

AUDIT REPORT

Audit Report of Grace Home Fashions LLC to Auditors of GHCL Limited (Parent Company)

1. We have examined the attached balance sheet of M/s Grace Home Fashions LLC in United States Dollars as at 31st March 2020, and also the profit & loss account for the year ended as on that date and other reconciliations and information. There is no requirement under the laws of the United States of America for the entity to have its financial statements audited. The said accounts were converted into the reporting currency of GHCL Limited (Parent Company) i.e. INR (all collectively referred to as the Fit for Consolidation (FFC) Accounts. These accounts are the responsibility of the entity's management. Our responsibility is to express an opinion on these FFC accounts based on our audit.
2. We conducted our audit in accordance with auditing, standards generally accepted in India. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether FFC Accounts are free of material misstatement. An audit includes examining on a test check basis, evidence supporting the amounts and disclosures in the FFC Accounts. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall FFC Accounts presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, these FFC Accounts have been prepared, in all material respects mention here “ in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (IND AS) specified under section 133 of the Act., read with the Companies (Indian Accounting Standards)Rules, 2015, as amended and”, in conformity with accounting policies of GHCL Limited (Parent company) and are suitable for inclusion in the consolidated financial statements of GHCL Limited (Parent company) prepared in accordance with the requirements of Indian Accounting Standard (Ind AS) 110 “Consolidated Financial Statements” issued by Institute of Chartered Accountants of India.

For SAS & Co
Chartered Accountants
(Firm's Registration Number: 020015N)

Ankleshwar Nanchahal
Partner
Membership Number: 504908
UDIN: 20504908AAAAAM2198
Place : Delhi
Date : 18 May 2020

Grace Home Fashions LLC
 Standalone Balance Sheet as at March 31, 2020
 (INR in crores)

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
I. Assets			
(1) Non-current assets			
(a) Property, plant and equipment	3	0.48	1.03
(b) Other non-current financial assets	4	0.26	0.23
(2) Current assets			
(a) Inventories	5	67.68	101.29
(b) Financial assets			
(i) Trade receivables	6	9.16	23.50
(ii) Cash and cash equivalents	7	1.98	7.62
(c) Other current assets	8	0.25	0.10
Total Assets		79.82	133.78
II. Equity and Liabilities			
Equity			
(a) Equity share capital	9	34.62	34.62
(b) Other equity	10	(51.25)	(31.01)
Liabilities			
(1) Current liabilities			
(a) Financial liabilities			
(i) Borrowings Short term	11	-	9.70
(ii) Trade payables	12	94.27	117.09
(iii) Other current liabilities	13	2.15	3.37
(c) Short term provisions		0.02	0.00
Total Equity and Liabilities		79.82	133.78

The accompanying notes are Internal part of the financial statements.

As per report of even date
 For SAS & Co
 (Firm's Registration Number: 020025N)
 Chartered Accountants

per Ankleshwar Nanchahal
 Partner
 Membership Number: 504908
 Place : New Delhi
 Date: May 18, 2020

For and on behalf of the Board of Directors

R. S. Jalan
 Managing Director
 Raman Chopra
 CFO & Executive
 Director-Finance

Place : New Delhi
 Date: May 18, 2020

Grace Home Fashions LLC**Standalone Statement of Profit and Loss for the year ended March 31, 2020**

(INR in crores)

Particulars	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue			
Revenue from Operations	14	135.58	106.32
Total Income		135.58	106.32
Expenses			
Purchase of stock in trade		86.46	148.84
(Increase)/ Decrease in inventories of finished goods	15	33.61	(51.93)
Employee benefit expenses	16	1.29	-
Depreciation and amortization expense	17	0.70	0.65
Finance costs	18	1.61	1.02
Other expenses	19	24.42	19.59
Foreign Exchange Loss/ (Profit) on Conversion into INR		7.70	3.42
Total expenses		155.80	121.59
Profit / (loss) before exceptional items and tax		(20.22)	(15.27)
Exceptional items		-	-
Profit / (loss) before tax		(20.22)	(15.27)
Tax expense:			
Current tax		0.01	(0.03)
Deferred tax		-	-
Profit / (loss) for the year		(20.24)	(15.24)

The accompanying notes are Internal part of the financial statements.

