



Annual Report

2018-19

BEL - THALES AT AERO INDIA 2019



Mr. Koshy Alexander (Chairman BTSL), Mr. Nataraj Krishnappa (Director), Mr. Rajiv Kumar Sikka (CEO), Mr. G. Ravi (V-CEO), Mr. Srinivas Rao H P (AGM- IMD, BEL) at Aero India



Mr. M V Gowtama, CMD BEL showcasing passive radar capabilities to Chief of the Air Staff Mr. B S Dhanoa, Indian Airforce



Ms. Pascale Sourisse, Senior Executive Vice-President, International Development, Thales at the BTSL Stall



Mr. M V Gowtama (CMD BEL), Mr. V Mahesh (Director BTSL) interacting with the Vice Chief of the Naval Staff Mr. G Ashok Kumar, IHQ at the BTSL Stall



Mr. Emmanuel de ROQUEFEUIL (Director-BTSL) is with Mr. Alex Cresswell (EVP GBU Thales - LAS), Mr. Dominique Giannoni (V P BL Electronic Combat System - Thales), Mr. Jean Marc Budin (Senior V P - Thales) and Mr. Jean Francois Henrio (V P Going Global - Thales)



Mr. Rajiv Kumar Sikka (CEO BTSL) displaying Pharos Radar to Vice Admiral Mr. A K Chawla, Southern Naval Command



The Flag officer Commanding-in-Chief Eastern Naval Command Mr. A K Jain, and Lt. General Mr. P S Rajeshwar, Chief of Integrated Defence Staff interacting with Mr. Rajiv Kumar Sikka (CEO BTSL)



Display of Passive Radar at BTSL Stall



Display of Pharos Radar at BTSL Stall

CONTENTS

Chairman's Letter	3
Vision, Mission and Values	4
Board of Directors, Executives, Auditors & Bankers	5
Board's Report	7
Annexure 1 – Extract of Annual Return	14
Annexure 2 – Secretarial Audit Report	21
Annexure 3 - Management Discussion and Analysis Report	25
Annexure 4 - Report on Corporate Governance	27
Annexure 5 - Report on Sustainability	34
Independent Auditor's Report	35
Comments of the Comptroller and Auditor General of India	45
Balance Sheet	48
Statement of Profit and Loss	49
Statement of Changes in Equity	50
Cash Flow Statement	51
Notes to Accounts	52
Significant Accounting Policies	76

BOARD MEETING



Mr. Koshy Alexander (Chairman-BTSL) at Centre, Mr. Emmanuel de ROQUEFEUIL (Director), Mr. Nataraj Krishnappa (Director), Mr. V Mahesh (Director) and the executives of BTSL during Board Meeting

BTSL BUSINESS WORKSHOP MEET



BTSL Business workshop Meet

DGA VISIT



Delegates of Director General de l'armement, French Govt. Defence Procurement agency and delegates of Embassy of France in India with the executives of BTSL and Thales at BTSL

IAF VISIT



Group Captain Mr. Perminder Singh, Wg Cdr Mr. SK Shahi and Wg Cdr Mr. Raju of Indian Airforce witnessing the live demonstration of passive radar at BTSL



The delegates of Indian Airforce pose a photo with executives of BTSL and BEL at BTSL



CEO of BTSL interacting with the executives of Thales at BTSL



Passive Radar Value Proposition Workshop at BTSL. Participants from Thales, BEL & BTSL

CHAIRMAN'S LETTER

Dear Shareholders,

It is a matter of pleasure to communicate with you directly and to share with you, the status of your company during the past year and future outlook for the Company.

The Company has progressed well the co-development activities of Pharos (a Multi-Target Tracking Radar) along with Thales, Netherlands. Also Passive Radar Demonstrator has been successfully set up and Air Traffic Management Radar AMC has been taken up on the business front. The order book comprises mainly of programs like maintenance of Air Traffic Management Radar (ATM), Maintenance of STAR 2000 at seven locations, Low Band Receiver (LBREC) Pre-Serial Activities and Low Band Receiver (LBREC) Serial Production, etc. Apart from this, the Company has bid for supplies for TR Modules, support activities for MFCR, integration & upgrade of ATM radars.

The Company's Turnover for the year 2018-19 has increased to Rs. 671.77 Lakhs from Rs. 311.89 Lakhs registering a growth of 115%. The total income for the year 2018-19 has increased to Rs. 937.64 Lakhs registering a growth of 45%. Profit after Tax for FY 2018-19 stood at Rs. 104.19 Lakhs as against loss of Rs. 258.80 for FY 2017-18

The Company's Turnover for the year 2018-19 has increased to Rs. 671.77 Lakhs from Rs. 311.89 Lakhs registering a growth of 115%. The total income for the year 2018-19 has increased to Rs. 937.64 Lakhs registering a growth of 45%. Profit after Tax for FY 2018-19 stood at Rs. 104.19 Lakhs as against loss of Rs. 258.80 for FY 2017-18

Governance and Sustainability

Your company endeavours to uphold the best practices in the Corporate Governance. A report on compliance of the guidelines on Corporate Governance as per the guidelines issued by the Department of Public Enterprises for CPSEs forms part of the Board's Report.

Acknowledgements

I would like to thank my fellow Directors on the Board for their wisdom and guidance. I deeply appreciate our shareholders, customers, prospective customers and our business associates for their continuing support. I also wish to express my sincere gratitude to all the officers and employees of BEL-THALES Systems Limited for their dedication and commitment which is responsible for driving growth in the company. It shall be our continuous endeavour to build on these strengths to face future challenges in the journey of profitable growth.

Best Wishes.

Sincerely,



Koshy Alexander

Chairman

DIN: 07896084

Bengaluru
22nd July, 2019

Vision, Mission and Values

Vision

Vision

To be a leading technology and service provider for Radars in civilian and select defence sectors in Indian and Global market.

Mission

Mission

To be a lean and agile enterprise in Developing, Evolving and Customising Radars and related services to meet challenges faced by the Customer.

Values

Values

- Putting customers first
- Working with transparency, honesty & integrity
- Trusting & respecting individuals
- Fostering team work
- Striving to achieve high employee satisfaction
- Encouraging flexibility and innovation
- Proud of being a part of the organisation

BOARD OF DIRECTORS



Mr. Koshy Alexander
Chairman



Mr. Nataraj Krishnappa
Director



Mr. V Mahesh
Director



Mr. Emmanuel de ROQUEFEUIL
Director

KEY EXECUTIVES



Mr. Rajiv Kumar Sikka
Chief Executive Officer



Mr. G. Ravi
Vice CEO



CA. Abhishek Kumar
Chief Financial Officer



CS. Sanjog Mohapatra
Company Secretary

AUDITORS

Statutory Auditor

M. Sambasiva Rao & Co.
Chartered Accountants
Bengaluru

Secretarial Auditor

CS. Venugopalan V
Practicing Company Secretary
Bengaluru

BANKERS

State Bank of India
Jalahalli Branch, Bengaluru

Board's Report

To,

The Members of BEL-THALES Systems Limited

Your Directors have pleasure in presenting the Fifth Annual Report on the business and operations of the Company together with the Audited Standalone Ind AS Financial Statements for the financial year ended March 31, 2019.

Financial Highlights

During the year under review, the performance of your company is as under:

Rs. in Lakhs

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Total Revenue	937.64	645.11
Total Expenses	840.76	893.44
Profit / (Loss) Before Tax	96.88	(248.33)
Less: Tax Expense	(7.31)	10.47
Profit / (Loss) After Tax	104.19	(258.80)
Add : Balance B/F from the previous year	(750.16)	(491.36)
Balance Profit / (Loss) C/F to the next year	(645.97)	(750.16)

The Order Book as on 31.03.2019 is Rs. 9,164.00 Lakhs.

State of Company's Affairs and Future Outlook

The primary focus of the Company is to Design, Develop, Market, Supply and Support of Civilian and select Defence Radars for Indian and Global Markets and other mutually agreed end-user applications without in any manner adversely affecting the existing businesses of the parent companies.

The Company is expected to grow as a center for Development, Upgradation and Customisation of Products and Solutions.

The Company's Turnover for the year 2018-19 has increased to Rs. 671.77 Lakhs from Rs. 311.89 Lakhs registering a growth of 115%. The total income for the year 2018-19 has increased to Rs. 937.64 Lakhs registering a growth of 45%. Profit after Tax for FY 2018-19 stood at Rs. 104.19 Lakhs as against loss of Rs. 258.80 for FY 2017-18. The Order Book as on 31.03.2019 is Rs. 9,164.00 Lakhs. The order book comprises mainly of programs like maintenance of Air Traffic Management Radar (ATM), Maintenance of STAR 2000 at seven locations, Low Band Receiver (LBREC) Pre-Serial Activities and Low Band Receiver (LBREC) Serial Production, etc. Apart from this, the Company has bid for supplies for TR Modules, support activities for MFCR, integration & upgrade of ATM radars. Your Company is presently engaged in the Co-development of a Multi-Target Tracking Radar (PHAROS) with Thales Netherlands to address the Indian weapon systems projects as well as the global requirement. During the year, your Company has successfully customized and deployed a FM based Passive Radar demonstration in Bengaluru. A well-equipped integration and verification facility for high end avionics systems being setup at the Company to fulfill the offset sourcing in the defense market. Looking forward, the future for your Company looks promising as well as challenges are inherent.

Major orders executed

Major orders executed during the year were AMC STAR 2000 for Indian Navy, refurbishment of ASR STAR 2000 for Indian Cost Guard, Daman. Also, the Company was able to execute Low Band Receiver (LBREC) pre-serial services as well.

Dividend

Since the company do not have any accumulated profits, the Directors regret their inability to propose any dividend.

Amount transferred to Reserves

It is not proposed to carry any amount to any reserves of the Company for the year.

Extract of Annual Return

The extract of Annual Return in format MGT – 9, for the Financial Year 2018-19 is enclosed at **Annexure 1**.

Annual Return

The copy of the annual return of the Company for the Financial Year 2018-19 will be made available in format MGT – 7 on the web-link <https://www.btsl-india.co.in>.

Number of Board Meetings

During the Financial Year 2018-19, six meetings of the Board of Directors of the Company were held on April 05, 2018, May 03, 2018, July 26, 2018, October 16, 2018, January 14, 2019 and March 18, 2019.

Particulars of Loans, Guarantees and Investments under Section 186 of the Companies Act, 2013

There were no loans given, guarantees provided, investments in securities and acquisition made pursuant to Section 186 of the Companies Act, 2013 during the year under review and hence, the said disclosure requirements are not applicable.

Particulars of the Contracts or Arrangements made with Related Parties made pursuant to Section 188 of the Companies Act, 2013

There were no materially significant related party transactions with the Company's Promoters, Directors, Management or their relatives, which could have had a potential conflict with the interests of the Company at large. The transactions with related parties that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. All Related Party Transactions are placed before the Audit Committee for approval. Members may refer to the notes to the accounts for details on the Related Party Transactions.

Explanation to the Statutory Auditor's Remarks

There was no qualification, reservation, adverse remark or disclaimer made by the Statutory Auditor in his Report.

Explanation to the Secretarial Auditor's Remarks

During the period under review, the Secretarial Auditor in his Report observed the following:

1. The composition of the Board of Directors of the Company during the Financial Year 2018-19 did not comply with the provisions of Section 149 of the Act with regard to appointment of Independent Directors and consequently no separate meeting of Independent Directors was held during the period under audit, and the composition of the Audit Committee and the Nomination and Remuneration Committee was also not as per the requirements of the Act.

Above non-compliance continued from previous years for the third consecutive year in FY 2018-19. The company had been explaining in the previous years that it had approached Bharat Electronics Limited ("BEL", the Holding Company) for appointment of Independent Directors and that application had been made to the Government for categorization of the Company and the same was under consideration. However, the Company does not have any records / documents to support this submission. Secretarial Auditor is also not convinced that categorization of a Government company is a pre-requisite for appointment of independent directors on its Board and the Company could not produce or quote any Government rule or guidelines in this regard.

For the FY 2018-19, the Company expressed a view that it being a "joint venture company" appointment of Independent Directors is exempt pursuant to Rule 4(2) of the Companies (Appointment and Qualification of Directors) Amendment Rules, 2017, which came into effect on 5th July, 2017. The Secretarial Auditor did not concur with this view for the reasons: (a) the Company is not only a "joint venture", but is also a "subsidiary" of BEL (and not a "wholly owned subsidiary") and (b) the quoted rule exempts only wholly owned subsidiaries and not all subsidiaries. A separate note covering in detail the legal grounds and reasons to support this view was also given to the Company.

Explanation: As in the earlier years, this time also the Company approached Bharat Electronics Limited (the Holding Company) for appointment of Independent Directors. BEL opined that BTSL is a Joint Venture Company and can avail the exemption provided by the MCA vide circular dated July 05, 2017. The Board is of the opinion that the same requires a detailed study and also the Company may obtain legal opinion, if required. Upon sufficient examination, the matter will be reconsidered and accordingly, necessary action will be taken up by the Company

2. Article 78.1 of the Articles of Association of the Company stipulates:

"The Board of Directors shall consist of nine members ["Director(s)"]. Unless the Shareholders agree otherwise, there shall be:

- (a) three Directors proposed by BEL;
- (b) one Director proposed by THALES;
- (c) one Fulltime Director, acting as Managing Director & Chief Executive Officer ("MD & CEO"), to be selected by Public Enterprise Selection Board and appointed on the terms and conditions (including remuneration) as per relevant Government of India Guidelines;
- (d) one Director proposed by the Indian Government ("IG Director"); and
- (e) three Independent Directors proposed by Administrative Ministry (MoD), Government of India."

As against above, during the audit period, the Company had only four Directors (three Directors proposed by BEL and one Director proposed by THALES).

Explanation: The appointment of requisite number of directors as per Article 78.1 of Articles of Association will be taken up by the Company in the due course.

Material Changes affecting the Financial Position of the Company

There were no material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statement relate and the date of this Board's Report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The information pertaining to conservation of energy is not applicable since the Company currently did not own or started any manufacturing facility.

Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption, adaptation & innovation

During the FY 2018-19, transfer of technology agreement was entered between BTSL and Thales for design and manufacturing of Doppler Velocity Sensor for Advanced Light Helicopter platforms.

A new facility is set up during the year for integration activities for launching of Low Band Receiver (LBREC) manufacturing (part of Electronics Warfare Suite of Rafale India Program).

2. Benefits derived as a result of the above efforts

The Company is strongly positioned to develop and manufacture the product for an export opportunity and also reinforced the position for re-addressing the Indian market. In terms of innovation and engineering, it will be the opportunity to create Intellectual Property Rights to take over the development of a complete radar product.

The Company is exploring to make use of the new set up of LBREC for other programs.

3. The Company has not imported any technology during the year 2018-19.

4. Expenditure on R&D

During the FY 2018-19, the Company has spent a sum of Rs. 231.75 Lakhs on Development (Capital - Intangible Assets Under Development).

Foreign Exchange Earnings / Outgo

Earnings : Rs. 98.60 Lakhs

Outgo : Rs. 654.50 Lakhs

Details of Subsidiaries, Joint Ventures or Associate Companies

The Company does not have any subsidiaries. The Company has not acquired or disinvested any subsidiaries, joint ventures or associate companies during the year under review.

Risk Management Policy

During the FY 2018-19, the Company implemented the Risk Management Policy identifying the elements of risk. The Risk Management Policy outlines Risk Management Structure, Roles and Responsibilities of concerned personnel in the Company. A comprehensive framework for Risk Identification, Evaluation, Prioritization, Treatment etc. of various risks associated with different areas of operations such as Technology, Product, Market, Human Resources, Finance, Operations, etc, are also defined in the Policy.

