

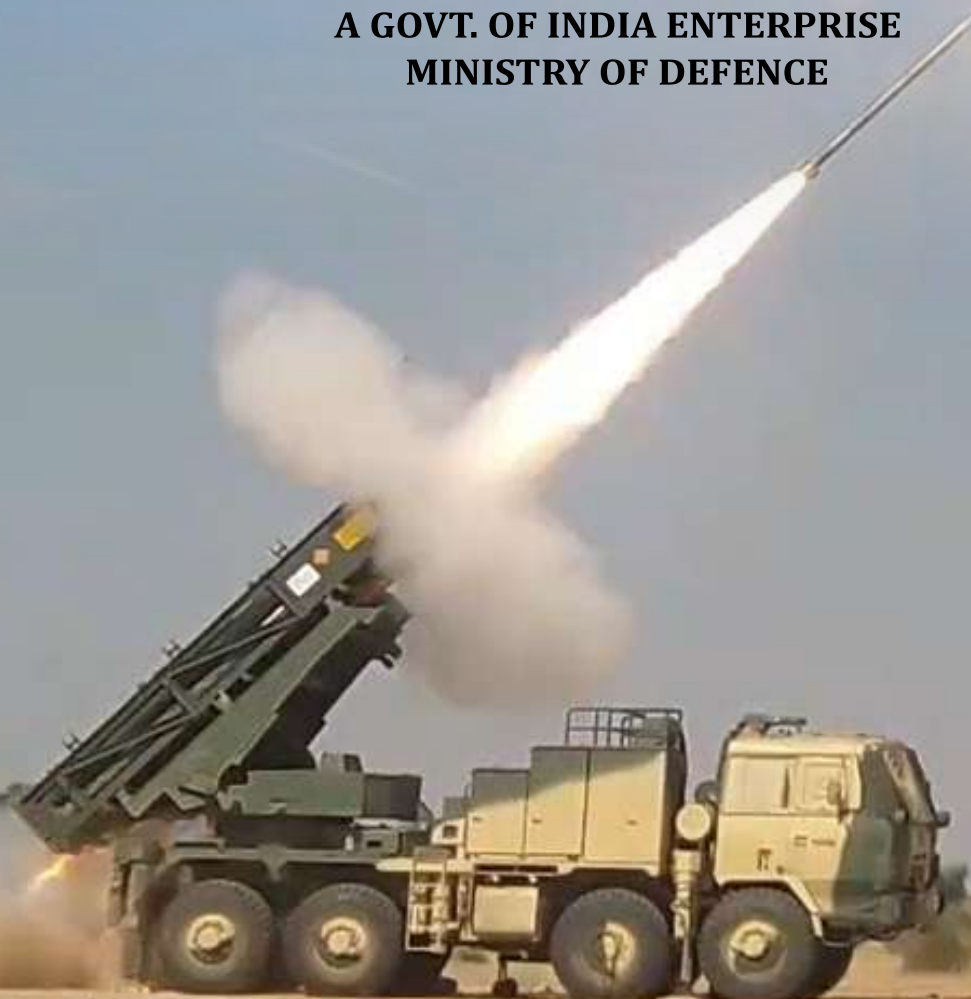


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# म्यूनिशन्स इंडिया लिमिटेड MUNITIONS INDIA LIMITED

A GOVT. OF INDIA ENTERPRISE  
MINISTRY OF DEFENCE



1<sup>ST</sup> ANNUAL REPORT 2021-22



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To provide competitive edge to the Armed Forces by equipping them with modern and quality battlefield ammunition.



## VISION



## MISSION

To be a prominent patron of AtmaNirbhar Bharat Abhiyan and Make in India Initiative in Ammunition sector.

To establish and retain leadership in domestic market as the most reliable and preferred partner of our defence and homeland security agencies and develop MIL into an international class ammunition manufacturing company.

To create and strengthen Brand MIL by providing superior value for money and meeting the expectations of stakeholders.

To be a learning organization with global competencies, committed to creativity and innovation.





## CHAIRMAN'S STATEMENT



On behalf of the Board of Directors of Munitions India Limited (MIL), I am happy to present the report on MIL for the period 17<sup>th</sup> August 2021 to 31<sup>st</sup> March 2022.

Based on the decision of the Union Cabinet, MIL was carved out of erstwhile OFB and the operations of the newly formed company were started from 1<sup>st</sup> Oct 2021. At the time of formation, MIL had the strength of 23,620 employees. The Government decided the corporate office of MIL at Pune. When the company started functioning, we all had lot of apprehensions. The sustainability the viability and availability of work load were some of the areas which were being debated at various forum. On 1<sup>st</sup> October 2021, we embarked upon a new journey wherein the Government has given us decent work load for next five years. Our order book was Rs. 23,954 Crore which was to be discharged in next five years.

Any transition phase is a very critical and complex process having multiple challenges requiring new business strategies. Some of these challenges were adapting new accounting procedures, quality management systems, stores procurement procedures, enhanced delegation of financial powers etc. I am proud to share that MIL has successfully overcome these challenges with the collective efforts and teamwork of MIL family.

The order book as on 1<sup>st</sup> Oct 2021 was skewed and the work load was not evenly distributed among various factories. The work load for Small Arms ammunition (AFK, OFV, OFI) and High calibre ammunition (OFCH, OFBOL, OFDR, CFA) were not sufficient to engage the entire workforce of these factories. The immediate challenge before us was to organize the work load for these factories. The Team at corporate office swung into action from day one to widen the customer base including the export market. Based on the survey of the international market and its scientific analysis, MIL could secure export orders worth over Rs 600 crore within first four months; thus, providing a big relief to these factories. The efforts for improving the order book position continued and these brought rich dividends. Today when we are just one year old, we have export order book of over Rs 1500 Crore. The journey is still continuing.





For production of ammunition, the most important things are the skill set and updated infrastructure. While we are proud to have a dedicated and highly knowledgeable & skilled work force, the requisite infrastructure needed revamping. For manufacture of BMC Sat OF Nalanda, the decision on procurement of deficit plants was hanging for last more than a decade due to various reasons. I am happy to inform that during first four months of its inception, MIL has placed the purchase orders for these much-awaited plant and the same are planned to be received by March 2024. Based on the product profile of the company in future, the requirement of Single Base Propellant would increase substantially. Accordingly, the procurement case for the plant, which was also pending for last many years, has been finalized and the plant is planned to be available to OF Bhandara w.e.f. April 2024. Taking into consideration the market scenario, Team at corporate office has projected the requirement of various types of ammunition in both domestic and international market. Based on this the plan to modernize and augment the capacities of some of the plants has been chalked out.

Development of new products is going to be the key to success in today's competitive business environment. For this, MIL has entered into various MoUs with academia and Indian industry for exchange of technical know-how. During this period, MIL has successfully established the production of following major ammunition:

PINAKA Extended Range Rocket  
PINAKA DPICM Rocket  
Grenade 40 mm – various versions  
Multi-Mode Hand Grenade  
Fuze PDM557 for 155 mm  
Aerial Bomb 500 Kg etc.

I am also happy to share with you that MIL has started getting the orders for above ammunition from domestic and overseas customers.

Human resource is the asset of the organisation and a well-trained, motivated and inspired work force is very important. Since we operate in a specific technology area “Ammunition Production”, the human resource has to be developed in this domain. Accordingly, on the request of MIL, IIT Madras has started a M.Tech course in Ammunition Technology from September 2022 where in this year 10 candidates have been sponsored. This course is open to all employees of the company. Similarly, NADP has obtained permission from AICTE to start PGDM course in Defence Production Management wherein the company would be sponsoring its candidates for this niche course.

OFIL Khamaria another flagship institute of MIL, is also working in this direction and is in dialogue with academic institutions for similar courses. MIL has encouraged online courses for its employees and during the year over 2000 employees have taken non-line training in various areas.

During six months of last financial year (Oct-2022 to March 2022), despite lot of limitations, the company has achieved a reasonable value of sales and have registered net profit.



Post corporatization, the factories have been given full responsibility for quality of products. This is a huge opportunity with us to prove our competence and capability. Quality Manual has accordingly been published through which a uniform quality management system has been established in all MIL factories. I am sure that with the commitment of our employees, we will be able to discharge this responsibility to the fullest satisfaction of our esteemed customers.

Consultative mechanism at MIL corporate office level has been constituted for employees' participation in the areas of production, Development of new products, Order Book position, Productivity, Safety etc. To motivate Team MIL and to recognize the good work done by its members, new award system has also been introduced.

Many companies aspire to change the world. But very few have all the elements required: Talent, Resources, and Perseverance. I can say with confidence and conviction that we have all the three in abundance and have proved it many times earlier also. Let's build on this foundation together.

On behalf of the Board of Directors and all officers of the Company, I would like to convey my sincere gratitude to the Hon'ble Union Minister for Defence Shri. Rajnath Singhji and Minister of State for Defence Shri. Ajay Bhattji for the immense support and guidance received from them. I am also deeply grateful to Dr. Ajay Kumar, Defence Secretary, Govt. of India for his support and trust in the functioning of the Company. I shall be failing in my duties, if I do not place on record the unstinted support received from Shri. Sanjay Jaju, Addl. Secretary/ DP, Ministry of Defence which has enabled MIL to overcome the challenges at various stages of journey. I would also like to thank Shri. Surendra Prasad Yadav, JS (LS), Ministry of Defence and other officers of DDP who have supported MIL through their continuous guidance.

I would also like to express my thanks and appreciation to my esteemed colleagues on the Board and to all employees of MIL, as also to other stake holders of the Company for their valuable support and co-operation to the company.

**(Ravi Kant)**

Chairman and Managing Director



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## Corporate Information

### BOARD OF DIRECTORS

**Shri Ravi Kant**

Chairman and Managing Director (CMD)

**Shri Debashish Banerjee**

Director/Human Resources

**Shri Sushanta Kumar Rout**

Director/Operations

**Shri Vivek Chandra Verma**

Director/Finance

(w.e.f.01.10.2021 to 20.05.2022)

**Shri Prakash Agarwala**

Director/Finance & CFO

(w.e.f. 14.06.2022)

**Shri Surendra Prasad Yadav**

Joint Secretary (LS)

Govt. Nominee Director

(w.e.f. 30.11.2021)

### CHIEF VIGILANCE OFFICER

**Shri Mahesh Chandra**

### COMPANY SECRETARY

**Shri E J Paul**

(w.e.f. 11.07.2022)

### SECRETARIAL AUDITOR

**M/s A K Rastogi & Associates**

Ghaziabad

### STATUTORY AUDITOR

**M/s P G Bhagwat**

Pune

### CHIEF INTERNAL AUDITOR

**Shri Ajay Kumar Singh**

Khamaria, Jabalpur

### BANKERS

State Bank of India





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## BRANCH AUDITORS

---

**M/s. Khire Khandekar & Kirloskar**  
Chartered Accountants, Pune

**M/s. S P C M & Associates**  
Chartered Accountants, Pune

**M/s. L K Maheshwari & Co.**  
Chartered Accountants, Jabalpur

**M/s. Thakker & Sanghani**  
Chartered Accountants, Coimbatore

**M/s. Sami & Rajhu**  
Chartered Accountants, Tiruchirapalli

**M/s. A P Agarwal & Associates**  
Chartered Accountants, Nagpur

**M/s. Nitin Alshi & Associates**  
Chartered Accountants, Nagpur

**M/s. S P A N & Co.**  
Chartered Accountants, Chandrapur

**M/s. Mishra Badhai & Associates**  
Chartered Accountants, Sambalpur

**M/s. M A K K S & Co.**  
Chartered Accountants, Hoshangabad

**M/s. M K Singh & Co.**  
Chartered Accountants, Patna

**M/s. Badale Mahale & Co.**  
Chartered Accountants, Jalgaon



## Head of Units (AS ON 14-03-2023)

### Manufacturing Units of MIL

1. **Shri Sanjay Hazari**  
General Manager  
Ammunition Factory, Khadki, Pune
2. **Shri Pankaj Goel**  
General Manager  
Cordite Factory, Aruvankadu
3. **Dr Abdul Samad Khan**  
General Manager  
High Explosives Factory, Khadki, Pune
4. **Shri N. K. Agarwal**  
General Manager  
High Energy Projectile factory, Thiruchirappali
5. **Shri P. K. Dash**  
General Manager  
Ordnance Factory, Badmal
6. **Shri P. K. Meshram**  
General Manager  
Ordnance Factory, Bhandara
7. **Shri Bijoy Kumar**  
General Manager  
Ordnance Factory, Chanda
8. **Shri Sanjeev Gupta**  
Sr. General Manager  
Ordnance Factory, Dehu Road
9. **Shri S P Shendre**  
General Manager  
Ordnance Factory, Itarsi
10. **Shri Ashok Kumar**  
General Manager  
Ordnance Factory, Khamaria
11. **Shri M. N. Haldar**  
General Manager  
Ordnance Factory, Nalanda
12. **Shri Prakash Chandra Nanda**  
General Manager  
Ordnance Factory, Varangaon

### Non-Manufacturing Units of MIL

1. **Shri D. C. Srivastava**  
General Manager  
NADP, Ambajhari
2. **Shri Gyaneshwar Tyagi**  
General Manager  
OFIL, Khamaria
3. **Smt J. V. Thakur**  
OIC  
MILCOS, Pune



