

## BOARD'S REPORT

Dear Shareholders,

Your Directors pleased to present the 37<sup>th</sup> Annual Report on the working of your Company together with the Audited financial Statements of **M/s. ARMSEL MHE PRIVATE LIMITED** for the year ended 31<sup>st</sup> March 2018.

### FINANCIAL HIGHLIGHTS/STATE OF COMPANY'S AFFAIRS:

(Rs. In Lakhs)

Particulars	Current Year	Previous Year
Turnover	1945.13	3727.06
Other Income	19.41	26.81
Total Expenditure excluding Depreciation	2514.90	4352.84
Depreciation	42.95	50.71
Exceptional Items:		
Retrenchment Compensation	-	126.32
Provision for non moving stock	-	86.60
<b>Profit /(Loss) Before Tax</b>	<b>(592.46)</b>	<b>(862.59)</b>
Tax Expense	-	189.30
<b>Profit /(Loss) After Tax</b>	<b>(592.46)</b>	<b>(1051.90)</b>

### PERFORMANCE REVIEW:

During the year under review, Company has achieved turnover of Rs. 194,512,835/-, as compared to previous year revenue of Rs. 372,706,650/-,

Thereby the turnover was reduced by 47.81% compared to previous year. The Company has incurred net loss of Rs. 59,246,473/- as compared to Rs.105,190,728/- in the previous year due to market volatility and stiff competition .

The directors expect that the performance of the Company would improve during the current financial year.

During the year the management decided to sell its immovable property situated at Jigani, Bangalore.



And during the year due to consistent loss in the last three years in crane manufacturing division, the management has decided to close crane manufacturing division and intended to sale land, building, plant and machinery in respect of this division.

**CHANGE IN THE NATURE OF BUSINESS, IF ANY:**

There was no change in the nature of Business carried out by the Company during the financial year 2017-18.

**MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION BETWEEN END OF FINANCIAL YEAR AND DATE OF REPORT:**

During the period between end of financial year and date of report, no material changes were took place.

However during the period between end of financial year and date of report, the Company Shifted its registered office from No. 4th Floor, Block II, Prestige Towers, No.99 & 100, Residency Road, Bengaluru – 560025 to Sy No.118/2, 80 Feet Road, Jakkur Post, Yelahanka Hobli, Bengaluru - 560064 w.e.f 1<sup>st</sup> June, 2018.

**DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE:**

There were no material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

**PERFORMANCE AND FINANCIAL POSITION EACH OF ITS SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES:**

The Company does not have any Subsidiaries, Associates and Joint Venture Companies. Hence the disclosure is not required to be made.

**DIVIDEND:**

The Company has not recommended any dividend for the financial year.

**TRANSFER TO RESERVES:**

During the year, The Company has not transferred any amount to Reserves.



**DEPOSITS:**

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

**BOARD OF DIRECTORS:**

The Board comprises of following Directors:

Sl. No.	Name of the Director	Designation
01	Mr. Shin Kimura	Managing Director
02	Mr. Preet Heston Heri	Director

During the year Mr. Takayuki Fukunaga, resigned as Director of the Company effect from 23<sup>rd</sup> March, 2018 and Board places on record of its appreciation for the services rendered by him during their tenure as a Director.

**NUMBER OF MEETINGS OF THE BOARD:**

During the Financial Year 2017-18, there were 07 Board Meetings held on the following dates:

Date of Board Meeting	Preet Heston Heri	Shin Kimura	Takayuki Fukunaga	Total No. of Director Presents
21.04.2017	✓	NA	✓	02
08.05.2017	✓	✓	✓	03
04.09.2017	✓	✓	LOA	02
20.11.2017	✓	✓	LOA	02
18.12.2017	✓	✓	LOA	02
16.03.2018	✓	✓	LOA	02
23.03.2018	✓	✓	NA	02
<b>Total Board Meeting Attended</b>	<b>07/07</b>	<b>06/06</b>	<b>02/06</b>	<b>-</b>

**DIRECTORS' RESPONSIBILITY STATEMENT:**

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the Company for that period.
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the directors had prepared the annual accounts on a going concern basis.
- e) the directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

#### **SHARE CAPITAL:**

The Board provides following disclosures pertaining to Companies (Share Capital and Debentures) Rules, 2014:

Sl.No.	Particulars	Disclosure
1.	Issue of Equity shares with differential rights	Nil
2.	Issue of Sweat Equity shares	Nil
3.	Issue of employee stock option	Nil
4.	Provision of money by company for purchase of its own shares by trustees for the benefit of employees	Nil

As on 31<sup>st</sup> March, 2018 the Authorised Share capital of the Company was Rs. 4,00,00,000/- consisting of 4,00,000 Equity Shares of Rs. 100/- each and The paid up Share Capital of the company was Rs. 367,27,500/- consisting of 3,67,275 Equity Shares of Rs. 100/- each.

During the F.Y. 2017-18, the following allotment was made to increase the share capital of the Company:

- The paid up share capital of the Company was increased by issue and allotment of 55,907 Equity Shares of Rs. 100/- each at an issue price of Rs.1000/- each (including premium of Rs. 900/- each) aggregating to Rs. 5,59,07,000/- to M/s. Kito Corporation Japan at the Board Meeting held on 23.03.2018.

**CORPORATE SOCIAL RESPONSIBILITY POLICY:**

During the financial year the Company was not fall under the purview of provisions of Section 135 of the Companies Act, 2013 and hence the provisions of Corporate Social Responsibility are not applicable to the Company.

**REMUNERATION POLICY:**

The Company was not covered under the provisions of Section 178(1) of the Companies Act, 2013.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186:**

The Company has not given any loans, guarantees or made investments under section 186 of the companies Act, 2013 during the year under review.

**DISCLOSURE AS PER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:**

The Company has in place a prevention of Sexual Harassment policy (POSH) in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

During the year 2017-18, no complaints were received by the Company.

**RELATED PARTY TRANSACTIONS:**

The Company has entered into related party transactions with holding Company and fellow subsidiary of ultimate Holding Company. Whereas the transaction was at Arm's length and at the ordinary course of business. Hence the approval is not required pursuant to Section 188 of Companies Act, 2013.