Details of Directors and Key Managerial Personnel

Dr. Ajit T Kalghatgi, the Chairman of the Board superannuated from Bharat Electronics Limited and subsequently, BEL withdrew his director nomination. He ceased to be a Chairman of the Company with effect from May 31, 2018.

CS. Harish M V was reappointed as the Company Secretary with effect from June 01, 2018.

Mr. Mahesh V was appointed as the Additional Director (upon receipt of Director Nomination from Bharat Electronics Limited) by the Board of Directors with effect from June 11, 2018 and re-designated as director w.e.f September 10th, 2018.

Mr. Srinivasa Rao Bathina ceased to be the Chief Financial Officer with effect from June 30, 2018

upon completion of his deputation term in the Company.

Mr. Abhishek Kumar was appointed as the Chief Financial Officer with effect from July 01, 2018.

Mr. Nataraj Krishnappa, Mr. Mahesh V and Mr. Emmanuel de ROQUEFEUIL, the Directors are retiring by rotation at the ensuing Fifth Annual General Meeting.

Details of Significant and Material Orders passed by the Regulators / Courts / Tribunal

There were no significant and material orders passed by the Regulators / Courts / Tribunal which would impact the going concern status of the Company and its future operations.

Statement in Respect of Adequacy of Internal Financial Control with Reference to the Financial Statements

The Company has in place, adequate internal financial controls with reference to the financial statements.

Deposits

The Company is not having any deposits under Chapter V of the Companies Act, 2013 and hence, disclosure under Rule 8 (5) (v) and (vi) of the Companies (Accounts) Rules, 2014 are not applicable.

Declaration by Independent Directors

The Company did not have any independent directors during the financial year and hence, the declaration by Independent Directors is not applicable.

Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed CS. Venugopalan V, a Practicing Company Secretary (CoP No. 16910) for the financial year 2018-19 to undertake the Secretarial Audit of the Company. The Secretarial Audit Report in MR – 3 format is annexed to this report at **Annexure 2**.

Corporate Social Responsibility

The provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 relating to Corporate Social Responsibility is not applicable to the Company.

Audit Committee

Since the Independent Directors are not appointed on the Board of the Company, the Audit Committee was formed with the existing Directors and will be reconstituted upon the appointment of Independent Directors.

Some of the important functions performed by the Audit Committee are as follows:

- the recommendation for remuneration of auditors of the company
- review and monitor the auditor's independence and performance, and effectiveness of the audit process
- examination of the financial statement and the auditors' report thereon
- approval or any subsequent modification of transactions of the company with related parties
- scrutiny of inter-corporate loans and investments
- valuation of undertakings or assets of the company, wherever it is necessary
- evaluation of internal financial controls and risk management systems
- monitoring the end use of funds raised through public offers and related matters
- any other roles and responsibilities as assigned by the Board from time to time or under the Companies Act, 2013

All the Recommendations made by the Audit Committee were accepted by the Board.

Refer **Annexure 4** - Report on Corporate Governance for details about composition of the Audit Committee along with the members' attendance.

Statement Indicating the Manner in which Formal Annual Evaluation of the performance of the Board, its Committees and of individual directors has been made

At present, the Company's Board of Directors consists of the Nominee Directors appointed by Bharat Electronics Limited and THALES. An exercise was carried out to evaluate the performance of the individual directors, the Audit Committee, the Nomination and Remuneration Committee and the Board for the financial year 2018 -19 on the basis of certain important parameters like level of engagement and contribution, exercising independence of judgement, achievement of objectives and targets, protection of interest of various stakeholders etc. and found satisfactory.

Nomination and Remuneration Committee

Since the Independent Directors are not appointed on the Board of the Company, the Nomination and Remuneration Committee was formed with the existing Directors and will be reconstituted upon the appointment of Independent Directors.

Some of the important functions performed by the Nomination and Remuneration Committee are as follows:

- identify persons who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board, their appointment and removal
- formulate the criteria for determining qualifications, positive attributes and recommend to the Board a policy, relating to the remuneration for key managerial personnel and other employees
- any other roles and responsibilities as assigned by the Board from time to time or under the Companies Act, 2013.

Refer **Annexure 4** - Report on Corporate Governance for details about composition of the Nomination and Remuneration Committee along with the members' attendance.

Disclosure on Establishment of Vigil Mechanism

The provisions of Section 177 (9) and (10) of the Companies Act, 2013 relating to Establishment of Vigil Mechanism is not applicable to the Company and hence, the said disclosure requirements are not applicable.

However, the Company being a subsidiary of Bharat Electronics Limited, the Vigilance supervision in the Company is monitored by the Chief Vigilance Officer of BEL.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report is attached at **Annexure 3**.

Corporate Governance

The Report on Corporate Governance is attached at **Annexure 4**.

Particulars of Employees information as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The Company being a Government Company, the said disclosure requirements under Section 197 are not applicable pursuant to Notification No. GSR 463(E), dated 05.06.2015.

Sustainability Report

Pursuant to the Guidelines on "Corporate Social Responsibility and Sustainability" issued by the Department of Public Enterprises, the Government of India, the Report on Sustainability is attached at **Annexure 5**.

Disclosures under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

There are no cases filed during the financial year with respect to Sexual Harassment of Women at Workplace and hence, the said disclosure requirements is not applicable.

However, the Company being a subsidiary of Bharat Electronics Limited, the activities are monitored by the Internal Complaints Committee of BEL.

Disclosure Requirements under the Employment and Labour Laws

There are no complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the financial year and hence, the said disclosure requirements are not applicable.

Cost Records

Since the turnover of the Company during the immediately preceding financial year is less than the amount specified under the Companies (Cost Records and Audit) Rules, 2014, the said disclosure requirements is not applicable.

Details in Respect of Fraud Reporting by Auditors

There are no frauds reported for the period under review by the Auditor's under section 143(12) of the Companies Act, 2013 other than those which are reportable to the Central Government and hence, the said disclosure requirements are not applicable.

Statutory Auditors

Pursuant to Section 139 (5) of the Companies Act, 2013, the Comptroller and Auditor General of India appointed M. Sambasiva Rao & Co., Chartered Accountants (ICAI FRN: 003540S) as the Statutory Auditors of the Company for the Financial Year 2018-19. The Auditors have confirmed their eligibility under section 141 of the Companies Act, 2013 & given their written consent for the reappointment.

MCA-21 Compliance

The e-governance initiative of the Ministry of Corporate Affairs in the administration of the Companies Act, 2013 (MCA-21) provides the public, corporate entities and others, an easy and secure online access to the corporate information including the filing of documents and public access to information required to be in public domain under the statute, at any time and from anywhere. The Company has complied with all mandatory e-filing requirements under MCA-21 for the Financial Year 2018-19.

Directors' Responsibility Statement

In accordance with the provisions of Section 134(5) of the Companies Act, 2013, your directors confirm that:

- a. in the preparation of the annual accounts for the financial year ended March 31, 2019, the applicable accounting standards had been followed with proper explanation relating to material departures, if any;
- 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 as at March 31, 2019 and of its profit of 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; and
- e. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgements

The Board expresses its gratitude for the support received from the employees of the Company, the holding company Bharat Electronics Limited and the Joint Ventures Thales India Private Limited and Thales LAS France SAS.

The Directors place on record for the valuable support received and express their sincere thanks to the Comptroller and Auditor General of India, Chairman, Members and Employees of the Audit Board, Reserve Bank of India, Ministries of Government of India, various departments of Central & State Governments, Statutory Auditors, Secretarial Auditors, Bankers, Customers and Vendors.

Directors express their appreciation and gratitude to all the stakeholders for the trust and confidence reposed in the Company and look forward to their continued support and participation in sustaining the growth of the Company in the coming years.

for and on behalf of the Board of Directors

Koshy Alexander
Chairman
DIN: 07896084

Bengaluru
29th April, 2019

Annexure 1 – Extract of Annual Return FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN as on the financial year ended on March 31, 2019

[Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014]

I. REGISTRATION & OTHER DETAILS:

i	CIN	U32106KA2014GOI076102
ii	Registration Date	August 28, 2014
iii	Name of the Company	BEL-THALES Systems Limited
iv	Category / Sub Category of the Company	Company Limited by Shares / Union Government Company
v	Address of the Registered Office & contact details	Registered Office, CNP Area, BEL Industrial Estate, Jalahalli, Bengaluru - 560013, Karnataka, India. Contact No: 08028381803
vi	Whether listed company	No
vii	Name, Address & contact details of Registrar & Transfer Agent, if any.	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sl. No.	Name & Description of the main Products / Services	NIC Code of the Product / Service	% to Total Turnover of the Company
1	The Radar Product Support / Field Support Activities	C 26 26515	100

III. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sl. No.	Name & Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of Shares held	Applicable Section
1	Bharat Electronics Limited	L32309KA1954GOI000787	Holding	74.00	Section 2 (46)

IV . SHAREHOLDING PATTERN (Equity Share capital Break up as % of total Equity)

(i). Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	4	4	-	-	4	4	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt	-	-	-	-	-	-	-	-	-
d) Bodies Corporates	-	54,73,457	54,73,457	95.00	-	54,73,457	54,73,457	95.00	-
e) Bank/FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL: (A) (1)	-	54,73,461	54,73,461	95.00	-	54,73,461	54,73,461	95.00	-
(2) Foreign									
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	2,88,076	2,88,076	5.00	-	2,88,076	2,88,076	5.00	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL (A) (2)	-	2,88,076	2,88,076	5.00	-	2,88,076	2,88,076	5.00	-
Total Shareholding of Promoter (A) = (A) (1) + (A) (2)	-	57,61,537	57,61,537	100.00	-	57,61,537	57,61,537	100.00	-
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B) (1):	-	-	-	-	-	-	-	-	-
(2) Non Institutions									
a) Bodies Corporates									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B) (2):	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B) (1) + (B) (2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	57,61,537	57,61,537	100.00	-	57,61,537	57,61,537	100.00	-

(ii). Shareholding of Promoters

SI No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Bharat Electronics Limited	42,63,534	74.00	-	42,63,534	74.00	-	-
2	Thales India Private Limited	12,09,923	21.00	-	12,09,923	21.00	-	-
3	Thales Air Systems S.A.S.	2,88,076	5.00	-	2,88,076	5.00	-	-
	Total	57,61,533	100.00	-	57,61,533	100.00	-	-

(iii). Change in Promoters' Shareholding (Specify if there is no change)

SI. No.	Shareholders Name	Share holding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity, etc)				
	At the end of the year				

(iv). Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

SI. No	For Each of the Top 10 Shareholders	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity, etc)				
	At the end of the year (or on the date of separation, if separated during the year)				

(v). Shareholding of Directors & Key Managerial Personnel

Sl. No	For Each of the Directors & KMP	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
Directors					
1	Dr. Ajit T Kalghatgi				
	At the beginning of the year	1	-	1	-
	Decrease in Share holding during the year by way of Share Transfer on August 10, 2018	(1)	-	-	-
	At the end of the year			-	-
2	Mr. Koshy Alexander				
	At the beginning of the year	-	-	-	-
	Increase in Share holding during the year by way of Share Transfer on August 10, 2018	1	-	1	-
	At the end of the year			1	-
3	Mr. Mahesh V				
	At the beginning of the year	-	-	-	-
	Increase in Share holding during the year by way of Share Transfer on August 10, 2018	1	-	1	-
	At the end of the year			1	-
Mr. Nataraj Krishnappa, Director and Mr. Emmanuel de ROQUEFEUIL, Director did not hold any shares during the year.					
Key Managerial Personnel					
1	Mr. Rajiv Kumar Sikka				
	At the beginning of the year	1	-	1	-
	Date wise Increase / Decrease in holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity, etc)	-	-	-	-
	At the end of the year			1	-
CS. Harish M V, Company Secretary and Mr. Abhishek Kumar, Chief Financial Officer did not hold any shares during the year.					

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtness at the beginning of the financial year				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in Indebtedness during the financial year				
Additions				
Reduction				
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and / or Manager:

Sl. No	Particulars of Remuneration	Name of the MD/WTD/Manager			(Rs. in Lakhs)
		MD	WTD	Managar	
1	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961				
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961				
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961				
2	Stock option				NIL
3	Sweat Equity				
4	Commission				
	as % of profit				
	others (specify)				
5	Others, please specify				
	Total (A)				
	Ceiling as per the Act				

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Name of the Director	(Rs. in Lakhs)
1	Independent Directors	NIL	
	(a) Fee for attending board committee meetings		
	(b) Commission		
	(c) Others, please specify		
	Total (1)		
2	Other Non Executive Directors		
	(a) Fee for attending board committee meetings		
	(b) Commission		
	(c) Others, please specify		
	Total (2)		
Total (B)=(1+2)			
Total Managerial Remuneration			
Overall Ceiling as per the Act			

C. Remuneration to Key Managerial Personnel Other Than MD / Manager / WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel (Rs. in Lakhs)				Total
		Chief Executive Officer	Chief Financial Officer *	Chief Financial Officer #	Company Secretary	
1	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	47.61	7.15	17.51	17.22	89.49
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission					
	as % of profit	-	-	-	-	-
	others, specify	-	-	-	-	-
5	Others, please specify	-	-	-	-	-
	Total	47.61	7.15	17.51	17.22	89.49

* Mr. Srinivasa Rao Bathina ceased to be CFO w.e.f. June 30, 2018. Remuneration is for the period from April 01, 2018 to June 30, 2018.

Mr. Abhishek Kumar was appointed as CFO w.e.f. July 01, 2018. Remuneration is for the period from July 01, 2018 to March 31, 2019.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

Type	Section of the Companies Act, 2013	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/NCLT/ Court)	Appeal made if any (give details)
A. COMPANY					
Penalty			NIL		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			NIL		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			NIL		
Punishment					
Compounding					

Annexure 2 – Secretarial Audit Report Form No. MR 3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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

To

The Members,
BEL-THALES Systems Limited,
CIN U32106KA2014GOI076102,
CNP Area, BEL Industrial Estate,
Jalahalli, Bengaluru – 560013,
Karnataka, India.

1. I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by BEL-THALES SYSTEMS LIMITED (hereinafter called “the Company” or “BTSL”). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.
2. Based on my verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:
3. I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2019 according to the provisions of:
 - (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
 - (ii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder [Not applicable to the Company during the audit period];
 - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder [Not applicable to the Company during the audit period];
 - (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
 - (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 [Not applicable to the Company during the audit period];

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 [Not applicable to the Company during the audit period];
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [Not applicable to the Company during the audit period];
 - (d) The Securities and Exchange Board of India (Share based employee benefits) Regulations, 2014 [Not applicable to the Company during the audit period];
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008[Not applicable to the Company during the audit period];
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client [Not applicable to the Company during the audit period];
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009[Not applicable to the Company during the audit period]; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 [Not applicable to the Company during the audit period];
- (vi) The Company has not identified any other law as specifically applicable to the company;
4. I have also examined compliance with the applicable clauses of the following:
- (i) Secretarial Standards issued by The Institute of Company Secretaries of India; and
 - (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Not applicable to the Company during the audit period].
5. During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:
- (i) *The composition of the Board of Directors of the Company during the Financial Year 2018-19 did not comply with the provisions of Section 149 of the Act with regard to appointment of Independent Directors and consequently no separate meeting of Independent Directors was held during the period under audit, and the composition of the Audit Committee and the Nomination and Remuneration Committee was also not as per the requirements of the Act.*

Above non-compliance continued from previous years for the third consecutive year in FY 2018-19. The company had been explaining in the previous years that it had approached Bharat Electronics Limited ("BEL", the Holding Company) for appointment of Independent Directors and that application had been made to the Government for categorization of the Company and the same was under consideration. However, the Company does not have any records / documents to support this submission. Secretarial Auditor is also not convinced that categorization of a Government company is a pre-requisite for appointment of independent directors on its Board and the Company could not produce or quote any Government rule or guidelines in this regard.