### Registered Office

Ammunition Factory, Khadki, Pune,  
Maharashtra-411 003  
CIN No.U29190PN2021GOI203505

### Corporate Office

2<sup>nd</sup> Floor, Nyati Unitree, Nagar Road,  
Yerwada, Pune-411 006  
☎ 020-67080400  
✉ mil-pune@munitionsindia.in  
<https://munitionsindia.in>

### Manufacturing Units of MIL

1. **Ammunition Factory, Khadki**  
Pune – 411 003, Maharashtra
2. **Cordite Factory, Aruvankadu**  
Aruvankadu - 643 202, Tamil Nadu
3. **High Explosives Factory, Khadki**  
Pune – 411 003, Maharashtra
4. **High Energy Projectile Factory**  
Thiruchirappali – 620 025, Tamilnadu
5. **Ordnance Factory, Bhandara**  
Bhandara – 441 906, Maharashtra
6. **Ordnance Factory, Badmal**  
Badmal, Bolangir - 767 070, Odisha
7. **Ordnance Factory, Chanda**  
Chanda – 442 501, Maharashtra
8. **Ordnance Factory, Dehu Road**  
Pune – 412 101, Maharashtra
9. **Ordnance Factory, Itarsi**  
Itarsi – 461 122, Madhya Pradesh
10. **Ordnance Factory, Khamaria**  
Jabalpur – 482 005, Madhya Pradesh
11. **Ordnance Factory, Nalanda**  
Rajgir - 803 121, Bihar
12. **Ordnance Factory, Varangaon**  
Varangaon – 425 308, Maharashtra

### Non-Manufacturing Units of MIL

1. **National Academy of Defence Production**  
Ambajhari, Nagpur- 440 021, Maharashtra
2. **Ordnance Factories Institute of Learning**  
Khamaria, Jabalpur – 482 005, M. P.
3. **MIL Controllerate of Safety**  
Khadki, Pune-411 003, Maharashtra





## BOARD OF DIRECTORS



### Shri Ravi Kant, I.O.F.S

Chairman and Managing Director (CMD)

Shri Ravi Kant is a Mechanical Engineer with post graduate qualification in Production Engineering. He has experience in Defence Production industry for over 35 yrs. He joined Indian Ordnance Factories through UPSC Engineering services examination as Assistant Works Manager in the year 1987 and has risen. During this journey since then, he worked in different capacities in the production and planning of Ammunition (both explosives & hardware) & Armament for over 2 decades. He has served as Secretary/Ordnance Factory Board for 5 yrs. He has been actively involved in Transfer of Technology of various weapon systems and ammunition to OFB. He has visited Defence manufacturing factories in Russia, Israel, Belgium, Italy, Brazil, France, US, UK etc for Transfer of Technology.

He has worked as Joint Secretary in Ministry of Defence in New Delhi. During this period he was responsible for Ex Servicemen Welfare and capital acquisition of Naval systems, Electronic Warfare System for Tri Services. During this period, he was actively associated in formulation of Strategic Partnership model.

He worked as General Manager of Ordnance Factory Khamaria, Jabalpur from Aug 2019 to Sept 2021. This factory is the largest factory in India engaged in production of various types of ammunition for Army, Navy and Air Force.

Shri Ravi Kant, took over as first CMD of newly created Defence Public Sector Enterprise ,Munitions India Limited (MIL) Pune on 1st Oct 2021.





**Shri. Debashish Banerjee**  
Director/Human Resources

Shri Debashish Banerjee, is a Mechanical Engineer with Post Graduate qualification in Maintenance Management (M.Tech) and Social Science (M.Phil). He has done course on Management of Technologist from IIM, Bangalore and Post Graduate Diploma in Public Administration from Indian Institute of Public Administration, New Delhi. He has experience in Defence Production Industry for more than 33 years. He joined the Indian Ordnance Factories Services through UPSC (Engineering Services) Examination, as Assistant Works Manager in the year 1989 at Ordnance Factory Dum Dum situated at West Bengal. During his journey of over 3 decades, he has worked in Ammunition & Explosive Group, Weapon Group, Armoured Vehicle Group of Factories. During this journey he worked at different levels at various production units almost in every area i.e Production, Planning, Quality Control, Engineering, Maintenance, Administration, Provision & Information Technology.

Shri Banerjee worked as General Manager of Engine Factory Avadi from September, 2020 to September 2021. This Factory is engaged in production of engine for Tank T-72, Tank T-90 and BMP II Vehicle. During this period the factory achieved 100% indigenization of its input components.

Shri Banerjee, took over as the first Director/HR of newly created Defence Public Sector Enterprise, Munitions India Limited, Pune on 1st October, 2021.



**Shri. Sushanta Kumar Rout**  
Director/Operations

Shri S K Rout is B. Sc Engineering (Mechanical) with post graduate in MBA from IGNOU. He has experience in Defence Production Industry for over 33 yrs. He joined Indian Ordnance Factories through UPSC Engineering services examination as Assistant Works Manager in the year 1989 at Rifle Factory Ishapore, situated at West Bengal. He worked various production units at different levels in the area of production, planning, maintenance of plants, safety & quality for almost 2 decades.

He has also served at National Academy of Defence Production, Ambajhari (a single Institute for training of IOFS & Allied Estt. officers) as Additional Principal Director for 3 & ½ yrs and organized various Management Development Programme (MDP) for service officers & senior lever officers. He has visited Defence manufacturing factories in Russia & France for Transfer of Technology.

He worked as General Manager of Ordnance Factory Varangaon from December 2020 to Sept. 2021. This factory is engaged in manufacturing of small arms ammunition viz 5.56mm & 7.62mm ball powder ammunition for our Defence forces.

Shri S K Rout, took over as first Director/Operations of newly created Defence Public Sector Enterprise, Munitions India Limited (MIL) Pune on 1st Oct 2021.





**Shri. Vivek Chandra Verma**

Director/Finance

(w.e.f.01.10.2021 to 20.05.2022)

Shri Vivek C. Verma, an IOFS Officer of 1991 Batch, He is a B. Tech in Mechanical Engineering from IET Lucknow and M. Tech in Design Engineering from IIT, Delhi. His posting was at Vehicle Factory Jabalpur from 1993 to 2005. He was project officer for establishing manufacture of new generation vehicles at VFJ.

He was on deputation in Ministry of Defence (Directorate of Planning & Co ordination), New Delhi from 2005 to 2009. He contributed immensely towards indigenous manufacture of equipment for Land Systems and Military Technical Cooperation with other countries.

Thereafter he was posted to Ordnance Factory Kanpur in 2009. He played a pivotal role in development and manufacture of Ordnance for Dhanush and 130/ 155mm Upgun.

Subsequently he took over the responsibility of Secretary, Ordnance Factory Board in 2017. In this post he was nodal for all the corporate level policy formulations. The tenure also witnessed transition of Ordnance Factories from a government department to a corporate entity.

He has widely travelled across the globe contributing towards military cooperation with various countries. At the organization level, he is proud recipient of awards as **'Best Manager in All Ordnance Factories' in 2013** and **Ayudh Bhushan in 2020 by OFB**. He took over as the first Director (Finance) of the Munitions India Limited, Pune, a newly created entity carved out of the Indian Ordnance Factories.



**Shri. Prakash Agarwala**

Director/Finance & CFO

(w.e.f. 14.06.2022)

Shri Prakash Agarwala is a graduate in Mechanical Engineering from NIT Kurukshetra & MBA from IIM, Kolkata. He is an IOFS officer of 1990 batch.

After completion of his training at NADP, Ambajhari, Nagpur, he joined at erstwhile Ordnance Factory Board (OFB) in 1992, where a new division of Marketing & Export was being set up. He has a vast experience of Marketing, Export and International Cooperation during his long stint at erstwhile OFB. He was decorated with the prestigious "Ayudh Bhushan" Award also during this period.

He has also worked in the areas of Material Management, Production Planning, Quality Control etc. at the factory level at Ordnance Equipment Factory, Kanpur and thereafter at OEF Headquarters, Kanpur

He served at erstwhile OFB, Kolkata again as Deputy Director General of Marketing & Export for three years till 2021 before joining the newly created DPSU, Munitions India Limited (MIL) at Pune, as General Manager, Business Development & Finance.

He has a wide international exposure having visited around 25 countries for Defence Export promotion and International cooperation.

Shri Prakash Agarwala, took over as Director/Finance at MIL on 16th June, 2022. He is also the Chief Finance Officer (CFO) of MIL.





Shri Surendra Prasad Yadav has been appointed as a Government Nominee Director on the Board of Company.

Shri Surendra Prasad Yadav is qualified in B.Tech and M.Tech and 1996 batch Indian Forest Service (IFS) Officer of West Bengal cadre. He has previously worked in Department of Forest, Government of West Bengal, in different capacities i.e. Divisional Forest Officer and Chief Conservator of Forest.

He also worked as Executive Director in West Bengal Industrial Development Corporation for more than 7 years.

Presently, he is working as Joint Secretary (Land Systems) in Department of Defence Production, Ministry of Defence, Govt. of India

**Shri. Surendra Prasad Yadav**

Joint Secretary (LS)  
Govt. Nominee Director  
(w.e.f. 30.11.2021)



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## ABOUT US

Munitions India Limited [MIL] is a Defence Public Sector Enterprise [CPSE] under the ministry of Defence, Government of India.

MIL, the India's biggest manufacturer and market leader is engaged in Production, Testing Research & Development and Marketing of comprehensive range of ammunition & explosives for Army, Navy, Air force & Para-Military Forces.

With Corporate Office at Pune (India), MIL in its 12 state-of-the-art manufacturing units located across the country employs skilled workforce of around 23,000. These factories have proven integrated base for production of Small, Medium & High calibre ammunition, Mortars, Rockets, Hand Grenades etc. with in-house manufacturing of Initiatory Compositions, Propellants and High Explosives for over 150 years. Our primary objective is to provide competitive edge to the Armed Forces by equipping them with modern and quality battlefield ammunition.

Our foreign customers include countries located in North America, South America, Europe, Africa and Asia. The patronage we receive from our customers both in India and abroad reflects their faith in quality of our products and services. We are the force behind the Armed Forces.

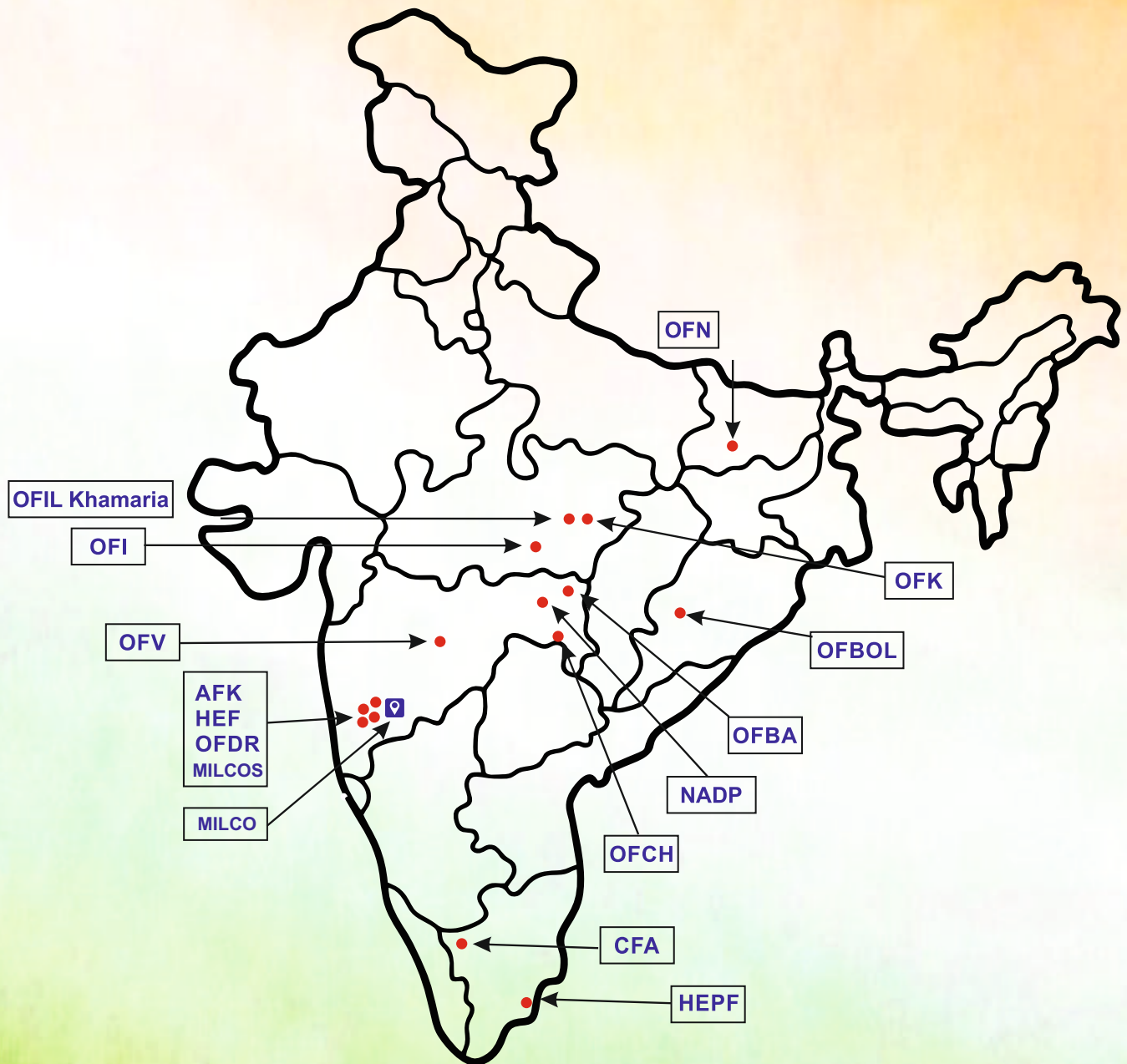
MIL with its 12 manufacturing units provide:

- A broad and versatile production base with multi-technology capabilities
- State-of-the-art manufacturing facilities
- Large pool of skilled and professionally qualified manpower and managerial personnel
- Strict adherence to quality standards (all units are ISO-9000 certified)
- Original as well as adaptive Research & Development to make need-base refinement and modifications
- A strong base for industrial training & testing





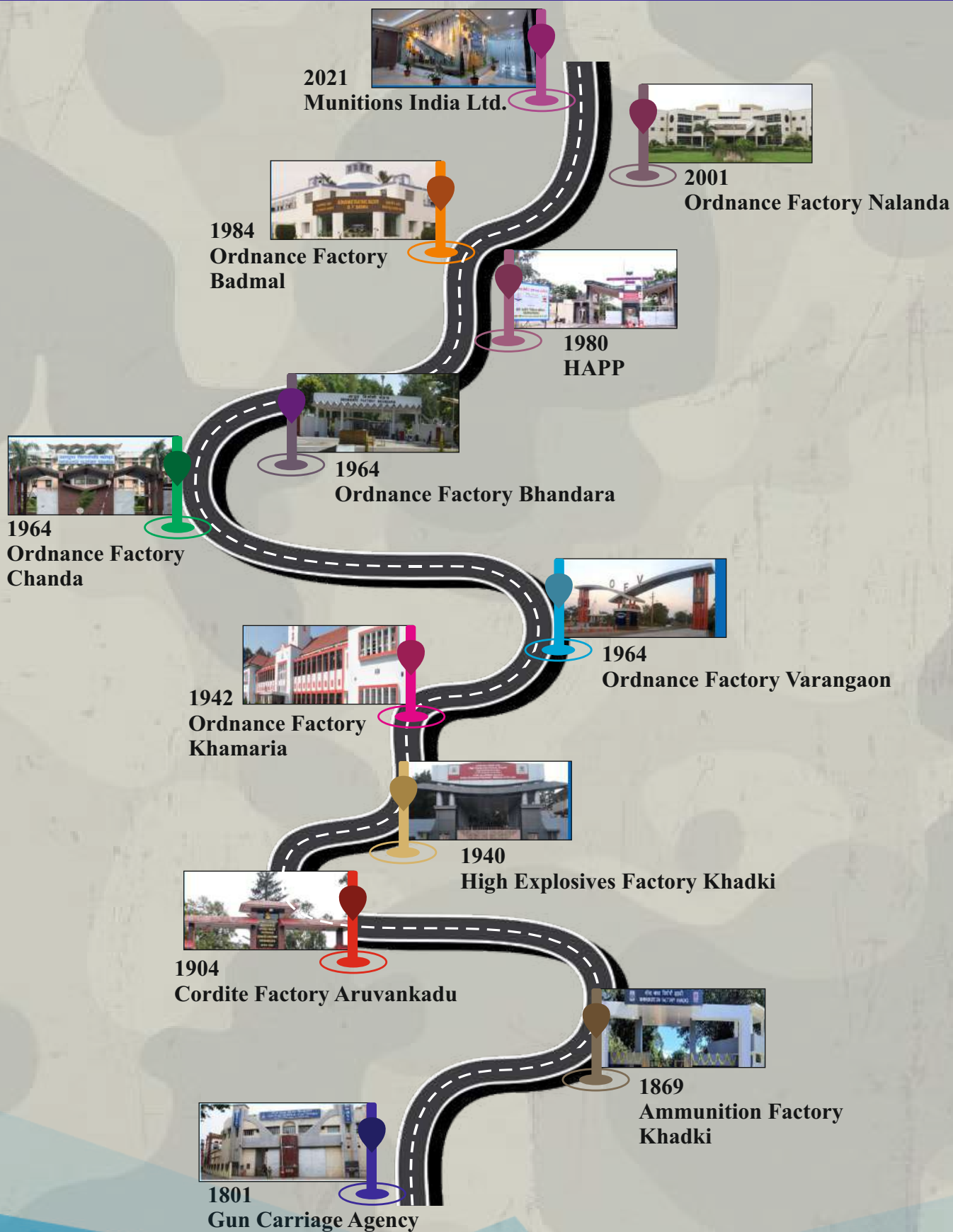
## MIL FOOTPRINTS PRODUCTION & NON PRODUCTION UNITS







## MIL JOURNEY





MIL's Product portfolio includes ammunition, explosives, pyrotechnics, and other defense-related products. Munition India Limited is known for its high-quality products that meet the strict standards and requirements of the Indian Armed Forces, Para Military Forces & Exports.

Cartg. SA 5.56 x 45mm  
M193 Ball

Cartg. SA 5.56mm  
M855/SS109 Ball

Cartg. 7.62 x 39mm

Cartg. SA 9 mm Ball

Cartg. SA 9 mm Tracer

Cartg. 14.5 mm TAPD

Cartg. SA 7.62 mm Blank

Cartg. SA 303 mm Ball

Cartg 20mm AMR HE/I      Cartg 20mm AMR SAPHEI      Cartg 20mm AMR TPT

Cartg 30mm BMP APT      Cartg 30mm BMP HEI      Cartg 30mm ADEN PRACT

Cartg 40mm L70 HET      Cartg 40mm PFFC

84 mm HEAT651

84 mm TPT 65

84 mm HE 441B

84 mm SMOKE 469 C

84mm HEAT 551

84 mm HEAT 751

84 mm HEDP 502

The image displays a variety of paintball equipment. The top row features five paintball markers, each with a specific color and design. Below each marker is a label indicating the paintball size and the marker's name. The bottom row shows several paintball chargers and a stack of paintball containers, all labeled with their respective capacities and names.

Marker	Paintball Size	Paintball Color
Shell 155 mm HE ERW BT	155 mm	Yellow
Shell 155 mm Illuminating ERW	155 mm	Purple
Shell 155 mm HE ERW OB	155 mm	Yellow
Shell 155 mm HE MCT7B	155 mm	Orange
Shell 155 mm Searing Smoke ERW	155 mm	Green
Shell 155 mm HE M107	155 mm	Orange

Charge 9

Charge 8

Charge M42

Bi Modular Charge System

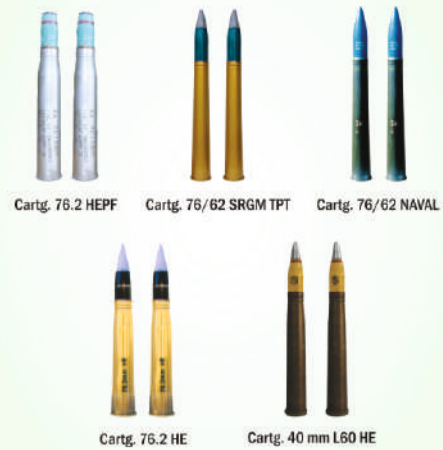


## PRODUCT PROFILE

### MORTAR BOMBS



### NAVAL AMMUNITION



### GRENADES



### AERIAL BOMBS







## PRODUCT PROFILE

### ROCKET PINAKA



### TANK AMMUNITION



### EXPLOSIVES



### SMOKE & PYROTECHNICS



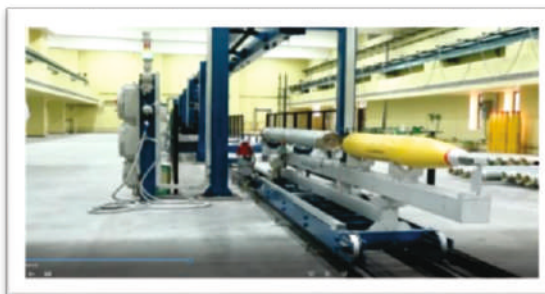


## MODERNIZATION

### PINAKA

The production capacity of Multi Barrel Rocket System PINAKA was augmented from 1000 to 2500 rockets per annum.

HEPF Trichi, OF Chanda, OF Dehuroad, and OF Itarsi are engaged in the production of this Rocket.



### Pinaka Rocket Assembly Line





## MANGO PROJECT

The AMK-339 FSAPDS (MANGO) as per the requirement of Army, the capacity for manufacture of 125 mm FSAPDS ammunition, the main ammunition for Tank T-72 and T-90, is being set up as per the technology given by Russia.



Polishing Drum for SBP



Centrifuge



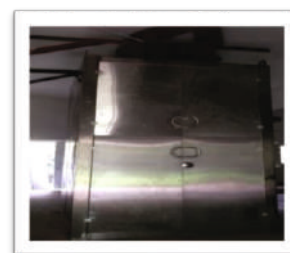
Kneading



Table Dryer



DPA Mixer.



Dry Curing Cabinet



Sintering Process



MANGO Manufacturing Process





### 30 mm BMP-II Ammunition

Ordnance Factory Khamaria has indigenously designed the assembly line for manufacture of 30 mm BMP-II ammunition. The plant was fabricated by Indian industry based on the know how provided by OF Khamaria. This is the shining example of hand holding of Indian industry by OFK in developing the new technology.



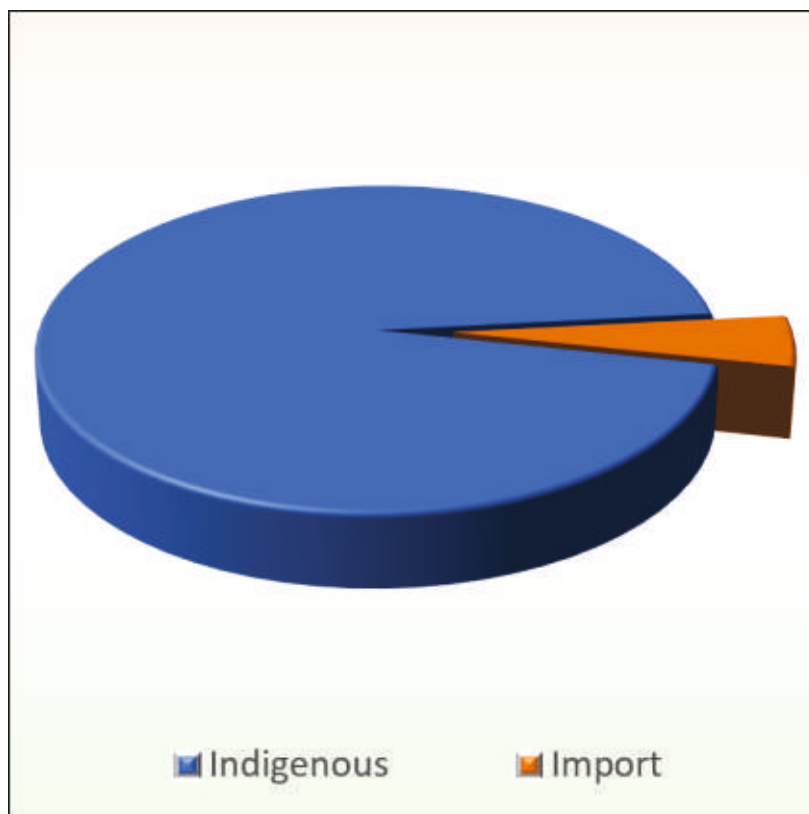


## MAJOR ACHIEVEMENTS

### Research & Development

#### Indigenisation... “*Atmanirbhar Bharat*”

Current Indigenisation Content – 95%



#### Products Developed Successfully

- Grenade 30 mm for Automatic Grenade Launcher
- Grenade 40 mm for Multi Grenade Launcher and Under Barrel Grenade Launcher
- Grenade 40 X 53 mm
- Cartridge 7.62 X 39 mm with higher muzzle velocity
- PINAKA extended range Rocket
- 500 Kg General Purpose Aircraft Bomb
- Fuze 557



## Products Under Development

- **Dual Purpose Improved Conventional Munition (DPICM) Warhead**
- **Multi Influence Ground Mine (MIGM)**
- **Varunastra Warhead**
- **Propellant for HEAT -751, HEDP-502 & SMOKE-469C Ammunition**
- **125 mm FSAPDS Ammunition (Depth of Penetration 550 mm)**
- **Fuze for Air Force Bombs**
- **Drone Delivered Ammunition (Delivery System with Homing & Guidance)**



Drone Delivery Ammunition and its platform

It is an alternate delivery system of ammunition to keep our manned aircraft away from enemy's long-range missile & weapons near to battlefield.





### ➤ 155mm Smart Ammunition:



155 mm smart ammunition enables the capability enhancement of Artillery guns by allowing precision strikes and simultaneously reducing collateral damage.

