

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of IndiaMART InterMESH Limited

Opinion

We have audited the interim standalone financial statements of IndiaMART InterMESH Limited (“the Company”), which comprise the interim standalone Balance Sheet as at 30 September 2019, and the interim standalone Statement of Profit and Loss (including other comprehensive income) for the quarter and six-months period then ended, interim standalone Statement of Changes in Equity and interim standalone Statement of Cash Flows for the six-months period then ended, and notes to the interim standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as ‘the interim standalone financial statements’).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid interim standalone financial statements give the information required by the Companies Act, 2013 (“Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standard 34, Interim Financial Reporting (‘Ind AS 34’), of the state of affairs of the Company as at 30 September 2019, and profit and other comprehensive income for the quarter and six-months period then ended, and changes in equity and its cash flows for the six-months period then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor’s Responsibilities for the Audit of the Interim Standalone 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 interim standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the interim standalone financial statements of the current period. These matters were addressed in the context of our audit of the interim standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

Revenue Recognition (See note 2.2(c) and 20 to the interim standalone financial statements)	
Key audit matter	How the matter was addressed in our audit
Total turnover for the quarter and six months period ended 30 September 2019 amounted to INR 1,528.96 million and INR 2,972.10 million. The	In view of the significance of the matter we applied the following audit procedures in this area, among

<p>Company generates revenue primarily from web services and follows a prepaid model for its business.</p> <p>Revenue from web services is recognised based on the output method i.e. pro-rata over the period of the contract as and when the Company satisfies performance obligations by transferring the promised services to its customers.</p> <p>These services are delivered using IT system which manages very high volume on daily basis and generates reports from which the Company recognises revenue, and hence there is inherent risk around the completeness and accuracy of revenue recognition.</p> <p>We have identified revenue recognition as a key audit matter because web service revenue is one of the key performance indicators for the Company, significance of web service revenue to the financial statements, underlying IT systems and given the involvement of high volume, and inherent risk involved as described above, we determined completeness and accuracy of revenue recognition as a key audit matter of the audit.</p>	<p>others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of the revenue recognition accounting policies and its compliance with applicable accounting standards. We read the contracts with customers to determine appropriateness of revenue recognition. • We evaluated the design and implementation of key internal financial controls and operating effectiveness of the relevant key controls with respect to completeness and accuracy of revenue recognition on selected transactions. • We, with the involvement of IT specialists, evaluated the design, implementation and operating effectiveness of management's general IT controls and key application controls over the Company's IT systems which govern revenue recognition, including access controls, controls over program changes and interfaces between different systems. • We selected a sample of transactions using statistical sampling and performed tests of details including reading the contract, identifying performance obligation etc., and assessed whether the criteria for revenue recognition is met. • We also obtained and tested the reconciliation of revenue and collection generated from IT system with accounting system. • We assessed the adequacy of disclosures made in the standalone financial statements.
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Management's Responsibility for the Interim Standalone Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these interim standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate 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 interim standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Interim Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim standalone 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 interim standalone 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 interim standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 interim standalone 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 interim standalone financial statements, including the disclosures, and whether the interim standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the interim standalone financial statements of the current period ended on 30 September 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

Attention is drawn to the fact that the corresponding figures for the quarter and six months period ended 30 September 2018, and for the year ended 31 March 2019 are based on the previously issued interim standalone financial statements and annual standalone financial statements of the Company that were audited by the predecessor auditor who expressed an unmodified opinion on those financial statements on 30 October 2018 and 11 May 2019, respectively.

Our opinion on the interim standalone financial statements is not modified in respect of this matter.

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No: 101248W/W-100022

Place: Gurugram
Date: 22 October 2019

Jiten Chopra
Partner
Membership No: 092894
ICAI UDIN: 19092894AAAACO1776

IndiaMART InterMESH Limited
Standalone Interim Balance Sheet as at 30 September 2019
(Amount in INR million, unless otherwise stated)

	Notes	As at 30 September 2019	As at 31 March 2019
Assets			
Non-current assets			
Property, plant and equipment	5A	53.59	82.74
Capital work in progress	5A	1.77	1.77
Right-of-use assets	5B	243.10	-
Intangible assets	6	5.88	5.70
Investment in subsidiaries and associates	7	316.12	4.10
Financial assets			
(i) Investments	8	108.39	90.39
(ii) Loans	8	1.08	1.22
(iii) Bank balances other than cash and cash equivalents	11	389.67	-
(iv) Others financial assets	8	65.41	33.22
Deferred tax assets (net)	27	315.77	858.06
Non-current tax assets (net)	19	182.71	-
Other non-current assets	9	0.06	7.33
Total Non-current assets		1,683.55	1,084.53
Current assets			
Financial assets			
(i) Investments	8	7,179.20	6,042.99
(ii) Trade receivables	10	9.32	3.54
(iii) Cash and cash equivalents	11	161.05	359.13
(iv) Bank balances other than (iii) above	11	-	375.48
(v) Loans	8	15.42	16.19
(vi) Others financial assets	8	75.78	152.18
Current tax assets (net)	19	72.82	99.98
Other current assets	9	60.57	53.77
Total Current assets		7,574.16	7,103.26
Total assets		9,257.71	8,187.79
Equity and liabilities			
Equity			
Share capital	12	287.75	285.92
Other equity	13	1,763.15	1,320.90
Total Equity		2,050.90	1,606.82
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Share buyback obligations	14	-	-
(ii) Lease and other financial liabilities	16	137.02	2.84
Provisions	17	205.68	93.85
Contract liabilities	18	2,447.60	2,297.91
Total Non-current liabilities		2,790.30	2,394.60
Current liabilities			
Financial liabilities			
(i) Trade payables	15		
(a) total outstanding dues of micro enterprises and small enterprises		-	-
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		158.97	126.67
(ii) Lease and other financial liabilities	16	304.85	297.96
Provisions	17	40.74	66.89
Contract liabilities	18	3,845.97	3,553.49
Other current liabilities	18	65.98	141.36
Total Current liabilities		4,416.51	4,186.37
Total Liabilities		7,206.81	6,580.97
Total equity and liabilities		9,257.71	8,187.79
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the standalone interim financial statements.

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No.: 101248W/ W-100022

For and on behalf of the Board of Directors of

IndiaMART InterMESH Limited

Jiten Chopra

Partner

Membership No.: 092894

UDIN:

Place:

Date: 22 October 2019

Dinesh Chandra Agarwal

(Managing Director & CEO)

DIN:00191800

Brijesh Kumar Agrawal

(Whole-time Director)

DIN:00191760

Prateek Chandra
(Chief Financial Officer)

Manoj Bhargava
(Company Secretary)

Place: Noida
Date: 22 October 2019

IndiaMART InterMESH Limited
Standalone Interim Statement of Profit and Loss for the period ended 30 September 2019
(Amount in INR million, unless otherwise stated)

	Notes	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Income:					
Revenue from operations	20	1,528.96	1,199.48	2,972.10	2,314.93
Other income	21	203.36	85.02	345.88	127.16
Total income		1,732.32	1,284.50	3,317.98	2,442.09
Expenses:					
Employee benefits expense	22	662.61	494.64	1,247.44	1,009.28
Finance costs	23	6.29	-	10.74	-
Depreciation and amortisation expense	24	49.87	9.75	93.65	16.57
Net loss on financial liability designated at FVTPL	14 & 30	-	-	-	652.63
Other expenses	25	496.78	474.54	979.51	943.49
Total expenses		1,215.55	978.93	2,331.34	2,621.97
Profit/(loss) before tax		516.77	305.57	986.64	(179.88)
Income tax expense					
Current tax expense/(income)	27	(70.71)	-	(3.31)	-
Deferred tax expense	27	177.66	95.38	248.92	162.03
Tax expense related to change in tax rate and law	27	314.08	-	314.08	-
Total tax expense/(credit)		421.03	95.38	559.69	162.03
Net profit/(loss) for the period		95.74	210.19	426.95	(341.91)
Other comprehensive income (OCI)					
Items that will not be reclassified to profit or loss in subsequent years					
Re-measurement losses on defined benefit plans	28	(32.72)	(1.93)	(47.42)	(5.91)
Income tax effect	27	6.80	0.67	11.94	2.07
		(25.92)	(1.26)	(35.48)	(3.84)
Other comprehensive loss for the period, net of tax		(25.92)	(1.26)	(35.48)	(3.84)
Total comprehensive income/(loss) for the period		69.82	208.93	391.47	(345.75)
Earnings per equity share:					
Basic earnings(loss) per equity share (INR) - face value of INR 10 each	26	3.33	8.38	14.87	(14.76)
Diluted earnings(loss) per equity share (INR) - face value of INR 10 each		3.26	7.30	14.55	(14.76)

Summary of significant accounting policies

2

The accompanying notes are an integral part of the standalone interim financial statements.

As per our report of even date

For B S R & Co. LLP

Chartered Accountants
ICAI Firm Registration No.: 101248W/ W-100022

For and on behalf of the Board of Directors of
IndiaMART InterMESH Limited

Jiten Chopra

Partner
Membership No.: 092894
UDIN:
Place:
Date: 22 October 2019

Dinesh Chandra Agarwal
(Managing Director & CEO)
DIN:00191800

Brijesh Kumar Agrawal
(Whole-time Director)
DIN:00191760

Prateek Chandra
(Chief Financial Officer)
Place: Noida
Date: 22 October 2019

Manoj Bhargava
(Company Secretary)

IndiaMART InterMESH Limited
Standalone Interim Statement of Cash Flows for the period ended 30 September 2019
(Amount in INR million, unless otherwise stated)

Particulars	Notes	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Profit/(loss) before tax		986.64	(179.88)
<i>Adjustments to reconcile profit/(loss) before tax to net cash flows:</i>			
Depreciation and amortization	24	93.65	16.57
Interest income	21	(29.02)	(12.98)
Gain from business transfer arrangement (Refer Note 36)	21	-	(6.80)
Fair value change on financial assets at FVTPL	21	(302.49)	(78.52)
Fair value change in share buyback obligations	14	-	652.63
Gain on disposal of property, plant and equipment	22	(0.65)	(0.01)
Share-based payment expense	22	50.64	26.46
Gain on disposal of current investments	21	(13.72)	(28.85)
Finance costs	23	10.74	-
Operating Profit before working capital changes		795.79	388.62
Movement in working capital			
Increase in trade receivables		(5.78)	(1.74)
Decrease in other financial assets		6.11	61.43
Increase in other assets		(9.83)	(12.45)
Decrease in other financial liabilities		(89.54)	(80.51)
Increase in trade payables		32.30	5.03
Increase in other liabilities		366.78	641.51
Increase in provisions		38.25	14.53
Cash generated from operations		1,134.08	1,016.42
Income tax paid (net)		(152.24)	(18.29)
Net cash generated from operating activities		981.84	998.13
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		0.93	0.37
Purchase of property, plant and equipment and other intangible assets		(24.91)	(38.59)
Purchase of current investments		(2,010.00)	(3,263.77)
Investment in subsidiaries and associates		(330.02)	(32.50)
Proceeds from sale of current investments		1,190.02	1,964.74
Interest received		19.52	11.42
Advances received from /(paid for) selling shareholders (net)		83.58	(55.48)
Payment of refundable security deposits for listing on stock exchange.		(23.78)	-
Investments in bank deposits (having original maturity of more than three months)		(14.19)	(60.54)
Net cash used in investing activities		(1,108.85)	(1,474.35)
Cash flow from financing activities			
Repayment of lease liabilities		(78.61)	-
Interest paid		(10.74)	-
Proceeds from issue of equity shares on exercise of ESOP		18.28	143.97
Net cash generated from financing activities		(71.07)	143.97
Net decrease in cash and cash equivalents		(198.08)	(332.25)
Cash and cash equivalents at the beginning of the year	11	359.13	452.48
Cash and cash equivalents at the end of the period	11	161.05	120.23
Non-cash financing activities			
Fair value change in share buyback obligations	14	-	652.63
Conversion of preference shares into equity shares	14	-	4,381.93
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the standalone interim financial statements.