**Conservation of Energy and Technology Absorption:**

Sl. No.	Particulars	Disclosure
(A)	<p><b><u>Conservation of Energy:</u></b></p> <ol style="list-style-type: none"> <li>1) The steps taken or impact on conservation of energy</li> <li>2) The steps taken by the company for utilising alternate sources of energy</li> <li>3) The capital investment on energy conservation equipments</li> </ol>	<p>Energy conservation continues to receive priority attention at all levels. All efforts are made to conserve and optimize use of energy with continuous monitoring, improvement in maintenance and distribution systems and through improved operational techniques.</p>
(B)	<p><b><u>Technology Absorption:</u></b></p> <ol style="list-style-type: none"> <li>1. The efforts made towards technology absorption;</li> </ol>	<p>Updation of Technology is a Continuous process, absorption implemented and</p>

2. The benefits derived like product improvement, cost reduction, product development or import substitution.	adapted by the Company for innovation. Efforts are continuously made to develop new products required in the Company's activities.
3. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year). a. the details of technology imported b. the year of import c. whether the technology been fully absorbed d. if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and	The Company has not imported any Technology, hence disclosure not required to be made under this section.
4. The expenditure incurred on Research and Development.	There is no expenditure incurred on Research and Development.

**FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Sl. No.	Particulars	As on 31.03.2018 Amount (INR)	As on 31.03.2017 Amount (INR)
01	Foreign Exchange Earnings	-	-
02	Foreign Exchange Expenditure	6,086,886/-	9,561,781/-

**RISK MANAGEMENT:**

The Company has been addressing various risks impacting the Company. In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative.

The common risks inter alia are: Regulations, competition, Business risk, Technology obsolescence, Investments, retention of talent and expansion of facilities.

As per the risk management policy, these risks are assessed and steps as appropriate are taken to mitigate the same.



## **HUMAN RESOURCES:**

The management has always carried out systematic appraisal of performance and imparted training at periodic intervals. The company has always recognized talent and has judiciously followed the principle of rewarding performance.

## **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:**

The Company has adequate system of internal control to safeguard and protect from loss, unauthorized use or disposition of its assets.

All the transactions are properly authorized, recorded and reported to the Management. The Company is following all the applicable Accounting Standards for properly maintaining the books of accounts and reporting financial statements.

## **EXTRACT OF ANNUAL RETURN:**

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure-I".

## **PARTICULARS OF EMPLOYEES:**

There were no employees who covered by the provisions contained in Rule 5(2) and rule 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016.

## **AUDITORS:**

### **i. STATUTORY AUDITORS:**

M/s. S P Krishnamurthy & Co., Chartered Accountants, Bengaluru (Firm Registration No. 007099S) have been appointed as statutory auditors of the company at the 33<sup>rd</sup> Annual General Meeting held on 05.09.2014 to hold office up to the conclusion of 38<sup>th</sup> Annual General Meeting. The Board proposes to fix the remuneration in consultation with the said auditors.

### **ii. SECRETARIAL AUDITORS:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Secretarial Audit is not applicable to the Company. However, the services of M/s. Ganapathi & Mohan, Company Secretaries, Bangalore is availed for Compliance under the Companies Act, 2013.



**ACKNOWLEDGEMENT:**

Your Directors take this opportunity to thank its Bankers for their support in the growth of the Company. Your Directors wish to acknowledge with gratitude the patronage extended to the Company by the large body of its customers and contribution made by the employees at all levels and look forward to their dedicated commitment in the years to come towards the Company reaching greater heights.

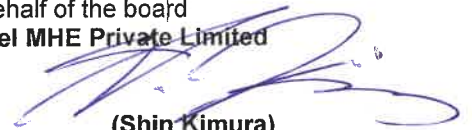
Finally, Directors would like to convey their deep sense of gratitude to the members and look forward to their continued support in the growth of the Company.

Date: 31.08.2018  
Place: Bengaluru



**(Preet H Heri)**  
Director  
DIN: 00215187

On behalf of the board  
For Armsel MHE Private Limited



**(Shin Kimura)**  
Managing Director  
DIN: 07810590





**INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBERS OF M/S. ARMSEL MHE PRIVATE LIMITED

***Report on the Standalone Financial Statements***

We have audited the accompanying standalone financial statements of M/s. Armsel MHE Private Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

***Management's Responsibility for the standalone financial statements***

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and 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, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether



due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by 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 31st March, 2018, and its loss and its cash flows for the year ended on that date.

### **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 the Annexure - A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.
  - (d) 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 and with the returns received from the branches not visited by us.
  - (e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (f) On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.



- (g) With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure – B'.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigation on its financial position in its financial statements – Refer Note 18 to the financial statements.
  - ii. The Company does 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.

Place: Bangalore  
Date: 19-04-2018

For S.P. Krishnamurthy & Co.  
Chartered Accountants  
Firm Reg No. 007099S  
S.P. Krishnamurthy  
Partner  
Membership No. 200963



## Annexure – A to the Auditors Report

The Annexure referred to in our report to the members of M/s. Armsel MHE Private Limited ('The Company') for the year ended 31<sup>st</sup> March 2018. We report that:

(i)	(a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; (b) All the assets have not been physically verified by the management during the year, but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification. (c) The Title Deeds of all the immovable properties are held in the name of the Company
(ii)	As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, frequency of such verification is reasonable. The discrepancies noticed on verification were not material.
(iii)	The company has not granted any loans, secured or un secured to companies, firms, limited liability partnerships or other parties covered in the register maintained u/s 189 of the Companies Act.
(iv)	Based on the information made available to us, the company has not given loans, investments & guarantees to which the provisions of section 185 & 186 of the Companies Act, 2013 applies.
(v)	According to information given to us, the Company has not accepted any deposits to which the provisions of the Section 73 to 76 or any other relevant provisions of the companies Act and the Rules framed there under and the directions issued by the RBI are applicable. Hence paragraph 3(5) of CARO is not applicable to the company.
(vi)	To the best of our knowledge and as explained, the Central Government has not prescribed for maintenance of cost records under section 148(1) of the Companies Act, 2013 for the products of the company.
(vii)	(a) The company regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities. (b) No other dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess have not been deposited on account of any dispute except demand of Rs. 9,04,946/- from the Central Excise Department, which have not been deposited on account of appeal pending before the appellate authorities.
(viii)	In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
(ix)	According to the explanation & information given to us, and on verification of the books of account the company did not raised money by way of initial public offer or further public offer (including debt instrument) and term loan.
(x)	Based on the audit procedure performed and information and explanations given by the management, we report that no fraud by the company or no fraud on the company by its officer or employees has been noticed or reported during the year.