### 70mm Rocket for Air force:-

The 70mm Rockets are used primarily in the air to ground role. These rockets can perform anti-personnel, air to ground suppression and illumination.



The major component of 70mm rocket are:



## Exports



Munitions India Limited bagged Runners up Award From Hon'ble Raksha Mantri During the DEFEXPO 2022 for achievements in export (Under Category - Large Scale Enterprises)





## Major Events

### Beginning of Munitions India Ltd.







## Major Events

### Celebrating The Foundation Day of Munitions India Limited





## Major Events

### आज़ादी का अमृत महोत्सव CELEBRATING INDIA @ 75

A dedicated week from 13<sup>th</sup> to 19<sup>th</sup> December 2021 for commemoration of “Azadi Ka Amrit Mahaostav” was celebrated by Factories / Units under Munitions India Limited (MIL). MIL had organized local public exhibitions at 8 (Eight) production units and a newly curated Museum at Ammunition Factory Khadki, Pune was also inaugurated.







## NOTICE TO FIRST ANNUAL GENERAL MEETING

Notice is hereby given that the First Annual General Meeting of Munitions India Limited will be held on Wednesday, 21<sup>st</sup> December, 2022 at 11.00 am through Video Conference to transact the business mentioned herein below-

### Ordinary Business

1. To read, consider and adopt the Director's Report, Audited Statement of Profit & Loss and Cash Flow Statement for the period ended 31<sup>st</sup> March, 2022. Balance Sheet as on 31<sup>st</sup> March, 2022 and Auditors' Report and the comments of the Comptroller and Auditor General of India thereon and to pass with or without modification the following Resolution as Ordinary Resolution.

**“RESOLVED THAT** the Audited Balance Sheet as on 31<sup>st</sup> March, 2022, Statement of Profit & Loss and Cash Flow Statement for the period ended 31<sup>st</sup> March, 2022 together with Director's Report and the Auditors' Report and the comments of the Comptroller and Auditor General of India are hereby read, considered and adopted”.

By Order of the Board of Directors  
For Munitions India Limited

(E. J. Paul)  
Company Secretary

Place: Pune  
Date: 29/11/2022

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member.
2. Members can attend and participate in the ensuing First Annual General Meeting through Video Conference.
3. The attendance of the members attending the First Annual General Meeting through VideoConference will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
4. The members will be allowed to pose questions during the course of the meeting. The queries can also be given in advance at [finance@munitionsindia.in](mailto:finance@munitionsindia.in).
5. The link to access through Video Conference shall be shared two days before the meeting.





## DIRECTORS' REPORT

To,

**The Shareholders  
Munitions India Limited**

The Directors have pleasure in presenting the 1<sup>st</sup> Annual Report together with Audited accounts of your Company for the period August 17, 2021 to March 31, 2022.

The Cabinet Committee on Security (CCS) in its meeting held on 29.07.2020 approved to convert Ordnance Factory Board (OFB), an Attached Office of Ministry of Defence into one or more than one 100% Government owned corporate entities registered under the Companies Act 2013.

The Cabinet meeting held on 16.06.2021 approved to convert 41 production units of OFB into 07 Defence Public Sector Undertakings (DPSUs) and accordingly the Office Memorandum No.1(5)/2021/OF/DP(Plg-V) Dt.21.06.2021 was issued by the Department of Defence Production.

Munitions India Limited (MIL) is one of such 07 DPSUs, with its corporate office located in Pune.

MIL, the India's biggest manufacturer and market leader is engaged in Production, Testing, Research & Development and Marketing of comprehensive range of ammunition & explosives for Army, Navy, Air Force, Para-Military Forces, Police Forces and Exports.

Formation of Munitions India Limited (MIL) after being carved out of erstwhile OFB has resulted in transformation of existing set-up into a corporate entity and is at a crucial stage of transition. Any transition is a very critical & complex process having many challenges and requires implementation of various business strategies to handle the transition for putting the company in the best possible position with the new ownership team.

The change is always difficult. Some of the initial challenges were adapting to procedural changes like change of tax regime, financial accounting, commercial accounting etc and to reduce bureaucratic administrative procedures. Motivating the existing employees amidst the perceived apprehensions regarding uncertain future of the corporation was also a big challenge.



In order to ensure faster decision making, Board in its first meeting delegated adequate financial powers to various authorities at the unit level. The cases which earlier were being finalized at OFB level, are now being finalized at the unit level.

The organisation structure at the unit level was revamped and the major change was designating the Junior Works Manager (Selection Grade) as Divisional Officers and accordingly the requisite financial powers have also been delegated.

MIL is committed to make its contribution in protecting the environment. In pursuit to that the use of technology such as e-mail etc. for speedy communication and approval are being encouraged. The same has now become the part of MIL's work culture.

Transparency is key to business development in the long run. Actively pursuing transparent business process, particularly in the area of material procurement, a new 'Stores Procurement Manual' has been incorporated. The manual has been drafted taking into consideration the best practices being followed in Govt. of India and other PSUs. The directives of MoF, DDP and CVC as issued from time to time have been suitably incorporated in the manual. This has brought enhanced transparency and efficiency, resulting in speedy procurement actions. The same has helped in improving the availability of raw material for production activities.

Alongwith transition from govt organization to DPSU, MIL has been effectively contributing to various Govt. missions like, Swacchh Bharat Abhiyan, Mission Raksha Gyan Shakti (MRGS), Mission Karmayogi (EDP, MDP), Skill India Mission (Pradhan Mantri Kushal Vikas Yojana), AtmaNirbhar Bharat etc.

MIL has participated in various defence exhibitions at national & international level where the products of MIL were highly appreciated.

I am happy to inform that the company has registered a **Profit**(after Tax) of **INR 18.10 Crores** during its first six months of business i.e from **August 17, 2021 to March 31, 2022**. Despite the negative cascading effect on various business/production activities due to COVID-19, the company was able to make profit by reducing the expenditure and adopting the innovative management practices.

## 1. HIGHLIGHTS:

### 1.1 **Transfer of Assets and Liabilities:**

Department of Defence Production vide Office Memorandum No.1(5)/2021/OF/DP(Plg-V)/01 Dt. 24.09.2021 decided dissolution of Ordnance Factory Board and transfer of assets and liabilities of Ordnance Factory Board to new Defence Public Sector Undertakings and Directorate of Ordnance (Coordination & Services). Accordingly, the assets and liabilities of the following Production and non-production units were transferred to Munitions India Limited.





### Production Units:

- i. Ammunition Factory Khadki
- ii. Cordite Factory Aruvankadu
- iii. High Energy Projectile Factory Tiruchirappalli
- iv. High Explosive Factory Khadki
- v. Ordnance Factory Bhandara
- vi. Ordnance Factory Bolangir
- vii. Ordnance Factory Chanda Chandrapur
- viii. Ordnance Factory Dehu Road
- ix. Ordnance Factory Itarsi
- x. Ordnance Factory Khamaria
- xi. Ordnance Factory Nalanda
- xii. Ordnance Factory Varangaon

### Non-production units:

- i. Ordnance Factories Institute of Learning, Khamaria
- ii. National Academy of Defence Production, Ambajhari
- iii. Regional Controllerate of Safety, Pune
- iv. Regional Marketing Centre, Pune

## 2. FINANCIAL REVIEW:

### 2.1 Summary of Financial Results

The summary of financial results of the company for the period August 17, 2021 to March 31, 2022 is given below:

INR in Crores

Particulars	Values
Gross Income	2618.38
EBIDTA	110.41
Financial Expenses	Nil
Depreciation & Amortisation	85.02
Profit/(Loss) Before Tax	25.40
Provision for Tax, etc.	7.30
Profit/(Loss) After Tax	18.10
Less: Profit/(loss) Brought forward	Nil
Balance Carried to Balance Sheet	18.10

### 2.2 Growth

For sustained growth of the company, efforts are being made to widen the customer base and develop the new products. Since, the Government has approved export of Defence items, the Company would also like to focus on this area for its growth.

### 2.3 Net Worth

The net worth of the company as on March 31, 2022 is INR 6549.75 Crores.



## 2.4 Foreign Exchange (Earnings and Outgo):

Earnings are in the form of USD, EURO

Expenditure is for USD, EURO, SEK

	Earnings	Expenditure
For the period August 17, 2021 to March 31, 2022	INR 26.19 Crores	INR 245.31 Crores

## 3. ANNUAL RETURN:

As required under the provisions of the Section 92(3) of the Companies Act, 2013, the Annual Return of the Company for the period August 17, 2021 to March 31, 2022 is displayed on the website [www.munitionsindia.co.in](http://www.munitionsindia.co.in).

## 4. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134 (3) (c) of the Companies Act, 2013, it is hereby confirmed that –

- 4.1 In the preparation of the Annual Accounts for the period August 17, 2021 to March 31, 2022, the applicable accounting standards have been followed, along with proper explanation relating to material departures.
- 4.2 Such accounting policies are selected and applied consistently, and judgments and estimates made that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company at the end of the financial year, and of the profit or loss of the company for that period.
- 4.3 Proper and sufficient care is taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.
- 4.4. The annual accounts have been prepared on a going concern basis.
- 4.5 Proper systems have been devised and are being improved further to ensure compliance with the provision of all applicable laws.

## 5. ACTIVITIES OF THE COMPANY:

### 5.1 PRODUCTION:

The company in its 12 states of the art manufacturing units, located across the country with total employee of around 23000, produces various kinds of ammunition and explosives. It is the India's biggest manufacturer and market leader engaged in Production, Testing, Research & Development and Marketing of comprehensive range of ammunition & explosives for Army, Navy, Air force, Para-Military Forces and Exports. The company possesses proven integrated base for production of Small, Medium & High Calibre Ammunition, Mortars, Rockets, Hand



Grenades etc. with in-house manufacturing of Initiatory Compositions, Propellants and High Explosives for over 150 years. The company strictly adhere to Quality standards. All the units of the company are ISO 9001 certified.

## Details of Production and non-Production units:

### PRODUCTION UNITS



#### Ammunition Factory Khadki (AFK)

AFK, located in the city of Pune, came into being on 16th December 1869 as a Small Arms manufacturing unit of the British Government. Regular production of ammunition cartridge using gun powder commenced in 1872. In 1886, manufacture of Cartg. 0.303" was established using cordite (made from nitrocellulose and nitroglycerine paste) propellant. In 1914 there was an expansion of manufacturing facilities at AFK & different types of primary explosives like mercury fulminate, lead azide, lead styphnate and filling of caps, detonators, percussion fuzes & different pyrotechnic stores were introduced at AFK for meeting the requirements of war in

Asia & Africa. The factory is a leader in manufacture of various types of Small Arms Ammunition being used by various Armed Forces and Police Forces.



#### Cordite Factory Aruvankadu (CFA)

CFA, located in the hilly region of Nilgiris, Tamil Nadu was established in the year 1904. CFA possessed the necessary advantages of good climatic condition suitable for propellant manufacture, own reservoir for water supply and Madras Regimental Centre which is located about 5 KM for the security. CFA is the pioneer in the manufacture of quality propellants for different type of Ammunitions including 105mm, 120mm, 130mm, 155mm, Propellant for naval ammunition and small arms. The latest addition of Triple Base propellant for Bi modular Charges for 155mm Ammunition is great achievement of CFA.





**High Explosive Factory Khadki (HEF)**

HEF was planned as a separate unit in the Pre-World War-II years, 1935-40 for manufacture of high explosives (TNT & CE) and Initiators required for AFK. Its foundation stone was laid on January 11<sup>th</sup>, 1940 at Western bank of Mula river at a site where the "Battle of Khadki" was fought between the valiant Marathas and British army in 1817. Major production at HEF started during 1942-44. Since its inception, it has been playing a major role in defence preparedness of our country. HEF produces High Energy Materials, TNT, Liquid Propellants.



**High Energy Projectile Factory (HEPF)**

HEPF [formerly Heavy Alloy Penetrator Project (HAPP)], is a premier unit manufacturing Anti-Tank Kinetic Energy Projectiles namely Fin Stabilized Armour Piercing & Discarding Sabot (FSAPDS) of various caliber. This is the only Unit manufacturing FSAPDS shots in the country. During early 1980s DRDO established this integrated manufacturing facility for FSAPDS ammunition. This ammunition is a nightmare for the enemy and has got the capability to destabilize the enemies Battle Tank by sheer Kinetic Energy. Besides Kinetic Energy Projectiles, HEPF is also engaged in the manufacture of various Tungsten Alloy based component

The factory is located in a rural setting and is about 21 KM away from Tiruchirappalli Railway station and 17 Km away from the Airport.



**Ordnance Factory Bhandara (OFBA)**

OFBA is situated in the District Bhandara in the State of Maharashtra on Kolkata-Mumbai National Highway at 18 kms west of Bhandara township and 55 kms east of Nagpur City. The factory is considered as mother of all propellant factories as it produces a large variety of propellants. It has multi- dimensional product-matrix ranging from Acids to High Explosives and various propellants with highest quality standards. The testing facilities in its well-equipped laboratories have been accredited by NABL.