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/ W-100022

For and on behalf of the Board of Directors of
IndiaMART InterMESH Limited

Jiten Chopra
Partner
Membership No.: 092894
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Place:
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Dinesh Chandra Agarwal
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Prateek Chandra
(Chief Financial Officer)

Manoj Bhargava
(Company Secretary)

Place: Noida
Date: 22 October 2019

IndiaMART InterMESH Limited
Standalone Interim Statement of changes in equity for the period ended 30 September 2019
(Amount in INR million, unless otherwise stated)

(a) Equity share capital (Refer Note 12)

Equity shares of INR 10 each issued, subscribed and fully paid up	Amount
As at 1 April 2018	99.77
Bonus issue during the period*	99.77
Equity share capital issued on exercise of ESOP during the period	15.66
Equity share capital issued on conversion of convertible preference shares (Refer Note 14)	70.72
As at 30 September 2018	285.92
As at 1 April 2019	285.92
Equity share capital issued on exercise of ESOP during the period	1.83
Equity share capital issued during the period	1.45
Equity share capital held by Indiamart employee benefit trust	(1.45)
As at 30 September 2019	287.75

(b) Other equity (Refer Note 13)

Particulars	Reserves and surplus				Total other equity
	Securities premium	General reserve	Employee share based payment reserve (Refer Note 29)	Retained earnings	
Balance as at 1 April 2018	279.49	8.45	54.18	(3,564.63)	(3,222.51)
Loss for the period	-	-	-	(341.91)	(341.91)
Other comprehensive loss for the period	-	-	-	(3.84)	(3.84)
Total comprehensive loss	-	-	-	(345.75)	(345.75)
Bonus issue*	(99.77)	-	-	-	(99.77)
Issue of equity shares on exercise of ESOP during the period	195.61	-	(67.29)	-	128.32
Employee share based payment expense (Refer Note 23)	-	-	26.46	-	26.46
Issue of equity shares on conversion of convertible preference shares (Refer Note 14)	4,311.21	-	-	-	4,311.21
	4,407.05	-	(40.84)	-	4,366.22
Balance as at 30 September 2018	4,686.54	8.45	13.35	(3,910.37)	797.97
Balance as at 1 April 2019	4,686.54	8.45	71.42	(3,445.51)	1,320.90
Impact of adoption of Ind AS 116 (net of taxes)	-	-	-	(16.33)	(16.33)
Profit for the period	-	-	-	426.95	426.95
Other comprehensive income/ (loss) for the period	-	-	-	(35.48)	(35.48)
Total comprehensive income/ (loss)	-	-	-	375.15	375.15
Issue of equity shares on exercise of ESOP during the period	25.22	-	(8.76)	-	16.46
Employee share based payment expense (Refer Note 23)	-	-	50.64	-	50.64
Balance as at 30 September 2019	4,711.76	8.45	113.30	(3,070.36)	1,763.15

*The Company has allotted bonus shares on 9 May 2018 in the ratio of 1:1 to the equity shareholders existing on record date of 8 May 2018. The shareholders approved the allotment at general meeting held on 7 May 2018.

The accompanying notes are an integral part of the standalone interim financial statements.

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/ W-100022

For and on behalf of the Board of Directors of
IndiaMART InterMESH Limited

Jiten Chopra
Partner
Membership No.: 092894
UDIN:
Place:
Date: 22 October 2019

Dinesh Chandra Agarwal
(Managing Director & CEO)
DIN:00191800

Brijesh Kumar Agrawal
(Whole-time Director)
DIN:00191760

Prateek Chandra
(Chief Financial Officer)

Manoj Bhargava
(Company Secretary)

Place: Noida
Date: 22 October 2019

IndiaMART Intermesh Limited

Notes to standalone interim financial statements for the period ended 30 September 2019

(Amounts in INR million, unless otherwise stated)

1. Corporate Information

IndiaMART Intermesh Limited (“the Company”) is a public company domiciled in India and was incorporated on 13 September 1999 under the provisions of the Companies Act applicable in India. The Company is engaged in e-marketplace for business needs, which acts as an interactive hub for domestic and international buyers and suppliers. The registered office of the Company is located at 1st Floor, 29-Daryagang, Netaji Subash Marg New Delhi-110002, India. During the quarter ended 30 September 2019, the Company has completed an Initial Public Offering through an offer for sale of 4,887,862 equity shares. The equity shares of the Company were listed on BSE Limited and National Stock Exchange of India on 4 July 2019.

The interim financial statements were authorised for issue in accordance with a resolution passed by Board of Directors on 22 October 2019.

2. Significant accounting policies

2.1 Basis of preparation

The standalone interim financial statements for the period ended 30 September 2019 have been prepared in accordance with the Indian Accounting Standards (referred to as “Ind AS”) 34 Interim Financial Reporting and other Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and other relevant provisions of the Companies Act 2013 (“the Act”) (as amended from time to time).

All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR million as per the requirement of Schedule III, unless otherwise stated.

The interim financial statements have been prepared on the historical cost basis as explained in the accounting policies below, except for the following:

- certain financial assets and liabilities measured at fair value where Ind AS requires a different accounting treatment (refer accounting policy regarding financial instruments);
- share-based payments;
- net defined benefit (asset)/ liability - Fair value of plan assets less present value of defined benefit obligations.

The preparation of these interim financial statements requires the use of certain critical accounting estimates and judgements. It also requires the management to exercise judgement in the process of applying the Company’s accounting policies. The areas where estimates are significant to the standalone interim financial statements, or areas involving a higher degree of judgement or complexity, are disclosed in Note 3.

2.2 Summary of significant accounting policies

The accounting policies, as set out in the following paragraphs of this note, have been consistently applied, to all the periods presented in these standalone interim financial statements except for the adoption of the new standard Ind AS 116 Leases, effective as of 1 April 2019. As required by Ind AS 116, the nature and effect of these changes are disclosed in note 4.

a) Current versus non-current classification

The Company presents assets and liabilities in balance sheet based on current/non-current classification. An asset is classified as current when it is:

- (i) Expected to be realised or intended to be sold or consumed in normal operating cycle
- (ii) Held primarily for the purpose of trading
- (iii) Expected to be realised within twelve months after the reporting period, or
- (iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

IndiaMART Intermesh Limited**Notes to standalone interim financial statements for the period ended 30 September 2019**

(Amounts in INR million, unless otherwise stated)

A liability is classified as current when:

- (i) It is expected to be settled in normal operating cycle
- (ii) It is held primarily for the purpose of trading
- (iii) It is due to be settled within twelve months after the reporting period, or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

b) Fair value measurement

The Company measures financial instruments, such as Investment in optionally convertible preference shares (OCRPS), investment in mutual funds and share buyback obligation, at fair value at each balance sheet date.

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

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the interim financial statements are categorised within the fair value hierarchy, described as follows, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- (i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (ii) Level 2 — inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 — Unobservable inputs for the asset or liability reflecting Company's assumptions about pricing by market participants

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

The Company's management determines the policies and procedures for recurring fair value measurement, such as investment in debt instruments and convertible preference shares issued with share buyback obligation measured at fair value.

IndiaMART Intermesh Limited**Notes to standalone interim financial statements for the period ended 30 September 2019**

(Amounts in INR million, unless otherwise stated)

External valuers are involved for valuation of significant assets, such as unquoted investments in debt instruments, and significant liabilities, such as convertible preference shares. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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 as explained above. This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Disclosures for significant estimates and assumptions (Note 3)
- Disclosures for valuation methods and quantitative disclosure of fair value measurement hierarchy (Note 30)

c) Revenue from contracts with customers and other income**Revenue from contracts with customers**

The Company is primarily engaged in providing web services. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services and excluding taxes or duties collected on behalf of government.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services

Revenue from web services are recognised based on output method i.e. pro-rata over the period of the contract as and when the company satisfies performance obligations by transferring the promised services to its customers. Revenues from lead based services is recognised based on output method i.e. as and when leads are consumed by the customer or on the expiry of contract whichever is earlier. Activation revenue is amortised over the estimated customer relationship period.

Advertising revenue is derived from displaying web based banner ads and sale of online advertisements. Revenue from banner advertisement is recognised pro rata over the period of display of advertisement as per contract. Revenue from sale of online advertisements is recognised based on output method and the Company applies the practical expedient to recognize advertising revenue in the amount to which the Company has a right to invoice.

Contract balances*Trade receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section m) Financial instruments.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers services to the customer, a contract liability is recognised. The company recognises contract

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liability for consideration received in respect of unsatisfied performance obligations and reports these amounts as deferred revenue and advances from customers in the balance sheet. The unaccrued amounts are not recognised as revenue till all related performance obligation are fulfilled. The company generally receives transaction price in advance. The transaction price received in advance does not have any significant financing component as the difference between the promised consideration and the cash selling price of the service arises for reasons other than the provision of finance.

Other incomeInterest income

For all financial assets measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

Dividends

Dividend is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

d) Property, plant and equipment

Capital work in progress and property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

Capital work in progress includes cost of property, plant and equipment under development as at the balance sheet date.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances and cost of assets not ready for use at the balance sheet date, are disclosed under capital work- in- progress.

Depreciation is calculated on a written down value basis using the rates arrived at based on the useful lives prescribed under Schedule II to Companies Act, 2013. The Company has used the following rates to provide depreciation on its Property, plant and equipment:

Asset	Annual rates
Computers	63.16%
Furniture and fittings	26.89%
Office equipment	45.07%
Vehicles	31.23%

Leasehold improvements are depreciated on a straight line basis over the lease period.

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 de-recognition 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.

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.

e) Intangible assets

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Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses (if any). Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets (being Goodwill) with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Unique telephone numbers are amortised on a written down value basis at 40% annually.

Intangibles being Softwares acquired by the Company are amortised on a written down value basis at 40% annually.

Advances paid towards the acquisition of intangible assets outstanding at each balance sheet date are classified as capital advances and cost of assets not ready for use at the balance sheet date, are disclosed under capital work-in-progress.

f) Leases (as lessee)

The Company's lease asset classes primarily consist of leases for buildings and leasehold land. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after 1 April 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is

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remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense over the lease term.

In the comparative period, leases under which the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. When acquired, such assets were capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever was lower. Lease payments and receipts under operating leases were recognised as an expense and income respectively, on a straight-line basis in the statement of profit and loss over the lease term except where the lease payments were structured to increase in line with expected general inflation.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the statement of profit or loss.

A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land classified as finance lease was amortised over the period of lease to maximum of 90 years.

g) Investment in subsidiaries and associates

The Company records the investment in equity instruments of subsidiaries and associates at cost less impairment loss, if any.

On disposal of investment in subsidiaries and associates, the difference between net disposal proceeds and the carrying amount is recognised in the Statement of profit and loss.

h) 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, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

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Impairment losses are recognised in the statement of profit and loss. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

i) TaxesCurrent Income tax

Current income 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 income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability 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 liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

Sales/ value added taxes/ Service tax/ Goods and service tax (GST) paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/ value added taxes/ GST paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

j) Provisions and contingent liabilitiesProvisions

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.

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.

Contingent liabilities

A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

The Company does not recognise a contingent liability but discloses its existence in the interim financial statements.

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k) Retirement and other employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under other current financial liabilities in the balance sheet.

Post-employment obligations

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company operates a defined benefit gratuity plan for its employees i.e. gratuity. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Other long-term employee benefit obligations

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

l) Share-based payments

Employees of the Company also receive remuneration in the form of stock options (ESOP) and stock appreciation rights (SAR) as a share based payment transactions under Company's Employee Stock Option Plan and Employee Stock Benefit Scheme. Both of these are equity settled share based payment transactions.

The cost of equity settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense.

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The cumulative expense recognised for equity settled transaction at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

m) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assetsInitial recognition and measurement

All financial assets are recognised initially at fair value plus, 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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

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

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to loans to employees, trade and other receivables. For more information on receivables, refer to Note 30.

Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the profit and loss. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

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

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance

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- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or contract revenue receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability.
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include, share buyback obligation, trade payables, security deposits and other payables.

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 held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

The company has designated convertible preference shares issued with share buyback obligation, to be measured at fair value through profit or loss. On conversion of the optionally convertible preference shares ("OCRPS") into equity shares, the Company derecognise the financial liability and recognise the same to equity.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

De-recognition

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

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.

n) Foreign currency transactions

The Company's interim financial statements are presented in INR which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

IndiaMART Intermesh Limited**Notes to standalone interim financial statements for the period ended 30 September 2019**

(Amounts in INR million, unless otherwise stated)

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

o) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

p) Cash and cash equivalents

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

q) Segment reportingIdentification of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company activities of providing e-marketplace for business goods is considered to be a single business segment. The analysis of geographical segments is based on the areas in which customers are based.