(xi)	Provisions of section 197 read with Schedule V to the Companies Act with respect to Managerial Remuneration not applicable to the Private Limited Companies. Hence paragraph 3(xi) of CARO is not applicable to the company
(xii)	The company is not a Nidhi co. and therefore clause 3(xii) of the Order is not applicable to the company.
(xiii)	All transactions with the related parties are in compliance with Sec 188 & 177(where applicable) of the Companies Act, 2013, and the details thereof have been disclosed in the Financial Statements etc as required by the Accounting Standards & Companies Act, 2013.
(xiv)	The company has made preferential allotment / private placement of shares during the year under review, and the requirements of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised.
(xv)	The company has not entered into any non-cash transaction with directors / persons connected with him and therefore clause 3(15) of the Order is 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.

Place: Bangalore  
Date: 19-04-2018

For S.P.Krishnamurthy & Co.  
Chartered Accountants  
FRN No. 007099S

S.P.Krishnamurthy  
Partner

Membership No. 200963



## **Annexure – B to the Auditors Report**

### **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 over financial reporting of Armsel MHE Private Limited (“the Company”) as of 31 March 2018 in conjunction with our audit of the standalone 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 over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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



### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting 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 Over Financial Reporting**

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

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Bangalore  
Date: 19-04-2018

For S.P.Krishnamurthy & Co.  
Chartered Accountants  
FRN No. 007099S

S.P.Krishnamurthy  
Partner

Membership No. 200963



**Armsel MHE Private Limited**  
**CIN : U74140KA1981PTC004248**  
**Balance Sheet as at 31st March, 2018**

(Amount In Rs)

Particulars	Note No	31st March 2018	31st March 2017
		Rs.	Rs.
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	36,727,500	31,136,800
(b) Reserves and Surplus	2	31,861,930	40,792,102
<b>(2) Non-Current Liabilities</b>			
(a) Other Long term liabilities	3	-	-
(b) Long term Provisions	4	1,890,775	2,999,998
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	5	100,241,836	113,692,607
(b) Trade payables	6	37,816,829	129,852,596
(c) Other current liabilities	7	10,484,479	27,443,037
(d) Short term provisions	8	-	4,755,499
<b>Total</b>		<b>219,023,348</b>	<b>350,672,640</b>
<b>II.Assets</b>			
<b>(1) Non-current assets</b>			
<b>(a) Fixed assets</b>			
(i) Tangible assets	9	35,665,402	41,333,626
(ii) Intangible assets		763,219	1,130,613
(b) Non current investment	10	6,000	6,000
(c) Deferred tax assets (net)		-	-
(d) Other Non Current Assets	11	44,889,733	11,761,824
(e) Long term loans and advances	12	5,199,494	4,584,494
<b>(2) Current assets</b>			
(a) Inventories	13	58,659,947	80,226,805
(b) Trade receivables	14	40,559,097	163,501,795
(c) Cash and cash equivalents	15	10,046,002	14,485,754
(d) Short-term loans and advances	16	5,535,189	10,537,273
(e) Other current assets	17	17,699,265	23,104,457
<b>Total</b>		<b>219,023,348</b>	<b>350,672,640</b>
Contingent Liabilities & Commitments	18		

Significant Accounting Policies & other notes to accounts

**Notes referred to above and attached there to form an integral part of Balance Sheet**

**As per our report of even date attached**  
**for S.P Krishnamurthy & Co**  
Chartered Accountants

**S.P Krishnamurthy**  
Partner  
Membership No. : 200963  
Firm Registration No : 007099S



For and on behalf of the Board of Directors of  
**Armsel MHE Private Limited**

**Preet H Heri**  
Director



**Shin Kimura**  
Managing Director

**Place: Bangalore**  
**Date : 19-04-2018**



**Armsel MHE Private Limited**  
**CIN : U74140KA1981PTC004248**  
**Statement of Profit and Loss for the period ended 31st March, 2018**

Particulars	Note No	(Amount In Rs)	
		31st March 2018	31st March 2017
		Rs.	Rs.
Revenue from operations	19	194,512,835	372,706,650
Other Income	20	1,940,929	2,681,025
<b>Total Revenue</b>		<b>196,453,764</b>	<b>375,387,675</b>
<b>Expenses:</b>			
Cost of materials consumed	21	118,857,142	201,679,326
Changes in Finished goods, w-i-p		9,116,726	35,777,287
Employee benefit expense	22	44,701,049	72,562,081
Finance costs	23	12,929,247	16,570,136
Depreciation and amortization expense	24	4,295,489	5,071,847
Other expenses	25	65,885,537	108,694,886
<b>Total Expenses</b>		<b>255,785,190</b>	<b>440,355,564</b>
Profit/(Loss) before exceptional and extraordinary items		(59,331,426)	(64,967,889)
Exceptional Items - Profit / (loss) on sale of assets		(208,040)	-
Exceptional Items - Retrenchment compensation		-	12,632,364
Exceptional Items - Provision for non moving stock		-	8,659,616
Excess Provision written back - Leave encashment		292,993	-
<b>Profit/(Loss) before tax</b>		<b>(59,246,473)</b>	<b>(86,259,869)</b>
<b>Tax expense:</b>			
(1) Current tax		-	-
(2) Deferred tax Liability /(asset)		-	18,930,859
<b>Profit(Loss) for the period</b>		<b>(59,246,473)</b>	<b>(105,190,728)</b>
<b>Earning per equity share:</b>			
(1) Basic		-	-
(2) Diluted		-	-

Notes referred to above and attached there to form an integral part of Balance Sheet

As per our report of even date attached.

for **S.P Krishnamurthy & Co**  
Chartered Accountants.

For and on behalf of the Board of Directors of  
**Armsel MHE Private Limited**

**S.P Krishnamurthy**  
Partner  
Membership No. : 200963  
Firm Registration No : 007099S

Preet H Heri  
Director

**Shin Kimura**  
Managing Director

**Place: Bangalore**  
**Date : 19-04-2018**



**ARMSEL MHE PRIVATE LIMITED**  
**CIN : U74140KA1981PTC004248**  
**Cash Flow Statement for the Year ended 31st March, 2018**

(Amount In Rs)