### Ordnance Factory Badmal, (OFBL)

historical Gandhamardan Range and flanked by two tributary rivers, the LANTH and the TEL, of the Mahanadi River System. The factory produces various kind of ammunition used by Mechanised Forces, Artillery and Engineers regiments of the Army.



### Ordnance Factory Chanda, (OFCH)



### Ordnance Factory Dehu Road (OFDR)

used here are very sensitive and have high energy content, the safety of production processes is very critical.

OFBL was set up in the State of Orissa with state-of-the-art technology machine supplied by M/s Day and Zimmermann, USA, M/s Josef Meissner, Germany, M/s HAKO, Switzerland and M/s KINTEX, Bulgaria. Late Prime Minister Smt. Indira Gandhi laid the foundation stone of this Factory on October 29th 1984. The vision of setting up a huge ammunition factory dedicated to manufacture of medium and heavy calibre ammunition has brought this backward region of KBK belt of Orissa to lime light. The project sanction came in 1989. The Factory is situated in the Bolangir district of Orissa with a spread of 12,200 acres encompassing hills & hillocks of

The Ordnance Factory Chanda Project was sanctioned in the year 1964 and the initial production commenced in 1970. The factory was designed as medium and high calibre ammunition manufacturing unit with the necessary auxiliaries for the producing explosives and non-explosive components such as initiator, primer, cap, fuze, paper component & packages. OFCH is situated 135 KM from Nagpur due south and 28 KM from Chandrapur due north.

Services had indicated that Night Warfare will become pre-dominant in future and as such, Production of various Pyrotechnic Ammunition items for Night Warfare had to be established in India to achieve the much-needed self-sufficiency in this vital field. The necessity for the establishment of this new factory was considered during the Defence Ministry Production and Supply Committee meeting and the project was sanctioned by the Government in Jan 1977. The factory is engaged in the manufacture of various kinds of Pyrotechnic Ammunition. It is the only factory in the country producing this kind of ammunition. Since the materials





**Ordnance Factory Itarsi (OFI)**

After reviewing requirements of Propellant for High Caliber Ammunitions via-a-vis then capacities available in 1969-70 in Ordnance Factories, a new propellant factory was considered necessary and OFI was set up. OFI manufacture Double and Triple base Propellant and the Cast and Case Bonded Propellant required for various types of Rockets and Missiles for all the three Services. Safety & Human Resource Development are the basic & vital concerns of the factory. Research & Development are the areas of its endeavour.



**Ordnance Factory Khamaria (OFK)**

Explosive Filling and Ammunition Assembly for all the three Services and Para-Military Forces.

OFK was set up in the year 1943 during World War-II as one of the Eastern Group Projects to meet the requirements of Ammunition for Allied Forces. After Independence, the product range of the Factory was diversified to meet the operational requirements of different Services and Para Military Forces. During Chinese War in 1962 and Pakistan Wars in 1965 and 1971, the Factory was further expanded to meet the new demands of Army, Air Force and Navy. At present this is the biggest ammunition factory in the country. The present production activity of the Factory is a combination of Hardware Component Manufacturing,



**Ordnance Factory Nalanda (OFN)**

Ordnance Factory Nalanda, the latest addition to the ammunition manufacturing factories in the country. It is located at Rajgir in district Nalanda of Bihar and is engaged in manufacture of latest technology propellant. The project was sanctioned on 29.11.2001 for establishing modern technology in the field of propellant manufacture of Bi-Modular Propellant for 155mm Artillery Gun with a moderately vast area of approximately 3000 Acres.





**Ordnance Factory Varangaon (OFV)**

OFV was established in 1964 immediately after Chinese aggression mainly for undertaking the manufacture of 7.62mm Ammunition to replace 0.303" Cartridges which acts the primary ammunition of Indian Army till then. The production started in the year 1965 with the plant & machines received under U.S. aid. After development of Indian National Small Arms System (INSAS) by DRDO, OFV established the production line for manufacture of its ammunition. Currently the factory is engaged in production of various types of small Arms ammunition used by Armed and Police forces.

### NON-PRODUCTION UNITS:



**Ordnance Factories Institute of Learning, Khamaria (OFILKH)**

OFILKH was established as Regional Training Institute, Khamaria (RTI, KH) on 1st April, 1996 and subsequently renamed as OFILKH, Jabalpur, for imparting training to and undertaking developmental activities in respect of Group B and C employees. This institute has the expertise to impart training in the field of chemicals and explosives. Apart from the above, induction training for newly recruited Chargeman (chemist) is also conducted by this institute on manufacture of chemicals, explosives, ammunition components, different types of ammunitions and related safety aspects etc.



**National Academy of Defence Production (NADP)**

NADP is the premier training Institute, with the mandate to impart both induction and in-service training to Indian Ordnance Factories Service (IOFS) and Indian Ordnance Factories Health Service (IOFHS) officers. Set up as Ordnance Factories Staff College (OFSC) in the year 1978 for providing institutionalized training to the fresh entrants and in-service Officers of IOFS; it was rechristened as National Academy of Defence Production (NADP) in the year 2003. With the motto 'Vidya Amritam' (Knowledge Eternal), the Academy is committed to the philosophy of 'Excellence through Learning'. The Academy has evolved over the years to meet the fast-changing needs of the organization and to equip its Officers with adequate techno-managerial skills.



The safety in explosive production is of paramount importance and no slackness in the same can be accepted. Accordingly, MIL-COS was established on 02/03/2001 for monitoring matters concerning:

Explosive Safety  
Electrical Safety  
Industrial Safety  
Environmental Safety  
Explosive & Hazardous Waste Management

### Munitions India Limited-Controllerate of Safety (MIL-COS)

## 5.2 ACCREDITATION AND CERTIFICATIONS:

All twelve units of MIL are having following certifications:

CERTIFICATION	VERSION	UNITS
Quality management system (QMS)	ISO 9001:2015	All Units of MIL
Environment management System (EMS)	ISO 14001:2015	All Units of MIL
Occupational Health & Safety Management System (OHSMS)	ISO 145001:2018	All Units of MIL
National Accreditation Board for testing and Laboratories (NABL)	ISO/IEC/17025	All Units of MIL
Aerospace QMS	AS9100D	AFK, Pune
Energy and Management Systems (EnMS)	ISO 50001:2018	All Units of MIL

## 6. MISSION RAKSHAGYAN SHAKTI:

Ministry of Defence, Department of Defence Production (MoD, DDP) has initiated **MISSION RAKSHAGYAN SHAKTI** in the month of Apr 2018, with a primary objective of Boosting IP culture and to promote creation of Intellectual Property in the Defence production sector, in line with the national policy on IPR to encourage and assist the Defence Public Sector Units (DPSUs), Defence establishments and their creative/ innovative officials towards IPR regime.



To achieve realistic self-reliance in Defence sector, the company is trying to generate more and more Patents by in-house R&D efforts and further to ensure its timely commercialization by the Indian Defence industries for use by the Armed Forces. Towards this MIL set target of R&D expenditure as 1 % of total revenue for FY 2022-23 & 2 % for FY 2023-24.

The company has conducted series of IPR training programs to train the employees in all the units. The knowledge base developed during the trainings has created the awareness among the employees to capture the innovative ideas/IPs within the organization. Till date approx. 2679 employees have been trained.

The company has also facilitated the vendors on IPR related activities by conducting comprehensive training sessions at their premises/ online trainings and during vendors' meet & till date approx. 637 vendors registered with various units are trained.

Our mission is to promote more and more innovation and indigenization of various Ammunitions & Explosives and we are very confident that the on-going efforts of the company will continue to create IP assets while promoting an innovative culture for organizational benefit.

## 7. DETAILS OF IPR FILING WITH IPO AFTER MRGS TILL DATE

Patent		Ind. design		Copyright		Trademark		Total	
Filed	GTD	Filed	Regd.	Filed	Regd.	Filed	Regd.	Filed	Regd.
142	01	28	03	47	21	42	23	259	48

### Status of IP creation for FY 2022-23

IP filed by MIL Till date (26-12-2022) 156 Nos.

Target Given by MoD for FY 2022-23 104 Nos.

## 8. NOTABLE INNOVATIONS BY OFBa

Title: Cord with non-explosive crystalline chemical and its application.

Patent No.: 360600

Date of Grant: 09.03.2021.

Short Title: Cord Drill

Description of the Cord:

The cord with non-explosive crystalline material wherein free flowing crystalline chemical like Penta-erythritol (PE) is directly incorporated in the spoon double layer cotton yarn cord and insulation is carried out with PVC coating. A ridge is created throughout the cord length w. r. t. symmetrical cord diameter of the live detonating cord and easy identification of non-explosive cord by trained army





personnel. More conversantly it will be used for training purpose.

The said cord is imitation of live cord and capable of being used for training purpose to the newly joined state services person (e. g. Army, State Police, Paramilitary Forces under MHA) for creating awareness, likely hazards etc. This will help to reduce the accident during handling of live detonating cord and ultimately save the human being from unexpected harm.

The Cord Drill has been developed and issued Qty. 8161 Mtrs. to Army against their demand.

CORD REEL

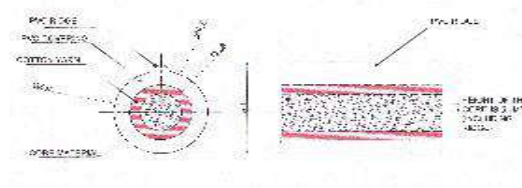


RIDGE



#### Technical Details

- Charge Mass of PE : 5.67gm/meter.
- Over all diameter : 5.0 to 5.5 mm
- Ridge :  $1.0 \pm 0.2$  mm



## 9. HUMAN RESOURCE DEVELOPMENT:

### 9.1 Schedule Caste / Schedule Tribe Reservation:

The directives issued by the Government of India regarding reservation for SC/ST in appointment and promotions to various posts were complied with.

### 9.2 Training & Human Resource Development:

The company has signed MoU with IIT Madras for conducting “Web-enabled M.Tech in Ammunition Technology”. 10 (Ten) personnel of the company have been nominated and sponsored for the first batch which commenced in August 2022.

National Academy of Defence Production (NADP), the training institute of the company has received AICTE approval for conducting "Post Graduate Diploma in Management (Business Management)", a 2-years fully residential programme with a focus on Defence industries, for the students including executives aspiring to make/advance their career in the field of management.



The contribution of the company for developing Skill through Training.

- i) In-house HRD Centers are set up at various factories/units of the company for imparting skill training to own employees as well as for training of trade apprentices in various trades.
- ii) Ordnance Factories Institute of Learning, Khamria (OFILKH) is in process of getting affiliation with NIELIT for starting Digital Learning Courses.
- iii) The training for developing skills of the employees of the company is being provided in the areas of Maintenance, Safety, IPR, Firefighting, Administration, IT.
- iv) ITI trade apprentices (other than the company employees) are being trained in the Trades of Chemical (AOCP), Mechanical (Machinist, Turner, Fitter, Welder etc.), Electrical (Electrician), Civil (Plumber, Mason etc.).

To motivate human resources and keep their morale high new award & reward system has been introduced.

### 9.3 Industrial Relations:

Industrial relations continued to be healthy, cordial and harmonious.

Consultative Mechanism at the Corporate Office level has been constituted for industrial relations / industrial harmony. For contributing in the development and growth of the company, the participation of employees is ensured through this forum.

## 10. MEMORANDUM OF UNDERSTANDING WITH MINISTRY OF DEFENCE:

No Memorandum of Understanding with Ministry of Defence was entered into for the period August 17, 2021 to March 31, 2022.

## 11. OFFICIAL LANGUAGE IMPLEMENTATION:

The official Language Act, along with the Rules thereof and orders issued from time to time by the Department of Official Language, Ministry of Defence regarding progressive use of Hindi, were implemented in the Company during the period. Meetings of the Official Language implementation Committee were held regularly to review the use of Hindi in the Company and steps taken to implement the Annual Program for the period August 17, 2021 to March 31, 2022, issued by the Department of Official Language, Ministry of Home Affairs, Government of India.



## **12. REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.**

### **12.1 Conservation of energy-**

#### **12.1.1 Steps taken or impact on conservation of energy:**

Following steps has been taken for conservation of energy:-

- i) Replacement of conventional Ceiling Fans with Energy Efficient BLDC Fans to save electricity.
- ii) Replacement of Conventional lights with Energy Efficient LED lights to save electricity.
- iii) Replacement of Street Sodium Vapour lamps with LED lamps and Installation of Astronomical Timer control switches for street lights so as to auto switch-off the lights on sunrise.
- iv) Installation of Occupancy Sensors in offices, corridors, washrooms etc.
- v) Installation of Grid connected Roof Top Solar Energy Plant as alternate source of energy.
- vi) Installation of APFC panels at all substations and production shops inside factories and estates to improve power factor.
- vii) Replacement of Oil Type Transformers with energy efficient Dry Type transformers.
- viii) Replacement of Reciprocating Compressors at chiller Plant with energy efficient Screw Compressors.
- ix) Replacement of Cooling Tower Fan Blades with FRP blades.
- x) Replacement of old less efficient H2 generation plant with new high efficient H2 generation plant.
- xi) Replacement of Star- Delta Starters with VFDs/Soft Starters for higher HP motors.
- xii) Energy efficient IE3 motors has been included in technical specifications for all plant and machinery under procurement and for future procurement to reduce the electrical energy consumption.
- xiii) Installation of Energy Efficient Boilers replacing Old Boilers.
- xiv) Installation of Solar Water Heating System at Boiler Houses to save Furnace Oil Consumption.
- xv) Installation of Economizers to utilize flue gas for pre-heating boiler feed water in Boilers

#### **12.1.2 Steps taken by the company for utilising alternate sources of energy: -**

The company has taken various steps for developing and utilising alternate source of energy. Procurement and installation of solar power plants has been done at various units to utilise solar energy and develop an alternate source of energy.