For the FY 2018-19, the Company expressed a view that it being a "joint venture company" appointment of Independent Directors is exempt pursuant to Rule 4(2) of the Companies (Appointment and Qualification of Directors) Amendment Rules, 2017, which came into effect on 5th July, 2017. The Secretarial Auditor did not concur with this view for the reasons: (a) the Company is not only a "joint venture", but is also a "subsidiary" of BEL (and not a "wholly

owned subsidiary”) and (b) the quoted rule exempts only wholly owned subsidiaries and not all subsidiaries. A separate note covering in detail the legal grounds and reasons to support this view was also given to the Company.

(ii) Article 78.1 of the Articles of Association of the Company stipulates:

“The Board of Directors shall consist of nine members [“Director(s)”]. Unless the Shareholders agree otherwise, there shall be:

(a) three Directors proposed by BEL;

(b) one Director proposed by THALES;

(c) one Fulltime Director, acting as Managing Director & Chief Executive Officer (“MD & CEO”), to be selected by Public Enterprise Selection Board and appointed on the terms and conditions (including remuneration) as per relevant Government of India Guidelines;

(d) one Director proposed by the Indian Government (“IG Director”); and

(e) three Independent Directors proposed by Administrative Ministry (MoD), Government of India.”

As against above, during the audit period, the Company had only four Directors (three Directors proposed by BEL and one Director proposed by THALES).

6. I further report that:

6.1 Subject to my observations (i) and (ii) in Paragraph-5 above, during the period under audit the Board of Directors of the Company is duly constituted with Non-Executive Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

6.3 Majority decision is carried through while the dissenting members’ views are captured and recorded as part of the minutes.

7. I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

8. I further report that during the audit period there were no specific events / actions having a major bearing on the Company’s affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards.

Name and Signature : VENUGOPALAN VENKITAN
 Designation : Practicing Company Secretary
 Stamp : ACS No.13511; COP No.16910

Bengaluru
 29th April, 2019

Note: This report is to be read with my letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

Annexure A

To

The Members,
BEL-THALES Systems Limited,
CIN U32106KA2014GOI076102,
CNP Area, BEL Industrial Estate,
Jalahalli, Bengaluru – 560013,
Karnataka, India.

My report of even date is to be read along with this letter.

- (1) Maintenance of secretarial records is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
- (2) I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
- (3) I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
- (4) Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- (5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
- (6) The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Name and Signature : VENUGOPALAN VENKITAN
Designation : Practicing Company Secretary
Stamp : ACS No.13511; COP No.16910

Bengaluru
29th April, 2019

Annexure 3 - Management Discussion and Analysis Report

1. Strengths, Weaknesses, Opportunities and Threats

a) Strengths

- Strong backing and support of the Joint Venturers (Bharat Electronics Limited (BEL), Thales India Private Limited (TIPL) and Thales LAS France SAS (TLF)) for business development and growth.
- Availability of the business resources, essential technological capabilities and capital from the Joint Venturers to start business operations.

b) Weaknesses

- Weak defence manufacturing ecosystems due to lack of Electronic System Design and Manufacturing (ESDM) companies.
- Non availability of trained manpower with domain knowledge and expertise in the initial stages.

c) Opportunities

- Technological capabilities acquired with the support of the Joint Venturers will lead to designing, developing and marketing of modern Civilian and Defence Radars, both in India and abroad.
- The existing manufacturing infrastructure, facilities and expertise at BEL will be utilised for producing state of the art Radars with technological inputs from Thales, France.

d) Threats

- Competition from private industry and joint ventures of other leading global Radar manufacturers will lead to the stiff completion in niche civilian market segments as well as the select defence areas targeted.
- Long gestation period of product evaluation and acceptance in the defence segment would be a strain for the newly formed company.
- The Company is obliged to keep away from the existing business being addressed by the Joint Venturers as per the Joint Venture Agreement.
- Non-existent MSMEs for sourcing components and subsystems for the manufacture of state of the art Radars would be a challenge.

2. Major initiatives undertaken and planned to ensure sustained performance and growth

The Company is making efforts towards co-development and local production of a Ka-Band Multi-Target Tracking Radar to address emerging potential market segment. During the year, the Pharos completed First Article Inspection (FAI) milestone. As a marketing initiative, the Company displayed a prototype during the Aero India, 2019. The prototype was showcased to Indian Navy for use on the new ships that are to be built in India. Since the Indian market is yet to open, the company is actively pursuing with Thales Netherlands for global opportunities.

The Company has successfully installed Passive Radar Demonstrator at the Company's premises and in the process of identifying prospective customers. In addition to the Indian Air Force, the company is pursuing opportunities with prospective customers such as Cabinet Secretariat and National Technical Research Organisation. A demonstrator was displayed during the Aero India, 2019 and was a great source of interest for both Indian and Global Customers. As a marketing strategy for Indian Customers, a NC-NC trials is being planned.

Low Band Receiver (LBREC): The Company is in the process of setting up a well-equipped integration and verification facility for high end avionics equipment. Integration activities are to commence by the year end. This effort is expected to result in other avionics equipment integration at BTSL to enable Thales to meet its offset obligations in Defence Market

3. Internal Control Systems and its adequacy

The Company has an adequate system of Internal Control commensurate with its size and nature of its operations. They have been designed to provide measures with a view to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use or losses, executing transactions with proper authorisation and ensuring compliance of company's policies and procedures issued from time to time.

4. Financial / Operational Performance

a) Strategy & Objectives

The main objectives of financial strategy of the Company are as follows:

- To make available funds by effective cash flow management.
- To effectively execute tax planning.
- To meet the expectations of various stakeholders.
- To maintain standards of financial reporting by following the mandatory Indian Accounting Standards.

b) Performance Highlights

Rs. in Lakhs

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Total Revenue	937.64	645.11
Total Expenses	840.76	893.44
Profit / (Loss) Before Tax	96.88	(248.33)
Less: Tax Expense	(7.31)	10.47
Profit / (Loss) After Tax	104.19	(258.80)
Add : Balance B/F from the previous year	(750.16)	(491.36)
Balance Profit / (Loss) C/F to the next year	(645.97)	(750.16)

Annexure 4 - Report on Corporate Governance

Philosophy and Code of Governance

The Company's philosophy of Corporate Governance is based on the principles of honesty, integrity, accountability, adequate disclosures, legal compliances, transparency in decision making and avoiding conflicts of interests. The Corporate structure, business and disclosure practices have been aligned to the Corporate Governance philosophy.

Board of Directors

Composition

At present, the Board of Directors comprises of four Directors including the Chairman. The Director (Finance) of BEL is the Chairman of the Board. Three Directors are nominated by BEL (including the Chairman) and one Director is nominated by THALES.

The Composition of the Board of Directors is given below:

1. Mr. Koshy Alexander, Chairman Director (Finance), BEL
2. Mr. Nataraj Krishnappa, Director Director (Other Units), BEL
3. Mr. Mahesh V, Director Director (R & D), BEL
4. Mr. Emmanuel de ROQUEFEUIL, Director Managing Director, TIPL

Meetings and Attendance

Board Meetings

During the year, Six Board Meetings were held on April 05, 2018, May 03, 2018, July 26, 2018, October 16, 2018, January 14, 2019 and March 18, 2019 such that the maximum interval between two Board Meetings was 90 days. The details of Attendance of the Directors at the Board Meetings, Annual General Meeting and the number of other Directorships / Committee memberships held by them as on March 31, 2019 are given below:

Sl. No.	Directors	No. of Board Meetings held during respective tenure of Director	No. of Board Meetings attended	Attendance at the last AGM held on September 10, 2018	No. of other Directorships held	Number of Committee Membership across all companies *	
						As Chairman	As Member
1	Dr. Ajit T Kalghatgi (Ceased to be the Chairman w.e.f. May 31, 2018)	2	2			NA	
2	Mr. Koshy Alexander	6	6	Yes	3	2	0
3	Mr. Nataraj Krishnappa	6	5	Yes	2	0	1
4	Mr. Mahesh V (Appointed w.e.f. June 11, 2018)	4	4	Yes	1	0	1
5	Mr. Emmanuel de ROQUEFEUIL	6	6	No	6	0	0

* Membership of Audit Committee and Shareholders' Grievance Committee is only considered.

Audit Committee Meetings

The Composition of the Audit Committee during the financial year 2018-19 and the details of the Members participation at the Meeting are as under:

Name	Attendance at the Audit Committee Meeting held on				
	April 05, 2018	May 03, 2018	July 26, 2018	October 16, 2018	January 14, 2019
Dr. Ajit T Kalghatgi, Chairman (Ceased to be the Chairman w.e.f. May 31, 2018)	✓	✓	NA		
Mr. Koshy Alexander	✓	✓	✓	✓	✓
Mr. Nataraj Krishnappa	x	✓	✓	✓	✓
Mr. Mahesh V (Appointed w.e.f. June 11, 2018)	NA		✓	✓	✓
Mr. Emmanuel de ROQUEFEUIL	✓	✓	✓	✓	✓

Note: The Audit Committee was reconstituted w.e.f. June 11, 2018 with the following members:

1. Mr. Koshy Alexander
2. Mr. Nataraj Krishnappa
3. Mr. Mahesh V
4. Mr. Emmanuel de ROQUEFEUIL

Nomination and Remuneration Committee Meetings

The Composition of the Nomination and Remuneration Committee during the financial year 2018-19 and the details of the Members participation at the Meeting are as under:

Name	Attendance at the Nomination and Remuneration Committee Meeting held on			
	April 05, 2018	May 03, 2018	July 26, 2018	January 14, 2019
Dr. Ajit T Kalghatgi (Ceased to be the Chairman w.e.f. May 31, 2018)	✓	✓	NA	
Mr. Koshy Alexander (Chairman upto January 13, 2019)	✓	✓	✓	✓
Mr. Nataraj Krishnappa	x	✓	✓	✓
Mr. Mahesh V (Appointed w.e.f. June 11, 2018 and as the Chairman w.e.f. January 14, 2019)	NA		✓	✓
Mr. Emmanuel de ROQUEFEUIL	✓	✓	✓	✓

The Nomination and Remuneration Committee was reconstituted w.e.f. June 11, 2018 with the following members:

1. Mr. Mahesh V
2. Mr. Koshy Alexander
3. Mr. Nataraj Krishnappa
4. Mr. Emmanuel de ROQUEFEUIL

Details of the last three Annual General Meeting are as follows:

AGM No.	Year	Location	Date & Time
Fourth	2017-18	BEL-THALES Systems Limited, CNP Area, BEL Industrial Estate, Jalahalli, Bengaluru – 560013, Karnataka, India.	September 10, 2018 at 09.30 AM
Third	2016-17	BEL-THALES Systems Limited, CNP Area, BEL Industrial Estate, Jalahalli, Bengaluru – 560013, Karnataka, India.	September 08, 2017 at 09.30 AM
Second	2015-16	BEL-THALES Systems Limited, CNP Area, BEL Industrial Estate, Jalahalli, Bengaluru – 560013, Karnataka, India.	September 01, 2016 at 09.30 AM

All the resolutions, including Special Resolutions, set out in the respective Notices of the last three Annual General Meeting were passed by the Shareholders. During the last three years, the following Special Resolutions were passed:

- Further Issue of Equity Share Capital was passed in the Second Annual General Meeting held on September 01, 2016.

No resolutions were put through postal ballot during the year.

Details of Fifth Annual General Meeting

The Fifth Annual General Meeting of the Company is proposed to be held on Wednesday, August 28, 2019 at 11.30 AM and at the Registered Office of the Company, CNP Area, BEL Industrial Estate, Jalahalli, Bengaluru – 560013, Karnataka, India.

Code of Conduct

The Board of Directors of your Company has laid down a Code of Business Conduct and Ethics for Board Members, Key Managerial Personnel and Senior Management of the Company as per the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises. All Board Members, Key Managerial Personnel and Senior Management have affirmed compliance with the Code during the Financial Year 2018-19. A declaration to this effect signed by the Chairman is attached to this Report.

Remuneration

The Company does not pay any remuneration to its Directors. The Company has not issued any stock options to its Directors.

Directors' Shareholdings

Mr. Koshy Alexander, the Chairman and Mr. Mahesh V, the Director holds one share each in the Company.

Disclosures

- (a) The Company has not entered into materially significant related party transactions that may have potential conflict with the interests of company at large.
- (b) There were no cases of non-compliance by the company, penalties, strictures imposed on the company by any statutory authority, on any matter related to any guidelines issued by Government during the last three years.
- (c) The Company has complied with the requirements of the Corporate Governance guidelines.
- (d) No items of expenditure, debited in books of accounts, which are not for the purposes of the business or incidental thereto.
- (e) No expenses, which are personal in nature, were incurred for the Board of Directors, Key Managerial Personnel and Top Management.
- (f) Administrative and Office Expenses constitutes 30% as a percentage of Total Expenses and Financial Expenses constitutes 0% as a percentage of Total Expenses.

CEO and CFO Certification

In terms of the requirements of DPE Guidelines, the CEO and CFO Certificate has been obtained and placed before the Audit Committee / Board.

MoU with Bharat Electronics Limited

Your Company has signed a Memorandum of Understanding (MoU) for FY 2017-18 with Bharat Electronics Limited (the Holding Company). The Marks scored against Targets for FY 2017-18 is 100 out of 100 and has been rated as “Excellent” in terms of entered MoU. The MoU rating for 2018-19 is under review.

Registered Office / Address for Correspondence

Company Name	: BEL-THALES Systems Limited
Registered Office	: CNP Area, BEL Industrial Estate, Jalahalli, Bengaluru - 560013, Karnataka, India
Phone	: 8028381803
Fax	: 8028381801
e-mail	: cosec@belthales.co.in

Declaration

Pursuant to the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises as contained in the DPE OM No. 18(8)2005-GM, dated May 14, 2010, all Board Members, Key Managerial Personnel and Senior Management of the Company have affirmed compliance with “the Code of Business Conduct & Ethics for Board Members, Key Managerial Personnel and Senior Management” of BEL-THALES Systems Limited for the Financial Year ended March 31, 2019.

for BEL-THALES Systems Limited

Koshy Alexander
Chairman
DIN: 07896084

Bengaluru
29th April, 2019

**Declaration of Compliance with the Code of Conduct
by the Board Members and the Senior Management personnel
of the Company during the Financial Year 2018-19**

Pursuant to the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises as contained in the DPE OM No. 18(8)/2005-GM dated 22 June 2007, all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Business Conduct & Ethics for Board Members, KMPs & Senior Management of BEL- THALES Systems Limited, for the year ended 31 March 2019.

For and on behalf of the Board

Koshy Alexander
Chairman

Bengaluru
29th April, 2019

Certificate by CEO & CFO
as required under DPE Guidelines on Corporate Governance

To,

The Board of Directors,
BEL-THALES Systems Limited,
Bengaluru.