Particulars	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
<b>A Cash Flow from Operating Activities:</b>				
Net profit before taxation	(59,246,473)		(86,259,869)	
Adjustment for:				
(Profit)/loss on sale of assets	208,040			
Interest on Long term Loan			204,169	
Depreciation & amortization expenses	4,295,489		5,071,847	
<b>Operating profit before working capital changes</b>	<b>(54,742,944)</b>		<b>(80,983,853)</b>	
<b>Adjustment for :</b>				
Decrease / (Increase) in Trade Receivables	122,942,698		(36,229,363)	
Decrease / (Increase) in Inventories	21,566,858		59,971,504	
Decrease / (Increase) in Short Term Loans & Advances	3,259,886		(4,432,434)	
Decrease / (Increase) in Other Current Assets	5,405,192		3,778,371	
Decrease / (Increase) in Other non Current Assets	(33,127,909)		(2,789,516)	
Decrease / (Increase) in Loans and advances (Long term)	(615,000)		(1,122,080)	
(Decrease) / Increase in Short Term borrowings	(13,450,772)		4,216,845	
(Decrease) / Increase in Trade Payables	(92,035,767)		(28,313,111)	
(Decrease) / Increase in Other Current Liabilities	(16,958,558)		(15,066,533)	
(Decrease) / Increase in Long Term Provisions	(1,109,223)		(6,362,376)	
(Decrease) / Increase in short term Provisions	(4,755,499)		4,755,499	
<b>Cash generated from operation</b>	<b>(63,621,037)</b>		<b>(102,577,046)</b>	
Income tax (paid net of refund) Refund	1,742,197		(482,632)	
Cash flow before extraordinary items	(61,878,840)		(103,059,679)	
Adjustment for extraordinary items	-		-	
<b>Net cash flow form operating activities</b>		<b>(61,878,840)</b>		<b>(103,059,679)</b>
<b>B Cash Flow from Investing Activities:</b>				
Purchase of fixed assets	-	-	(3,937,191)	
Sale of fixed assets	1,532,088		-	
<b>Net cash flow from Investing activities</b>		<b>1,532,088</b>		<b>(3,937,191)</b>
<b>C Cash Flow from Financing Activities:</b>				
Repayment of long term borrowings		-	(3,570,000)	
Issuance of share capital		55,907,000	115,000,000	
Interest on Long term loans			(204,169)	
<b>Net cash flow from Financing activities</b>		<b>-</b>		<b>111,225,831</b>
Net increase / (decrease) in cash and cash equivalents		(4,439,752)		4,228,962
Cash & cash equivalents at the beginning of the period		14,485,754		10,256,792
<b>Cash &amp; cash equivalents at the end of the period</b>		<b>10,046,002</b>		<b>14,485,754</b>

As per our report of even date attached.

for **S.P Krishnamurthy & Co.,**  
Chartered Accountants

**S.P Krishnamurthy**  
Partner  
Membership No. : 200963  
Firm Registration No : 007099S



For and on behalf of the Board of Directors of  
**Armsel MHE Private Limited**

Preet H Heri  
Director

Shin Kimura  
Managing Director



Place: Bangalore  
Date : 19-04-2018

## Armsel MHE Private Limited

### Notes forming part of Balance sheet as at 31st March 2018

**Note : 1 Share Capital**

(Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
<b>1</b>	<b>Equity Share Capital</b>		
<b>2</b>	<b>Authorised Equity Share Capital:</b>		
	4,00,000 Equity Shares of Rs. 100/- each with voting rights	40,000,000	
	4,00,000 Equity Shares of Rs. 100/- each with voting rights		40,000,000
<b>3</b>	<b>Issued, Subscribed and Fully Paid up</b>		
	367275 Equity Shares of Rs. 100/- each with voting rights	36,727,500	
	311368 Equity Shares of Rs. 100/- each with voting rights		31,136,800
<b>4</b>	<b>Reconciliation of number of equity shares at the beginning and at the end of the financial year:</b>		

Particulars	No. of Shares	No. of Shares
Equity shares outstanding:		
At the beginning of the year	311,368	196,368
Shares issued during the year	55,907	115,000
At the end of the year	367,275	311,368
Changes in equity share outstanding	55,907	115,000

- 5 Aggregate number of shares issued by way of bonus etc. during the last 5 financial years is NIL.**
- 6 Particulars of Shareholders holding more than 5% share in the Company: Number of shares held**

Name of Shareholder	31-03-2018	31-03-2017
Kito Corporation Japan	367,275	3,11,367

The entire shares of the company is beneficially held by Kito Corporation Japan

**7 Terms and Rights attached to equity shares**

The company has only one class of shares referred to as equity shares having a par value of Rs.100 per share. Each Equity shareholder is entitled to one vote per share.

The share holders are entitled to the dividend as and when the Board declares dividend and approved by the members in the Annual General Meeting. The company has not proposed any dividend for the current financial year.

In the event of the liquidation of the Company the equity share holders 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 share holders, subject to the availability of such surplus for distribution.



**Note : 2 Reserves and Surplus**

(Amount In Rs)

<b>Sr. No</b>	<b>Particulars</b>	<b>31st March 2018</b>	<b>31st March 2017</b>
<b>1</b>	<b>Investment Allowance Reserve</b>	<b>360,136</b>	<b>360,136</b>
<b>2</b>	<b>General Reserve</b>		
	Opening balance	156,625	156,625
	Add :Transfer from Profit and Loss Statement	-	-
	<b>Closing Balance</b>	<b>156,625</b>	<b>156,625</b>
<b>3</b>	<b>Security Premium</b>		
	Opening Balance	297,361,512	193,861,512
	Add: Addition during the year	50,316,300	103,500,000
	Closing Balancee	347,677,812	297,361,512
<b>3</b>	<b>Surplus in Profit and Loss Statement</b>		
	Opening balance	(257,086,171)	(151,895,443)
	Add: Profit for the year as per Profit and Loss	(59,246,473)	(105,190,728)
	<b>Closing Balance</b>	<b>(316,332,643)</b>	<b>(257,086,171)</b>
	<b>Grand Total</b>	<b>31,861,930</b>	<b>40,792,102</b>



**Note : 3 Other Long-term borrowings** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
	Deposits Other	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>

**Note : 4 Long term provisions** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
	Provision for employee benefits		
	Gratuity	1,117,070	1,338,174
	Leave Encashment	773,705	1,661,824
	<b>Total</b>	<b>1,890,775</b>	<b>2,999,998</b>

**Note : 5 Short-term borrowings** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
	Loan repayable on Demand - Secured		
1	Bank of Tokyo - Mitsubishi UFJ Ltd.	100,241,836	113,692,607
	<b>Total</b>	<b>100,241,836</b>	<b>113,692,607</b>

**Details Of Security :**

- 1 Short term loan from Bank of Tokyo Mitsubishi UFJ Ltd, is secured by corporate guarantee of holding company M/s KITO Corporation for Rs.21.00 Crores.
- 2 The company is working capital loan of Rs 1 crore from HDFC bank and the same is secured by hypothecation of company's entire stock of raw materials, consumable store and spares and other moovables including book debts and equitable mortgage on Factory Land & Building. However year end balance is nil in loan account