Segment policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

r) Share capital

Equity shares are classified as equity.

Incremental costs directly attributable to the issue of equity shares are recognised as a deduction from equity.

3. Significant accounting estimates and assumptions

The preparation of interim financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods. Therefore, actual results could differ from these estimates.

IndiaMART Intermesh Limited**Notes to standalone interim financial statements for the period ended 30 September 2019**

(Amounts in INR million, unless otherwise stated)

Estimates and assumptions

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

a) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. In assessing the probability the Company considers whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has recognised deferred tax assets on the unused tax losses and other deductible temporary differences since the management is of the view that it is probable the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

b) Share based payment

The Company initially measures the cost of equity-settled transactions with employees using a Black–Scholes–Merton option pricing model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options and SAR units, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

c) Revenue from contracts with customers

The Company recognise the activation fee received in advance over the estimated customer churn period of twenty seven months. The estimate is based on the historical trend analysis of the time period over which the customer is expected to be associated with the Company. The company reviews its estimate at each reporting date.

d) Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Company.

e) Defined benefit plans (gratuity benefit)

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

IndiaMART Intermesh Limited**Notes to standalone interim financial statements for the period ended 30 September 2019**

(Amounts in INR million, unless otherwise stated)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Further details about gratuity obligations are given in Note 28.

f) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 30 and 32 for further disclosures.

g) Useful life of assets considered for depreciation of Property, Plant and Equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed at each financial year end.

4. Changes in accounting policy and disclosures**Ind AS 116 Leases**

The Company has adopted Ind AS 116 'Leases' with the date of initial application being 1 April 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. As a result, the comparative information has not been restated. Refer Note 5B and 37 for further details.

IndiaMART InterMESH Limited
Notes to Standalone Interim Financial Statements for the period ended 30 September 2019

(Amount in INR million, unless otherwise stated)

5A Property, plant and equipment

	Leasehold land (Refer Note 5B)	Computers	Office equipment	Furniture and fixtures	Motor vehicles	Total Property, plant and equipment	Capital work in progress (refer note 1 below)
Gross carrying amount							
As at 1 April 2018	37.12	59.24	26.66	4.92	3.81	131.75	1.77
Additions	-	36.74	10.00	1.07	-	47.81	-
Disposals	-	(0.71)	(0.25)	-	-	(0.96)	-
As at 31 March 2019	37.12	95.27	36.41	5.99	3.81	178.60	1.77
Transition impact of Ind AS 116	(37.12)	-	-	-	-	(37.12)	-
Additions	-	21.21	1.87	0.37	-	23.45	-
Disposals	-	(2.38)	(0.10)	(0.21)	-	(2.69)	-
As at 30 September 2019	-	114.10	38.18	6.15	3.81	162.24	1.77
Accumulated depreciation							
As at 1 April 2018	0.92	42.57	14.24	2.20	0.03	59.96	-
Charge for the year	0.46	25.37	8.70	0.94	0.98	36.45	-
Disposals during the year	-	(0.39)	(0.16)	-	-	(0.55)	-
As at 31 March 2019	1.38	67.55	22.78	3.14	1.01	95.86	-
Transition impact of Ind AS 116	(1.38)	-	-	-	-	(1.38)	-
Charge for the period	-	12.26	3.32	0.41	0.61	16.59	-
Disposals during the period	-	(2.23)	(0.09)	(0.10)	-	(2.42)	-
As at 30 September 2019	-	77.58	26.01	3.45	1.62	108.65	-
Net book value							
As at 1 April 2018	36.20	16.67	12.42	2.72	3.78	71.79	1.77
As at 31 March 2019	35.74	27.72	13.63	2.85	2.80	82.74	1.77
As at 30 September 2019	-	36.52	12.17	2.70	2.19	53.59	1.77

Notes:

1. Capital work in progress represent the amount incurred on construction of boundary wall for leasehold land.

5B Right-of-use assets

	Leasehold land (Refer Note 1 below)	Buildings (Refer Note 2 below)	Total
Gross carrying amount			
As at 1 April 2018	-	-	-
Additions	-	-	-
Disposals	-	-	-
As at 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>
Transition impact of Ind AS 116	37.12	204.39	241.51
Additions	-	81.61	81.61
Disposals	-	(3.43)	(3.43)
As at 30 September 2019	<u>37.12</u>	<u>282.57</u>	<u>319.69</u>
Accumulated amortisation			
As at 1 April 2018	-	-	-
Charge for the year	-	-	-
Disposals during the year	-	-	-
As at 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>
Transition impact of Ind AS 116	1.38	-	1.38
Amortisation for the period	0.23	75.52	75.75
Disposals for the period	-	(0.54)	(0.54)
As at 30 September 2019	<u>1.61</u>	<u>74.98</u>	<u>76.59</u>
Net book value			
As at 30 September 2019	<u>35.51</u>	<u>207.59</u>	<u>243.10</u>

1. As per the terms of the lease arrangement, the Company is required to complete the construction of building within 5 years from the date of handing over the possession. The Company has obtained extension for construction of building on the leasehold land till 5 October 2019 and is in the process of obtaining further extension.

2. The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases using modified retrospective approach, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has resulted in recognising a right-of-use asset of INR 204 Million and a corresponding lease liability of INR 224 Million by adjusting retained earnings net of taxes of INR 16 Million [the impact of deferred tax created INR 9 Million] as at April 1, 2019. The Company has also reclassified its leasehold land amounting to INR 36 Million as right-of-use asset. In the statement of profit and loss of the quarter and six months ended September 30, 2019, the nature of expenses in respect of operating leases has changed from lease rent (in other expenses) into depreciation cost against the right-to-use asset and finance cost against interest accrued on lease liability (Refer Note 38 for further details).

IndiaMART InterMESH Limited**Notes to Standalone Interim Financial Statements for the period ended 30 September 2019**

(Amount in INR million, unless otherwise stated)

6 Intangible assets

	Software	Unique telephone numbers	Total
Gross carrying amount			
As at 1 April 2018	10.49	4.70	15.19
Additions	1.66	-	1.66
Disposals	(0.08)	-	(0.08)
As at 31 March 2019	12.07	4.70	16.77
Additions	1.49	-	1.49
As at 30 September 2019	13.56	4.70	18.26
Accumulated amortisation			
As at 1 April 2018	4.56	3.01	7.57
Amortisation for the year	2.85	0.68	3.53
Disposals for the year	(0.03)	-	(0.03)
As at 31 March 2019	7.38	3.69	11.07
Amortisation for the period	1.11	0.20	1.31
As at 30 September 2019	8.49	3.89	12.38
Net book value			
As at 1 April 2018	5.93	1.69	7.62
As at 31 March 2019	4.69	1.01	5.70
As at 30 September 2019	5.07	0.81	5.88

7 Investment in subsidiaries and associates

	As at 30 September 2019		As at 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Investment in subsidiaries - Unquoted				
<i>Fully paid up - at cost</i>				
Equity shares of INR 10 each in Tradezeal International Private Limited (Refer note 1)*	110,000	1.10	110,000	3.15
Equity shares of INR 10 each in Ten Times Online Private Limited	62,333	3.10	62,333	3.10
Equity shares of INR 10 each in Tolexo Online Private Limited (Refer note 2)*	7,001,800	70.02	7,001,800	70.02
Equity shares of INR 10 each in Pay With Indiamart Private Limited	100,000	1.00	100,000	1.00
Equity shares of INR 10 each in Hello Trade Online Private Limited*	30,000	0.30	30,000	0.30
		<u>75.52</u>		<u>77.57</u>
Less: Impairment allowance in value of investments*		(71.42)		(73.47)
		<u>4.10</u>		<u>4.10</u>
Investment in associates - Unquoted				
<i>Fully paid up - at cost</i>				
Compulsory convertible preference shares of INR 100 each (at premium of INR 52,217.90 each) in Simply Vyapar Apps Private Limited	5,954	311.50	-	-
Equity shares of INR 10 each (at premium of INR 52,307.90 each) in Simply Vyapar Apps Private Limited	10	0.52	-	-
		<u>312.02</u>		<u>-</u>
		<u>316.12</u>		<u>4.10</u>

Notes:

- The above equity investment in Tradezeal International Private Limited includes equity component of Investment in redeemable preference shares, known as deemed equity investment, amounting to INR Nil (31 March 2019: INR 2.05 millions)
- Management had estimated cash flows projections of benefits accruing over foreseeable future and discounted the same using an appropriate discount rate and determined that discounted value of such expected benefits were in excess of the carrying value of Investment in Tolexo Online Pvt. Ltd. However, during the year ended 31 March 2019, due to certain changes in business and economic conditions, management believes that the expected benefits will take much longer to accrue than anticipated. Therefore, due to uncertainties involved in the market environment the company is not able to determine value of expected benefits with reasonable certainty over the foreseeable future as on 31 March 2019. Accordingly, the Investment in instruments of Tolexo Online Pvt Ltd was impaired by way of recognition of losses in Profit and Loss amounting to INR 70.02 millions during the previous year ended 31 March 2019.

8 Financial assets

	As at 30 September 2019		As at 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
a) Investments				
Non-current				
Investment in subsidiaries at FVTPL		108.39		90.39
		<u>108.39</u>		<u>90.39</u>
Current				
Investment in mutual funds at FVTPL		7,179.20		6,042.99
		<u>7,179.20</u>		<u>6,042.99</u>
Non-current investments				
Investment in debt instruments of subsidiaries (fully paid-up)				
<i>Unquoted (measured at FVTPL)</i>				
Optionally Convertible Cumulative Redeemable Preference Shares of INR 10 each in Tolexo Online Private Limited	9,289,275	52.95	7,989,275	39.95
Optionally Convertible Cumulative Redeemable Preference Shares of INR 10 each (at premium of INR 90 each) in Tolexo Online Private Limited	1,298,050	6.49	1,298,050	6.49
Optionally Convertible Cumulative Redeemable Preference Shares of INR 10 each (at premium of INR 40 each) in Tolexo Online Private Limited	189,000	0.95	189,000	0.95
Optionally Convertible Cumulative Redeemable Preference Shares of INR 10 each in Tradezeal International Private Limited (Refer note 2)	1,870,000	-	1,370,000	-
Optionally Convertible Cumulative Redeemable Preference Shares of INR 10 each (at premium of INR 10 each) in Pay With Indiamart Private Limited	2,400,000	48.00	2,150,000	43.00
		<u>108.39</u>		<u>90.39</u>
<i>Unquoted (measured at amortised cost)</i>				
Redeemable Preference Shares of INR 10 each in Tradezeal International Private Limited (Refer note 2)	-	-	500,000	2.95
		<u>-</u>		<u>2.95</u>
Less: Impairment allowance for investments		-		(2.95)
Total		<u>-</u>		<u>-</u>
Total non-current investments		<u>108.39</u>		<u>90.39</u>

Notes:

- The company has invested in optionally convertible cumulative preference shares ('OCCRPS') of its subsidiaries. Based on the terms of OCCRPS, these have been classified as financial instruments in the nature of financial assets to be measured at fair value. Fair value of these instruments has been determined based on discounted cash flow valuation technique using cash flow projections, discount rate and the credit risk. Gain/loss on subsequent re-measurement has been recognised through Statement of Profit and Loss and is disclosed under "Net (loss)/gain on financial assets measured at FVTPL".
- During the current period, the 500,000 (31 March 2019: Nil) redeemable preference shares of Tradezeal International Private Limited were converted into optionally convertible preference shares.