We, **Rajiv Kumar Sikka**, Chief Executive Officer and **Abhishek Kumar**, Chief Financial Officer certify that:

- A) We have reviewed the financial statements and Cash flow statement for the year ended 31st March, 2019 and to the best of our knowledge and belief :
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
 - ii) these statement together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- B) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2019 are fraudulent, illegal or violative of the Company's code of conduct.
- C) We accept responsibility for establishing and maintaining internal control for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken or propose to take to rectify these deficiencies.
- D) We have indicated to the Auditors and the Audit Committee
 - i) Any significant changes in internal control over financial reporting during the year;
 - ii) Any significant change in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) Any instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Abhishek Kumar
Chief Financial Officer

Rajiv Kumar Sikka
Chief Executive Officer

Bengaluru
29th April, 2019

Annexure 5 - Report on Sustainability

The Government of India, Public Enterprises (DPE) vide DPE OM F No. 15(13)/2013 - DPE (GM), dated November 20, 2014 issued Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises.

The above DPE guidelines define "Corporate Social Responsibility and Sustainability" as company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.

The Company is committed to sustain the environment with growth. It maintains a green environment in its premises.

The Company premises has total area of 9,114 sft, out of which around 3,800 sft has been utilized for development of environment. During the period, the Company has incurred Rs. 2.50 Lakhs towards maintenance of the garden / environment development. The Company focuses on planting trees and maintaining a green and clean environment.

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao
FCA, Proprietor

INDEPENDENT AUDITOR'S REPORT -BEL-THALES Systems Limited

Report on the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of **BEL-THALES Systems Limited** ('the Company'), which comprise the Balance Sheet as at 31st March 2019, the Statement of Profit and Loss, the Cash Flow Statement and The Statement of changes in Equity for year then ended, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India, of the financial position of the Company as at 31 March, 2019, and its financial performance 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 Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and 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.

Key Audit Matters

In our opinion and to the best of our information there are no key audit matters.

Management's Responsibility for the Ind AS Financial Statements

The Company's Management is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act.

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao

FCA, Proprietor

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

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

Management is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 Ind AS 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 Ind AS 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 financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao

FCA, Proprietor

- 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 Ind AS 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 Ind AS financial Statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Ind AS financial statements that, individually or in aggregate, make it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in

- (i) planning the scope of our audit work and in evaluating the results of our work; and
- (ii) to evaluate the effect of any identified misstatements in 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 section 143(11) of the Act, we give in the "**Annexure - A**", a statement on the matters specified in the paragraph 3 and 4 of the order.
2. As required by Section 143(3) of the Act, based on our audit 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, the cash flow statement and statement of changes in equity, dealt with by this Report are in agreement with the books of account.

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao

FCA, Proprietor

- (d) in our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards (to the extent applicable) prescribed under Section 133 of the Act read with relevant rules issued thereunder.
- (e) Reporting on Disqualification of Directors under Section 164(2) is not applicable at the Company level.
- (f) 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**". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the company's internal financial controls over financial reporting.
- (g) With respect to the other matters to be included in the Auditors Report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014 as amended, in our opinion and to the best of our information and according to the explanations given to us,
- (i) The Company doesn't have any of pending litigations which would impact its financial position in its Ind AS financial statements.
- (ii) The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
- (iii) The requirement of transfer to the Investor Education and Protection Fund by the Company is not applicable at the Company Level.
3. As required under Section 143 (5) of the Act, which is applicable to the Company, findings on the directions issued by Comptroller and Audit General of India is annexed at "**Annexure - C**".

For M SAMBASIVA RAO & CO.

Chartered Accountants
Firm Regn. No. 003540S

(M SAMBASIVA RAO)

Proprietor
Membership No.: 021858

Place: Bengaluru

Date: 29th April 2019

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao
FCA, Proprietor

ANNEXURE - A TO THE INDEPENDENT AUDITOR'S REPORT

The provisions of Clauses iii, iv, v, viii, ix, xi, xii and xiv to xvi of paragraph 3 of the Companies (Auditor's Report) Order, 2016 which are not applicable at the Company level for the current year are not part of the annexure.

Our comments on other clauses are given below:

- (i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us and based on our examination of records, the Management has generally carried out the physical verification of a portion of the Fixed Assets in accordance with their phased programme of physical verification, which is considered reasonable having regard to the size of the unit and nature of its business and discrepancies, if any, were properly dealt with on such verification during the year.
- (c) All the title deeds of the immovable properties are held in the name of the company.
- (ii) The raw materials, stores and spare parts, tools, work-in-progress, semi-finished goods and finished goods inventory (excluding stock with third parties and material in transit) have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable and adequate in relation to the size of the Company and the nature of business.

As informed to us, no material discrepancies have been noticed on such verification. The discrepancies noticed on verification between the physical Stocks and the book records have been properly dealt in the books of account.

In respect of materials with sub-contractors, confirmations have been received generally and reconciled with the book records. However, in case of such items for which no confirmations have been received, which are not significant, the Company has dealt with the same by making adequate provision in the books of account.

- (vi) Since the turnover of the company during the immediately preceding financial year is less than the amount specified under the Companies (Cost Records and Audit) Rules 2014 and the maintenance of Cost Records under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company is not applicable
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Customs Duty, GST and any other statutory dues

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao

FCA, Proprietor

with appropriate authorities. According to the information and explanation given to us, no undisputed statutory dues are outstanding as at 31st March 2019, for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, no undisputed amounts that remain unpaid as at 31st March 2019 for a period of more than six months from the dates they became payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Customs Duty, GST and any other statutory dues with the exception of the following:

Name of the Statute	Nature of dues	Amount (in Rs.)	Period of which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax & Interest Demand vide Assessment Order U/Sec. 143(3) dt. 10.11.2017	10,46,520	Assessment Year 2015-16	Commissioner of Income (Appeals)-1, Bangalore. Appeal preferred on 22.11.2017
Income Tax Act, 1961	Income Tax & Interest Demand vide Assessment Order U/Sec. 143(3) dt. 11.12.2018	38,06,972	Assessment Year 2016-17	Commissioner of Income (Appeals)-1, Bangalore. Appeal preferred on 09.01.2019

- (x) During the course of our examination of the books of Accounts 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 fraud by the Company or any fraud on the Company or by its officers or employees has been noticed or reported during the year nor we have been informed of any such case by the management, that causes the Ind AS financial statements to be materially misstated.

- (xiii) On the basis of examination of records of the Company and information and explanations given to us, all the transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 and the details have been disclosed in the Ind AS Financial Statements vide Note-4 as required by Ind AS 24.

For M SAMBASIVA RAO & CO.

Chartered Accountants
Firm Regn. No. 0035405

(M SAMBASIVA RAO)

Proprietor

Membership No.: 021858

Place: Bengaluru

Date: 29th April 2019

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao
FCA, Proprietor

ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT OF EVENT DATE

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 **BEL-THALES Systems Limited** ("the Company") as of March 31, 2019 in conjunction with our audit of the Ind AS 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.

Auditor's 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 issued by 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.

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao

FCA, Proprietor

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 Ind AS 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 Ind AS 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 Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS 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.

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao

FCA, Proprietor

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 March 31,2019, 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.

For M SAMBASIVA RAO & CO.

Chartered Accountants

Firm Regn. No. 003540S

Place: Bengaluru

Date: 29th April 2019

(M SAMBASIVA RAO)

Proprietor

Membership No.: 021858

**M SAMBASIVA RAO & CO.
CHARTERED ACCOUNTANTS**

No. 67, 1st H Cross, 3rd Main, Sharadha Colony,
Basaveshwaranagar, Bengaluru-560079

M Sambasiva Rao
FCA, Proprietor

ANNEXURE — C TO THE AUDITOR’S REPORT

Report under Section 143(5) of the Companies Act, 2013.

Sl. No.	Direction/Sub-directions	Action Taken	Impact on Financial Statement
1	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of procession of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, the Company has system in place to process all the accounting transactions through IT system and no transaction are processed outside IT System.	NIL
2	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	No	Nil
3	Whether funds received/receivable for specific schemes from central/ state agencies were properly accounted for utilized as per its term and conditions? List the cases of deviation.	The company has not received any funds from central/state agencies.	Nil

For M SAMBASIVA RAO & CO.
Chartered Accountants
Firm Regn. No. 003540S

Place: Bengaluru
Date: 29th April 2019

(M SAMBASIVA RAO)
Proprietor
Membership No.: 021858



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest

सं./No./बेल थैल्स लेखा (2018-19)/2019-20/193

प्रधान निदेशक वाणिज्यिक लेखापरीक्षा एवं पदेन सदस्य
लेखापरीक्षा बोर्ड का कार्यालय, बेंगलूर - 560 001.
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT and Ex-Officio MEMBER, AUDIT BOARD,
BENGALURU - 560 001.

दिनांक/ DATE. 25 जून 2019

सेवा में,
श्री कोशी एलेक्जेंडर
अध्यक्ष,
मेसर्स बेल थैल्स सिस्टम लिमिटेड
सी.एन.पी. एरिया, बेल इंडस्ट्रियल एस्टेट
जलाहल्ली, बेंगलुरु - 560 013
महोदय,

विषय: कम्पनी अधिनियम 2013 की धारा 143(6)(b) के तहत भारत के नियंत्रक एवं
महालेखापरीक्षक की टिप्पणियाँ।

मैं 31 मार्च 2019 को समाप्त वर्ष के लिए मेसर्स बेल थैल्स सिस्टम लिमिटेड, बेंगलुरु के
लेखाओं पर कम्पनी अधिनियम 2013 की धारा 143(6)(b) के तहत भारत के नियंत्रक एवं
महालेखापरीक्षक का "नॉन रिट्यु प्रमाण पत्र" अग्रेषित करता हूँ।

कृपया सुनिश्चित करें कि टिप्पणियाः

1. बिना कोई संशोधन किये पूर्ण रूप से छापी जाए।
2. सूची में उचित संकेत के साथ कम्पनी की वार्षिक रिपोर्ट में सांविधिक लेखापरीक्षकों की रिपोर्ट के आगे रखा जाए।
3. कम्पनी अधिनियम 2013 की धारा 143(6)(b) के तहत अवश्यकतानुसार वार्षिक आम बैठक में रखा जाए।

कृपया पत्र की पावती भेजें।

भवदीय,

ए. सुब्रमण्यम
25/6/19

(ए. सुब्रमण्यम)

उप निदेशक (प्रशासन)

संलग्न: यथोपरि

भारतीय लेखापरीक्षा तथा लेखा विभाग

INDIAN AUDIT & ACCOUNTS DEPARTMENT

प्रथम तल, बसव भवन, श्री बसवेश्वर रोड, बेंगलूर - 560 001.

1st Floor, Basava Bhavan, Sri Basaveswara Road, Bangalore - 560 001.

दू.भा./Phone : 2226 7646 / 2226 1168

Email : mabbangalore@cag.gov.in

फैक्स /Fax : 080-2226 2491



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest

Insp./BEL-THALES Acc(2018-19)/2019-20/193
स./No.

प्रधान निदेशक वाणिज्यिक लेखापरीक्षा एवं पदेन सदस्य
लेखापरीक्षा बोर्ड का कार्यालय, बेंगलूर - 560 001.
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT and Ex-Officio MEMBER, AUDIT BOARD,
BENGALURU - 560 001.

दिनांक/ DATE. 25 June 2019

To
Shri Koshy Alexander,
The Chairman,
M/s. BEL – THALES Systems Limited,
CNP Area, BEL Industrial Estate,
Jalahalli, Bengaluru – 560 013

Sir,

Sub: Comments of the Comptroller and Auditor General of India under
section 143(6) (b) of the Companies Act, 2013.

I forward herewith Non review Certificate of the Comptroller and Auditor General of
India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of M/s. BEL –
THALES Systems Limited, Bengaluru for the year ended 31 March 2019.

It may please be ensured that the Comments are:

- (i) printed in toto without any editing;
- (ii) placed next to the Statutory Auditors' Report in the Annual Report of the
Company with proper indication in the index;
- (iii) Placed before the AGM as required under proviso to Section 143(6) (b) of the
Companies Act, 2013.

The receipt of this letter may please be acknowledged.

Yours faithfully,

(A. Subramanian)
Deputy Director (Admin)

Encl: As above.

भारतीय लेखापरीक्षा तथा लेखा विभाग

INDIAN AUDIT & ACCOUNTS DEPARTMENT

प्रथम तल, बसव भवन, श्री बसवेश्वर रोड, बेंगलूर - 560 001.

1st Floor, Basava Bhavan, Sri Basaveswara Road, Bangalore - 560 001.

दू.मा./Phone : 2226 7646 / 2226 1168

Email : mabbangalore@cag.gov.in

फैक्स /Fax : 080-2226 2491

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE
FINANCIAL STATEMENTS OF M/S. BEL – THALES SYSTEMS LIMITED,
BENGALURU FOR THE YEAR ENDED 31 MARCH 2019**

The preparation of Financial Statements of M/s. **BEL – THALES Systems Limited, Bengaluru** for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 April 2019.

I, on behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the Financial Statements of M/s. **BEL – THALES Systems Limited, Bengaluru** for the year ended 31 March 2019 under section 143 (6) (a) of the Act.

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


(Santosh Kumar)

Pr. Director of Commercial Audit

Place: Bengaluru

Dated: 25 June 2019

BEL-THALES Systems Limited
Balance Sheet

(₹ in Lakhs)

Sl. No.	Particulars	Note No.	As at 31st March 2019	As at 31st March 2018
I	ASSETS			
(1)	Non-current assets			
	(a) Property, Plant and Equipment	1	405.71	493.49
	(b) Intangible assets under development	2	973.09	741.35
	(c) Financial Assets	3		
	(i) Trade Receivables	3(a)	-	-
	(ii) Loans	3(b)	0.29	0.29
	(iii) Other Financial Assets	3(c)	-	12.70
			1,379.09	1,247.83
(2)	Current Assets			
	(a) Inventories	4	4.71	2.10
	(b) Financial assets	3		
	(i) Trade Receivables	3(a)	113.24	43.20
	(ii) Cash & Cash equivalents	3(d)	908.46	521.32
	(iii) Bank balances other than (ii) above	3(e)	2,570.00	3,347.60
	(iv) Loans	3(b)	-	-
	(v) Other Financial Assets	3(c)	45.86	251.68
	(c) Other current assets	5	475.60	405.90
			4,117.87	4,571.80
	Total Assets		5,496.96	5,819.63
II	EQUITY AND LIABILITIES			
	Equity			
	(a) Equity Share capital	6	5,761.54	5,761.54
	(b) Other Equity			
	(i) Reserves & Surplus	7	(645.97)	(750.16)
	Total Equity		5,115.57	5,011.38
	Liabilities			
(1)	Non-current liabilities			
	(a) Financial Liabilities	8		
	(i) Trade payables	8(a)	-	-
	(ii) Other financial liabilities (other than specified in item (b))	8(b)	0.18	0.18
	(b) Provisions		-	-
	(c) Deferred tax liabilities (Net)	9	4.96	12.26
			5.14	12.44
(2)	Current liabilities			
	(a) Financial liabilities	8		
	(i) Trade Payables :			
	A. Total outstanding dues of Micro Enterprises & Small Enterprises		-	-
	B. Total outstanding dues of creditors other than Micro Enterprises & Small Enterprises	8(a)	138.79	-
	(ii) Other financial liabilities (other than specified in item (c))	8(b)	94.92	759.32
	(b) Other Current Liabilities	10	142.54	36.49
	(c) Provisions	11	-	-
			376.25	795.81
	Total Equity and Liabilities		5,496.96	5,819.63

Significant accounting policies & Notes 1 to 17 form an integral part of these financial statements.

As per our report of even date attached.

For M SAMBASIVA RAO & CO.