As per report of even date

For SAS & Co

(Firm's Registration Number: 020025N)

Chartered Accountants

per Ankleshwar Nanchahal

Partner

Membership Number: 504908

Place : New Delhi

Date: May 18, 2020

For and on behalf of the Board of Directors

R. S. Jalan

Managing Director

Place : New Delhi

Date: May 18, 2020

Raman Chopra

CFO & Executive

Director-Finance

Grace Home Fashions LLC
Standalone Statement of Cash Flows for the year ended March 2019
(INR in crores)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Operating activities		
Profit before tax	(20.22)	(15.27)
Adjustments for:		
Depreciation/amortisation	0.70	0.65
Finance cost	1.61	1.02
Operating profit/(loss) before working capital changes	(17.91)	(13.60)
Movement in working capital		
(Increase) /Decrease in trade receivables	14.34	(1.51)
(Increase)/ Decrease in inventories	33.60	(51.94)
(Increase)/ Decrease in other current assets	(0.14)	1.99
(Increase)/ Decrease in Other non-current financial assets	(0.03)	(0.02)
Increase/ (Decrease) in trade payables	(22.83)	35.78
Increase/ (Decrease) in other current liabilities	(1.22)	(0.24)
Increase/ (Decrease) in short term provisions	0.02	-
Cash generated from operations	5.83	(29.54)
Direct taxes paid (net of refunds)	(0.01)	0.03
Net cash generated from operating activities	5.81	(29.51)
Cash flow from investing activities		
Purchase of fixed asset including CWIP and capital advances	(0.14)	(0.07)
Net cash used in investing activities	(0.14)	(0.07)
Cash flow from financing activities		
Proceeds from issue of equity shares (including premium)	-	34.58
Short term Borrowing	(9.70)	1.25
Interest paid	(1.61)	(1.02)
Net cash generated from financing activities	(11.31)	34.81
Net (decrease) / increase in cash and cash equivalents	(5.64)	5.24
Cash and cash equivalents at the beginning of the year	7.62	2.38
Cash and cash equivalents at the end of the year	1.98	7.62
Components of cash and cash equivalents		
Cash on hand	-	-
Balances with banks:		
- On current accounts	1.98	7.62
Total cash and cash equivalents (note 6)	1.98	7.62

Notes:

1. The cash flow statement has been prepared under the indirect method as set out in the Ind AS 7 "Statement of Cash Flows".

The accompanying notes are Internal part of the financial statements.

As per report of even date

For SAS & Co

(Firm's Registration Number: 020025N)

Chartered Accountants

per Ankleshwar Nanchahal

Partner

Membership Number: 504908

Place : New Delhi

Date: May 18, 2020

For and on behalf of the Board of Directors

R. S. Jalan

Managing Director

Raman Chopra

CFO & Executive

Director-Finance

Place : New Delhi

Date: May 18, 2020

Grace Home Fashions LLC
Statement on changes in equity as on March 31, 2020
(INR in crores)

A. Equity Share Capital

Equity Shares of USD 1 each issued, subscribed and fully paid up

	<u>Number</u>	<u>Amount</u>
Balance as at April 1, 2018	7,500	0.04
Member's contribution	-	37.78
Changes in share capital during the year	-	-
Balance as at March 31, 2019	<u>7,500</u>	<u>37.81</u>
Changes in share capital during the year	-	-
Balance as at March 31, 2020	<u>7,500</u>	<u>37.81</u>

B. Other Equity

	<u>Retained earnings</u>
Balance as at April 1, 2018	15.77
Profit / (loss) for the year	15.24
Balance as at March 31, 2019	<u>31.01</u>
Profit / (loss) for the year	20.24
Balance as at March 31, 2020	<u>51.25</u>

The accompanying notes are Internal part of the financial statements.

As per report of even date

For SAS & Co

(Firm's Registration Number: 020025N)

Chartered Accountants

per Ankleshwar Nanchahal

Partner

Membership Number: 504908

Place : New Delhi

Date: May 18, 2020

For and on behalf of the Board of Directors

R. S. Jalan
Managing Director

Raman Chopra
CFO & Executive
Director-Finance

Place : New Delhi

Date: May 18, 2020

1 Corporate information

Limited Liability Company "Grace Home Fashions LLC" (hereinafter, the "Company") was incorporated in 2008, situated in New York is involved in providing comprehensive product that addresses the specialised; challenging needs of today's home furnishing market place. It offer home textile furnishings products like sheets, pillows & duvet covers in 100% cotton & blends. We are currently catering to some of the largest Home Textile Retailers like Bed Bath & Beyond, Babies R US, etc. and other E-Commerce websites.