IndiaMART InterMESH Limited
Notes to Standalone Interim Financial Statements for the period ended 30 September 2019

(Amount in INR million, unless otherwise stated)

	As at 30 September 2019		As at 31 March 2019	
	No. of units	Amount	No. of units	Amount
Current investments				
<i>Investment in mutual funds - Quoted (measured at FVTPL)</i>				
Aditya Birla Sunlife Short Term Plan-Growth Regular Plan	2,599,874	84.14	2,599,874	80.37
Aditya Birla Sun Life Banking & PSU Debt Fund-Grow-Direct Plan	886,783	225.99	886,783	214.61
Aditya Birla Sunlife short term opportunities fund-Direct	21,181,794	713.45	21,181,794	679.17
Aditya Birla Sunlife Corporate Bond Fund - Regular	6,508,526	488.65	5,394,585	386.68
Aditya Birla Sun Life Corporate Bond Fund-Growth-Direct	2,013,531	152.29	629,851	45.45
HDFC Short Term Debt Fund-Direct Growth Plan	26,794,545	584.49	26,794,545	558.15
HDFC Short Term Debt Fund - Regular Plan	8,380,984	181.00	8,380,984	172.98
HDFC Low Duration Fund Growth - Regular Plan	3,797,410	154.52	3,797,410	148.58
HDFC Low Duration Fund Growth - Direct	11,236,751	478.95	2,128,314	86.97
HDFC Credit Risk Debt Fund - Regular Plan - Growth	7,019,394	111.33	7,019,394	107.08
ICICI Prudential Savings Fund -Growth	81,581	30.50	81,581	29.27
ICICI Prudential Savings Fund- Direct Plan-Growth	775,979	292.27	597,544	215.81
ICICI Prudential Short Term Fund - Direct	20,802,151	880.05	15,854,692	639.65
ICICI Prudential Short Term Fund - Growth Option	3,606,276	145.56	3,606,276	139.33
IDFC Bond Fund - Short Term Plan- DGP	5,468,770	226.62	5,468,770	216.27
IDFC Low Duration Fund-Growth (Regular Plan)	16,451,049	453.89	16,451,049	435.91
IDFC Bond Fund-STP-Regular Fund	408,840	16.27	408,840	15.57
Kotak Corporate Bond Fund - DGP	328,929	871.85	328,929	831.30
L&T Short Term Bond Fund-DGP	37,122,589	713.43	37,122,589	681.67
L&T Short Term Bond Fund - Regular Growth	20,066,239	373.95	20,066,239	358.17
Total current investments		7,179.20		6,042.99

b) Loans (measured at amortised cost)

	As at 30 September 2019	As at 31 March 2019
Non current		
Considered good- Unsecured		
Loans to employees	1.08	1.22
	1.08	1.22
Current		
Considered good- Unsecured		
Loans to employees	15.42	16.19
	15.42	16.19

Notes:

The above loans represents interest free loans to employees, which are recoverable in maximum 24 monthly instalments.

c) Others (measured at amortised cost)

	As at 30 September 2019	As at 31 March 2019
Non-current (unsecured, considered good unless stated otherwise)		
Security deposits	65.41	33.22
	65.41	33.22
Current (unsecured, considered good unless stated otherwise)		
Security deposits	49.83	25.90
Amount recoverable from payment gateway banks	25.95	57.08
Other recoverables*	-	69.20
	75.78	152.18

Notes:

Security deposits are non-interest bearing and are generally on term of 3 to 9 years. For credit risk management, refer note 32.

* Represents amount recoverable for IPO expenses incurred in trust on behalf of selling shareholders in Offer for Sale (including the related parties as referred in Note 34(b))

9 Other assets

	As at 30 September 2019	As at 31 March 2019
Non-current (unsecured, considered good unless stated otherwise)		
Capital advance	-	0.03
Prepaid expenses	0.06	0.14
Deferred rent expense (Refer note 38)	-	7.16
Total	0.06	7.33

	As at 30 September 2019	As at 31 March 2019
Current (unsecured, considered good unless stated otherwise)		
Advances recoverable	28.64	13.73
Indirect taxes recoverable	1.04	17.96
Prepaid expenses	30.89	18.93
Deferred rent expense (Refer note 38)	-	3.15
Total	60.57	53.77

10 Trade receivables

	As at 30 September 2019	As at 31 March 2019
Unsecured, considered good unless stated otherwise		
Trade receivables	9.32	3.54
Total	9.32	3.54

Notes:

a) Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

11 Cash and bank balances

	As at 30 September 2019	As at 31 March 2019
a) Cash and cash equivalents		
Cash on hand	0.15	0.16
Cheques on hand	52.14	145.42
Balance with bank		
- On current accounts	108.76	213.55
Total Cash and cash equivalents	161.05	359.13

Note:

Cash and cash equivalents for the purpose of cash flow statement comprise cash and cash equivalents as shown above.

Apart from the balance shown above, as on 30 September 2019, the Company has INR 41.78 millions in escrow accounts maintained with HDFC Bank on account of proceeds from IPO. This amount has not been included in the balance with banks shown above as the same has been held in trust on behalf of selling shareholders.

b) Bank balances other than cash and cash equivalents

Deposits with		
- remaining maturity upto twelve months	-	375.48
- remaining maturity for more than twelve months*	389.67	-
	389.67	375.48
Less: amount disclosed under current bank deposits	-	(375.48)
Less: amount disclosed under non-current bank deposits	(389.67)	-

*This includes margin money deposit of INR 23.78 millions.

12 Share capital

Authorised equity share capital

	Number of shares	Amount
As at 1 April 2018	18,277,930	182.78
Increase during the year	11,722,070	117.22
As at 31 March 2019	30,000,000	300.00
As at 30 September 2019	<u>30,000,000</u>	<u>300.00</u>

Issued equity share capital (subscribed and fully paid up)

	Number of shares	Amount
As at 1 April 2018	9,976,805	99.77
Bonus issue during the year ¹	9,976,805	99.77
Equity share capital issued on exercise of ESOP during the year (Refer Note 29)	1,566,630	15.66
Equity share capital issued on conversion of convertible preference shares ²	7,071,766	70.72
As at 31 March 2019	28,592,006	285.92
Equity share capital issued on exercise of ESOP during the period (Refer Note 29)	182,814	1.83
Equity share capital issued during the period	145,000	1.45
Equity share capital held by Indiamart employee benefit trust (Refer Note (d) below)	(145,000)	(1.45)
As at 30 September 2019	<u>28,774,820</u>	<u>287.75</u>

Notes:

1 Bonus issue

The shareholders of the Company at its general meeting held on 7 May 2018, approved the allotment of bonus share in the ratio of 1:1 as on the record date of 8 May 2018 to each of the equity shareholders of the Company. Subsequently, 9,976,805 Bonus Shares of INR 10 each amounting to INR 99.77 million, were allotted on 9 May 2018 in the ratio of 1:1 to the eligible equity shareholders.

2 Conversion of convertible preference shares

During the previous year ended 31 March 2019, company converted 1,493,903 Series A 0.01% Cumulative Compulsory Preference Shares of INR 328 into 3,334,922 Equity Shares of INR 10 each, 1,722,047 0.01% Series B Cumulative Compulsory Preference Shares of INR 100 into 3,444,094 Equity Shares of INR 10 each, 146,375 0.01% Series B1 Cumulative Compulsory Preference Shares of INR 100 into 292,750 Equity Shares of INR 10 each.

a) Terms/ rights attached to equity shares:

1) The Company has only one class of equity shares having a par value of INR 10 per share. Each holder of equity is entitled to one vote per share.

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

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

	As at 30 September 2019		As at 31 March 2019	
	Number	% Holding	Number	% Holding
Equity shares of INR 10 each fully paid				
Dinesh Chandra Agarwal	8,630,747	30%	9,483,200	33%
Brijesh Kumar Agrawal	5,848,544	20%	6,426,200	22%
Westbridge Crossover Fund, LLC	1,544,154	5%	1,544,154	5%
Intel Capital (Mauritius) Limited*	NA	NA	3,851,746	13%

* Intel Capital (Mauritius) Limited ceased to be a shareholder of more than 5% as on 30 September 2019

c) Shares reserved for issue under options

Information relating to the Company's share based payment plans, including details of options and SAR units issued, exercised and lapsed during the financial period and options outstanding at the end of the reporting period, is set out in note 29.

d) Shares held by Indiamart employee benefit trust against employees share based payment plans (face value: INR 10 each)

	As at 30 September 2019		As at 31 March 2019	
	Number	Amount	Number	Amount
Opening balance	-	-	-	-
Purchased during the period	145,000	1.45	-	-
Exercised during the period	-	-	-	-
Total	<u>145,000</u>	<u>1.45</u>	<u>-</u>	<u>-</u>

13 Other equity

	As at 30 September 2019	As at 31 March 2019
Securities premium	4,711.76	4,686.54
General reserve	8.45	8.45
Employee share based payment reserve (Refer Note 29)	113.30	71.42
Retained earnings	(3,070.36)	(3,445.51)
Total other equity	<u>1,763.15</u>	<u>1,320.90</u>

Nature and purpose of reserves and surplus:

- a) **Securities premium:** The Securities premium account is used to record the premium on issue of shares and is utilised in accordance with the provisions of the Companies Act 2013.
- b) **General reserve:** The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes, as the same is created by transfer from one component of equity to another.
- c) **Employee share based payment reserve:** The Employee share based payment reserve is used to recognise the grant date fair value of options issued to employees under Company's employee option plan (ESOP). Refer Note 29 for further details.
- d) **Retained earnings:** Retained earnings represent the amount of accumulated earnings of the Company, and re-measurement gains/losses on defined benefit plans.

14 Share buyback obligations

<i>Measured at fair value through profit or loss (FVTPL)</i>	As at 30 September 2019		As at 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Share buyback obligation of preference shares				
Non-current				
0.01% Series A cumulative convertible preference shares (CCPS) of INR 328 each	-	-	-	-
0.01% Series B compulsory convertible preference shares (CCPS) of INR 100 each	-	-	-	-
0.01% Series B1 compulsory convertible preference shares (CCPS) of INR 100 each	-	-	-	-
Total		<u>-</u>		<u>-</u>

Notes:
The company has issued 1,493,903 0.01% Series A cumulative convertible preference shares (CCPS) at price of INR 328 per share amounting to INR 490 million. The Company has further issued 1,722,047 and 146,375 0.01% Series B compulsory convertible preference shares (CCPS) and 0.01% Series B1 compulsory convertible preference shares (CCPS) at price of INR 770 per share amounting to INR 1,325.98 million and INR 112.71 million respectively. As per the terms and conditions of issue of CCPS, Company has given right to the holders of CCPS to require the Company to buyback CCPS held by investors at reasonable approximation of fair market value in the event initial public offering (IPO) do not occur for specified period.
Based on these terms, CCPS has been classified as financial instrument in the nature of financial liability designated to be measured at fair value. Fair value of the instruments has been determined based on discounted cash flow valuation technique using cash flow projections and financial projections/budgets approved by the management. Gain/loss on subsequent re-measurement has been recognised through Statement of Profit and Loss and is disclosed under "Net loss on financial liability designated at FVTPL".

Carrying amount of financial liability and gain/loss on subsequent re-measurement is set out below:

	As at 30 September 2019	As at 31 March 2019
At the beginning of the period/year	-	3,729.30
Preference share capital issued during the period	-	-
Security premium received on issue of preference shares	-	-
Loss on re-measurement for the year (recognised through Statement of Profit and Loss)	-	652.63
Conversion of preference shares into equity shares during the period (Refer Note 12(2))	-	(4,381.93)
At the end of the period/year	<u>-</u>	<u>-</u>

Authorised preference share capital

	Series A		Series B		Series B1	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
As at 1 April 2018	1,493,903	490.00	1,722,047	172.20	172,207	17.22
As at 31 March 2019	1,493,903	490.00	1,722,047	172.20	172,207	17.22
As at 30 September 2019	1,493,903	490.00	1,722,047	172.20	172,207	17.22

Issued preference share capital (subscribed and fully paid up)

	Series A		Series B		Series B1	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
As at 1 April 2018	1,493,903	490.00	1,722,047	172.20	146,375	14.64
Shares converted to equity shares	(1,493,903)	(490.00)	(1,722,047)	(172.20)	(146,375)	(14.64)
As at 31 March 2019	-	-	-	-	-	-
As at 30 September 2019	-	-	-	-	-	-

15 Trade payables

	As at 30 September 2019	As at 31 March 2019
Payable to micro, small and medium enterprises (Refer Note 40)	-	-
Other trade payables*	158.97	126.67
Total	158.97	126.67

*Trade payables are non-interest bearing and are normally settled on 30-day terms.