 Chartered Accountants
 Firm Regn No. 003540S

For and on behalf of the Board of Directors
Koshy Alexander
 Chairman

Mahesh V
 Director

(M Sambasiva Rao)

 Proprietor
 Membership No. 021858

Rajiv Kumar Sikka
 Chief Executive Officer

Abhishek Kumar
 Chief Financial Officer

Sanjog Mohapatra
 Company Secretary

Date : 29th April 2019

Place : Bengaluru

BEL-THALES Systems Limited
Statement of Profit and Loss

(₹ in Lakhs)

Sl. No.	Particulars	Note No.	For the year ended 31st March 2019	For the year ended 31st March 2018
	Continuing Operations			
I	Revenue from Operations	12	674.76	314.01
II	Other income	13	262.88	331.10
III	Total income (I+II)		937.64	645.11
IV	Expenses			
	Cost of material & Sub contract services consumed for service delivery to customers		170.93	119.30
	Employee benefit expense	14	246.29	259.31
	Depreciation and amortisation expense	1	89.65	16.56
	Other expenses	15	333.89	498.27
	Total expenses (IV)		840.76	893.44
V	Profit/(loss) before exceptional items and tax from Continuing operations (III-IV)		96.88	(248.33)
VI	Exceptional items		-	-
VII	Profit/(loss) before tax from Continuing operations (V-VI)		96.88	(248.33)
VIII	Income tax expense			
	(1) Current tax		-	-
	(2) Deferred tax		(7.31)	10.47
	Total tax expense		(7.31)	10.47
IX	Profit/(loss) from Continuing operations (VII-VIII)		104.19	(258.80)
	Discontinued operations			
X	Profit from discontinued operation before tax		-	-
XI	Tax expense of discontinued operations		-	-
XII	Profit/(loss) from discontinued operations (X-XI)		-	-
XIII	Profit/(loss) for the year (IX+XII)		104.19	(258.80)
XIV	Other Comprehensive income			
	A) Items that will not be reclassified to profit or loss		-	-
	B) Items that will be reclassified to profit or loss		-	-
	Other Comprehensive income for the year, net of tax		-	-
XV	Total Comprehensive income for the year (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)		104.19	(258.80)
XVI	Earnings per equity share (for Continuing operations)	16		
	(1) Basic earnings per share		1.81	(4.49)
	(2) Diluted earnings per share		1.81	(4.49)
XVII	Earnings per equity share (for discontinued operations)			
	(1) Basic earnings per share		-	-
	(2) Diluted earnings per share		-	-
XVIII	Earnings per equity share (for Continuing and discontinued operations)			
	(1) Basic earnings per share		1.81	(4.49)
	(2) Diluted earnings per share		1.81	(4.49)

Significant accounting policies & Notes 1 to 17 form an integral part of these financial statements.

As per our report of even date attached.

For M SAMBASIVA RAO & CO.

Chartered Accountants
Firm Regn No. 003540S

(M Sambasiva Rao)

Proprietor
Membership No. 021858

Date : 29th April 2019
Place : Bengaluru

For and on behalf of the Board of Directors

Koshy Alexander
Chairman

Mahesh V
Director

Rajiv Kumar Sikka
Chief Executive Officer

Abhishek Kumar
Chief Financial Officer

Sanjog Mohapatra
Company Secretary

BEL-THALES Systems Limited
Statement of Changes in Equity

(₹ in Lakhs)

A. Equity Share Capital

Particulars	Notes	No.	INR
Equity shares of INR 100 each issued, subscribed and fully paid			
As at 1st April 2017		57,61,537	5,761.54
Changes in equity share capital during 2017-18	6	-	-
As at 31st March 2018		57,61,537	5,761.54
Equity shares of INR 100 each issued, subscribed and fully paid			
As at 1st April 2018		57,61,537	5,761.54
Changes in equity share capital during 2018-19	6	-	-
As at 31st March 2019		57,61,537	5,761.54

B. Other equity

Particulars	Reserves and Surplus			Items of OCI	Total
	Capital Reserve	Securities Premium	Retained earnings		
As at 1st April 2017	-	-	(491.36)	-	(491.36)
Profit for the year ended 31 March 2018	-	-	(258.80)	-	(258.80)
Other Comprehensive income	-	-	-	-	-
Total Comprehensive income	-	-	(258.80)	-	(258.80)
At 31st March 2018	-	-	(750.17)	-	(750.17)
Particulars	Reserves and Surplus			Items of OCI	Total
	Capital Reserve	Securities Premium	Retained earnings		
As at 1st April 2018	-	-	(750.17)	-	(750.17)
Profit for the year ended 31 March 2019	-	-	104.19	-	104.19
Other Comprehensive income	-	-	-	-	-
Total Comprehensive income	-	-	104.19	-	104.19
At 31st March 2019	-	-	(645.97)	-	(645.97)

Significant accounting policies & Notes 1 to 17 form an integral part of these financial statements.

As per our report of even date attached.

For M SAMBASIVA RAO & CO.

 Chartered Accountants
 Firm Regn No. 003540S

(M Sambasiva Rao)

 Proprietor
 Membership No. 021858

 Date : 29th April 2019
 Place : Bengaluru

For and on behalf of the Board of Directors
Koshy Alexander
 Chairman

Mahesh V
 Director

Rajiv Kumar Sikka
 Chief Executive Officer

Abhishek Kumar
 Chief Financial Officer

Sanjog Mohapatra
 Company Secretary

BEL-THALES Systems Limited

Cash Flow Statement

(₹ in Lakhs)

Particulars	Notes	For the year ended 31st March 2019	For the year ended 31st March 2018
Operating activities			
Net Profit/(Loss) before tax as per Statement of Profit and Loss		96.88	(248.33)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment		89.65	16.56
Finance income - Interest received		(261.99)	(330.69)
Operating Profit before Working capital changes		(75.46)	(562.46)
Working capital adjustments:			
Increase/(decrease) in non current financial assets -loans		-	-
Increase/(decrease) in non-current other financial assets excl. FDs		0.13	91.23
Increase/(decrease) in Inventories		(2.62)	(2.10)
Increase/(decrease) in current financial assets-trade receivables		(70.04)	64.24
Increase/(decrease) in other current financial assets		205.83	(272.36)
Increase/(decrease) in other current assets		(69.69)	(226.05)
Increase/(decrease) in non-current other financial liabilities		-	(0.06)
Increase/(decrease) in current financial liabilities-Trade Payables		138.79	(30.53)
Increase/(decrease) in current other financial liabilities		(664.41)	561.95
Increase/(decrease) in other current liabilities		106.06	0.90
Increase/(decrease) in current provisions		-	(10.57)
Cash generated from operations		(431.41)	(385.81)
Direct taxes paid		-	-
Net cash from operating activities		(431.41)	(385.81)
Investing activities			
Purchase of property, plant and equipment		(233.61)	(898.44)
Term deposits with Bank more than 3 months and less than 12 months		777.60	(1,250.73)
Term deposits with Bank more than 12 months		12.57	2,687.44
Interest received (finance income)		261.99	330.69
Net cash used in investment activities		818.55	868.96
Financing activities			
Issue of Share Capital		-	-
Net cash from finance activities		-	-
Cash and Cash equivalents at the beginning of the year		521.32	38.17
Net increase/(decrease) in cash and cash equivalents		387.14	483.15
Cash and Cash equivalents at the year end		908.46	521.32

Significant accounting policies & Notes 1 to 17 form an integral part of these financial statements.

As per our report of even date attached.

For M SAMBASIVA RAO & CO.

Chartered Accountants
Firm Regn No. 003540S

(M Sambasiva Rao)

Proprietor
Membership No. 021858

Date : 29th April 2019
Place : Bengaluru

For and on behalf of the Board of Directors

Koshy Alexander
Chairman

Mahesh V
Director

Rajiv Kumar Sikka
Chief Executive Officer

Abhishek Kumar
Chief Financial Officer

Sanjog Mohapatra
Company Secretary

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

NOTE 1- Property, Plant and Equipment
Property, Plant and Equipment for the year ended March 31, 2019

Particulars	Buildings	Plant & Machinery	Electronic equipment	Office Equipment	Furniture & Fixtures	Computer Systems	Total
Gross carrying amount							
As at 1 April 2018	9.08	134.83	325.46	8.82	19.65	34.31	532.15
Additions during the year	0.00	0.08	0.00	0.00	0.00	5.16	5.24
As at 31 March 2019	9.08	134.91	325.46	8.82	19.65	39.47	537.39
Accumulated depreciation							
As at 1 April 2018	0.65	6.71	6.95	3.88	4.44	16.03	38.65
Depreciation for the year *	0.58	21.60	61.84	1.90	1.70	5.41	93.02
As at 31 March 2019	1.23	28.31	68.78	5.78	6.14	21.44	131.67
Net carrying amount							
As at 31 March 2019	7.86	106.61	256.67	3.04	13.51	18.03	405.71
As at 1 April 2018	8.44	128.13	318.51	4.93	15.21	18.28	493.49

* represents depreciation amount recognised in Statement of Profit and Loss Rs.89,64,723/- and amount transferred to carrying amount of Intangible assets under development Rs.3,36,963.

Property, Plant and Equipment for the year ended March 31, 2018

Particulars	Buildings	Plant & Machinery	Electronic equipment	Office Equipment	Furniture & Fixtures	Computer Systems	Total
Gross carrying amount							
As at 1 April 2017	9.08	25.65	0.00	8.82	17.79	32.51	93.85
Additions during the year	0.00	109.18	325.46	0.00	1.86	1.80	438.30
As at 31 March 2018	9.08	134.83	325.46	8.82	19.65	34.31	532.15
Accumulated depreciation							
As at 1 April 2017	0.07	2.76	0.00	2.18	2.70	11.01	18.72
Depreciation for the year *	0.58	3.95	6.95	1.70	1.73	5.02	19.93
As at 31 March 2018	0.65	6.71	6.95	3.88	4.44	16.03	38.65
Net carrying amount							
As at 31 March 2018	8.44	128.13	318.51	4.93	15.21	18.28	493.49
As at 1 April 2017	9.01	22.89	0.00	6.63	15.08	21.50	75.12

* represents depreciation amount recognised in Statement of Profit and Loss Rs.16,56,125/- and amount transferred to carrying amount of Intangible assets under development Rs.3,36,963.

Depreciation is provided in accordance with the Part "C" of Schedule II of the Companies Act, 2013.

Estimation of Useful Life of Assets

The management has estimated the useful life of the following categories of tangible assets (for assets which are different from the useful life indicated in Schedule II to the Companies Act, 2013) after taking into consideration, factors like expected usage of assets, risk of technical and commercial obsolescence, etc.

The estimated useful lives of various categories of Tangible Assets are as follows.

Assets Class	Years
Plant & Machinery	5 to 15
Electronic Equipments	5
Computer Systems	5

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

NOTE 2- Intangible assets under development

Particulars	As at 31st March 2019	As at 31st March 2018
Internally developed - Intangible asset under development #	973.09	741.34
Total	973.09	741.34

represents expenditure incurred towards development of intangibles for Pharos project from which economic benefits are expected to flow to the company.

NOTE 3- Financial assets
3(a)- Trade receivables

Particulars	As at 31st March 2019			As at 31st March 2018		
	Current	Non-current	Total	Current	Non-current	Total
Unsecured, Considered Good						
Trade receivables from related parties (# #) (Refer note 17 (point 4(c))	113.24	-	113.24	43.20	-	43.20
Less: Allowance for bad and doubtful debts	-	-	-	-	-	-
Total receivables	113.24	-	113.24	43.20	-	43.20

represents receivables from Bharat Electronics Limited, Holding Company & Thales India Private Ltd, significant Investor

Movement of Trade Receivable

Particulars	As at 31st March 2019	As at 31st March 2018
	Income from Services	Income from Services
Opening Balance Net Debtors (A)	43.20	107.44
Additions		
Against Sales recognised during the year	665.50	267.88
Conversion of Contract Asset to Trade receivable	85.26	-
Change in transaction price recognised during/previous year	-	-
Others (if any)	-	-
Total (B)	750.76	267.88
Deductions		
Collection made during the years	680.72	332.12
Advance adjusted during the year out of revenue recognised	-	-
Impairment of Debtors (Provisions)	-	-
Change in transaction price recognised during/previous year	-	-
Others (if any)	-	-
Total (C)	680.72	332.12
Grand Total (Closing Balance) D = (A+B-C)	113.24	43.20

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

3(b)- Loans

Particulars	As at 31st March 2019			As at 31st March 2018		
	Current	Non-current	Total	Current	Non-current	Total
Unsecured, Considered Good						
a) Security Deposits						
Security deposits with Govt authorities	-	0.15	0.15	-	0.15	0.15
Security Deposits with Others	-	0.14	0.14	-	0.14	0.14
Total	-	0.29	0.29	-	0.29	0.29

3(c) - Other Financial Assets

Particulars	As at 31st March 2019			As at 31st March 2018		
	Current	Non-current	Total	Current	Non-current	Total
Bank deposits with more than 12 months maturity	-	-	-	-	12.57	12.57
Interest accrued on fixed deposits	45.86	-	45.86	251.68	0.14	251.82
Total	45.86	-	45.86	251.68	12.71	264.39

* represents amount accrued on account of CMC Services rendered to Bharat Electronics Limited, Holding Company during the year but not due and hence not billed as per the contractual terms. (Refer note 17 (point 4(c)))

3(d)- Cash and cash equivalents

Particulars	As at 31st March 2019	As at 31st March 2018
Balances with banks		
- On current accounts	45.89	101.32
- Deposits with original maturity of less than 3 months	862.57	420.00
Total	908.46	521.32

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

3(e)- Bank balances other than above

Particulars	As at 31st March 2019	As at 31st March 2018
Balances with banks		
- Deposits with original maturity of more than 3 months but less than 12 months	2,570.00	3,347.60
Total	2,570.00	3,347.60

There are no repatriation restrictions with regard to bank balances.