#### **12.1.3 Capital investment on energy conservation equipments;**

Roof-top and Ground Solar Plants have been installed in various units.

### **12.2 Technology absorption-**





### 12.2.1 Absorption of indigenous Technology during production:

Two version of Pinaka Rockets i.e. DPICM & Enhanced Range MK-I for which the TOT was taken from DRDO have been successfully test fired. Also, development of Guided Pinaka Rockets is at advanced stage. Production of 125 mm FSAPDS Practice Ammunition for which the ToT was taken from DRDO has been successfully started. Production of BMCS has been indigenously established in association with DRDO (HEMRL).

The automation of Nitrocellulose plant-II (NC-II) supplied by M/S YugoImport Yugoslavia & Nitrocellulose plant-III (NC-III) supplied by M/S Bowas, Austria has been successfully completed through in-house efforts at OF Bhandara.

### 12.2.2 The benefits derived like product improvement, cost reduction, product development or import substitution

Through the technology absorption there has been significant improvement in product quality. The cost of the product has also reduced significantly.

Benefits derived from Pinaka Project at **OFCH** are:-

- I. Improvement in Density of Explosive
- ii. Reduction in Return for Rectification (RFR)
- iii. Reduction in Production hours
- iv. Increase in Productivity

**OFN** has successfully demonstrated the extended operational range of BMCS M92 in sub-zero temperature (-30°C) during dynamic trials. This will facilitate deployment of indigenous BMCS in extreme cold environmental condition and proves BMCS (Ex-OFN) at par with international standard of other foreign competitors.

At **OFBA**, the following benefits have been accrued after automation of Nitrocellulose Plant:

- (a) Reduction in manual intervention during operation
- (b) No choking of circulation line valve due to accumulation of slurry in case of power failure post nitration
- (c) No wastage of NC and Acids.
- (d) Reduction in exposure of employees to hazardous working area.

### 12.2.3 Absorption of Imported technology during production:

#### I. Production of 3VBM17 Rounds (AMK 339- Mango Ammunition) at HEPF

Indigenous manufacturing of 3VBM17 Rounds at HEPF (AMK 339-Mango Ammunition) using Russian equipment and materials under ToT from Russia is expected to be established by end of financial year 2022-23.



- i. **Installation of Single & Double Base Propellant Plant for 125mm FSAPDS (MANGO PROJECT) at Ordnance Factory Bhandara**  
Single & Double Base Propellant Plant for 125mm FSAPDS (MANGO PROJECT) at Ordnance Factory Bhandara are under erection and commissioning.
- ii. **Installation of Pyroxylyene Sheet Plant for 125mm FSAPDS (MANGO PROJECT) at Ordnance Factory Bhandara**  
Pyroxylyene Sheet Plant for 125mm FSAPDS (MANGO PROJECT) at Ordnance Factory Bhandara is under erection and commissioning.
- iii. **Installation of New Single Base Propellant Plant**  
Contract signed with M/s BOWAS, AUSTRIA for supply of new Single Base Propellant Plant at Ordnance Factory Bhandara in the year 2022. The plant is expected to be commissioned by 2024.
- iv. **Installation of Triple Base Propellant and NC-NG Mixing Plant at OF Nalanda**  
Contract signed with M/s Elbit, Israel for supply of Triple Base Propellant and NC-NG Mixing Plant at Ordnance Factory Nalanda in the year 2021. The plants are expected to be commissioned by 2024.

#### 12.2.4 The expenditure incurred on Research and Development.

Total Expenditure incurred on R&D by the company during second half of FY 2021-22 (i.e. from 01/10/2021 to 31/03/2022): INR 1150 Lakhs

The company has identified the following areas for cost reduction and optimisation of expenditure:

- i. **Contract Labours & Services**  
Sustained efforts have been made to reduce the expenditure incurred towards hiring of contract labour. All the units of the company have studied the requirement of contract labours in details and have rationalised for an overall reduction of more than 10%.
- ii. **Reduction of existing Unavoidable Rejection (UAR)**  
The concerted action for reduction in UAR of all major stores has been taken by each production units of the company and as a result UAR for major stores have been brought below 10%. All production units have carried out process improvement and optimised the frequency of machine maintenance activities, to minimise rejection which will eventually lead to reduction in UAR.
- iii. **Water consumption reduction:**  
The company has taken various steps to reduce the water consumption such as rain water harvesting, de-silting & restoration of water bodies, installation of bore water and re-use of re-cycled water etc. in the estates & factories.



**iv. Energy Conservation and Use of Solar Energy:**

All units of the company have used energy efficient appliances and fittings including load balancing and resorted to use of non-conventional energy like solar energy to reduce the electricity expenditure. Energy efficient light fittings, LED street lights have been installed in offices, production units and estate of each unit which has resulted in saving of electricity.

Solar energy is being tapped to meet the requirement of power in most of the units. Presently, it is producing 28 MW of power which is around 40% of the total power requirement of the company.

**v. Use of technology to be resorted to wherever it is possible to reduce the expenditure:**

Video conferencing is being encouraged for holding meetings, vendor meets, customer meets etc. All the procurement cases are being processed by using digital signature of officers / staffs. Further, email services have been used for communication between the Units and Corporate Office which gives speedy communication and also reduce the cost of paper and printing.

**13. VIGILANCE MATTERS:**

An officer in the rank of Junior Administrative Grade has been nominated to oversee the vigilance matters. During the period under report periodical reports relating to vigilance matters were sent to Ministry regularly. There was one vigilance complaint received during the period August 17, 2021 to March 31, 2022.

**14. BOARD OF DIRECTORS AND BOARD MEETINGS:**

The Company's Directors are appointed and their remuneration fixed by the Government of India. Hence, the company has no policy on appointment of Directors and their remuneration including criteria for determining qualification, positive attitudes, independence of a director and other matters provided under sub-section (3) of Section 178.

As on date, Munitions India Limited has Shri Ravi Kant as Chairman and Managing Director, Shri Debashish Banerjee as Director/Human Resources, Shri Sushanta Kumar Rout as Director/Operations, Shri Prakash Agarwala as Director/Finance and Shri Surendra Prasad Yadav, JS (LS) as Government Nominee Director,.

During the period August 17, 2021 to March 31, 2022 four Board Meetings were held on 20.08.2021, 08.09.2021, 01.10.2021 and 18.01.2022.

**15. AUDITORS:**

The Comptroller and Auditor General of India appointed M/s. P.G. Bhagwat LLP, Suite 102, Orchard, Dr. Pai Marg Baner, Pune-411045 as Statutory Auditor and 12 other firms as Branch Auditors for the period August 17, 2021 to March 31, 2022 under Section 139 of the Companies Act, 2013.

The auditors have audited the Accounts of the Company for the period August 17, 2021 to March 31, 2022. The audited accounts with required annexure and reports are annexed to this report.





#### 16. RIGHT TO INFORMATION ACT, 2005:

RTI Machinery is in place in the company to attend to RTI applications and follow-ups. Necessary action has been taken by the Company towards implementation of Right to Information (RTI) Act 2005 in Munitions India Limited.

1. Chief Public Information Officer  
Shri Shahir Farooqui
2. Appellate Authority  
Shri Avinash Tarhawadkar

#### 17. VIGIL MECHANISM:

In order to practice better Corporate Governance the company is framing a Whistle Blower Policy. The objective of the policy is to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and for fair dealing of matters pertaining to fraud.

#### 18. AUDIT COMMITTEE:

Audit Committee is being formed.

#### 19. SECRETARIAL AUDIT REPORT:

Form No.MR-3, Secretarial Audit Report is enclosed herewith as ANNEXURE-II.

#### 20. COMMENTS ON THE AUDITORS REPORT:

**Explanations by the Board of Directors on the disclaimer of opinion made by the statutory auditors in their report:**

The statutory auditors have provided a disclaimer of opinion on the Company's financial statements for the period ended March 31, 2022. The following table provides explanations by the Board of Directors on the basis of disclaimer of opinion provided by the statutory auditors in their report. Refer to the Auditors' Report attached to the financial statements for detailed remarks by the auditors.

Sl No.	Auditor's Remark	Explanations
	<p><u>Extract from Auditors' Report</u></p> <p>Basis for disclaimer of opinion: We draw attention to the matters described in Annexure A where we are unable to obtain sufficient and appropriate audit evidence and the identified material misstatements effect of which</p>	<p>The Management believes that the financial statements reflect true and fair view of the financial position of the Company as at March 31, 2022, its performance for the period from August 17, 2021 to March 31, 2022 and the cash flows for the said period. The Management's response for each of the items constituting the basis of disclaimer of opinion issued by the auditors is listed below.</p>



	<p>was not ascertainable along with the possible effect of undetected misstatements, if any, which could be both material and pervasive to the Financial Statements for the period ended March 31, 2022. As a result of these matters, we are unable to determine as to whether any adjustments that would have been necessary and required to be made in respect of:</p>	
	<p>Non-compliance with maintenance of books of accounts as required by law</p>	<p>The Company's books of accounts include the main FoxPro based accounting system which records the accounting entries posted in the system on a double-entry basis. There are various other supplementary systems which complement the main system. Each accounting entry is supported by relevant vouchers, bills, supporting documents etc. duly approved. These collectively form the books of accounts to be required to be kept under the Companies Act, 2013. In Management's view, the Company has maintained proper books of accounts as required to be kept under the law.</p> <p>The Company inherited the accounting software from Defence Accounts Department (DAD), which used to maintain books of accounts of the erstwhile OFB. Given the size, volume and geographical spread of the units transferred to the Company, including the short period of time from acquiring the business as part of the corporatisation of the OFB to the reporting date, the Company decided to continue with the existing system of maintenance of books of accounts. The books of accounts prepared by DAD have been subjected to audit in the past by C&amp;AG.</p> <p>There are certain system limitations on generation of reports such that certain standard reports otherwise available in other systems are not available from the Company's present system. The Management has already initiated necessary corrective action in this regard by deciding to implement and migrate to another system which is Tally with effect from 1<sup>st</sup> April 2022. The Management expects to resolve the various system related issues identified by the</p>



		auditors through migration to the new system.
	Balances acquired on business reorganisation as on October 1, 2021 has not been subjected to audit.	<p>The assets and liabilities of twelve production units and four non-production units of erstwhile OFB related to manufacture of ammunition and explosives (referred to as “business” hereinafter) were transferred to the Company as on October 1, 2021 on account of corporatisation of the erstwhile OFB into different defence public sector undertaking.</p> <p>The assets and liabilities of the business taken over by the Company were obtained from the accounts prepared by Defence Accounts Department (DAD) for each of the units. Since the Company is a first time adopted in respect of the business transferred (refer note 39 of the financial statements), corresponding Ind-AS adjustments were made to these accounts to align with the Company's accounting policies, details of which have been provided to the statutory auditors (including branch auditors). Additionally, certain other adjustments were recorded to the assets and liabilities so taken over to account for items not recorded in the accounts prepared by DAD.</p> <p>While there was no instruction or Office Memorandum or statutory requirement to get the opening value of assets and liabilities so transferred audited by any competent authority, the details of all the opening balances so transferred, including the details of the adjustments made to the opening balances have been made available to the auditors for their verification</p>
	Reconciliation of inter-unit transactions and balances	The current accounting system is not configured to automatically record inter-unit transactions simultaneously by both the respective units. For instance, in case of sale of goods from one unit to another unit of the Company, the goods which are in transit are not recorded until and unless the goods are received by the receiving unit resulting in a mismatch in the sales and purchases and the respective receivable and payable between the units. The Management is aware of such differences and has accordingly posted appropriate accounting entries to reconcile the inter-unit balances.