16 Lease and other financial liabilities

	As at 30 September 2019	As at 31 March 2019
Non-current		
Lease rent equalisation	-	2.84
Lease liabilities	137.02	-
Total	137.02	2.84
Current		
Payable to employees	206.31	297.82
Security deposits	0.14	0.14
Other payables*	14.38	-
Lease liabilities	84.02	-
Total	304.85	297.96

* Other payables represent amount recovered from selling shareholders in IPO and payable for expenses incurred on Offer for sale.

17 Provisions

	As at 30 September 2019	As at 31 March 2019
Non-current		
Provision for employee benefits*		
Provision for gratuity	151.58	93.85
Provision for Leave encashment	54.10	-
Total	205.68	93.85
Current		
Provision for employee benefits*		
Provision for gratuity	11.72	8.59
Provision for leave encashment	13.64	42.92
Provision-others**	15.38	15.38
Total	40.74	66.89

*For details of movement in provision for gratuity and leave encashment, Refer Note 28.

** Contingency provision towards service tax show cause notice.

18 Contract and other liabilities

	As at 30 September 2019	As at 31 March 2019
Contract liabilities*		
Non-current		
Deferred revenue	2,447.60	2,297.91
Total	2,447.60	2,297.91
Current		
Deferred revenue	3,584.61	3,237.29
Advances from customers	261.36	316.20
Total	3,845.97	3,553.49
Other liabilities-Current		
Statutory dues		
Tax deducted at source payable	26.75	3.97
Contribution to provident fund payable	3.06	2.54
Contribution to ESI payable	0.07	0.10
GST payable	35.48	134.47
Professional tax payable	0.42	0.18
Payable for labour welfare fund	0.06	0.03
Others	0.14	0.07
Total	65.98	141.36

* Contract liabilities include consideration received in advance to render web services in future periods.

19 Current tax assets and liabilities

	As at 30 September 2019	As at 31 March 2019
Current tax assets (net of provisions)		
Current	72.82	99.98
Non current	182.71	-
Total	255.53	99.98

IndiaMART InterMESH Limited
Notes to Standalone Interim Financial Statements for the period ended 30 September 2019

(Amount in INR million, unless otherwise stated)

20 Revenue from operations

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Sale of services				
Income from web services	1,511.44	1,186.50	2,944.20	2,293.49
Advertisement and marketing services	17.52	12.98	27.90	21.44
Total	1,528.96	1,199.48	2,972.10	2,314.93

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

	As at 30 September 2019		As at 30 September 2018	
	Less than 12 months	More than 12 months	Less than 12 months	More than 12 months
Web services	3,840.54	2,447.31	2,923.60	1,968.28
Advertisement and marketing services	5.43	0.29	13.31	5.97
	3,845.97	2,447.60	2,936.91	1,974.25

No single customer represents 10% or more of the Company's total revenue during the year ended 30 September 2019 and 30 September 2018.

Contract liabilities

	As at 30 September 2019	As at 30 September 2018
Web services	6,287.85	4,891.88
Advertisement and marketing services	5.72	19.28
	6,293.57	4,911.16
Non-current	2,447.60	1,974.25
Current	3,845.97	2,936.91
	6,293.57	4,911.16

Significant changes in the contract liability balances during the period are as follows:

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Opening balance at the beginning of the period	6,090.04	4,604.46	5,851.40	4,234.63
Less: Revenue recognised from contract liability balance at the beginning of the period	(1,083.19)	(894.06)	(2,230.41)	(1,391.52)
Add: Amount received from customers during the period	1,732.50	1,526.99	3,414.28	3,012.27
Less: Transfer of contract liability pertaining to Hello travel business	-	(20.81)	-	(20.81)
Less: Revenue recognised from amount received during the period	(445.77)	(305.42)	(741.69)	(923.41)
Closing balance at the end of the period	6,293.58	4,911.16	6,293.58	4,911.16

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(Amount in INR million, unless otherwise stated)

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
21 Other income				
Net gain on disposal of current investments	10.50	24.69	13.72	28.85
Fair value gain/(loss) on financial assets measured at FVTPL				
- Investment in mutual funds	175.12	46.94	302.49	78.52
Interest income from financial assets measured at amortised cost				
- on bank deposits	8.22	5.76	15.56	11.42
- on security deposits	4.77	0.82	8.71	1.56
Other interest income	3.97	-	3.97	-
Provisions no longer required written back	-	-	-	-
Gain from business transfer arrangement (Refer Note 36)	-	6.80	-	6.80
Gain on de-recognition of Right-of-use assets	0.78	-	0.78	-
Net gain on disposal of property, plant and equipment	-	0.01	0.65	0.01
Total	203.36	85.02	345.88	127.16
22 Employee benefits expense				
Salaries, allowance and bonus	578.24	461.75	1,096.81	915.61
Gratuity expense (Refer Note 28)	5.66	5.46	13.44	10.54
Leave encashment expense (Refer Note 28)	17.84	2.58	27.89	7.78
Contribution to provident and other funds	3.40	3.02	6.49	5.96
Employee share based payment expense (Refer Note 29)	29.95	1.15	50.64	26.46
Staff welfare expenses	27.52	20.68	52.17	42.93
Total	662.61	494.64	1,247.44	1,009.28
23 Finance costs				
Interest cost of lease liabilities	6.29	-	10.74	-
Total	6.29	-	10.74	-

24 Depreciation and amortization expense

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Depreciation of property, plant and equipment (Refer Note 5A)	9.78	8.86	16.59	14.87
Depreciation of Right-of-use assets (Refer Note 5B and Note 38)	39.39	-	75.75	-
Amortisation of intangible assets (Refer Note 6)	0.70	0.89	1.31	1.70
Total	49.87	9.75	93.65	16.57

25 Other expenses

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Content development expenses	60.00	61.83	123.44	124.19
Buyer Engagement Expenses	44.89	45.61	87.22	90.78
Customer Support Expenses	59.42	65.41	118.94	122.11
Outsourced sales cost	180.85	138.02	332.07	279.13
Internet and other online expenses	54.39	35.26	114.86	69.80
Rent	4.30	44.19	4.89	84.45
Rates and taxes	0.66	2.09	18.00	3.10
Communication costs	1.77	0.89	3.52	3.14
Outsourced support cost	4.61	3.88	10.90	7.71
Advertisement expenses	6.97	5.83	11.92	13.99
Power and fuel	7.76	8.19	16.32	16.75
Printing and stationery	2.40	1.68	4.58	4.27
Repair and maintenance:				
- Plant and machinery	3.31	3.86	7.12	7.26
- Others	18.88	20.14	37.26	36.36
Travelling and conveyance	14.03	11.94	29.87	22.52
Recruitment and training expenses	10.55	6.71	16.63	11.27
Legal and professional fees	8.31	5.51	15.98	20.87
Directors' sitting fees	0.51	1.31	1.17	2.22
Auditor's remuneration	1.42	2.08	2.54	3.29
Insurance expenses	7.11	5.66	13.23	11.58
Impairment loss for investment in subsidiary	-	-	-	-
Advances written off	-	-	-	-
Collection charges	4.44	4.18	8.79	8.35
Miscellaneous expenses	0.20	0.27	0.26	0.35
Total	496.78	474.54	979.51	943.49

Payment to Auditors**As auditor:**

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
- Audit fee	1.31	2.08	2.43	2.95
Reimbursement of expenses	0.11	-	0.11	0.34
	1.42	2.08	2.54	3.29

26 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the earnings/(loss) for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the period.

Diluted EPS are calculated by dividing the earnings/(loss) for the period attributable to the equity holders of the Company by weighted average number of equity shares outstanding during the period plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares. The following reflects the income and share data used in the basic and diluted EPS computations:

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Basic				
Earnings/(Loss) for the period	95.74	210.19	426.95	(341.91)
Weighted average number of equity shares used in calculating basic EPS	28,776,396	25,096,493	28,719,669	23,160,774
Basic earnings/(loss) per equity share	3.33	8.38	14.87	(14.76)
Diluted				
Adjustment on account of fair valuation of compulsory convertible preference shares	-	-	-	652.63
Adjusted earnings/(loss) for the period	95.74	210.19	426.95	310.72
Weighted average number of equity shares used in calculating basic EPS	28,776,396	25,096,493	28,719,669	23,160,774
Potential equity shares	582,532	3,688,133	635,784	5,440,012
Total no. of shares outstanding (including dilution)	29,358,928	28,784,626	29,355,453	28,600,786
Diluted earnings/(loss) per equity share	3.26	7.30	14.55	(14.76)

There are potential equity shares for the period 30 September 2019 in the form of stock options granted to employees and for the period ended 30 September 2018 in the form of CCPS and stock options granted to employees. As these are anti dilutive for the six month ended 30 September 2018, they are ignored in the calculation of diluted earnings per share and accordingly the diluted earning/(loss) per share is the same as basic earnings per share.

27 Income tax

a) Income tax expense recognised in Statement of profit and loss

Particulars	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Current tax expense/(income)				
Current tax for the period	(67.40)	-	-	-
Adjustments in respect of previous year	(3.31)	-	(3.31)	-
	(70.71)	-	(3.31)	-
Deferred tax expense/(income)				
Relating to origination and reversal of temporary differences	106.95	95.38	245.61	162.03
Relating to minimum alternate tax	70.71	-	3.31	-
	177.66	95.38	248.92	162.03
Tax expense /(income) related to change in tax rate and law *				
- Deferred tax	314.08	-	314.08	-
	314.08	-	314.08	-
Total income tax expense/(credit)	421.03	95.38	559.69	162.03

* Tax impact for the quarter and six months ended 30 September 2019 includes the impact of adoption of Taxation Laws Amendment Ordinance 2019 as applicable to the Company. The deferred tax charge due to change in applicable tax rate is INR 277.90 Millions and due to reversal of MAT credit entitlement is INR 36.18 Millions.

b) Income tax recognised in other comprehensive income (OCI)
Deferred tax related to items recognised in OCI during the period

Particulars	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Net loss on remeasurements of defined benefit plans	(6.80)	(0.67)	(11.94)	(2.07)

c) Reconciliation of tax expense and the accounting profit/(loss) multiplied by statutory income tax rate.

Particulars	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Profit/(loss) before tax	516.77	305.57	986.64	(179.88)
Accounting profit/(loss) before income tax	516.77	305.57	986.64	(179.88)
Tax expense/(income) at the statutory income tax rate	130.07	95.34	248.34	(56.12)
Adjustments in respect of differences in current tax rates and deferred tax rates		10.63	-	17.29
Adjustments in respect of differences taxed at lower tax rates	(21.78)	(4.95)	-	(1.65)
Loss on fair valuation of share buyback obligation	-	-	-	203.62
Other non-deductible expenses and non-taxable income	2.38	(5.64)	0.99	(1.11)
Tax expense /(income) related to change in tax rate/laws	314.08	-	314.08	-
Others	(3.72)	-	(3.72)	-
Tax expense/(income) at the effective income tax rate of 25.17% (30 September 2018: 31.20%)	421.03	95.38	559.69	162.03

d) Breakup of deferred tax recognised in the Balance sheet

Particulars	As at 30 September 2019	As at 31 March 2019
Deferred tax asset		
Property, plant and equipment and other intangible assets	6.02	8.14
Provision for gratuity	41.10	35.79
Provision for compensated absences	17.05	15.00
Provision for diminution of investments in subsidiaries	22.68	31.49
Investment in subsidiaries measured at fair value	40.01	34.35
Deferred revenue	2.59	11.30
Tax losses	343.68	710.07
Unabsorbed depreciation	16.70	37.26
Ind AS 116 impact	3.38	-
Minimum alternate tax	-	36.18
Others	8.16	7.67
Total deferred tax assets (A)	501.37	927.25
Deferred tax liabilities		
Investment in mutual funds measured at fair value	(182.54)	(66.69)
Accelerated deduction for tax purposes	(1.79)	(2.50)
Others	(1.27)	-
Total deferred tax liabilities (B)	(185.60)	(69.19)
Total deferred tax Asset (A) + (B)	315.77	858.06

e) Breakup of deferred tax expense/(income) recognised in Statement of profit and loss and OCI

Particulars	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Deferred tax expense/(income) relates to the following:				
Property, plant and equipment and other intangible assets	1.86	(0.63)	2.12	1.36
Provision for gratuity	2.55	(2.23)	(5.31)	(2.83)
Provision for compensated absences	1.00	(0.30)	(2.05)	(0.78)
Provision for diminution of investments in subsidiaries	8.81	-	8.81	-
Investment in subsidiaries measured at fair value	(5.66)	-	(5.66)	-
Investment in mutual funds measured at fair value	97.68	4.58	115.85	1.53
Deferred revenue	4.16	9.29	8.71	19.99
Tax losses	246.92	87.73	366.39	125.36
Unabsorbed depreciation	14.68	(3.85)	20.56	15.78
Accelerated deduction for tax purposes	(0.71)	0.13	(0.71)	0.13
Minimum alternate tax	103.58	-	36.18	-
Leases	3.95	-	5.39	-
Others	6.10	(0.01)	0.78	(0.58)
Deferred tax expense/(income)	484.92	94.71	551.06	159.96

f) Reconciliation of Deferred tax asset (Net):

Particulars	As at 30 September 2019	As at 31 March 2019
Opening balance as of 1 April		
Tax (expense)/income during the period recognised in Statement of profit and loss	858.06	1,155.58
Tax impact related to change in tax rate/laws	(248.92)	(337.36)
Tax impact during the year recognised in OCI	(314.08)	
Deferred tax on Ind AS 116 impact on retained earning	11.94	3.66
MAT credit entitlement	8.77	-
	-	36.18
Closing balance at the end of the period	315.77	858.06

g) Detail of deductible temporary differences and unused tax losses for which no deferred tax asset is recognised in the balance sheet:

Particulars	As at 30 September 2019	As at 31 March 2019
Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised are attributable to the following:		
- tax capital losses*	43.32	43.32
	43.32	43.32

* The unused tax capital losses will expire upto FY 2019-20.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

28 Defined benefit plan and other long term employee benefit plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with insurance company in form of qualifying insurance policy. This defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and salary risk.