**Note : 6 Trade payables** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Trade Payables		
	Creditors For Suppliers	35,026,946	62,279,459
	Creditors For Services	2,789,883	67,573,137
	<b>Total</b>	<b>37,816,829</b>	<b>129,852,596</b>

**Note : 7 Other current liabilities** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Current Maturities of Long Term Debts	-	-
2	Advance From Customers	3,541,387	5,390,632
3	Other Payables	6,661,758	21,804,343
4	Travel expenses payable	281,334	248,063
	<b>Total</b>	<b>10,484,479</b>	<b>27,443,037</b>

**Note 8 : Short term provisions** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Provision for Gratuity	-	4,755,499
	<b>Total</b>	<b>-</b>	<b>4,755,499</b>



(Amount In Rs)

Particulars	Fixed Assets													
	Land	Building	Plant & Machinery	Tools	Electrical Installation	HT Installation	Office Equipments	Furniture & Fixtures	Motor Vehicles	Hoists	R&D Equipments	Computers	Total	Intangible Software Licenses
<b>Gross Block</b>	921,308	19,449,046	25,796,970	501,781	2,832,912	493,700	5,931,170	4,830,299	6,989,692	755,205	271,372	5,152,644	73,926,099	2,118,742
As at 31st March, 2016	-	-	2,512,159	-	-	-	327,032	-	-	-	-	324,500	3,163,691	773,500
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31st March, 2017</b>	921,308	19,449,046	28,309,129	501,781	2,832,912	493,700	6,258,202	4,830,299	6,989,692	755,205	271,372	5,477,144	77,089,790	2,892,242
Additions	-	-	4,293,667	-	-	-	1,902,364	897,450	3,270,057	-	-	4,766,385	15,129,923	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31st March, 2018</b>	921,308	19,449,046	24,015,462	501,781	2,832,912	493,700	4,355,838	3,932,849	3,719,635	755,205	271,372	710,759	61,959,867	2,892,242
<b>Depreciation</b>	-	6,630,902	8,250,246	153,908	659,459	493,700	3,893,397	1,111,409	4,870,464	73,163	213,047	4,645,633	30,995,328	1,450,618
As at 31st March, 2016	-	569,710	1,447,165	24,583	269,503	-	692,492	452,585	798,162	46,106	6,884	453,646	4,760,836	311,011
Current Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation For Expired Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31st March, 2017</b>	-	7,200,612	9,697,411	178,491	928,962	493,700	4,585,889	1,563,994	5,668,626	119,269	219,931	5,099,279	35,756,164	1,761,629
Current Depreciation	-	569,709	1,505,175	24,582	269,502	-	503,021	361,875	457,807	46,106	6,884	183,434	3,928,095	367,394
Depreciation For Expired Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/sales	-	-	3,497,707	-	-	-	1,892,831	212,263	3,038,094	-	-	4,748,899	13,389,794	-
<b>As at 31st March, 2018</b>	-	7,770,321	7,704,879	203,073	1,198,464	493,700	3,196,079	1,713,606	3,088,339	165,375	226,815	533,814	26,294,465	2,129,023
<b>Net Block</b>	921,308	12,248,434	18,611,718	323,290	1,903,950	-	1,672,313	3,266,305	1,321,066	635,936	51,441	377,865	41,333,626	1,130,613
As at 31st March, 2017	921,308	11,678,725	16,310,583	298,708	1,634,448	-	1,159,759	2,219,243	631,296	589,830	44,557	176,945	35,665,402	763,219



**Note 10 - Non Current Investment**

(Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Investment in Equity Investment Shares in Vijaya Bank (Quoted) (Market Value Rs. 34,800 @ Rs.58.00 per share)	6,000	6,000
	<b>Total</b>	<b>6,000</b>	<b>6,000</b>

**Note : 11 Other Non- Current Assets**

(Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
a	Trade Recievables - Unsecured Considered Good	44,889,733	11,761,824
		<b>44,889,733</b>	<b>11,761,824</b>

**Note : 12 Long term loans and advances**

(Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
a	Unsecured, Considered Good :		
	Deposits		
1	Sales Tax Deposits	1,300	1,300
2	KEB Deposits	554,113	554,113
3	Rent Deposits	4,644,081	4,029,081
	<b>Total</b>	<b>5,199,494</b>	<b>4,584,494</b>

**Note : 13 Inventories**

(Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
a	Raw material	54,954,385	77,629,873
	Less: Provision for non moving stock	-	8,659,616
		54,954,385	68,970,257
b	Work in Progress	1,345,407	10,462,133
c	Finished goods (demo materials including excise duty)	794,415	794,415
d	Goods In Transit	1,565,740	-
		<b>58,659,947</b>	<b>80,226,805</b>
	<b>Raw materials Break up</b>		
a	Steel	5,146,638	8,326,869
b	Electrical	7,041,851	9,265,742
c	CPB & CHT	37,384,582	44,676,834
d	Others	918,306	1,374,758
e	Mechanical	4,463,008	5,326,054
	<b>Total</b>	<b>54,954,385</b>	<b>68,970,257</b>
2	<b>Work in Progress- Break up</b>		
	<b>Manufacture of Cranes and hoists under process:</b>		
a	Material Cost	1,345,407	9,082,927
b	Overhead Expenses	-	1,379,206
	<b>Total</b>	<b>1,345,407</b>	<b>10,462,133</b>
3	<b>Finished Goods</b>		
	Hoists	794,415	794,415
	<b>Total</b>	<b>794,415</b>	<b>794,415</b>



**Note : 14 Trade receivables** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Outstanding for more than six months		
	a) Unsecured, Considered Good :	13,911,078	33,985,572
2	Others		
	a) Unsecured, Considered Good :	26,648,019	129,516,223
	<b>Total</b>	<b>40,559,097</b>	<b>163,501,795</b>

**Note : 15 Cash and cash equivalents** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	<b>Cash-in-Hand</b>		
	Cash Balance	47,295	53,760
2	<b>Bank Balance</b>		
	a. Held As Margin Money against Guarantees		
	Maturing Within 1 year	-	-
	Maturing After 1 year	6,562,208	5,515,014
	b. In current accounts	3,211,007	8,916,979
	c. Interest accrued on Deposit	225,493	-
	<b>Total</b>	<b>10,046,002</b>	<b>14,485,754</b>

**Note : 16 Short-term loans and advances** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	<b>Other Advances - Unsecured, Considered Good</b>		
	a Advance to suppliers	2,617,463	5,944,687
	b Staff advances	5,000	67,382
	c Travel Advances	129,720	-
	d Advance Income Tax & TDS	2,783,006	4,525,203
	<b>Total</b>	<b>5,535,189</b>	<b>10,537,273</b>

