayment of Debentures Smartlink Holdings Limited	- (50,000,000)	- -	- -	- (50,000,000)
As at the period end				
Amount due from Smartlink Holdings Limited	45,637 -	- -	- -	45,637 -
Telesmart SCS Limited	- -	23,652 (425,066)	- -	23,652 (425,066)
Amount due to Smartlink Holdings Limited - Creditors	2,635,800 (675,200)	- -	- -	2,635,800 (675,200)
Smartlink Holdings Limited - Debentures	- (250,000,000)	- -	- -	- (250,000,000)
Smartlink Holdings Limited - Debenture Interest Accrued	- (4,438,356)	- -	- -	- (4,438,356)
Mr. Kamalaksha R. Naik- Unsecured Loan	- -	- -	50,000,000 -	50,000,000 -
Mr. Kamalaksha R. Naik- Interest Accrued on Unsecured Loan	- -	- -	308,466 -	308,466 -
Synegra EMS Limited	- -	39,158,664 (21,046,386)	- -	39,158,664 (21,046,386)
Telesmart SCS Limited	- -	23,519,517 (7,431,149)	- -	23,519,517 (7,431,149)

* The amounts are exclusive of GST and Service Tax.

Note

Figures in brackets are those of the previous year.



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Digisol Systems Limited

Notes forming part of the financial statements


NOTE 37 : OTHER DISCLOSURE


	For the year ended 31st March, 2019		For the year ended 31st March, 2018	
	Rupees	% age to total consumption	Rupees	% age to total consumption
a) Raw materials consumed				
imported	-	-	24,457,533	86.56
indigenous	-	-	3,796,029	13.44
Total	-	-	28,253,562	100.00
b) Stores, spares and packing materials consumed				
imported	-	-	770,235	20.44
indigenous	915,230	100.00	2,998,170	79.56
Total	915,230	100.00	3,768,405	100.00
c) C.I.F. value of goods imported				
Raw materials and components			2,468,511	9,710,983
Stores, spares and packing materials			-	42,020
Traded goods			178,308,527	202,451,769
d) Expenditure in foreign currency				
Travelling expenses			137,292	95,493
Professional fees			599,457	-
Membership subscription			67,860	21,878
e) Earnings in foreign exchange				
Income from services			39,351,289	37,812,277
f) Excise duty collected from customers against sales has been disclosed as a deduction from turnover . The excise duty related to the difference between the opening and closing stock of finished goods is disclosed separately in Note 27 in the statement of profit and loss as "Excise Duty"				
g) Previous year's figures have been regrouped / reclassified , wherever necessary, to correspond with those of the current year.				

Signature to notes 1 to 37



For and on behalf of the Board of Directors of
Digisol Systems Limited
CIN : U31909GA2016PLC012970


K. R. Naik
Wholetime Director
DIN: 00002013


Pankaj Baliga
Director
DIN: 00002864


Darshan Karekar
Company Secretary


K. G. Prabhu
Chief Financial Officer

Mumbai, dated : 15th May, 2019