The amount included in the balance sheet arising from the company's obligation in respect of its gratuity plan and leave encashment is as follows:

Gratuity - defined benefit plan

	As at 30 September 2019	As at 31 March 2019
Present value of funded defined benefit obligation	181.40	123.90
Fair value of plan assets	(18.10)	(21.46)
Net liability arising from defined benefit obligation	163.30	102.44

Leave encashment - other long term employee benefit plan

	As at 30 September 2019	As at 31 March 2019
Present value of other long term employee benefit plan	67.74	42.92
Net liability arising from other long term employee benefit plan	67.74	42.92

a) Reconciliation of the net defined benefit (asset) liability and other long term employee benefit plan

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit (asset) liability and other long term employee benefit plan and its components.

Reconciliation of present value of defined benefit obligation for Gratuity and Leave encashment

	Gratuity	
	30 September 2019	31 March 2019
Balance at the beginning of the period	123.90	92.20
Employee benefit obligation pursuant to the disposal group held for sale	-	(0.99)
Benefits paid	(4.23)	(5.18)
Current service cost	9.58	20.06
Interest cost	4.67	7.19
Actuarial (gains)/losses		
- changes in demographic assumptions	8.84	14.53
- changes in financial assumptions	24.66	(6.97)
- experience adjustments	13.98	3.06
Balance at the end of the period	181.40	123.90

Leave encashment

	30 September 2019	31 March 2019
Balance at the beginning of the period	42.92	37.58
Employee benefit obligation pursuant to the disposal group held for sale	-	(0.27)
Benefits paid	(3.07)	(9.36)
Current service cost	14.72	11.97
Interest cost	1.62	2.93
Actuarial (gains)/losses		
- changes in demographic assumptions	(1.48)	7.20
- changes in financial assumptions	4.82	(5.82)
- experience adjustments	8.21	(1.31)
Balance at the end of the period	67.74	42.92

Movement in fair value of plan assets

	Gratuity	
	30 September 2019	31 March 2019
Opening fair value of plan assets	21.46	24.57
Interest income	0.81	1.92
Actuarial gains/(losses)	0.06	0.15
Contributions from the employer	-	-
Benefits paid	(4.23)	(5.18)
Closing fair value of plan assets	18.10	21.46

Each year the management of the Company reviews the level of funding required as per its risk management strategy. The Company expects to contribute INR 31.67 million to gratuity in FY 2019-20 (31 March 2019: INR 35.56 million).

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	As at 30 September 2019	As at 31 March 2019
Funds managed by insurer	100%	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

b) Expense recognised in profit or loss

	Gratuity			
	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Current service cost	3.76	3.91	9.58	7.67
Net interest expense	1.90	1.55	3.86	2.87
Components of defined benefit costs recognised in profit or loss	5.66	5.46	13.44	10.54
Remeasurement of the net defined benefit liability				
Actuarial (gain)/loss on plan assets	0.12	0.29	(0.06)	0.33
Actuarial (gain)/loss on defined benefit obligation	32.60	1.64	47.48	5.58
Components of defined benefit costs recognised in other comprehensive income	32.72	1.93	47.42	5.91

	Leave encashment			
	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Current service cost	11.39	3.23	14.72	6.37
Net interest expense	0.79	0.84	1.62	1.58
Actuarial/(gain) loss on other long term employee benefit plan	5.66	(1.49)	11.55	(0.17)
Components of other long term employee benefit costs recognised in profit or loss	17.84	2.58	27.89	7.78

c) Actuarial assumptions

Principal actuarial assumptions as at reporting date (expressed as weighted averages):

	As at 30 September 2019		As at 31 March 2019	
	Discount rate	6.30%		7.66%
Expected rate of return on assets	6.30%		7.66%	
Attrition rate:	As at 30 September 2019		As at 31 March 2019	
Ages	Upto 4 years of service	Above 4 years of	Upto 4 years of service	Above 4 years of service
Upto 30 years	25.65%	8.46%	34.54%	12.83%
From 31 to 44 years	15.45%	9.56%	30.85%	11.20%
Above 44 years	20.00%	5.88%	0.00%	0.00%
Future salary growth	7.00%	12.00%	7.00%	12.00%
Mortality table	India Assured Life Morality (2011-12)		India Assured Life Morality (2006-08)	

The Company regularly assesses these assumptions with the projected long-term plans and prevalent industry standards.

d) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Gratuity

As at 30 September 2019

	Increase	Decrease
Impact of change in discount rate by 0.50%	(9.64)	10.56
Impact of change in salary by 0.50%	6.29	(6.46)

As at 31 March 2019

	Increase	Decrease
Impact of change in discount rate by 0.50%	(6.45)	7.12
Impact of change in salary by 0.50%	3.58	(3.81)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

e) The table below summarises the maturity profile and duration of the gratuity liability:

Particulars	As at 30 September 2019	As at 31 March 2019
	Within one year	11.82
Within one - three years	23.38	20.43
Within three - five years	22.10	17.05
Above five years	124.10	77.83
Total	181.40	123.90

29 Share based payment plans**a) Employee Stock Option Plan (ESOP)**

The Company has provided various share-based payment schemes to its employees in the preceding financial years. During the period ended 30 September 2019, the following schemes were in operation:

	ESOP 2010	ESOP 2012	ESOP 2015	ESOP 2016	ESOP 2017
Date of grant	January 1, 2010	March 15, 2012	June 08, 2015	July 28, 2016	June 02, 2017
Date of Board Approval	November 24, 2009	January 25, 2012	June 08, 2015	July 28, 2016	May 04, 2017
Date of Shareholder's approval	November 10, 2008	November 10, 2008	September 23, 2015	September 23, 2015	September 23, 2015
Number of options approved	453,420	645,560	539,000	276,980	200,730
Method of Settlement	Equity	Equity	Equity	Equity	Equity
Vesting period (in months)	0 to 48 Months	0 to 48 Months	0 to 48 Months	0 to 48 Months	0 to 48 Months

The details of activity have been summarized below:

ESOP 2010

	For the period ended 30 September 2019		For the period ended 30 September 2018	
	Number of options	Weighted Average Exercise Price (INR)	Number of options	Weighted Average Exercise Price (INR)
Outstanding at the beginning of the period	Nil	100	63,286	100
Granted during the period	Nil	100	Nil	100
Forfeited during the period	Nil	100	9,210	100
Exercised during the period	Nil	100	54,076	100
Expired during the period	Nil	100	Nil	100
Outstanding at the end of the period	Nil	100	Nil	100
Exercisable at the end of the period	Nil	100	Nil	100

ESOP 2012

	For the period ended 30 September 2019		For the period ended 30 September 2018	
	Number of options	Weighted Average Exercise Price (INR)	Number of options	Weighted Average Exercise Price (INR)
Outstanding at the beginning of the period	Nil	150	150,136	150
Granted during the period	Nil	150	Nil	150
Forfeited/ expired during the period	Nil	150	4,603	150
Exercised during the period	Nil	150	145,533	150
Outstanding at the end of the period	Nil	150	Nil	150
Exercisable at the end of the period	Nil	150	Nil	150

ESOP 2015

	For the period ended 30 September 2019		For the period ended 30 September 2018	
	Number of options	Weighted Average Exercise Price (INR)	Number of options	Weighted Average Exercise Price (INR)
Outstanding at the beginning of the period	62,100	200	354,100	200
Granted during the period	Nil	200	Nil	200
Forfeited/ expired during the period	Nil	200	3,600	200
Exercised during the period	62,100	200	288,400	200
Outstanding at the end of the period	Nil	200	62,100	200
Exercisable at the end of the period	Nil	200	Nil	200

ESOP 2016

	For the period ended 30 September 2019		For the period ended 30 September 2018	
	Number of options	Weighted Average Exercise Price (INR)	Number of options	Weighted Average Exercise Price (INR)
Outstanding at the beginning of the period	41,850	200	194,268	200
Granted during the period	Nil	200	Nil	200
Forfeited/ expired during the period	1,800	200	14,400	200
Exercised during the period	20,025	200	136,218	200
Outstanding at the end of the period	20,025	200	43,650	200
Exercisable at the end of the period	Nil	200	Nil	200

ESOP 2017

	For the period ended 30 September 2019		For the period ended 30 September 2018	
	Number of options	Weighted Average Exercise Price (INR)	Number of options	Weighted Average Exercise Price (INR)
Outstanding at the beginning of the period	37,888	200	197,800	200
Granted during the period	Nil	200	Nil	200
Forfeited/ expired during the period	760	200	Nil	200
Exercised during the period	9,282	200	159,088	200
Outstanding at the end of the period	27,846	200	38,712	200
Exercisable at the end of the period	Nil	200	Nil	200

Figures for current period ended 30 September 2019 and previous year are as follows:

	As at 30 September 2019				
	ESOP 2010	ESOP 2012	ESOP 2015	ESOP 2016	ESOP 2017
Range of exercise prices	100	150	200	200	200
Number of options outstanding	-	-	Nil	20,025	27,846
Weighted average remaining contractual life of options (in years)	NA	NA	-	0.75	1.30
Weighted average exercise price	100	150	200	200	200
Weighted average share price for the options exercised during the period	NA	NA	300	300	300

	As at 31 March 2019				
	ESOP 2010	ESOP 2012	ESOP 2015	ESOP 2016	ESOP 2017
Range of exercise prices	100	150	200	200	200
Number of options outstanding	Nil	Nil	62,100	41,850	37,888
Weighted average remaining contractual life of options (in years)	NA	NA	0.25	1.25	1.80
Weighted average exercise price	100	150	200	200	200
Weighted average share price for the options exercised during the period	300	300	300	300	300

Stock Options granted

The fair value of options is measured using Black-Scholes valuation model. The key inputs used in the measurement of the grant date fair valuation of equity settled plans are given in the table below:

	As at 30 September 2019				
	ESOP 2010	ESOP 2012	ESOP 2015	ESOP 2016	ESOP 2017
Weighted average share price	148.39	150	200	275.93	280.50
Exercise price	100	150	200	200	200
Expected volatility	0.00%	0.00%	0.00%	0.00%	0.00%
Historical volatility	0.00%	0.00%	0.10%	0.10%	0.10%
Life of the options granted (Vesting and exercise year) in years	7.50	8.00	7.70	7.70	7.70
Expected dividends	Nil	Nil	Nil	Nil	Nil
Average risk-free interest rate	8.39%	8.39%	7.77%	7.20%	7.20%