2 Significant accounting policies

2.1 Basis of preparation

The books of account of the company are maintained in US Dollars . The financial statements have been prepared in accordance with the local laws in United States Of America. The same have been translated into Indian Currency and reclassified in accordance with the Schedules III of the Companies Act, 2013 of India for the specific purpose of consolidation with the Indian Holding Company, GHCL Limited.

2.2 Use of Estimates

The preparation of financial statements is in conformity with the accounting principles generally accepted in the USA. which requires management

to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

2.3 Foreign Currency Transactions

The functional currency of the Company is US Dollar (USD). Accounts of the body corporate incorporated in USA, have been made out in accordance with the US laws and the same have been translated to INR as per Schedule III of the Companies act, 2013. This requires drawing up the Balance Sheet, Statement of Profit & Loss, and Cash Flows Statement in a manner so as to make it appear confirming to the requirements of Schedule III of the Companies Act, 2013.

2.4 Translation of accounts of the body corporate from the currency of the country of its incorporation (USD) to INR:

Unsecured loans, current assets and current liabilities are translated to INR at the exchange rates ruling at the year end. Equity share capital and other equity has been recognized in the accounts at the exchange rate ruling at the time of their issuance. Income and expenses have been recognized in the accounts on the basis of average of daily closing exchange rates ruling from beginning till the end of the period. The resultant difference is disclosed as exchange gain/loss on INR conversion in the Statement of Profit & Loss

- Revenue Recognition
- EPS

3 Property, Plant and equipment

	Office Equipment	Furniture & fixtures	Total Amount
As at March 31, 2018	0.18	2.86	3.05
Additions	-	0.07	0.07
Disposals	-	-	-
As at March 31, 2019	0.18	2.93	3.12
Additions	0.02	0.13	0.15
Disposals	-	-	-
As at March 31, 2020	0.20	3.06	3.27

Depreciation

	Office Equipment	Furniture & fixtures	Total Amount
As at March 31, 2018	0.13	1.30	1.43
Additions	-	0.65	0.65
Disposals	-	-	-
As at March 31, 2019	0.13	1.95	2.09
Additions	0.00	0.70	0.70
Disposals	-	-	-
As at March 31, 2020	0.14	2.65	2.78

Net book value

	Office Equipment	Furniture & fixtures	Total Amount
As at March 31, 2020	0.07	0.41	0.48
As at March 31, 2019	0.05	0.98	1.03

Net book value	31-Mar-20	31-Mar-19
Property, plant and equipment	0.48	1.03

Grace Home Fashions LLC
Notes to the Standalone Financial statements as at March 31, 2020
(INR in crores)

4 Other non-current financial assets

	As at March 31, 2020	As at Mar 31, 2019
Security Deposit(Showroom Rent)	0.26	0.24
Total other current assets	0.26	0.24

5 Inventories

	As at March 31, 2020	As at Mar 31, 2019
Finished Goods	67.68	101.29
Total inventories at the lower of cost and net realisable value	67.68	101.29

6 Trade receivables

	As at March 31, 2020	As at Mar 31, 2019
Trade receivables	9.16	23.50
Total trade receivables	9.16	23.50
Total others (a+b)	76.84	124.79

Break-up for security details:

Trade receivables

Secured, considered good	-	-
Unsecured, considered good	9.16	23.50
Doubtful	-	-
Current trade receivables	9.16	23.50

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firm or private companies respectively in which any director is a partner, a director or a member.

Trade receivables are non-interest bearing and are generally on terms of 45 to 90 days.