		<p>The Management will further strengthen the process and implement controls in respect of inter-unit transactions and balances reconciliation by ensuring that appropriate details of such transactions are maintained at the unit level in the system and timely reconciliations are performed and approved.</p>
	<p>Process related to accounting of purchases and trade payable; Process related to accounting of sales and trade receivables</p>	<p>The issues highlighted by the auditors relate to availability of system generated reports highlighting detailed invoice-wise and party-wise listing of outstanding trade payable and trade receivables, agreeing to general ledger as well as confirmation and reconciliation of these balances as at the reporting date. Further, the issues highlighted also include the timing of recording the purchases and the accuracy of recording the purchases.</p> <p>The current book-keeping system has limitations in generating such detailed transaction wise reports. The Management believes that the migration to the new system should help in resolving this matter. However, the Company has separately maintained transaction-wise lists of accounts receivable and accounts payable duly reconciled to the General Ledger and have been provided to the auditors for verification.</p> <p>The Company currently records the purchases based on the acceptance of material in line with the terms of agreements agreed with the suppliers and therefore believes that the current timing of recording of purchases is appropriate. In respect of the accuracy of recording of the purchases, the Company followed the controls configured in the book-keeping system inherited from erstwhile OFB. The Management believes that migration to the new system should resolve this issue. Additionally, the Management will further strengthen the process and implement controls in relation to trade payables and trade receivables with respect to third-party confirmation and reconciliations, sub-ledger to general ledger reconciliations.</p>
	Inventory	<p>The issues highlighted by the auditors include comments on existence, valuation and provision for non-moving and slow-moving provision.</p>



		<p>The physical verification of inventory was carried out by the Stock Verification Group of each unit as of 31 March 2022 and discrepancies, where identified, were adjusted in the financial statements after necessary approvals. The report of the physical verification has been shared with the respective branch auditors. The Management will further review and strengthen the existing physical verification process and implement additional controls, if required.</p> <p>The auditors have highlighted that non-production overheads like selling and administrative overheads are also considered for the inventory valuation purposes. Further, the unrealised gain or loss in respect of inter-unit inventory is not identified and accounted at individual inventory at unit level. The Management had assessed the impact of these adjustments during the inventory valuation process and concluded that the impact of such adjustments on the valuation of inventory is not material and therefore the inventory carrying values were not adjusted. The auditors also highlighted that the valuation of inventory at cost or net realisable value, whichever is lower, is not appropriate. The Management has performed a detailed item-wise valuation of each item of inventory and determined that the impact of items where net realisable value was lower than the cost, is not material to the financial statements.</p> <p>The auditors have highlighted that the Company has not provided for non-moving and slow-moving items of inventory. However, the Company has identified such items of inventory as on the transfer date of October 1, 2021 and the same were provided for. The details of such adjustments were provided to the auditors for their verification. The Management further assessed the position as of 31 March 2022 and determined that there is no need for any additional provision.</p>
	GST related accounting	<p>The auditors have highlighted that the input tax credit has been recognised in the financial statements based on the balances appearing in the Electronic Credit Ledger (ECL) without reconciling the purchases as per GST return with those as per the books of accounts.</p>



		<p>The auditors have highlighted that the input tax credit has been recognised in the financial statements based on the balances appearing in the Electronic Credit Ledger (ECL) without reconciling the purchases as per GST return with those as per the books of accounts.</p> <p>As per the current process followed by the Company, the credit for input GST was recognised at the time of making payment to the party and not at the time of recording of the invoice. The Management determined that the difference between the input tax credit as per the GST Return and the books of account is only on account of the non-recording of credit at the time of recording of the invoice and therefore adjusted the balances in the books accordingly. Due to the limitation of the existing accounting system, GST reconciliation between books of accounts and ECL could not be carried out in detail. However, the Management expects that the issue will be resolved once the Company migrates to the new system. Further, the Management will review and reconcile in detail the list of purchases considered to file GST returns and the corresponding credit recognised in the books of accounts.</p>
	Other matters as included in Section II of Annexure A consisting of observations as mentioned in respective reports issued by the branch auditors	<p>Other matters highlighted by the branch auditors mainly include that details of physical verification of property, plant and equipment have not been made available to them and proper records with respect to property, plant and equipment have not been maintained in the Fixed Assets Register maintained by the Company.</p> <p>The Management had carried out a detailed fair valuation exercise of the land, building and items of plant and machinery through an independent third-party agency. The Management is therefore comfortable with the existence of items of property, plant and equipment. The Management will design a phased programme to cover physical verification of each item of property, plant and equipment over a reasonable period.</p> <p>The Management has assessed the observations highlighted by the auditors in respect of the depreciation, useful life and the residual value and determined that the impact of any adjustments arising out of the same, at the Company level, is not material.</p>





	Disclaimer of opinion on internal financial controls	This is the first year of incorporation of the Company. The Company is in the process of formalising and enhancing its internal control systems with respect to financial reporting. It has already taken certain measures in this regard post the reporting date. This includes creating a formal risk and controls matrix for each of the businesses processes as they relate to financial reporting. The Company is also in the process of hiring qualified accountants at each unit level to fix the accounting processes and controls related issues at each unit level
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## 21. COMMENTS ON THE SECRETARIAL AUDIT REPORT:

**21.1 As per Section 149(6) of the Companies Act 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, the Company is required to have at least 2 Independent Directors. However, the Company doesn't have any Independent Director on the Board. As such, the composition of the Board of Directors of the company is not in Compliance with provisions of the Companies Act, 2013 and DPE Guidelines on Corporate Governance for CPSEs.**

**Reply:** Munitions India Limited a Defence Public Sector Undertaking and 100% owned by the Government of India is a Govt. Company, hence, its Board of Directors of Munitions India Limited is appointed by the Ministry of Defence. Munitions India Limited has no role in the appointment of its Directors. The same will be intimated to Ministry of Defence for the appointment of Independent Directors.

**21.2 In the absence of Independent Directors, the Company has not constituted the Audit Committee, Nomination and Remuneration Committee, and Corporate Social Responsibility Committee as required under the provisions of the Companies Act, 2013 and DPE Guidelines on Corporate Governance for CPSEs.**

**Reply:** Munitions India Limited a Defence Public Sector Undertaking and 100% owned by the Government of India is a Govt. Company. Hence, the Board of Directors of Munitions India Limited is appointed by Ministry of Defence. Munitions India Limited has no role in the appointment of its Directors. The same will be intimated to Ministry of Defence for the appointment of Independent Directors.

Further, we are now going to constitute the Audit Committee, Nomination and Remuneration Committee, and Corporate Social Responsibility Committee as required under the provisions of the Companies Act, 2013 and DPE Guidelines on Corporate Governance for CPSEs.

**In the absence of Independent Directors, the Company has not complied with to clause VII of Schedule IV of the Companies Act, 2013 regarding holding of a meeting of Independent**



**Directors without the attendance of non-independent directors and members of the management for the financial year 2021-22.**

**Reply:** Munitions India Limited a Defence Public Sector Undertaking and 100% owned by the Government of India is a Govt. Company. Hence, its Board of Directors of Munitions India Limited is appointed by the Ministry of Defence. Munitions India Limited has no role in the appointment of its Directors. The same will be intimated to Ministry of Defence for the appointment of Independent Directors.

Further, after the appointment of the Independent Directors, the Company will comply with clause VII of Schedule IV of the Companies Act, 2013 regarding holding of a meeting of Independent Directors without the attendance of non-independent directors and members of the management.

**21.4 The Board of Directors of the Company was not duly constituted with proper balance of Executive Directors and Non-Executive Directors for the first financial year commencing from 17th August, 2021 to 31<sup>st</sup> March, 2022.**

**Reply:** Munitions India Limited a Defence Public Sector Undertaking and 100% owned by the Government of India is a Govt. Company, hence, its Board of Directors of Munitions India Limited is appointed by the Ministry of Defence. Munitions India Limited has no role in the appointment of its Directors. The same will be intimated to Ministry of Defence for the appointment of Independent Directors and non-executive Directors

**22. RISK MANAGEMENT POLICY:**

The Board of Directors will review internal & external risks of the business periodically so as to take timely corrective action. In order to review its internal weaknesses and various external threats periodically, reports will be placed before the Board of Directors.

**23. CORPORATE SOCIAL RESPONSIBILITY:**

Since the period August 17, 2021 to March 31, 2022 was the first period of operations of the Company, CSR was not applicable to the Company.

**24. DISCLOSURE UNDER THE SEXUAL HARRASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.**

An Internal Complaints Committee (ICC) of Munitions India Limited has been constituted for redressal of grievance of women staff members.

The following is a summary of sexual harassment complaints received and disposed of during the period August 17, 2021 to March 31, 2022.

No. of complaints received	-	Nil
No. of complaints disposed of	-	Nil



**25. CORPORATE GOVERNANCE:**

The Company consistently endeavours to adopt the best practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning. The Corporate Governance Report highlighting these endeavours is enclosed herewith (Annexure I).

**26. FIXED DEPOSIT:**

The Company has not invited deposits from Public under Section 2(31), 73 and 74 of the Companies Act, 2013.

**27. PARTICULARS OF EMPLOYEES:**

There was no employee in the Company falling under the category of employees required to be reported under Section 197(12) of the Companies Act, 2013, read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

**28. RESEARCH & DEVELOPEMENTS:**

All units of company are having R&D units to carry out product improvement and indigenization projects by In-House R & D activities. Accordingly, number of R&D projects have been taken up by these centres and are at various stages of completion. The total number of projects is 89 with total project cost of INR 113.00 crore.

**29. ACKNOWLEDGEMENTS:**

The Board thanks the Company's business partners for their support and confidence in Munitions India Limited and look forward to sustaining and building this mutually supportive relationship in the future as well. The Board also gratefully acknowledges the support and guidance received from the Government of India, various Ministries of the Government of India, particularly the Ministry of Defence in the Company's operations. The Directors also express their grateful appreciation to the Department of Public Enterprises, Comptroller and Auditor General of India, Statutory Auditors, Internal Auditors, Bankers, Patrons and Customers of the Company. The Board records its deep appreciation for the enthusiastic and dedicated work of the employees of Munitions India Limited. Their outstanding team effort was invaluable for the smooth functioning of the Company during the period under report.

For and on behalf of the Board of Directors

(RAVIKANT)  
CHAIRMAN AND MANAGING DIRECTOR  
DIN No.09283919

PLACE: Pune  
DATE: 27/12/2022





## CORPORATE GOVERNANCE REPORT (ANNEXURE-I)

### CORPORATE GOVERNANCE REPORT FOR THE PERIOD AUGUST 17, 2021 TO MARCH 31, 2022

A Public Sector Enterprise of Government of India, Munitions India Limited follows the extant Guidelines on Corporate Governance issued by Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India.

A Brief report on Corporate Governance is given below –

#### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Munitions India Limited is committed to good Corporate Governances supported by appropriate transparent systems and practice to protect, promote and safeguard the interests of all its stakeholders.

Munitions India Limited is committed to act as a competitive, client-friendly and development-oriented organization for manufacture of explosive and ammunition in the country and abroad. It is also committed to providing client friendly best services to all its customers in a transparent manner.

#### 2. BOARD OF DIRECTORS:

##### 2.1 COMPOSITION OF BOARD:

The Board of Directors of MIL comprises five Members, out of which four are Functional Directors and one is Govt. nominee of the Government of India. The Directors bring to the Board a wide range of experience, knowledge and skills.

The composition of the Board as on 31<sup>st</sup> March 2022 is as follows –

##### Executive Directors

Shri Ravi Kant	- Chairman and Managing Director
Shri Debashish Banerjee	- Director/HR
Shri Sushanta Kumar Rout	- Director/Operations
Shri Vivek Chandra Verma	- Director/Finance

##### Non-Executive Directors

Shri Surendra Prasad Yadav	- Govt. Nominee Director
----------------------------	--------------------------

##### 2.2 Other provisions as to Board and Committees

Details of Board Meeting held during the period August 17, 2021 to March 31, 2022.

- During the period August 17, 2021 to March 31, 2022, four Board Meetings were held on 20.08.2021, 08.09.2021, 01.10.2021 and 18.01.2022.



- ii. Details of Number of Board Meetings attended by Directors, attendance at last AGM, number of other Directorship (in Public Limited Companies) / Committee Memberships held by Directors during the period August 17, 2021 to March 31, 2022 are tabled below –  
The Board has complete access to all the relevant information within the Company enabling the Board of Directors to take informed and efficient decision.
- iii. Details of Number of Board Meetings attended by Directors, attendance at last AGM, number of other Directorship (in Public Limited Companies) / Committee Memberships held by Directors during the period August 17, 2021 to March 31, 2022 are tabled below –

Sr. No.	Name of Director	Designation	Board Meeting		Attendances at Last AGM	No. of other Directorships as on 31/03/2022	No. of other Committee Memberships as on 31/03/2022	
			Held during the tenure	Attended			As Chairman	As Member
1.	Mr. Ravi Kant	Chairman and Managing Director	4	4	NA	0	0	0
2.	Mr. Debashish Banerjee	Director/HR	4	4	NA	0	0	0
3.	Mr. Sushanta Kumar Rout	Director/Operations	4	4	NA	1	0	0
4.	Mr. Vivek Chandra Verma	Director/Finance	2	2	NA	0	0	0
5.	Mr. Surendra Prasad Yadav	Government Nominee Director	1	0	NA	2	0	0

- i. None of the Directors on the Board is a member of more than 10 Committees.
- ii. Brief Profile of new Directors

Shri Vivek Chandra Verma, DIR/ Finance was appointed w.e.f. 01.10.2021 and Shri Surendra Prasad Yadav is the Government Nominee Director with effect from 30.11.2021. He is working as Joint Secretary (LS), Ministry of Defence.

### 2.3 Code of Conduct

The Company is preparing a policy on Code of Conduct for the Board Members and Senior Management Personnel in alignment with the Company's mission and objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company.



### 3. COMMITTEES OF THE BOARD OF DIRECTORS:

3.1 The following Committees will be constituted by the Board shortly which are as follows:-

- Audit Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee

### 4. ANNUAL GENERAL MEETING:

Since, this is the first period of operations, no Annual General Meeting has been held so far.