	As at 31 March 2019				
	ESOP 2010	ESOP 2012	ESOP 2015	ESOP 2016	ESOP 2017
Weighted average share price	148.39	150	200	275.93	280.50
Exercise price	100	150	200	200	200
Expected volatility	0.00%	0.00%	0.00%	0.00%	0.00%
Historical volatility	0.00%	0.00%	0.10%	0.10%	0.10%
Life of the options granted (Vesting and exercise year) in years	7.50	8.00	7.70	7.70	7.70
Expected dividends	Nil	Nil	Nil	Nil	Nil
Average risk-free interest rate	8.39%	8.39%	7.77%	7.20%	7.20%

b) Stock appreciation rights (SAR)

The Company has granted stock appreciation rights to its employees during the current financial year. Details are as follows

	SAR 2018
Date of grant	October 01, 2018
Date of Board Approval	September 22, 2018
Date Of Shareholder's approval	May 07, 2018
Number of units approved	800,740
Method of Settlement	Equity
Vesting year (in months)	0 to 48 Months

The details of activity have been summarized below:

	For the period ended 30 September 2019		For the period ended 30 September 2018	
	Number of SAR units	Weighted Average Exercise Price (INR)	Number of SAR units	Weighted Average Exercise Price (INR)
Outstanding at the beginning of the period	779,740	500	NA	NA
Granted during the period	Nil	Nil	NA	NA
Lapsed during the period	29,980	500	NA	NA
Exercised during the period	Nil	Nil	NA	NA
Expired during the period	Nil	Nil	NA	NA
Outstanding at the end of the period	749,760	500	NA	NA
Exercisable at the end of the period	Nil	Nil	NA	NA

Figures for period ended 30 September 2019 are as follows:

	SAR 2018
Range of exercise prices	500
Number of units outstanding	749,760
Weighted average remaining contractual life of units (in years)	3.00
Weighted average exercise price	500

SAR units granted

The fair value of options is measured using Black-Scholes valuation model. The key inputs used in the measurement of the grant date fair valuation of equity settled plans are given in the table below:

	SAR 2018
Weighted average share price	597
Exercise Price	500
Expected Volatility	41%
Historical Volatility	41%
Life of the units granted (Vesting and exercise year) in years	4.00
Expected dividends	Nil
Average risk-free interest rate	7.80%

Effect of the employee share-based payment plans on the profit and loss:

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the period ended 30 September 2019	For the period ended 30 September 2018
Total Employee Compensation Cost pertaining to share-based payment plans	29.95	1.15	50.64	26.46
Compensation Cost pertaining to equity-settled employee share-based payment plan included	29.95	1.15	50.64	26.46

Effect of the employee share-based payment plans on its financial position:

	As at 30 September 2019	As at 31 March 2019
Total reserve for employee stock options outstanding as at period/year end	113.30	71.42

30 Fair value measurements

a) Category wise details as to carrying value, fair value and the level of fair value measurement hierarchy of the Company's financial instruments are as follows:

Financial assets	Level	As at	As at
		30 September 2019	31 March 2019
Measured at fair value through profit or loss (FVTPL)			
- Investment in mutual funds	Level 1	7,179.20	6,042.99
- Investment in debt instruments of subsidiaries	Level 3	108.39	90.39
		7,287.59	6,133.38

b) The following methods / assumptions were used to estimate the fair values:

- The carrying value of bank deposits, trade receivables, cash and cash equivalents, trade payables, security deposits, lease liabilities and other current financial assets and other current financial liabilities measured at amortised cost approximate their fair value due to the short-term maturities of these instruments. These financial assets and financial liabilities are categorised in Level 3 of fair value measurement hierarchy.
- The fair value of non-current financial assets and financial liabilities are determined by discounting future cash flows using current rates of instruments with similar terms and credit risk. The current rates used do not reflect significant changes from the discount rates used initially. Therefore, the carrying value of these instruments measured at amortised cost approximate their fair value.
- Fair value of quoted mutual funds is based on quoted market prices at the reporting date.
- Fair value of debt instruments is estimated based on discounted cash flows valuation technique using the cash flow projections, discount rate and credit risk.
- Fair value of the share buy back obligation is estimated based on discounted cash flow valuation technique using cash flow projections and financial projections/budgets approved by the management.

c) Following table describes the valuation techniques used and key inputs thereto for the level 3 financial assets / liabilities as of 30 September 2019 and 31 March 2019:

Financial assets	Valuation technique(s)	Key input(s)	Sensitivity
- Investment in debt instruments of subsidiaries	Refer Note below*	i) Discount rate ii) Growth rate for long term cash flow projections iii) Future cash flow projections based on budgets approved by the management.	Refer note below**
Financial liabilities			
-Share buy back obligation	Refer Note below*	i) Discount rate ii) Growth rate for long term cash flow projections. iii) Future cash flow projections based on budgets approved by the management.	Refer note below**

* The fair values of financial assets and financial liabilities included in level 3 have been determined in accordance with generally accepted pricing models based on a discounted cashflow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counter parties.

** Sensitivity to changes in unobservable inputs: The fair value of these financial assets and financial liabilities is directly proportional to the estimated future cash flow projections based on the budgets approved by the management. If the cash flow projections were to increase / decrease by 1% with all the other variables held constant, the fair value of these financial assets and financial liabilities would increase / decrease by 1%.

d) Reconciliation of level 3 fair value measurements

	Investment in debt instruments			
	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Opening balance	95.39	80.34	90.39	65.34
Loss recognised in profit or loss	-	-	-	-
Additions	13.00	15.00	18.00	30.00
Closing balance	108.39	95.34	108.39	95.34
	Share buy back obligation			
	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Opening balance	-	2,727.59	-	3,729.30
Loss recognised in profit or loss	-	-	-	652.63
Additions	-	-	-	-
Disposals/Extinguishment	-	-	-	-
Conversion of preference shares into equity shares during period	-	(2,727.59)	-	(4,381.93)
Closing balance	-	0.00	-	0.00

e) During the period ended 30 September 2019 and 30 September 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurements.

31 Capital management

The Company manages its capital to ensure that the company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of net debt (Debts (Refer Note 14) offset by cash and bank balance (Refer Note 11)) and total equity of the company. The Company is not subject to any externally imposed capital requirements.

The Company reviews the capital structure on a regular basis. As part of this review, the Company considers the cost of capital, risks associated with each class of capital requirements and maintenance of adequate liquidity.

Gearing ratio

The company monitors capital on the basis of the following gearing ratio:

Net debt (total borrowings net of cash and cash equivalents) divided by Total equity (as shown in the balance sheet). As at 30 September 2019 and 31 March 2019, the outstanding debt was INR Nil.

32 Financial risk management objectives and policies

The Company is exposed to market risk, credit risk and liquidity risk. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

i) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and bank balances, trade receivables and security deposits.

The carrying amounts of financial assets represent the maximum credit risk exposure.

Credit risk management considers available reasonable and supportive forward-looking information including indicators like external credit rating (as far as available), macro-economic information (such as regulatory changes, government directives, market interest rate).

Trade receivables

The Company primarily collects consideration in advance for the services to be provided to the customer. As a result, the Company is not exposed to significant credit risk on trade receivables.

Cash and cash equivalents, bank deposits and investments in mutual funds

The Company maintains its cash and cash equivalents, bank deposits and investment in mutual funds with reputed banks and financial institutions. The credit risk on these instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Security deposits

The Company monitors the credit rating of the counterparties on regular basis. These instruments carry very minimal credit risk based on the financial position of parties and Company's historical experience of dealing with the parties.

ii) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

Ultimate responsibility for liquidity risk management rests with the board of directors, who has established an appropriate liquidity risk management framework for the management of the Company's short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

32 Financial risk management objectives and policies (Cont'd)

Maturities of financial liabilities

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Contractual maturities of financial liabilities

	Within 1 year	Between 1 and 5 years	Total
30 September 2019			
Trade payables	158.97	-	158.97
Lease and other financial liabilities	304.85	137.02	441.87
	463.82	137.02	600.84
31 March 2019			
Trade payables	126.67	-	126.67
Lease and other financial liabilities	297.96	2.84	300.81
	424.63	2.84	427.48

iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include foreign currency receivables, deposits, investments in mutual funds.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). The Company's exposure to unhedged foreign currency risk as at 30 September 2019 and 31 March 2019 has been disclosed in note below. Currency risks related to the principal amounts of the Company's US dollar trade receivables.

Unhedged foreign currency exposure

	As at 30 September 2019	As at 31 March 2019
Trade receivable	USD 0.04 (INR 3.11)	USD 0.03 (INR 2.40)

Sensitivity

	Impact on profit/(loss) before tax			
	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
USD sensitivity				
INR/USD - increase by 2%	0.06	0.07	0.06	0.07
INR/USD - decrease by 2%	(0.06)	(0.07)	(0.06)	(0.07)

Interest rate risk

Investment of short-term surplus funds of the Company in liquid schemes of mutual funds provides high level of liquidity from a portfolio of money market securities and high quality debt and categorized as 'low risk' product from liquidity and interest rate risk perspectives.

Sensitivity

	Impact on profit/(loss) before tax	
	For the six months ended 30 September 2019	For the six months ended 30 September 2018
+ 5% change in NAV of mutual funds	358.96	224.71
- 5% change in NAV of mutual funds	(358.96)	(224.71)

33 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company has only one business segment which is business-to-business e-marketplace, which acts as an interactive hub for domestic and international buyers and suppliers and operates in a single business segment based on the nature of the products, the risks and returns, the organization structure and the internal financial reporting systems. Hence the company falls within a single operating segment "Business to business e-marketplace".

Information about geographical areas:

The company's revenue from continuing operations from external customers by location of operations and information of its non-current assets by location of assets are detailed below:

	Revenue from external customers				Non-current assets*	
	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018	As at 30 September 2019	As at 31 March 2019
India	1,520.69	1,191.30	2,957.11	2,298.95	304.40	97.53
Others	8.27	8.18	14.99	15.98	-	-
	1,528.96	1,199.48	2,972.10	2,314.93	304.40	97.53

* Non-current assets exclude financial instruments, deferred tax assets and post-employment benefit assets.

34 Related party transactions

i) Names of related parties and related party relationship:

a) Entity's subsidiaries & associates	Subsidiaries	
		Hello Trade Online Private Limited
		Tradezeal International Private Limited
		Ten Times Online Private Limited
		Tolexo Online Private Ltd
		Pay With Indiamart Private Limited
	Associates	Simply Vyapar Apps Private Limited

b) Individuals owning directly or indirectly, an interest in the voting power of the Company that gives them Significant Influence over the Company and Key Management Personnel (KMP)

Name	Designation
Dinesh Chandra Agarwal	Managing Director
Brijesh Kumar Agrawal	Whole time director
Prateek Chandra	Chief financial officer
Manoj Bhargava	Company Secretary (appointed w.e.f 04 June 2018)
Dhruv Prakash	Non-executive director
Rajesh Sawhney	Independent director
Elizabeth Lucy Chapman	Independent director
Vivek Narayan Gour	Independent director(appointed w.e.f 30 April 2018)

c) Entities where Individuals and Key Management Personnel (KMP) as defined in note above exercise significant influence

Mansa Enterprises Private Limited

d) Other related parties*

Indiamart employee benefit trust (seperately administered Trust to manage employees share based payment plans of the company)

Indiamart InterMesh Employees Group Gratuity Assurance Scheme (seperately administered Trust to manage post employment defined benefits of employees of the company)

*Refer Note 28 for information and transactions

ii) Key management personnel compensation

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Short-term employee benefits	28.62	25.44	56.54	51.32
Post-employment benefits	0.84	0.07	0.98	0.08
Other long-term employee benefits	3.66	(0.98)	4.76	(0.22)
Employee share based payment expense	2.31	0.16	3.93	0.41
	35.43	24.69	66.21	51.59

34 Related party transactions (Cont'd)

The following table provides the total amount of transactions that have been entered into with the related parties for the relevant financial period:

Particulars	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
Entities where KMP and Individuals exercise Significant influence				
<u>Expenses for rent</u>				
Mansa Enterprises Private Limited	0.74	0.74	1.48	1.78
Key management personnel				
<u>Recruitment and training expenses</u>				
Dhruv Prakash	0.70	0.30	1.30	0.70
Director's sitting fees	0.51	1.31	1.17	2.22
Associates				
<u>Investment in associates</u>				
Simply Vyapar Apps Private Limited	312.02	-	312.02	-
Subsidiary companies				
<u>Investment in subsidiaries</u>				
Tolexo Online Pvt. Ltd	13.00	10.00	13.00	20.00
Tentimes Online Pvt. Ltd	-	-	-	2.50
Pay With Indiamart Pvt. Ltd	-	5.00	5.00	10.00
<u>Web services provided to</u>				
Pay With Indiamart Pvt. Ltd	1.00	0.30	1.92	0.47
<u>Support services provided to</u>				
Tentimes Online Pvt. Ltd	-	0.03	-	0.05
<u>Customer support services availed from</u>				
Pay With Indiamart Pvt. Ltd	0.28	-	0.65	-
<u>Indiamart employee benefit trust</u>				
Interest free Loan given	1.50	-	1.50	-
Share capital issued	1.45	-	1.45	-

Terms and conditions of transactions with related parties

The transactions with related parties are entered on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period/year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The following table discloses amounts due to or due from related parties at the relevant year/period end:

	As at 30 September 2019	As at 31 March 2019
Balance Outstanding at the year end		
Subsidiary companies		
<u>Investment in subsidiaries</u>		
Tolexo Online Pvt. Ltd	130.40	117.40
Tradezeal International Pvt. Ltd	1.10	6.10
Hello Trade Online Pvt. Ltd	0.30	0.30
Pay With Indiamart Pvt. Ltd	49.00	44.00
Tentimes Online Pvt. Ltd	3.10	3.10
Associates		
<u>Investment in associates</u>		
Simply Vyapar Apps Private Limited	312.02	-
<u>Amount recoverable</u>		
Tolexo Online private limited	-	1.52
<u>Loan given</u>		
Indiamart employee benefit trust	1.50	-

The company has incurred IPO related expenses, in trust on behalf of related parties (Managing Director and Whole time Director) as selling shareholders in Offer for Sale. The amount recoverable in NIL as on 30 September 2019 (also refer Note 8(c)).