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

NOTE 4 - Inventories

Particulars	As at 31st March 2019			As at 31st March 2018		
	Current	Non-current	Total	Current	Non-current	Total
Spares and Components for service delivery to customers	3.14	-	3.14	2.10	-	2.10
Goods In Transit	1.57	-	1.57	-	-	-
Total	4.71	-	4.71	2.10	-	2.10

Valuation of inventories has been made as per Company's Accounting Policy No.17

NOTE 5 - Other Current Assets

Particulars	As at 31st March 2019	As at 31st March 2018
Advances other than capital advances		
i) Other advances		
Prepaid Expenses	0.27	0.41
TDS receivable	83.94	65.92
Other Contract Assets #	106.66	85.26
Balances with government authorities:		
GST input credit receivable	274.74	250.91
Amount deposited with Income tax authorities against appeal to CIT(A)	9.71	2.09
Advance to others	0.28	1.31
Total	475.60	405.90

Movement of Contract Assets

Particulars	As at 31st March 2019	As at 31st March 2018
Opening Balance (A)	85.26	-
Additions	-	-
Against Sales recognised during the year	106.66	85.26
Receipt of advance from Customer during the year	-	-
Change in transaction price recognised during/previous year	-	-
Others (if any)	-	-
Total - (B)	106.66	85.26
Deductions	-	-
Contract liability adjusted against- Revenue recognised during the year out of Opening balance	-	-
Contract liability adjusted against- Revenue recognised during the year out of Current year balance	-	-
Conversion of Contract Asset to Trade receivable	85.26	-
Impairment of Contract Asset if any	-	-
Write back of Contract Liability if any	-	-
Change in transaction price recognised during/previous year	-	-
Others (if any)	-	-
Total -(C)	85.26	-
Grand Total (Closing Balance) D = (A+B-C)	106.66	85.26

* represents amount accrued on account of CMC Services rendered to Bharat Electronics Limited, Holding Company during the year but not due and hence not billed as per the contractual terms. (Refer note 17 (point 4(c))

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

NOTE 6 - Share Capital

Name of the Company	As at 31st March 2019	As at 31st March 2018
Authorised Share Capital		
Equity shares of INR 100 each		
80,00,000(80,00,000) equity shares	8,000.00	8,000.00
Issued Share Capital		
Equity shares of INR 100 each issued, subscribed and fully paid		
57,61,537(57,61,537) equity shares	5,761.54	5,761.54

i) Reconciliation of the number of shares outstanding at the beginning and at the end of the Period

Particulars	As at 31st March 2019		As at 31st March 2018	
	Number of Shares	Amount	Number of Shares	Amount
Number of shares at the beginning of the Period	57,61,537	5,761.54	57,61,537	5,761.54
Add: Shares issued during the year	-	-	-	-
Less: Shares bought back etc. during the year	-	-	-	-
Number of shares at the end of the Period	57,61,537	5,761.54	57,61,537	5,761.54

ii) Shares held by Holding Company

Name of the Company	As at 31st March 2019	As at 31st March 2018
Bharat Electronics Limited	42,63,538	42,63,538

iii) Details of the Number of Shares held by each Shareholder holding 5% or more Shares in the Company

Name of the Shareholder	As at 31st March 2019	As at 31st March 2018
Bharat Electronics Limited		
Amount in Rs.	4,263.54	4,263.54
No of Shares	42,63,538	42,63,538
% Holding	74%	74%
Thales India Private Limited		
Amount in Rs.	1,209.92	1,209.92
No of Shares	12,09,923	12,09,923
% Holding	21%	21%
Thales LAS France SAS		
Amount in Rs.	288.08	288.08
No of Shares	2,88,076	2,88,076
% Holding	5%	5%

BEL-THALES Systems Limited

Notes to the financial statements

(₹ in Lakhs)

- iv) Shares reserved for issue under options and Contracts/Commitments for the sale of shares/disinvestment - Nil
- v) The aggregate value of calls unpaid, forfeited - Nil
- vi) The Company has only one class of share viz, Equity shares having a par value of ₹ 100 per share

Rights, preferences and restrictions attached to equity shares

- vii) Each holder of Equity Shares is entitled to one vote per share on show of hands and in poll in proportion to the Number of shares held by him/her
- viii) Each Shareholder has a right to receive the dividend declared by the Company on pro-rata to their respective shareholdings in the Company.
- ix) On winding of the Company, the equity shareholders will be entitled to get the realised value of the remaining assets of the Company, if any, after distribution of all preferential amounts as per law. The distribution will be in proportion to the number of equity shares held by the shareholders.
- x) Shares allotted as fully paid up pursuant to contract without payment being received in cash, Shares allotted as fully paid up by way of bonus shares, Shares bought back during the last five years - Nil

Note 7 - Other Equity

Reserves & Surplus

Particulars	As at 31st March 2019	As at 31st March 2018
Retained Earnings	(645.97)	(750.17)
Total	(645.97)	(750.17)

Retained Earnings

Particulars	As at 31st March 2019	As at 31st March 2018
Opening Balance	(750.17)	(491.36)
Net profit/(loss) for the year	104.19	(258.80)
Closing Balance	(645.97)	(750.17)

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

NOTE 8 - Financial liabilities
8(a) Trade Payables

Particulars	As at 31st March 2019			As at 31st March 2018		
	Current	Non-current	Total	Current	Non-current	Total
Trade payables	1.61	-	1.61	-	-	-
Trade payables to related parties (Refer note 17 (point 4(c)) #	137.18	-	137.18	-	-	-
Total	138.79	-	138.79	-	-	-

8(b) Other financial liabilities

Particulars	As at 31st March 2019			As at 31st March 2018		
	Current	Non-current	Total	Current	Non-current	Total
Payables towards capital purchases #	-	0.18	0.18	407.68	0.18	407.86
Others \$	94.92	-	94.92	351.64	-	351.64
Total	94.92	0.18	95.10	759.32	0.18	759.50

Includes dues payable to Thales Air Systems SAS (Refer note 17 (point 4(c)))

\$ Includes dues payable to Thales India Private Limited, Thales Air Systems SAS, Bharat Electronics Limited (Refer note 17 (point 4(c))

NOTE 9 - Deferred tax liabilities (net)

Particulars	As at 31st March 2019	As at 31st March 2018
Net Deferred tax liability (Refer note 17 (point 14))	4.96	12.26
Total	4.96	12.26

NOTE 10 - Other Current Liabilities

Particulars	As at 31st March 2019	As at 31st March 2018
Contract Liabilities #	63.92	-
Others:		
TDS and Other Statutory liabilities payables	27.10	34.82
GST liability payables	51.44	1.67
TDS on GST	0.08	-
Total	142.54	36.49

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

Movement of Contract Liabilities

Particulars	As at 31st March 2019	As at 31st March 2018
Opening Balance (A)	-	-
Additions	-	-
Against Sales recognised during the year	-	-
Receipt of advance from Customer during the year	63.92	-
Change in transaction price recognised during/previous year	-	-
Others (if any)	-	-
Total - (B)	63.92	-
Deductions	-	-
Contract liability adjusted against- Revenue recognised during the year out of Opening balance	-	-
Contract liability adjusted against- Revenue recognised during the year out of Current year balance	-	-
Conversion of Contract Asset to Trade receivable	-	-
Impairment of Contract Asset if any	-	-
Write back of Contract Liability if any	-	-
Change in transaction price recognised during/previous year	-	-
Others (if any)	-	-
Total -(C)	-	-
Grand Total (Closing Balance) D = (A+B-C)	63.92	-

NOTE 11 - Provisions

Particulars	As at 31st March 2019	As at 31st March 2018
Provisions for Employee Benefits	-	-
Total	-	-

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

NOTE 12 - Revenue from operations

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Income from services #	671.77	311.89
Other operating revenue		
Rent receipts	2.99	2.12
Total	674.76	314.01
# Income from Service to Defence PSU is Rs.522 Lakhs.		

NOTE 13 - Other income

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Interest on fixed deposits	259.98	330.69
Interest on income tax refund	2.00	-
Other miscellaneous income	0.90	0.41
Total	262.88	331.10

NOTE 14 - Employee benefit expenses

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Salaries and Allowances	249.72	261.60
Contribution to provident fund and other funds	-	
Provident & Pension Fund	15.23	16.84
Leave Salary Contribution	11.21	10.74
BEL Superannuation (Pension) Fund	7.00	6.69
Gratuity Contribution	11.39	12.48
Staff Welfare expenses	0.46	0.48
	295.02	308.83
Less: Amount transferred to Intangible assets under development	48.73	49.52
Total	246.29	259.31

The company contributes 12% of (Basic + DA+Deputation allowance) and 7% of (Basic + DA) to Provident Fund and BEL Superannuation (Pension) Fund respectively i.r.o employees on deputation from BEL.

The company contributes 11% of (Basic + DA+Deputation allowance) towards Annual Leave entitled during deputation i.r.o employees on deputation from BEL.

The company contributes at the rate of (monthly wage*15/(26*12) towards Gratuity contribution i.r.o employees on deputation from BEL. Monthly wage means the maximum of scale of pay in BEL plus DA.

The company contributes Provident Fund at the rate of 12% of Basic and Gratuity at the rate of (monthly wage*15/(26*12) i.r.o employees on deputation from Thales India Private Limited.

BEL-THALES Systems Limited
Notes to the financial statements

(₹ in Lakhs)

NOTE 15 - Other expenses

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Power and Fuel	3.04	3.51
Water Charges	0.17	0.26
Rent	51.80	48.09
Rates & Taxes	(1.30)	0.10
Insurance	1.19	0.56
Services charges- engineering and management services	230.98	216.59
Technical services	-	272.73
Legal & Professional Charges	9.61	9.18
Auditors Remuneration :		
Audit fees	0.38	0.40
Fees for Taxation matters	0.27	0.38
Reimbursement of Expenses	0.01	0.03
Repairs & Maintenance	2.16	9.12
Manpower & Security Outsourcing charges	45.00	34.19
Bank Charges	0.72	0.39
Printing and Stationery	2.41	1.86
Travelling & Conveyance	34.41	28.63
Telephone	4.87	5.39
Postage & Telegrams	0.93	1.62
Forex Gains/ Loss	(2.30)	24.29
Miscellaneous Expenses	1.11	1.48
Other sundry expenses	3.07	5.64
	388.51	664.44
Less: Amount transferred to Intangible assets under development	54.63	166.17
Total	333.89	498.27

NOTE 16 - Earning per share

- (a) The amount used as the numerator in calculating basic and diluted earning per share is the net profit/loss after tax for the period disclosed in the Statement of Profit and Loss.
- (b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earning per share is 57,61,537 (37,54,743)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
(a) Net Profit/(loss) after tax ₹ in lakhs	104.19	(258.80)
(b) Weighted average number of equity shares (Nos.)	57,61,537	57,61,537
(c) Basic and diluted earnings per share (for continuing operations)*(a)/(b) ₹	1.81	(4.49)
(d) Basic and diluted earnings per share (for discontinued operations) ₹	-	-
(e) Nominal value per share ₹	100	100

BEL-THALES Systems Limited

Notes to the financial statements

NOTE-17

(All amounts in ₹ in lakhs, except share data and unless otherwise stated)

1. Significant Accounting policies

Significant accounting Policies adopted in preparation of these financial statements are annexed to the financial statements. These policies have been consistently applied to all the years presented.

2. Contingent Liabilities and Commitments

- Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st March 2019 –Rs.847.34 (Rs.916.90).
- Other Commitments – i.e. Non-cancellable contractual commitments as on 31st March 2019–Nil (Nil).
- Contingent liabilities – claims against the company not acknowledged as debts as on 31st March 2019–Rs.48.52 lakhs (Rs. 10.47 Lakhs). As at 31st March, 2019, the amount is relating to income tax matters and against this the company deposited an amount Rs.9.71 lakhs (Rs. 2.09 Lakhs) with relevant authorities on appeal (refer note 5- Other current assets). These matters are pending before Appellate authorities and the management expects that its position will likely to uphold on ultimate resolution and will not have a material adverse effect on the Company's financial position and results of the operations.

- Operating Lease**–The Company has taken the Registered Office Building on a non-cancellable operating lease for 9 years and 4 months from M/s. Bharat Electronics Limited, (the Holding Company) with an option to renew the lease after this period, The operating lease rentals under Building contract are payable on monthly basis. There are no sub-leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

(₹ In lakhs)

	31st March, 2019	31st March, 2018
Not later than one year	41.21	39.25
Later than one year and not later than five years	186.50	177.62
Later than five years	NIL	50.09

Lease payments recognised in the Statement of Profit or Loss for the period are ₹ 39.25 lakhs (₹ 37.43 lakhs).

4. Related Party Disclosures

As per the Ind AS24 on 'Related Party Disclosure' the related parties of the Company are as follows.

a) Name of the related party and nature of relationship

Name of Related Party	Nature of Relationship
Bharat Electronics Limited (BEL)	Holding Company (74%)
Thales India Private Ltd (TIPL)	Significant Investor- Equity Holding (21%)
Thales LAS France SAS (Previously known as Thales Air Systems S.A.S (TR6)	Investor- Equity Holding (5%)

BEL-THALES Systems Limited

Notes to the financial statements

- b) The nature and volume of transactions carried out with the above related parties in the ordinary course of business and at Arm's length basis are as follows. (Previous year figures are shown in brackets)

Nature of Transactions	Name of the Related Party	Amount of Transaction (₹ In lakhs)
Sale of services	Bharat Electronics Limited	613.77 (302.44)
	Thales India Private Limited	43.66 (32.75)
	Thales LAS France SAS	31.16 (19.71)
Purchase of services	Bharat Electronics Limited	145.68 (288.43)
	Thales India Private Limited	272.55 (258.07)
	Thales LAS France SAS	152.42 (454.94)
Purchase of Property Plant and Equipment	Thales LAS France SAS	Nil (333.89)
Leasing arrangements - Office Premises taken on operating lease	Bharat Electronics Limited	46.32 (43.83)
Other services availed	Bharat Electronics Limited	0.44 (0.41)

- c) Outstanding balances arising from rendering of services, receiving of services and others

Nature of Transactions	Name of the Related Party	Amount Outstanding at the end of the year (₹ In lakhs)			
		Receivable		Payable	
		31st March 2019	31st March 2018	31st March 2019	31st March 2018
Sale of services	Bharat Electronics Limited	*137.46	117.73	Nil	Nil
	Thales India Private Limited	10.91	10.73	Nil	Nil
	Thales LAS France SAS	17.67	Nil	Nil	Nil
Purchase of services	Bharat Electronics Limited	Nil	Nil	Nil	Nil
	Thales India Private Limited	Nil	Nil	53.72	60.54
	Thales LAS France SAS	Nil	Nil	137.18	322.45
Purchase of Property Plant and Equipment	Thales LAS France SAS	Nil	Nil	Nil	333.89
Leasing arrangements - Office Premises taken on operating lease	Bharat Electronics Limited	Nil	Nil	Nil	3.36
Other services availed	Bharat Electronics Limited	Nil	Nil	Nil	0.38

* Includes Contract Asstes of Rs.106.66 lakhs (Rs. 85.26) which is accrued but not due.
(Refer note 5 : Contract Assets)

BEL-THALES Systems Limited
Notes to the financial statements

d) Key Management Personnel are as follows:

Name of Key Management Personnel	Designation
a) Dr. Ajit T. Kalghatgi, Director (First Director; From 28.08.2014 to 31.05.2018)	Director (R&D), BEL
b) Shri Koshy Alexander, Director (From – 24.10.2017)	Director (Finance), BEL
c) Shri Mahesh V (From 11.06.2018)	Director (R&D), BEL
d) Shri Nataraj Krishnappa, Director (From - 23.02.2018)	Director (Other Units), BEL
e) Shri Emmanuel de Roquefeuil, Director (From - 16.02.2017)	Managing Director, (TIPL)

All the above Directors are part time directors. No remuneration has been paid by the company to the above directors during the year.

Other Key Managerial Personnel

- Shri Rajiv Kumar Sikka, Chief Executive Officer
(From 29.09.2014)
- Shri Bathina Srinivasa Rao, Chief Financial Officer
(From 01.10.2015 to 30.06.2018)
- Shri Abhishek Kumar, Chief Financial Officer
(From 01.07.2018)
- Shri Harish M V, Company Secretary
(From 08.04.2015)

Compensation to Other Key Managerial Personnel i.e. Chief Executive Officer, Chief Financial Officer, Company Secretary is as follows:

(₹ in lakhs)

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Short-term benefits	77.79	67.92
Post-employment benefits	11.70	13.61
Other long-term employee benefits	Nil	Nil
Termination benefits	Nil	Nil
Share based payment	Nil	Nil
Total compensation	89.49	81.53

BEL-THALES Systems Limited

Notes to the financial statements

e) Eight Officials of BEL (the Holding Company) and two officials of Thales India Private Limited have been deputed to the Company and their Salary and Other Expenses were paid the Company during the year as per terms and conditions of employment.

5. Segment Reporting: The primary focus of the Company is to design, develop, Supply and Support of Radars. As the Company is being Government Company in the defence sector, the disclosures as per the Ind AS - 108 on "Operating Segments" are not applicable for the company as specific exemption has been granted by the Government vide Notification No. 463 (E) / [F.No.1/2/2014-CL.-V], dated. 5th June, 2015 & S.O.802(E) Dated. 23rd February, 2018.