**Note : 17 Other current assets** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Balance with central excise	1,930,981	2,277,496
2	CENVAT on input service	-	815,209
3	Prepaid Expenses	-	976,107
4	Customs duty deposit	12,151,033	11,604,794
5	Advance for Erection Contractors	3,284,750	7,156,197
6	Recivable From Nihsimura Tax Refund	-	254,654
7	Others	332,501	20,000
	<b>Total</b>	<b>17,699,265</b>	<b>23,104,457</b>





**Note : 18 Contingent Liabilities & Notes to accounts****Contingent Liabilities :**

a) Claims against the Company not acknowledged as debt Demand from Central excise authorities Disputed Central excise demand : The company appealed before appeleate tribunal and it is confident of getting relief	904,946	904,946
b) Bank Guarantees given by ICICI Bank in favour of Customers for which the Company has given counter guarantee	5,594,250	6,632,689
c) Bank Guarantees given by HDFC Bank in favour of Customers for which the Company has given counter guarantee	11,863,808	45,763,400
d) Bank Guarantees given by HDFC Bank in favour of ICICI Bank for which the Company has given counter guarantee	6,632,689	6,632,689
e) Company has extra duty deposit with custom authorities for import of materials from related parties for which company is eligible for refund of completion of assessment. However the company has applied for refund, and the final assessment is completed. Hoever refund amount yet to be received.	12,151,033	11,604,794
f) Liability on account of non receipt of C forms payable to VAT authorities	2,309,161	-

**Commitments :**

a) Estimated contracts remaining to be executed Erection of Cranes & Hoists to be completed for which estimated cash outflow	3,284,750	7,364,972
<b>b) Uncalled liabilities on shares</b>		
<b>c) Operating lease</b>		
Payable with in one year	4,049,402	2,861,400
Payable with in two year but after one year	4,320,000	449,400



**Armsel MHE Private Limited**

**Notes Forming Part of the Statement of Profit & Loss for the period ended 31st March 2018**

<b>Note : 19 Revenue from operations</b>		(Amount In Rs)	
<b>Sr. No</b>	<b>Particulars</b>	<b>31st March 2018</b>	<b>31st March 2017</b>
1	Sales		
	i) Sale Of Products	215,549,193	402,311,020
	ii) Sale Of Services	11,628,934	15,213,687
		227,178,127	<b>417,524,707</b>
	Less: GST/Excise duty paid	32,665,292	44,818,057
	<b>Total</b>	<b>194,512,835</b>	<b>372,706,650</b>

**Details of Sale of Products & Services (Net)**

Cranes	33,934,152	172,599,242
Hoists	126,811,983	165,027,233
Spares & others	22,735,107	19,866,488
Services	11,031,594	15,213,687

<b>Note : 20 Other Income</b>		(Amount In Rs)	
<b>Sr. No</b>	<b>Particulars</b>	<b>31st March 2018</b>	<b>31st March 2017</b>
1	Interest income	870,441	747,588
2	Dividend Income	900	-
3	Foreign currency exchange difference	153,208	-
4	Liquidated Damages Recovered	871,024	1,917,449
5	Miscellaneous income	45,356	15,987
	<b>Total</b>	<b>1,940,929</b>	<b>2,681,025</b>

<b>Note : 21 Cost of materials consumed</b>		(Amount In Rs)	
<b>Sr. No</b>	<b>Particulars</b>	<b>31st March 2018</b>	<b>31st March 2017</b>
	Raw material at the beginning of the year	77,629,873	93,164,474
	Less :Provision made for Non moving stock	8,659,616	-
	Balance stock	68,970,257	93,164,474
	Add: Purchases during the year	104,841,270	187,045,330
		173,811,527	280,209,804
	Less: Raw Material at the end of the Year	54,954,385	77,629,873
	Less: Material Used For Capital Goods	-	900,605
	<b>Cost of Material consumed</b>	<b>118,857,142</b>	<b>201,679,326</b>

**Details of Purchases**

Steel	5,343,178	37,723,568
Electrical	23,561,073	65,403,550
Mechanical	4,921,223	11,771,392
Consumables	3,526,228	12,350,960
Import Purchase	59,966,098	53,396,372
Custom duties paid	5,280,838	4,575,809
Clearing and forwarding charges	2,242,632	1,823,679
<b>Total</b>	<b>104,841,270</b>	<b>187,045,330</b>

**Change in WIP/Finished Goods**

**Cranes and hoists w-i-p/finished goods**

Opening Balance	11,256,548	46,239,420
Closing Balance	2,139,822	10,462,133
Net (increase)/decrease	<b>9,116,726</b>	<b>35,777,287</b>



**Armsel MHE Private Limited**

**Notes Forming Part of the Statement of Profit & Loss for the period ended 31st March 2018**

**Note : 22 Employee benefit expenses** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Salaries & wages	19,485,234	50,952,811
2	Provision for Gratuity Fund & Compensated Leave	1,258,739	471,836
3	Bonus	356,872	1,284,400
4	PF Contribution	936,822	2,636,822
5	ESI Contribution	176,134	368,394
6	Exgratia	4,413,702	1,083,832
7	Director's Remuneration	17,459,131	15,208,274
8	Social Security Contribution - Directors	-	555,712
9	Other allowances/ benefits	614,415	
	<b>Total</b>	<b>44,701,049</b>	<b>72,562,081</b>

**Note : 23 Finance costs** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Bank charges	884,722	1,008,259
2	Interest on working capital loans	12,044,525	15,357,708
3	Interest on Bank Term loans	-	204,169
	<b>Total</b>	<b>12,929,247</b>	<b>16,570,136</b>

**Note : 24 Depreciation and amortization expense** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
1	Depreciation on Fixed Assets	4,295,489	5,071,847
	<b>Total</b>	<b>4,295,489</b>	<b>5,071,847</b>

**Note : 25 Other expenses** (Amount In Rs)

Sr. No	Particulars	31st March 2018	31st March 2017
<b>Manufacturing Expenses :</b>			
1	Electricity & Power Charges	1,288,084	1,711,058
2	Freight Inwards	1,258,653	3,592,241
3	Crane hire charges	130,242	140,850
4	Inspection & Testing Charges	231,282	530,515
5	Security charges	1,609,358	1,744,542
6	Labour Charges	5,598,597	15,001,573
7	Erection charges	12,801,925	9,690,021
8	Repairs & Maintenance- Factory	600,716	680,019
9	Other Excise Duty Paid	-	648,944
10	Water charges	35,819	38,436
11	Travelling Expenses	641,319	1,123,428
	<b>Total</b>	<b>24,195,995</b>	<b>34,901,627</b>