35 The Company has reported following function wise results of operations on voluntary basis

The management has presented the below function wise results because it also monitors its performance in the manner explained below and it believes that this information is relevant to understanding the Company's financial performance. The basis of calculation is also mentioned for the reference.

	For the quarter ended 30 September 2019	For the quarter ended 30 September 2018	For the six months ended 30 September 2019	For the six months ended 30 September 2018
A Revenue from operations	1,528.96	1,199.48	2,972.10	2,314.93
B Customer service cost	(415.61)	(370.78)	(818.35)	(732.96)
C Surplus over customer service cost (A-B)	1,113.35	828.70	2,153.75	1,581.97
Selling & Distribution Expenses	288.94	238.85	535.92	485.30
Technology & Content Expenses	286.82	259.67	554.38	490.09
Marketing Expenses	15.69	13.06	27.25	28.80
Depreciation & Amortization	49.87	9.75	93.65	16.57
Other operating expenses	152.33	86.82	291.07	215.62
D Total	793.65	608.15	1,502.27	1,236.38
E Operating profit (C-D)	319.70	220.55	651.48	345.59
Finance costs	(6.29)	-	(10.74)	-
Net (loss)/gain on financial liability measured at FVTPL	-	-	-	(652.63)
Other income	203.36	85.02	345.88	127.16
F Total	197.07	85.02	335.14	(525.47)
G Profit/(loss) before tax	516.77	305.57	986.64	(179.88)
Tax expense/(credit)	106.95	95.38	245.61	162.03
Tax expense/(income) related to change in tax rate/laws	314.08	-	314.08	-
Profit/(loss) for the period	95.74	210.19	426.95	(341.91)

Below is the basis of classification of various function mentioned above:

Customer service cost

Customer service cost primarily consists of employee benefits expense for employees involved in servicing of our clients; website content charges (included in "Content development expenses" in Note 25); PNS charges i.e. rental for premium number service provided to our paying suppliers (included in "Buyer Engagement Expenses" in Note 25); SMS & Email charges i.e. cost of notifications sent to paying suppliers through SMS or email (included in "Buyer Engagement Expenses" in Note 25); Buy Lead Verification & Enrichment- MP i.e. costs incurred in connection with the verification of RFQs posted by registered buyers on Indiamart and provided to our paying suppliers as a part of our subscription packages (included in "Customer Support Expenses" in Note 25); other expenses such as rent, power and fuel, repair & maintenance, travelling & conveyance allocated based on employee count; collection charges; domain registration & renewal charges (included in "Internet and other online expenses" in Note 25) for our clients.

Selling & Distribution Expenses

Selling & Distribution Expenses primarily consists of employee benefits expense for employees involved in acquisition of new paying suppliers; Outsourced sales cost i.e. costs incurred in connection with our outsourced telephone sales team and field sales team, other expenses such as rent, power and fuel, repair & maintenance, travelling & conveyance allocated based on employee count.

Technology & Content Expenses

Technology and content expenses include employee benefits expense for employees involved in the research and development of new and existing products and services, development, design, and maintenance of our website and mobile application, curation and display of products and services made available on our websites, and digital infrastructure costs; Data Verification & Enrichment i.e. amount paid to third parties to maintain and enhance our database (included in "Content development expenses" in Note 25); PNS charges i.e. rental for premium number service provided to our free suppliers (included in "Buyer Engagement Expenses" in Note 25); SMS & Email charges i.e. cost of notifications sent to buyers and free suppliers through SMS or email (included in "Buyer Engagement Expenses" in Note 25); Buy Lead Verification & Enrichment- MP i.e. costs incurred in connection with the verification of RFQs posted by registered buyers on Indiamart and provided to our free suppliers (included in "Customer Support Expenses" in Note 25); other expenses such as rent, power and fuel, repair & maintenance, travelling & conveyance allocated based on employee count; Complaint Handling (1-800) Exp. (included in "Customer Support Expenses" in Note 25); Server Exp. (Web Space for Hosting), Software Expenses, Server Exp. (Google Emails-Employees) & Website Support & Maintenance (included in "Internet and other online expenses" in Note 25).

Marketing Expenses

While most of our branding and marketing is done by our field sales representatives though face to face meetings with potential customers (included in Selling & Distribution Expenses), our branding is aided by our spending on marketing, such as targeted digital marketing, search engine advertisements and offline advertising, and we also engage in advertising campaigns from time to time through television and print media. Employee benefits expense for employees involved in marketing activities are also included in the marketing expenses.

Other Operating Expenses

Other operating expenses primarily include employee benefits expense for our support function employees; expenses such as rent, power and fuel, repair & maintenance, travelling & conveyance allocated basis employee count; browsing & connectivity-branch & employees (included in "Internet and other online expenses" in Note 25); telephone expenses-branch & employee (included in "Communication Costs" in Note 25); recruitment and training expenses; legal and professional fees and other miscellaneous operating expenses.

36 Sale of disposal group

The Company has transferred its travel marketplace related business, 'Hello Travel' to Hellotravel Online Private Limited ('HOPL'), as a going concern through a slump sale, through a business purchase agreement dated June 21, 2018 ('BPA'), and such business transfer was effective from the transfer date, i.e. 1 July 2018.

The consideration for the transfer of Hello Travel is INR 6.80 million, which has been recognized through Statement of profit and loss and disclosed under "Gain from business transfer arrangement". Management does not believe that the transfer will have a significant impact on its business or results of operations.

The major classes of assets and liabilities of Hello travel as on the transfer date (i.e 1 July 2018) are as follows:

Assets	Amount
Property, plant and equipment (including software)	0.29
	<u>0.29</u>
Liabilities	
Trade payables	3.70
Provision for gratuity	1.01
Provision for leave encashment	0.27
Deferred revenue	14.64
	<u>19.62</u>
Net liability payable	<u><u>(19.33)</u></u>

37 Contingent liabilities and commitments**a) Contingent liabilities**

On February 28, 2019, a judgment of the Supreme Court of India interpreting certain statutory defined contribution obligations of employees and employers altered historical understandings of such obligations, extending them to cover additional portions of the employee's income. However, the judgment isn't explicit if such interpretation may have retrospective application resulting in increased contribution for past and future years for certain employees of the Company. The Company, based on an internal assessment, evaluated that there are numerous interpretative challenges on the retrospective application of the judgment which results in impracticability in estimation of and timing of payment and amount involved. As a result of lack of implementation guidance and interpretative challenges involved, and also in view of certain stakeholders' request to reevaluate the pronouncement itself, the Company is unable to reliably estimate the amount involved. Accordingly, the Company shall evaluate the amount of provision, if any, on obtaining further clarity on the matter.

b) Capital and other commitments

- As at 30 September 2019, the company has estimated amount of contract remaining to be executed on capital account not provided for, net of advance is Nil (31 March 2019: Nil).
- The company will provide financial support to its wholly owned subsidiaries, so as to meet its liabilities as and when the same is required.

38 The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases using modified retrospective approach, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has resulted in recognising a right-of-use asset of INR 204 Million and a corresponding lease liability of INR 224 Million by adjusting retained earnings net of taxes of INR 16 Million [the impact of deferred tax created INR 9 Million] as at April 1, 2019. The Company has also reclassified its leasehold land amounting to INR 36 Million as right-of-use asset. In the statement of profit and loss of the quarter and six months ended September 30, 2019, the nature of expenses in respect of operating leases has changed from lease rent (in other expenses) into depreciation cost against the right-of-use asset and finance cost against interest accrued on lease liability (Refer note 5B for details).

The impact on the statement of Profit and Loss for the quarter and six months ended 30 September 2019 is as below:

Particulars	For the quarter ended 30 September 2019	For the six months ended 30 September 2019
Rent, rates & taxes expenses are lower by	48.25	93.06
Depreciation is higher by	(39.27)	(75.51)
Finance Cost is higher by	(6.29)	(10.74)
Other Income higher by	0.78	0.78
Profit Before tax is higher/ (Lower) by	3.47	7.59

The Company has discounted lease payments using the applicable incremental borrowing rate as at April 1, 2019, which is 9.75% for measuring the lease liability.

The Company has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116.

- 39** a) During the period ended 30 September 2019, the Company modified the classification of amount payable to employees from 'Trade payable' to 'Payable to employees' classified in 'other financial liabilities' to reflect more appropriately the nature of such amounts payable. Comparative amounts in the notes to the interim standalone financial statements were reclassified for consistency. As a result INR 297.48 millions as at 31 March 2019 was reclassified from 'Trade payable' to 'Payable to employees'.
- b) During the period ended 30 September 2019, the Company modified the classification of provision for service tax from 'Trade payable' to 'Provision-others' classified in 'Provisions' to reflect more appropriately the nature of such amounts provided in books of account. Comparative amounts in the notes to the interim standalone financial statements were reclassified for consistency. As a result INR 15.38 millions as at 31 March 2019 was reclassified from 'Trade payable' to 'Provision-others' as on 30 September 2019.
- c) During the period ended 30 September 2019, the Company modified the classification of 'Net gain on disposal of current investments, and Fair value gain/(loss) on financial assets measured at FVTPL' from 'Net gain/(loss) on financial assets measured at FVTPL' to 'Other income' to reflect more appropriately the nature of such amounts. Comparative amounts in the notes to the interim standalone financial statements were reclassified for consistency. As a result INR 71.13 millions and INR 107.37 millions for the quarter and six months ended 30 September 2018 were reclassified from 'Net gain/(loss) on financial assets measured at FVTPL' to 'Other income'.

IndiaMART InterMESH Limited**Notes to Standalone Interim Financial Statements for the period ended 30 September 2019**

(Amount in INR million, unless otherwise stated)

40 Details of dues to micro and small enterprises as defined under MSMED Act 2006:

	As at 30 September 2019	As at 31 March 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting period		
- Principal amount due to micro and small enterprises	-	-
- Interest due on above	-	-
	-	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting period	-	-
The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting period	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-
	-	-
	-	-

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No.: 101248W/ W-100022

Jiten Chopra

Partner

Membership No.: 092894

UDIN:

Place:

Date: 22 October 2019

For and on behalf of the Board of Directors of
IndiaMART InterMESH Limited**Dinesh Chandra Agarwal**
(Managing Director & CEO)
DIN:00191800**Brijesh Kumar Agrawal**
(Whole-time Director)
DIN:00191760**Prateek Chandra**
(Chief Financial Officer)**Manoj Bhargava**
(Company Secretary)

Place: Noida

Date: 22 October 2019