6. Details of dues to Micro and Small Enterprises as defined under the MSMED Act, 2006.

Based on the information available with the Company, there are no suppliers who are covered as Micro & Small Enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006". Hence no disclosure is made as per act.

7. The Company which is a single composite cash generating unit, on the basis of assessment of internal and external factors found that there are no indication of impairment of its assets and hence no provision for the same is considered necessary.

8. Research and Development expenditure recognised as an expense during the period – Nil(Nil)

9. The requisite details as required by the Ind AS19 Employee Benefits are as follows.

Defined Contribution Plans

The employees in the company are on deputation from the parent companies M/s.Bharat Electronics Limited & Thales India Private Limited. As per the deputation orders of respective Companies the following contributions at specified percentages of employee salaries (refer Note No.14) remitted periodically to the Holding Company & Thales India Private Limited. The Company has no obligations other than to make below specified contributions.

- a) Contribution to Provident Fund
- b) Employee Superannuation Fund
- c) Gratuity
- d) Employees' Leave Benefits

The contributions are charged to Statement of profit and Loss as they accrue (Please refer current service cost under the head Employee benefit expenses in Note no.14).

10. No provision for current taxes was made in the books of accounts in view of accumulated losses incurred in the earlier years. (Nil)

11. Fair Value Measurements

Financial Instruments by Category

The carrying amount of Loans, Deposits, trade receivables, Unbilled revenues, trade payables, capital creditors and cash and cash equivalents, bank balances other than cash and cash equivalents are considered to be the same as their fair values.

BEL-THALES Systems Limited

Notes to the financial statements

Financial assets carried at amortised cost

(₹ In lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Loans - (Note-3(b))		
Security Deposit with Govt authorities	0.15	0.15
Security Deposit with Others	0.14	0.14
Other Financial Assets ((Note-3(c))		
Bank Deposits with more than 12 months maturity	Nil	12.56
Interest Accrued on Fixed Deposits	45.86	251.82
Unbilled revenues	106.66	85.26
Trade receivables ((Note-3(a))		
Trade receivables from related parties	113.24	43.20
Cash and cash equivalent (Note-3(d))		
Balances with banks		
- On current accounts	45.89	101.32
- Deposits with original maturity of less than 3 months	862.57	420
Bank balances other than Cash and cash equivalent Note-3(e)		
Balances with bank	2570	3347.60
- Deposits with original maturity of more than 3 months but less than 12 months		
Total	3744.51	4262.05

Financial liabilities carried at amortised cost

(₹ In lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Payables (Note -8(a))		
Trade Payables	1.61	Nil
Trade payables to related parties	137.18	Nil
Other financial liabilities (Note -8(b))		
Payables towards capital purchases	0.18	407.86
Others	94.92	351.64
Total	233.89	759.50

12. Financial Risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risks. The Company's focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance.

The Company's Board of Directors has the overall responsibility for the establishment, monitoring and supervision of the Company's risk management framework. For this purpose, the Board has established

BEL-THALES Systems Limited

Notes to the financial statements

a Treasury function which is responsible for conducting transactions to mitigate financial risk as per the appropriate policies and procedures formulated by the senior management. Derivative transactions are undertaken by a specialist team with appropriate skills and experience. However, the Company does not have a policy of trading in derivatives for speculation.

a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from credit exposures from customers, cash and cash equivalents held with banks.

The Company has a credit policy and procedures in place aiming to minimise collection losses arising from credit exposure from credit customers. Credit control assesses the credit quality of the customers, their financial position, past experience in payments and other relevant factors.

The carrying amount of trade and other receivables, advances to suppliers, cash and cash equivalents and other bank balance, interest receivable on deposits on other deposits represents the Company's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. Deposits and cash balances are placed with reputable banks.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the factors that may influence the credit risk of its customer base.

The management analyses each new customer individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

The maximum exposure to credit risk for trade and other receivables by geographic region was as follows.

(₹ In lakhs)

Region	31st March 2019	31st March 2018
India	95.57	43.20
France	17.67	NIL

At 31 March 2019, the Company's most significant customers, Bharat Electronics Limited, the holding company, Thales India Private Limited and Thales LAS France SAS accounted for INR 30.80 lakhs (INR 32.47 lakhs), INR 10.91 lakhs (INR 10.73 lakhs) and INR 17.67 lakhs (Nil) respectively.

The credit quality of the financial assets is satisfactory.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting their obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, or the risk that the Company will face difficulty in raising financial resources required to fulfil its commitments. The Company's approach to managing liquidity is to ensure, as far as possible that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

BEL-THALES Systems Limited

Notes to the financial statements

The company's principal sources of liquidity are cash and cash equivalents, other bank balances and the cash flow that is generated from operations. The company has no outstanding bank borrowings. The company believes that the cash and cash equivalents are sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

Exposure to liquidity risk

The table below details the company's remaining contractual maturity for its financial liabilities. The contractual cash flows reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Particulars	Contractual Cash flows		Adjustments	Carrying Value
	1 year or less	More than 1 year		
31 March 2019				
Trade Payables (note – 8(a))				
Trade payables	138.79	Nil	Nil	138.79
Other financial liabilities (note – 8(b))				
Payables towards capital purchases	Nil	0.18	Nil	0.18
Other payables	94.92	Nil	Nil	94.92
Total	233.71	0.18	Nil	233.89
31 March 2018				
Trade Payables (note – 8(a))				
Trade payables	Nil	Nil	Nil	Nil
Other financial liabilities (note – 8(b))				
Payables towards capital purchases	407.68	0.18	Nil	407.86
Other payables	351.64	Nil	Nil	351.64
Total	759.32	0.18	Nil	759.50

c) Market Risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates that affects the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rate movements (refer to notes below on currency risk and interest risk). The Company enters into forward derivative contracts case by case depending upon risk tolerance limits to manage the risks of loss arising due to foreign exchange exposure. However, the Company has not entered into any derivative contracts during the year. Market risk exposures are measured using a sensitivity analysis. During the year ended 31 March 2019 (Nil), there was no change to the manner in which the Group manages or measures market risk.

BEL-THALES Systems Limited

Notes to the financial statements

Currency risk

Foreign currency risk is the risk arising from exposure to foreign currency movement that will impact the Company's future cash flows and profitability in the ordinary course of business. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities from procuring or selling in foreign currencies.

The Company is exposed to currency risk on account of trade receivables and trade payables in foreign currency. The functional currency of the Company is Indian Rupee. The Company uses forward exchange contracts on case by case basis based on the risk tolerance limits to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Exposure to foreign currency risk

The currency profile of financial assets and financial liabilities as at 31 March 2019 and 31 March 2018 are as below:

Particulars	31st March 2019 EUR (Amount)	31st March 2019 INR (in lakhs)
Financial liabilities		
Trade and other payables	1,73,250	137.18
Other financial liabilities		
Payables towards capital purchases	Nil	Nil
Contract Liabilities	80,728	63.92
Total Payable	2,53,978	201.10
Financial Assets		
Trade Receivables	93,815.74	71.52
Total Receivable	93,815.75	71.52
Net Exposure	1,60,162.26	129.58

Particulars	31st March 2018 EUR (Amount)	31st March 2018 INR (in lakhs)
Financial liabilities		
Trade and other payables	Nil	Nil
Other financial liabilities		
Payables towards capital purchases	5,03,860	407.62
Others	3,07,440	248.72
Total Payable	8,11,300	656.34
Financial Assets		
Trade Receivables	Nil	Nil
Total Receivable	Nil	Nil
Net Exposure	8,11,300	656.34

BEL-THALES Systems Limited

Notes to the financial statements

The following significant exchange rates have been applied during the year.

	Average rate		Year-end spot rate	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
EUR	79.16	75.13	79.18	80.90

Sensitivity analysis

A reasonably possible strengthening/ (weakening) of the Indian Rupee against Euro at 31 March 2018 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in INR	Profit / (loss) before tax		Effect on pre-tax equity	
	Strengthening	Weakening	Strengthening	Weakening
March 31, 2019				
EUR sensitivity				
10% movement	1.30	(1.30)	Nil	Nil

Effect in INR	Profit / (loss) before tax		Effect on pre-tax equity	
	Strengthening	Weakening	Strengthening	Weakening
March 31, 2018				
EUR sensitivity				
10% movement	65.63	(65.63)	Nil	Nil

Interest rate risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing instruments will fluctuate because of fluctuations in market interest rates.

Exposure to interest rate risk

The Company does not have any borrowings. Hence not subject to interest rate risks.

The Company's interest-bearing financial instruments (deposits with bank) as reported to the management of the Company is as follows :

	31st March 2019 INR	31st March 2018 INR
Fixed-rate instruments		
Financial assets – Bank Deposits	3432.57	3,780.16

The company financial assets are fixed rate instruments. Hence not subject to sensitivity analysis.

BEL-THALES Systems Limited

Notes to the financial statements

13. Capital management

The Company maintain a strong capital base so as to maintain investor, creditor and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company monitors capital using a ratio of 'debt' to 'adjusted equity'. For this purpose, debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserve.

The Company's adjusted net debt to equity ratio:

Particulars	31st March 2019	31st March 2018
Total borrowings #	Nil	Nil
Total equity	5115.57	5,011.38
Less: Other components of equity	Nil	Nil
Adjusted equity	5115.57	5,011.38
Adjusted net debt to adjusted equity ratio	0:1	0:1

Total borrowings comprises of long-term borrowings, short-term borrowing and bank overdraft facilities.

14. Income taxes

a) Amount recognised in statement of profit and loss

Particulars	31st March 2019	31st March 2018
Current tax expense:		
Current tax	Nil	Nil
Deferred tax (income)/expense:		
Origination and reversal of temporary differences	(7.31)	10.47
Tax expenses	(7.31)	10.47

b) Income tax recognised in OCI – Nil (31 March, 2018 - Nil)

BEL-THALES Systems Limited
Notes to the financial statements

c) Reconciliation of effective income tax rate

Particulars	31st March 2019		31st March 2018	
	Rate%	Amount	Rate %	Amount
Profit/(Loss) before tax from continuing operation		96.88		(248.33)
Tax using the company's domestic tax rate (Income tax)	-	Nil	-	Nil
Tax effect of:				
Accelerated depreciation for tax purposes	7.55%	(7.31)	2.74%	6.81
Provisions – deferred tax asset	Nil	Nil	1.47%	3.66
Total income tax expense for the year	7.55%	(7.31)	4.21%	10.47

The substantively enacted tax rate as on 31 March 2019 is 29.90% and as on 31 March 2018 was 29.12%.

d) Movement in deferred tax balances

Particulars	Balance at 1st April 2017		Recognition during the year		Balance at 31st March 2018	
	Deferred tax assets	Deferred tax liabilities	Recognised in profit or loss	Recognised in OCI	Deferred tax assets	Deferred tax liabilities
Property plant and equipment	Nil	5.45	6.81	Nil	Nil	12.26
Provisions(DTA)	3.66	Nil	3.66	Nil	Nil	Nil
Net deferred tax (assets)/liabilities	Nil	1.79	10.47	Nil	Nil	12.26

Particulars	Balance at 1st April 2018		Recognition during the year		Balance at 31st March 2019	
	Deferred tax assets	Deferred tax liabilities	Recognised in profit or loss	Recognised in OCI	Deferred tax assets	Deferred tax liabilities
Property plant and equipment	Nil	12.26	(7.31)	Nil	Nil	4.95
Provisions(DTA)	Nil	Nil	Nil	Nil	Nil	Nil
Net deferred tax (assets)/liabilities	Nil	12.26	(7.31)	Nil	Nil	4.95

BEL-THALES Systems Limited

Notes to the financial statements

e) Unrecognised deferred tax assets

Deferred tax asset has not been recognised in respect of the following items, because it is not probable that future taxable profits will be available against which the deductible temporary difference can be utilised.

Particulars	As at 31st March 2019	As at 31st March 2018
Tax losses	646.93	752.78

f) Unrecognised tax losses carried forward expire as follows:

Particulars	31st March 2019		31st March 2018	
	Amount	Expiry date	Amount	Expiry date
Expire	497.31	2023-27	670.63	2023-27
Never expire	149.62	Nil	82.15	Nil

15. Value of remaining Performance Obligations (Pending Orders to be executed)

Unrecognised revenue from contracts with customer which are partially satisfied or unsatisfied (Pending orders to be executed)

As on 31st March 2019					
Particulars	Total Amount	Within a Year	1 - 2 Years	2 - 3 Years	More than 3 Years
Sale of Services	2135.43	1591.28	451.64	74	18.5
Sale of Products	7039.2	-	3213.55	3825.65	-
Total	9174.63	1591.28	3665.19	3899.65	18.5
As on 31st March 2018					
Particulars	Total Amount	Within a Year	1 - 2 Years	2 - 3 Years	More than 3 Years
Sale of Services	1699.7	596.55	559	488.64	55.51
Sale of Products	-	-	-	-	-
Total	1699.7	596.55	559	488.64	55.51

16. Recent accounting pronouncements

(a) IndAS116 Leases: On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee **and** the lessor. Ind AS116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is o flow value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17. The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

BEL-THALES Systems Limited

Notes to the financial statements

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application. Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:
 - Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
 - An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application. Certain practical expedients are available under both the methods.

The Company will adopt this standard on April 01, 2019 the effect on adoption of IND AS 116 is not expected to be material.

- b) Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments:** On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The standard permits two possible methods of transition - i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives. The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 1, 2019 without adjusting comparatives. The effect on adoption of Ind AS 12 Appendix C would be insignificant in the standalone financial statements.

The Company will adopt this standard on April 01, 2019 the effect on adoption of IND AS 12 is not expected to be material.

- c) Amendment to Ind AS 12 – Income taxes:** On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company is currently evaluating the effect of this amendment on the standalone financial statements.

BEL-THALES Systems Limited

Notes to the financial statements

The Company will adopt this standard on April 01, 2019 the effect on adoption of IND AS 12 is not expected to be material.

d) Amendment to Ind AS 19 – plan amendment, curtailment or settlement- On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company does not have any impact on account of this amendment.

The Company will adopt this standard on April 01, 2019 the effect on adoption of IND AS 19 is not expected to be material.

17. Previous year's figures have been regrouped/reclassified wherever necessary. Figures in brackets relate to Previous Year.

As per our report of even date

For M SAMBASIVA RAO & CO.

Chartered Accountants

Firm Regn No. 003540S

(M Sambasiva Rao)

Proprietor

Membership No. 021858

Date : 29th April 2019

Place : Bengaluru

For and on behalf of the Board of Directors

Koshy Alexander
Chairman

Mahesh V
Director

Rajiv Kumar Sikka
Chief Executive Officer

Abhishek Kumar
Chief Financial Officer

Sanjog Mohapatra
Company Secretary

SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The accompanying financial statements comprise the financial statements of BEL-THALES Systems Limited (BTSL). The Company was incorporated in India on August 28, 2014 under the Companies Act, 2013. The Company is a Subsidiary of Bharat Electronics Limited (Holding Company). BTSL was formed under the Joint Venture Agreement between Bharat Electronics Limited, Thales India Private Limited and Thales LAS France SAS, France.

The primary focus of the Company is to Design, Development, Marketing, Supply and Support of Civilian and select Defence Radars for Indian and Global markets

Significant Accounting Policies

1. Basis of Preparation

The financial statements are prepared and presented in accordance with Generally Accepted Accounting Principles in India (GAAP) comprises the mandatory Indian Accounting Standards (Ind AS) [as notified under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015], to the extent applicable, the provisions of the Companies Act, 2013 and these have been consistently applied.

2. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires that the management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liability and contingent assets as at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Although such estimates are made on a reasonable and prudent basis taking into account of all available information, actual results could differ from these estimates and such differences are recognised in the period in which the results are ascertained.

3. Basis of Measurement

The financial statements have been prepared on a historical cost basis except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments, if any
- Financial assets and liabilities that are qualified to be measured at fair value
- The defined benefit asset / liability is recognised as the present value of defined benefit obligation less fair value of plan assets.

4. Functional and Presentation Currency

The financial statements are presented in Indian Rupee (INR) which is the functional and the presentation currency of the Company.

5. Revenue Recognition

A. Revenue from Contract with Customers

- i. Revenue is recognized when (or as) the company satisfies a performance obligation by transferring a promised goods or services (i.e., an Asset) to a Customer.
- ii. **Satisfaction of performance obligation over time**
 - a. Revenue is recognised overtime where the transfer of control of goods or services take places over time by measuring the progress towards complete satisfaction of that performance obligation, if one of the following criteria is met:
 - the company's performance entitles the customer to receive and consume the benefits simultaneously as the company performs
 - the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

- the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date.
- b. Progress made towards satisfying a performance obligation is assessed based on the ratio of actual costs incurred on the contract up to the reporting date to the estimated total costs expected to complete the contract. If the outcome of the performance obligation cannot be estimated reliably and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.
- c. In case of AMC contracts, where passage of time is the criteria for satisfaction of performance obligation, revenue is recognised using the output method.
- iii. Satisfaction of performance obligation at a point in time**
- a. In respect of cases where the transfer of control does not take place over time, the company recognises the revenue at a point in time when it satisfies the performance obligations.
- b. The performance obligation is satisfied when the customer obtains control of the asset. The indicators for transfer of control include the following:
- the company has transferred physical possession of the asset
 - the customer has legal title to the asset
 - the customer has accepted the asset
 - when the company has a present right to payment for the asset
 - the customer has the significant risks and rewards of ownership of the asset. The transfer of significant risks and rewards ownership is assessed based on the Inco- terms of the contracts.
- Ex-Works contract – In case of Ex-works contract, revenue is recognised when the specified goods are unconditionally appropriated to the contract after prior Inspection and acceptance, if required.
- FOR Contracts – In the case of FOR contracts, revenue is recognised when the goods are handed over to the carrier for transmission to the buyer after prior inspection and acceptance, if stipulated, and in the case of FOR destination contracts, if there is a reasonable expectation of the goods reaching destination within the accounting period.
- c. Bill and hold Sales
- Bill and hold sales is recognised when all the following criteria are met:
- the reason for the bill and hold sales is substantive
 - the product is identified separately as belonging to the customer
 - the product is currently ready for physical transfer to the customer
 - the company does not have the ability to use the product or to direct it to another customer

iv. Measurement

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

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

In case of price escalation and ERV where additional consideration is to be determined and approved by the customers, such additional revenue is recognised on receipt of confirmation from the customer(s).

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

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

Multiple Elements - In cases where the installation and commissioning or any other separately identifiable component is stipulated and price for the same agreed separately, the

Company applies the recognition criteria to separately identified components (sale of goods and installation and commissioning, etc.) of the transaction and allocates the revenue to those separate components based on their stand-alone selling price.

- c. If the standalone selling price is not available the company estimates the stand alone selling price.

v. Penalties

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

vi. Significant financing component

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

In respect of other contracts, the existence of significant financing component is reviewed on a case to case basis.

B. Other Income

Recognition of other income is as follows

i. Interest Income

Interest income is recognised using the effective interest rate method.

ii. Dividend Income

Dividend income is recognised when the Company's right to receive the payment is established.

iii. Rental Income

Rental income arising from operating leases is accounted for on a straight-

line basis over the lease term unless increase in rentals are in line with expected inflation or otherwise justified.

iv. Duty Drawbacks

Duty drawback claims on exports are accounted on preferring the claims.

v. Other Income

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

6. Property, Plant and Equipment, Capital Work-in-Progress

Property, plant and equipment is initially measured at cost and subsequently at cost less accumulated depreciation and cumulative impairment losses, if any. Cost for this purpose includes all attributable costs for bringing the asset to its location and condition. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset, if the recognition criteria for a provision are met.

The cost of fixed assets not ready for their intended use as at each balance sheet date is disclosed as capital work-in-progress.

Capital work-in-progress comprises supply-cum-erection contracts, the value of capital supplies received at site and accepted, capital goods in transit and under inspection and the cost of Property, Plant and equipment that are not yet ready for their intended use as at the balance sheet date.

7. Intangible Assets, Intangible Asset under Development

The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognised as an Intangible Asset in the books of accounts when the same is ready for use. Intangible Assets that are not yet ready for their intended use as at the Balance Sheet date are classified as "Intangible Assets under Development".

Cost of Developmental work which is completed, wherever eligible, is recognised as an Intangible Asset.

Cost of Developmental work under progress, wherever eligible, is classified as "Intangible Assets under Development".

Carrying amount includes amount funded by the company to external agencies towards developmental project(s) and expenditure incurred by the company towards material cost, employee cost and other direct expenditure.

8. Depreciation / Amortisation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The Company, based on technical assessments, depreciates certain items of building, plant and equipment and other asset classes over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The Management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Where cost of a part of the asset is significant to total cost of the asset and estimated useful life of that part is different from the estimated useful life of the remaining asset, estimated useful life of that significant part is determined separately and the significant part is depreciated on straight-line basis over its estimated useful life.

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

Intangible assets are amortised over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The residual values, useful lives and amortisation methods, are reviewed periodically at each financial year end.

9. Disposal of Property, Plant and Equipment

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

10. Research and Development Expenditure

- (i) Expenditure on Research activity is recognised as an expense in the period when it is incurred.
- (ii) Development expenditure (other than on specific development - cum sales contracts and Developmental projects initiated at customer's request), is charged off as expenditure when incurred. Developmental expenditure on development – cum - sale contracts and on Developmental projects initiated at customer's request are treated at par with other sales contracts.

Development expenditure incurred in respect of Joint development projects which are not fully compensated by the development partner are carried forward where the company is nominated as a production agency and future economic benefits are expected.

Developmental projects are reviewed periodically and the amount carried forward, if any, is charged off in the event of the project being declared closed by the customer / end user without any commitment to place order.

- (iii) Expenditure incurred towards other developmental activity (including joint developmental activity in collaboration with external agencies) where the research results or other knowledge is applied for developing new or improved products or processes, are recognised as an Intangible

Asset if the recognition criteria specified in Ind AS 38 are met and when the product or process developed is expected to be technically and commercially usable, the company has sufficient resources to complete development and subsequently use or sell the intangible asset, and the product or process is likely to generate future economic benefits.

- (iv) Expenditure incurred on Developmental projects for participating in No Cost No Commitment (NCNC) trials, based on Request for Quote from customer, are carried forward till conclusion of the trials and will be amortised over the orders to be received.

In case customer order is immediately not forthcoming :

- the amount is capitalised if further economic benefit is expected from its use, or
- the amount is charged off in the event of the project being closed by the customer / end user without any commitment to place order.

11. Expenditure on Technical Know-How

Expenditure incurred on technical know-how is charged off to Statement of Profit and Loss on incurrence unless it qualifies for recognition as an Intangible Asset either separately on its own or in combination with other assets / expenses.

12. Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

13. Impairment of Non-Financial Assets

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

is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset in determining fair value less costs of disposal.

Reversal of impairment provision is made when there is an increase in the estimated service potential of an asset or Cash Generating Unit (CGU), either from use or sale, on reassessment after the date when impairment loss for that asset was last recognised.

14. Leases

A lease is classified at the inception date as a finance lease or an operating lease.

(i) Company as a Lessee

Finance leases are capitalised at lower of fair value and the present value of the minimum lease payments on commencement of the lease. Finance charges are recognised as finance costs in the statement of profit and loss. A leased asset is amortised over the estimated useful life of the asset or lease term whichever is lower.

Operating lease payments are recognised as an expense in the Statement of profit and loss on a straight-line basis over the lease term, except when the lease payments escalate in accordance to general inflation or are otherwise justified.

(ii) Company as a Lessor

Operating lease income is recognised over the lease term on straight line basis, except when the escalations are due to general inflation or otherwise justified. Contingent rents, if any, are recognised as revenue in the period in which they are earned.

In case of a Finance lease, amounts due from lessees are recorded as receivables as the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

15. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. General borrowing costs are capitalised to qualifying assets by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to general borrowings outstanding, other than specific borrowings. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

16. Government Grants

Grants from Government are measured at fair value and initially recognised as Deferred Income.

The amount lying in Deferred Income on account of acquisition of Fixed Assets is transferred to the credit of Statement of Profit and Loss in proportion to the depreciation charged on the respective assets to the extent attributable to Government Grants utilised for the acquisition.

The amount lying in Deferred Income on account of Revenue Expenses is transferred to the credit of Statement of Profit and Loss to the extent of expenditure incurred in the ratio of the funding to the total sanctioned cost, limited to the government grant received.

17. Inventories

All inventories of the Company other than disposable scrap are valued at lower of cost or net realisable value. Disposable scrap is valued at estimated net realisable value. Cost of materials is ascertained by using the weighted average cost formula.

Cost of Work - in - progress and finished goods include Materials, Direct Labour and appropriate overheads. Adequate provision is made for inventory which are more than five years old which may not be required for further use.

18. Income Taxes

Income tax comprises of current and deferred tax.

(i) Current Income Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current tax relating to items recognised directly in equity is recognised in equity and not in the Statement of profit and loss.

(ii) Deferred Tax

Deferred tax is provided using the Balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any

unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

19. Provision for Warranties

Provision for expenditure on account of performance guarantee & replacement / repair of goods sold is made on the basis of trend based estimates.

20. Foreign Currencies

Transactions in foreign currencies are initially recorded by the Company at their respective currency exchange rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate at the reporting date. Differences arising on settlement or translation of monetary items are recognised in Statement of profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the functional currency exchange rate at the dates of the initial transactions.

21. Employee Benefits

- I) All employee benefits payable wholly within twelve months of rendering the related services are classified as short term employee benefits and they mainly include (a) Wages & Salaries; (b) Short-term compensated absences; (c) Profit-sharing, incentives and bonuses and (d) Non-monetary benefits and they are valued on undiscounted basis and recognised during the period in which the related services are rendered.
- II) Incremental liability for payment of long term compensated absences such as Earned

Leave is determined as the difference between present value of the obligation determined annually on actuarial basis using Projected Unit Credit method and the carrying value of the provision contained in the balance sheet and provided for.

- III) Defined Contributions to the Government administered Employee State insurance Fund, Employees Provident Fund and Pension Scheme are made on monthly accrual basis at applicable rates and charged as expenses during the period in which the employees perform the services.
- (IV) Incremental liability for payment of Gratuity to all eligible employees is determined as the difference between present value of the obligation determined annually on actuarial basis using Projected Unit Credit Method and the carrying value of the provision contained in the balance sheet and provided for.
- (V) Actuarial liability for the year is determined with reference to employees at the end of January of each year.
- (VI) Employee benefits - Employees deputed in the Company

Employee benefits to be borne by the company are as per terms and conditions of the deputation order. They are accounted on accrual basis and charged off and remitted periodically to the deputing company wherever applicable.

22. Provision & Contingent Liabilities/Assets

A. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for

example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of profit and loss net of any reimbursement.

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

B. Contingent Liabilities/Assets

Contingent Liabilities/Assets to the extent the Management is aware, are disclosed by way of notes to the financial statements.

23. Cash Flow Statement

Cash flow statement has been prepared in accordance with the indirect method prescribed in Ind AS 7 - Statement of Cash Flows.

24. Fair value Measurement

The Company measures certain financial instruments, such as derivatives and other items in its financial statements at fair value at each balance sheet date.

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

25. Financial Assets

(i) Initial Recognition and Measurement

All financial assets are recognised initially at fair value. In the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset are included in the cost of the asset.

(ii) Subsequent Measurement

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

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

(iii) Derecognition

A financial asset or part of a financial asset is derecognised when the rights to receive cash flows from the asset have expired.

(iv) Trade and Other Receivables

Receivables are initially recognised at fair value, which in most cases approximates the nominal value. If there is any subsequent indication that those assets may be impaired, they are reviewed for impairment.

26. Forward Contracts

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

27. Embedded Derivative

The embedded derivative, if required, is separated from host contract and measured at fair value.

28. Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value.

Bank overdrafts, if any, are classified as borrowings under current liabilities in the balance sheet.

29. Impairment of Financial Assets

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

- a. Time barred dues from the government / government departments / government companies are generally not considered as increase in credit risk of such financial asset.
- b. Where dues are disputed in legal proceedings, provision is made if any decision is given

against the Company even if the same is taken up on appeal to higher authorities / courts.

- c. Dues outstanding for significant period of time are reviewed and provision is made on a case to case basis.

Impairment loss allowance (or reversal) is recognised as expense / income in the statement of profit and loss.

30. Financial Liabilities

(i) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, at fair value through profit or loss as loans, borrowings, payables, or derivatives, as appropriate.

Loans, borrowings and payables, are stated net of transaction costs that are directly attributable to them.

(ii) Subsequent Measurement

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

Financial Liabilities at fair value through Profit or Loss:

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined in Ind-AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

(iii) Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the

Effective Interest Rate method (EIR). Gains and losses are recognised as profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(iv) Trade and Other Payables

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

31. Reclassification of Financial Instruments

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. If the Company reclassifies financial assets, it applies the reclassification prospectively.

32. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

33. Cash Dividend and Non-Cash distribution to Equity Holders

The Company recognises a liability to make cash or non-cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company.

34. Errors and Estimates

The Company revises its accounting policies if the change is required due to a change in Ind AS or if the change will provide more relevant and reliable information to the users of the financial statements. Changes in accounting policies are applied retrospectively.

A change in an accounting estimate that results in changes in the carrying amounts of recognised assets or liabilities or to statement of profit and loss is applied prospectively in the period(s) of change.

Discovery of material errors results in revisions retrospectively by restating the comparative amounts of assets, liabilities and equity of the earliest prior period in which the error is discovered. The opening balances of the earliest period presented are also restated.

35. Earnings Per Share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during

the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

36. Events after the Reporting Period

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue.

Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted, but disclosed.

**As per our report of even date
For M SAMBASIVA RAO & CO.**

Chartered Accountants
Firm Regn No. 003540S

(M Sambasiva Rao)

Proprietor
Membership No. 021858

Date : 29th April 2019
Place : Bengaluru

For and on behalf of the Board of Directors

Koshy Alexander
Chairman

Mahesh V
Director

Rajiv Kumar Sikka
Chief Executive Officer

Abhishek Kumar
Chief Financial Officer

Sanjog Mohapatra
Company Secretary

BTSL is ISO 9001 Certified Company achieved during November 2018



Vigilance Awareness Week 2018



Mr. Sabhari V (Sr. DGM- Vigilance BEL) making presentation on Vigilance Awareness to BTSL Team members



Vigilance Awareness Poster Competition at BTSL

Swacchata Pakwada 2018



BTSL team taking Swacchata Pledge



BTSL team Planting Tree during Swacchata Pakwada



BEL - THALES Systems

BEL-THALES Systems Limited

(CIN: U32106KA2014GOI076102)
CNP Area, BEL Industrial Estate, Jalahalli,
Bengaluru – 560013, Karnataka, India.
Tel: 080 2838 1803, Fax: 080 2838 1801
E-mail: sanjog@btsl.co.in / btsl@bel.co.in