**Armsel MHE Private Limited**

**Notes Forming Part of the Statement of Profit & Loss for the period ended 31st March 2018**

<b>Selling Expenses</b>			
1	Commission Paid	572,181	5,129,363
2	Consultancy charges	466,399	263,400
3	Boarding and Travelling Expenses	3,772,059	4,525,742
4	Advertisement and sales promotions	877,264	2,088,299
5	Freight outward	4,255,041	9,413,365
6	Liquidated Damages	2,203,642	9,040,823
7	Tender Expenses	-	5,810
8	Transit Insurance Paid	94,270	131,978
9	Provision for bad debts	-	9,434,819
10	Sales Tax/GST Paid	847,186	55,919
11	Bad Debts written off	5,355,532	-
12	Warranty period expenses	-	7,669,566
		<b>18,443,574</b>	<b>47,759,084</b>

<b>Administrative Expenses</b>			
1	Rent	3,771,707	4,076,469
2	Audit Fee:		
3	- For Audit	250,000	285,074
4	- For Certification	61,000	85,000
5	- Out of pocket expenses	6,638	-
6	Vehicle maintenance & insurance	636,499	2,764,590
7	Travelling and Conveyance	981,928	1,132,295
8	Telephone and Internet Charges	1,242,424	2,360,314
9	Postage & Courier	244,460	310,756
10	Insurance	1,416,203	1,154,424
11	Legal, professional and technical fees	4,798,959	2,160,688
12	Printing & stationery	143,566	365,310
13	Rates , taxes & Renewals	1,859,558	1,660,014
14	Staff welfare expenses	447,105	2,133,695
15	Office maintenance	1,638,923	1,974,879
16	Membership & subscription	88,115	35,453
17	Miscellaneous expenses	108,722	40,901
18	Interest Others	5,148,411	4,673,808
19	Service tax paid	401,753	820,506
	Sub-total	<b>23,245,969</b>	<b>26,034,176</b>
	<b>Total Other expenses</b>	<b>65,885,537</b>	<b>108,694,886</b>

<b>Note - 26</b>	<b>31st March 2018</b>	<b>31st March 2017</b>
<b>Value of Imports on CIF Basis :</b>		
Components and spare parts	59,966,098	55,220,051
Capital Goods	-	1,275,855
<b>Expenditure in foreign currency</b>		
Other expenses	6,086,886	9,561,781
 <b>Details Of Consumption:</b>		
Imported Raw Materials Etc	67,258,350	53,751,373
Indegineous Raw Materials Etc.	51,598,792	147,927,953
Percentage of Imported Consumption	56.59%	26.65%
Percentage of Indegineous Consumption	43.41%	73.35%
 <b>Earnings in foreign Currency :</b>		
Export of goods on FOB basis	-	-
Export of services	-	-



**Note – 27**

**Significant Accounting Policies:**

1. **Basis of preparation of Financial Statements:** The Financial Statements are prepared under historical cost convention on accrual basis, in accordance with Generally Accepted Accounting Policies in India, Accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 2013. The company being a Small and Medium Enterprise, and has availed exemptions in complying with the accounting standard available to SME's.
2. **Use of Estimates:** The preparation of financial statements in conformity with the Generally Accepted Accounting Principle requires the management to make certain estimates and assumption that affect the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from the estimates.
3. **Closure of crane business:** Due to consistent loss in the last three years in crane manufacturing division, The management has decided to close crane manufacturing division and intended to sale land, building, plant and machinery in respect of this division. However company is in the process of valuing all fixed assets and hopeful of earning gain on sale of assets. Hence no provision has been made for the impairment loss of fixed assets
4. **Fixed Assets:** Fixed Assets are stated at cost less accumulated depreciation. Cost includes its acquisition cost including directly attributable cost of bringing the assets to its working condition for intended use.
5. **Depreciation:** Depreciation for the year has been provided on Straight Line Method based on the useful life of the assets as prescribed under Schedule II to the Companies Act, 2013. The estimated useful life and residual value of the assets is as under;

Description of assets	Useful life (in years)	Residual Value
Factory Building	30	5%
Plant & Machinery	15	5%
Office Equipments	5	Nil
Furniture & Fixtures	10	Nil
Computers	3	Nil
Electrical Installations	10	Nil
Vehicles	8	5%
HT Installations	10	Nil
R & D Equipments	15	Nil
Intangibles	6	Nil
Tools	15	Nil
Hoists	15	5%



6. Revenue Recognition:

- a) Revenue from sale of finished goods has been recognized on accrual basis, on shipment or dispatch to customer and sales are recorded at net of Value Added Tax/CST.
- b) Revenue from contract services rendered has been recognized on completion contract method.
- c) Dividend income from investment is recognized when the Company's right to receive payment is established.
- d) Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

7. Preliminary Expenses: Nil

8. Foreign Exchange Transaction: Transactions in foreign currency were recorded at the rate prevailing on the date of transaction. The exchange difference arising on such conversion and settlement of the transactions is recognized in the Profit and Loss Account. Foreign currency assets & liabilities are stated at rates prevailing on the balance sheet date.

9. Investments: Long term investment in Equity shares of Vijaya Bank (Quoted) is stated at cost and the market value is estimated at Rs. 34,800 ( Rs. 58/- per share ) as on the balance sheet date.

Short term investment: Nil

10. Inventories:

- a) Stock of raw materials have been valued at lower of cost or market value, and w-i-p valued at direct and indirect cost attributable to its present condition, The cost has been ascertained on weighted average basis.
- b) Work in progress of erection contract is valued at actual cost.

11. Provision for Taxation: Tax expense comprises of current, deferred tax and wealth tax.

Current Tax: Provision for current tax has been made for the year on taking in to consideration of the provisions of Income Tax Act, 1961.