7 Cash and cash equivalent

	As at March 31, 2020	As at Mar 31, 2019
Balances with bank	1.98	7.62
Cash on hand	-	-
Total cash and cash equivalents	1.98	7.62

8 Other current assets

	As at March 31, 2020	As at Mar 31, 2019
Advances recoverable in cash or kind	0.06	0.06
Prepaid expenses	0.18	0.04
Total other current assets	0.25	0.10

11 Borrowings Short term

	As at March 31, 2020	As at Mar 31, 2019
Advance from factor	-	9.70
Total other current assets	-	9.70

Dues to units registered under Micro, Small and Medium Enterprises in India - Not Applicable

12 Trade payables

	As at March 31, 2020	As at Mar 31, 2019
Trade Payables - GHCL	94.27	114.66
Trade Payables - Others	-	2.44
Total other current assets	94.27	117.10

Dues to units registered under Micro, Small and Medium Enterprises in India - Not Applicable

13 Other current liabilities

	As at March 31, 2020	As at Mar 31, 2019
Others	2.15	3.37
Total other current liabilities	2.15	3.37

9 Share capital**Authorised Share Capital**

	<u>Number of Shares</u>	<u>Amount</u>
At April 1, 2018	10,000	0.05
Changes during the period	-	-
At March 31, 2019	<u>10,000</u>	<u>0.05</u>
Changes during the period	-	-
At March 31, 2020	<u>10,000</u>	<u>0.05</u>

Terms / rights attached to equity shares

The Company has one class of equity shares having a par value of USD 1 per share.

Issue Equity Capital

	<u>Number of Shares</u>	<u>Amount</u>
Equity shares of USD 1 each issued, subscribed and fully paid		
At April 1, 2018	7,500	0.05
Changes during the period	-	37.78
At March 31, 2019	<u>7,500</u>	<u>37.82</u>
Changes during the period	-	-
At March 31, 2020	<u>7,500</u>	<u>37.82</u>

	<u>As at March 31, 2020</u>	<u>As at March 31, 2019</u>	<u>As at March 31, 2018</u>
Shareholder's holding more than 5 % Shares			
GHCL Limited	100%	100%	100%

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

No Shares have been issued by the Company for consideration other than cash, during the period of five years immediately preceding the reporting date.

10 Other equity

	<u>Amount</u>
Retained earnings	
At April 1, 2018	15.77
Changes during the period	15.24
At March 31, 2019	<u>31.01</u>
Changes during the period	20.24
At March 31, 2020	<u>51.25</u>

	For the year ended March 31, 2020	For the year ended March 31, 2019
14 Revenue for operations		
Sale of products		
Sale of goods	135.58	106.32
Total	135.58	106.32
15 (Increase)/ Decrease Changes in inventories of finished goods		
Opening stock		
Finished Goods	101.29	49.36
	101.29	49.36
Closing stock		
Finished Goods	67.68	101.29
	67.68	101.29
Changes in inventories of finished goods	33.61	(51.93)
16 Employee benefit expenses		
Salaries, wages and bonus	1.29	-
	1.29	-
17 Depreciation and amortization expense		
Depreciation of tangible assets	0.70	0.65
	0.70	0.65
18 Finance costs		
Factoring cost	1.61	1.02
	1.61	1.02
19 Other expenses		
Freight and Forwarding	-	-
Miscellaneous expenses	5.94	4.25
Communication expenses	0.41	0.18
Rent and Lease Rent	1.34	1.41
Rent on Godowns & Shipment Cost	3.36	3.95
Commission On Sales	3.17	2.23
Advertisement expences	5.18	3.10
Travelling and conveyance	0.09	0.11
Insurance	0.60	0.25
Legal and professional expenses	3.88	3.75
Software & EDI Expenses	0.38	0.28
Packing expenses	-	0.05
	24.42	19.56

Grace Home Fashions LLC**Notes to the Standalone Financial statements as at March 31, 2020****(INR in crores)****20 Related Party Transactions**

The following table provides the list of related parties and total amount of transactions that have been entered into with related parties

- a) GHCL Ltd.
- b) Dan River Properties LLC

Transactions with Related Party

	<u>As at March 31, 2020</u>	<u>As at March 31, 2019</u>
Trade Payables		
GHCL Ltd.	94.27	114.66
Purchase of Goods		
GHCL Ltd.	86.46	148.84
Investment		
GHCL Ltd.	37.83	34.63
Total other current assets	<u>218.56</u>	<u>298.12</u>

As per report of even date**For SAS & Co**

(Firm's Registration Number: 020025N)

Chartered Accountants

For and on behalf of the Board of DirectorsR. S. Jalan
Managing DirectorRaman Chopra
CFO & Executive
Director-Finance**per Ankleshwar Nanchahal**

Partner

Membership Number: 504908

Place : New Delhi

Date: May 18, 2020

Place : New Delhi
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