Deferred Tax: Deferred Income Tax resulting from "timing difference" between book profit and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date, which originate in one period and are capable of reversal in one or more subsequent period. Since there is a loss in the current year, deferred tax asset not recognized. Since company has taken a decision to close crane business, there is no further chance to recover the losses. So deferred tax asset has been reversed. Since the company has incurred loss from last four years and there is a remote possibility of earning profit in the near future, deferred tax asset has been written off in the books of accounts

12. Employees Benefits:

- (a) Defined Contribution Plan: Contribution to Provident Fund is made on actual liability basis calculated as a percentage of salary, as per the provisions of Provident Fund and Miscellaneous Provisions (EPF) Act, 1952, and charged to the Profit & Loss account.
- (b) Employee Benefits recognized in Profit and loss statement:



Particulars of Employer contributions	31 Mar 2018	31 Mar 2017
1) Contribution to Employees Provident Fund	9,36,822	26,36,822
2) Provision for Gratuity	12,58,739	1,21,902
3) Contribution to Employees State Insurance	1,76,134	3,68,394
4) Bonus Paid / Payable	3,56,872	12,84,400

(c) Defined Benefit Plan:

Gratuity: The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on termination at 15 days salary (last drawn salary) for each completed year of service subject to maximum of Rs. 10,00,000/-

The following tables summaries the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Net employee benefit expense recognized in the employee cost

Particulars	31 Mar 2018	31 Mar 2017
Current Service Cost	3,70,391	12,29,528
Interest cost on benefit obligation	3,29,381	7,46,774
Expected return on plan asset	-	(1,92,617)
Net actuarial (loss)/ gain recognized in the year	2,65,509	(28,78,741)
Net benefit (expense)/income	12,58,739	(10,95,056)

Benefit Liability

Particulars	31 Mar 2018	31 Mar, 2017
Present value of defined benefit obligation	11,17,070	60,93,673

Changes in the present value of the defined benefit obligation

Particulars	31 Mar 2018	31 Mar 2017
Opening defined benefit obligation	68,23,224	98,52,295
Current service cost	3,70,391	12,29,528
Interest cost	3,29,381	7,46,774
Actuarial losses / (gain) on obligation	3,11,027	(28,10,258)
Benefits paid	62,35,342	(21,95,115)
Closing defined benefit obligation	18,92,139	68,23,224

Principal assumptions used

Particulars	31 Mar 2018	31 Mar, 2017
Discount Rate	7.90%	7.40%

The estimates of future salary increases, considered in actuarial valuation, inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.



Amounts for the current year and previous two year is as follows:

Particulars	31 Mar 2018	31 Mar, 2017	31 Mar, 2016
Defined benefit obligation	18,92,139	68,23,224	98,52,295
Plan Assets	7,75,069	7,29,551	26,63,566
Surplus / (deficit)	(11,17,070)	(60,93,673)	(71,88,729)
Experience adjustments on plan Liabilities	4,28,775	(28,46,926)	(274,822)
Experience adjustments on plan Assets	45,518	68,483	(153,072)

- (d) Compensated absence: The employees of the company are entitled to the compensated absence. The employees can carry forward portions of the unutilized accrued compensated absence and utilize in the future periods. The liability has been estimated and provided in the books of accounts.
- (e) Post Employment Scheme: The Company does not have scheme for post employment of the employees As such liability on such account neither ascertained nor recognized in the financial statement.
- (f) Other short term employee benefits: Short term employee benefits which are liable to be incurred within 12 months are accounted on accrual basis.
13. Provisions: Provisions are recognized in the accounts in respect of present probable obligations, as a result of past events, the amount of which can be reliably estimated.

14. Other Disclosures : Disclosure of Related Parties transactions:

Related Parties:

Holding / Subsidiary/ Fellow Subsidiary Company:

- Kito Corporation Japan – Holding Company
- SIAM Kito Company Ltd. Thailand – Fellow Subsidiary
- PT Kito Indonesia – Fellow Subsidiary
- Jiangyin Kito Crane Company Ltd. China – Fellow Subsidiary
- Kito Europe GmbH Germany – Fellow Subsidiary
- Harrington Hoists Inc – Fellow subsidiary
- Kito Chain Italia S-R-L Socio Unico – Fellow subsidiary
- Kito Do Brasil Comercio De- Fellow subsidiary

Associate Companies :

- SWF Krantechnik GmbH Germany
- SWF Krantechnik Pte Ltd. Singapore

Key Managerial Persons :

- Mr. Preet H. Heri – Director
- Takayuki Fukunaga – Director
- Shin Kimura – Managing Director





**Related Party Transactions during the year:**

(Amount in Rs.)

Particulars	31 Mar 2018	31 Mar 2017
<b>Purchase of Goods:</b>		
Kito Corporation	56,470,231	5,21,28,020
SIAM Kito Company Ltd. Thailand	10,349	-
SWF Krantechnik GmbH Germany	24,112	-
Jiangyin Kito Crane Co Ltd	110,121	4,121
Harrington Hoists Inc – Capital goods	-	11,79,947
Kito Chain Italia S-R-L Socio Unico	896,853	73,056
PT-Kito Indonesia	23,069	-
Kito Do Brasil Comercio De	10,534	-
<b>Expenses Reimbursed to :</b>		
Kito Corporation	449,815	10,28,841
SIAM Kito Company Ltd. Thailand	-	70,652
<b>Expenses reimbursed by :</b>		
Kito Corporation	-	20,55,522
<b>Guarantees &amp; collaterals :</b>		
Corporate Guarantee by Kito Corporation Japan in favour of Bank of Tokyo Mitsubishi UFG Ltd. for working capital loan facilities	21,00,00,000	21,00,00,000
<b>Remuneration Paid:</b>		
Preet Heri	69,00,000	79,27,502
Takayuki Fukunaga	27,33,328	53,28,225
Hiroharu Nishimura	-	19,52,547
Shin Kimura	78,25,803	-
<b>Rent free Accommodation :</b>		
Takayuki Fukunaga	2,15,250	2,10,000
Shin Kimura	7,22,465	-
<b>Services Received :</b>		
<b>Technical fee</b>		
Kito Corporation Japan	329,958	38,48,544
Jiangyin Kito Crane Co Ltd	12,355	-
<b>Interest on Outstanding dues :</b>		
Kito Corporation Japan	5,113,236	46,13,744
Received share capital and security premium from Kito Corporation	55,907,000	11,50,00,000
<b>Year end balance Payable:</b>		
SWF Krantechnik GmbH Germany		-
Kito Corporation- Purchase & expenses	34,017,091	7,11,25,458
Jiangyin Kito Crane Co Ltd	-	4,121
Kito Chain Italia S-R-L Socio Unico	2,352	68,182
<b>Year end balance Receivable:</b>		
Kito Corporation	-	2,85,722



- (g) Balance of Sundry Debtors / Creditors are subject to confirmation and reconciliation if necessary.
- (h) Previous year figures have been rearranged /regrouped wherever necessary to confirm to current years classifications.



Preet H Heri  
Director



Place: Bangalore  
Date : 19-04-2018



Shin Kimura  
Managing Director

For S.P. Krishnamurthy & Co.  
Chartered Accountants  
FRN: 007099S



S.P. Krishnamurthy  
Partner

Membership No: 200963