#### 4.1. DISCLOSURES:

- i. There are no materially significant transactions with related parties i.e. Promoters, Directors or the Management conflicting with the Company's interest.
- ii. The Company has adopted suggested items to be included in the Report on Corporate Governance.
- iii. There is no inter-se relationship between Directors of the Company.
- iv. No penalties or strictures have been imposed on the Company by any statutory authority, on any matter related to any guidelines issued by Government.

#### **Additional disclosures as required under the Guidelines on Corporate Governance for CPSEs issued by Department of Public enterprises**

- i. Items of expenditure debited in books of accounts, which are not for the purpose of business – NIL
- ii. Expenses incurred which are personal in nature and incurred for the Board of Directors and Top Management – NIL
- iii. Administrative and office expenses as a percentage of total expenses for the period August 17, 2021 to March 31, 2022, is 4 %.
- iv. Information on adoption/non-adoption of non-mandatory requirements is given hereunder –

#### 4.2 Non-mandatory Requirements

##### i. The Board

The Company is headed by a Chairman and Managing Director. There are no Independent Directors on the Board of the Company.

##### ii. Nomination and Remuneration Committee

Nomination and Remuneration Committee will be constituted shortly.

##### iii. Shareholders Rights

As of now there is no system of sending half yearly financial performance including summary of the significant events in the last six months to shareholders.





iv. **Audit Qualification**—Auditors report annexed.

v. **Training to Board Member**—It is need based.

vi. **Whistle Blower Policy**

Whistle Blower Policy is being framed by the Company, wherein a Whistle Blower mechanism will be in place for detection, prevention and reporting of fraud. This policy applies to any fraud or suspected fraud involving employees as well as stakeholder, consultants, vendors, lenders, borrowers, contractors, outside agencies doing business with the Company, employees of such agencies, and/or any other parties with a business relationship with the Company.

## 5. **MEANS OF COMMUNICATION:**

The Company communicates with its shareholders through its Annual Reports, General Meeting and Disclosures through website. All the important information pertaining to the Company will be mentioned in the Annual Report for each period containing inter alia Audited Accounts, Directors Report, Auditors Report, which is circulated to the members, and others entitled thereto.



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## SECRETARIAL AUDIT REPORT (ANNEXURE-II)

### Form No. MR-3

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]*

FOR THE FIRST FINANCIAL YEAR COMMENCING  
FROM 17/08/2021 TO 31/03/2022

To,

The Members,  
**MUNITIONS INDIA LIMITED**  
C/o Ammunition Factory Khadki,  
Khadki Pune-411003  
**Maharashtra**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **MUNITIONS INDIA LIMITED (U29190PN2021GOI203505)** herein after called the company for the first financial year commencing from 17<sup>th</sup> August, 2021 to 31<sup>st</sup> March, 2022. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period for the first financial year commencing from 17<sup>th</sup> August, 2021 to 31<sup>st</sup> March, 2022 (Audit period) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and Returns filed and other records maintained by the Company for the first financial year commencing from 17<sup>th</sup> August, 2021 to 31<sup>st</sup> March, 2022, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; (NOT APPLICABLE)
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;



- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **(NOT APPLICABLE)**
- (v) **The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') are not applicable to the company as the shares of the company are not listed with stock exchanges during audit period).**
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) We have also examined compliance with the following laws which are especially applicable to the company:
  - 1. The Water (Prevention and Control of Pollution) Act, 1974
  - 2. The Air (Prevention and Control of Pollution) Act 1981
  - 3. Solid Wastes Management Rules 2016 and E-Waste (Management) Rules 2016, issued under The Environment (Protection) Act, 1986
  - 4. Petroleum Act, 1934. The Indian Boilers Act, 1923
  - 6. The Public Liability Insurance Act, 1991
  - 7. The Atomic Energy Act, 1962 and the Atomic Energy (Radiation Protection) Rules 2004
  - 8. SOMET approval comes under Foreign Trade (Development and Regulation) Act, 1992





9. Arms Act 1959 and Arms Rules 2016
  10. State Excise Act (Spirit License) comes under Madhya Pradesh Act No.11 of 2018, The Madhya Pradesh Motor, Spirit Upkar Adhiniyam, 2018.
- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s) and the by the company with the stock exchanges and SEBI (Listing Obligations and Disclosures Requirements 2015, **(Not applicable to the company during Audit period)**  
During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:
1. **As per Section 149(6) of the Companies Act 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, the Company is required to have at least 2 Independent Directors., However the Company doesn't have any Independent Director on the Board. As such, the composition of the Board of Directors of the company is not in Compliance with provisions of the Companies Act, 2013 and DPE Guidelines on Corporate Governance for CPSEs.**
  2. **In the absence of Independent Directors, the Company has not constituted the Audit Committee, Nomination and Remuneration Committee, and Corporate Social Responsibility Committee as required under the provisions of the Companies Act, 2013 and DPE Guidelines on Corporate Governance for CPSEs.**
  3. **In the absence of Independent Directors, the Company has not complied with to clause VII of Schedule IV of the Companies Act, 2013 regarding holding of a meeting of Independent Directors without the attendance of non-independent directors and members of the management for the financial year 2021-22.**

**We further report that:**

The Board of Directors of the Company was not duly constituted with proper balance of Executive Directors and Non-Executive Directors for the first financial year commencing from 17th August, 2021 to 31<sup>st</sup> March, 2022. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

Majority decision was carried through while the dissenting members' views were captured and recorded as part of the minutes.



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

**We further report that** during the audit period the company had no major events having a bearing on Company' affairs in pursuance of the above referred laws rules, regulations, guidelines, standards etc.

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

**Place: Ghaziabad**

**Date: 27/ 10/ 2022**

**For A. K. Rastogi & Associates**

Company Secretaries

**ICSI Unique code No S2020UP724400**

**(A.K. RASTOGI)**

**PROPRIETOR**

FCS no 1748

CP No.:22973

UDIN: F001748D001367629



## ANNEXURE TO SECRETARIAL AUDIT REPORT

To,  
The Members,  
MUNITIONS INDIA LIMITED  
C/O Ammunition Factory Khadki,  
Khadki,  
Pune-411 003  
Maharashtra

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

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

**Place: Ghaziabad**  
**Date: 27<sup>th</sup> October, 2022**

**For A. K. Rastogi & Associates**  
Company Secretaries  
ICSI Unique code No.S2020UP724400

**(A.K. RASTOGI)**  
PROPRIETOR  
FCS no. 1748  
CPNo.22973  
UDIN: F001748D001367629





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. THE COMPANY:

Munitions India Limited (MIL) is one of the 07 recently formed Defence Public Sector Undertakings, located in the historic city of Pune. MIL, the India's biggest manufacturer and market leader is engaged in Production, Testing Research & Development and Marketing of comprehensive range of ammunition & explosives for Army, Navy, Air Force, Para-Military Forces and Police Forces.

MIL's vision is to provide competitive edge to the Armed Forces by equipping them with modern and quality battlefield ammunition. MIL's mission is to be a prominent patron of Atma Nirbhar Bharat Abhiyan and Make in India Initiative in Ammunition sector. To establish and retain leadership in domestic market as the most reliable and preferred partner of our defence and homeland security agencies and develop the group into an international class ammunition manufacturing. To create and strengthen Brand MIL by providing superior value for money and meeting the expectations of stakeholders. To be a learning organization with global competencies, committed to creativity and innovation.

### 2. STRENGTHS OF MIL:

**2.1** Some of the major modernization and capacity augmentation projects are as under:

**A| PINAKA:** The production capacity of Multi Barrel Rocket System PINAKA was augmented from 1000 to 2500 rockets per annum with an investment of Rs 572 Cr in MIL factories. HEPF Trichi, OF Chanda, OF Dehuroad, and OF Itarsi are engaged in the production of this Rocket.

**B| MANGO PROJECT:** The AMK-339 FSAPDS (MANGO) As per the requirement of Army, the capacity for manufacture of 125 mm FSAPDS ammunition, the main ammunition for Tank T-72 and T-90, is being set up as per the technology given by Russia. The project is being set up with an investment of over Rs 1300 Cr.

Improving the lethality of the ammunition has always been the requirement. Accordingly, the manufacturing facilities for production of HMX, a very lethal explosive, has been set up at OF Bhandara.



**C| 30 mm BMP-II Ammunition:** Ordnance Factory Khamaria has indigenously designed the assembly line for manufacture of 30 mm BMP-II ammunition. The plant was fabricated by Indian industry based on the know how provided by OF Khamaria. This is the shining example of hand holding of Indian industry by OFK in developing the new technology.

## 2.2 INDIGENIZATION AS PART OF ATMANIRBHAR BHARAT:

### A| Drone Delivered Ammunition (Delivery System with Homing & Guidance)

It is an alternate delivery system of ammunition to keep our manned aircraft away from enemy's long-range missile & weapons near to battlefield.

### B| 155mm Smart Ammunition:

155 mm smart ammunition enables the capability enhancement of Artillery guns by allowing precision strikes and simultaneously reducing collateral damage.

### C| 70mm Rocket for Air force:-

The 70mm Rockets are used primarily in the air to ground role. These rockets can perform anti-personnel, air to ground suppression and illumination.

The major component of 70mm rocket are:

- i) Warhead
- ii) Propulsion system
- iii) Fuze: Point detonating impact fuze.

### 2.3 Skilled Work Force

### 2.4 Manufacturing and Sales Experience of Ammunitions for more than 150 years

### 2.5 Huge Manufacturing Capacities

### 2.6 Availability of Surge Capacity

### 2.7 Leadership position in Domestic Ammunition Market

### 2.8 Established Supplier Base

### 2.9 Established Product Range

The units under MIL have a proven integrated base for production of Small, Medium & High calibre ammunition, Mortars, Rockets, Hand Grenades etc. with in-house manufacturing of Initiatory Compositions, Propellants and High Explosives for over 150 years.

MIL with its 12 manufacturing units provide:

- A broad and versatile production base with multi-technology capabilities.



- State-of-the-art manufacturing facilities.
- Large pool of skilled and professionally qualified manpower and managerial personnel.
- Strict adherence to quality standards (all units are ISO-9000 certified).
- Original as well as adaptive Research & Development to make need-base refinement and modifications.
- A strong base for industrial training & testing

MIL has the proven capability to cater to urgent and emergent needs of the Armed Forces and Para Military Forces during wartime and emergencies.

### 3. WEAKNESSES:

- 3.1 High Overheads
- 3.2 Legacy Systems
- 3.3 Cumbersome procurement process
- 3.4 Poor R&D base in units due to dependence on DRDO for R&D pre-corporatization
- 3.5 As MIL was carved out from the erstwhile Ordnance Factory Board setup, along with the robust framework of manufacturing of Ammunition & Explosives, MIL has inherited certain pre-existing weakness too from the past.

Supply Chain management (Procurement) is one such area where MIL is to excel by adapting to current market trends in global supply chain by introducing industry standard measures for inventory control such as Just-in-Time (JIT), EOQ, reducing the inventory holding costs.

At present the lead time for procurement of raw materials is very long owing to lengthy procurement process from Tender floating to Final raw material acceptance. These time lines can be further refined to be shorter & efficient.

The work load orders placed on MIL from its two major customers, i.e., the Armed Forces and Ministry of Home Affairs are not fixed on long term basis leading to uncertainty of workload and targets for production.

Being over 150 years old organisation in Defence sector under Govt. of India, the transition from Government setup to corporate style of working is difficult for its employees

### 4. OPPORTUNITIES:

#### 4.1 **Proposed Modernization Plans:**





Munitions India Limited has given special thrust to export driven by favourable government policies & large business opportunities. After starting its business operation MIL has progressed rapidly in field of export and bagged export order worth more than 600 crores in first six months.

Munitions India Limited further plans to increase its turn over by expanding the customer base which is possible by aggressively working in the area of export.

One of the key factors for enhancing the business opportunities is modernization of facilities available with MIL. After starting its business operation MIL has started working aggressively in the area of modernization and has concluded the contracts for: -

- 1) BMCS manufacturing plants at Ordnance Factory Nalanda
- 2) Single base propellant plant at Ordnance Factory Bhandara

While the project for FSAPDS tank ammunition is already in advance stages of completion following modernization plants are in pipelines: which are essential for achieving the desired growth.

S1. No.	PLANT & MACHINERY	FACTORY
	Research Department Explosive or Royal Demolition Explosive (RDX) Plant	<b>Ordnance Factory, Bhandara (OFBa)</b>
	Refurbishment of Nitro-glycerine (NG) plant	
	Integrated Sulphuric Acid Concentration- Nitric Acid Concentration (SAC-NAC) Plant <b>for production of Strong Nitric Acid 98.5% min</b>	
	RDX Compound Plant	
	Nitrocellulose (NC) Plant	
	Substance C-II Manufacturing Plant	
	New leg for Ballistite (BT) and Rocket (RK) Propellant Plant	<b>Ordnance Factory, Nalanda (OFN)</b>
	Nitroguanidine (NIGU) Plant	
	Nitrocellulose (NC) Plant Augmentation	
	Nitrocellulose (NC) Plant	<b>Ordnance Factory, Itarsi</b>
	Nitroguanidine (NIGU) Plant	
	Ball Powder Plant	



Trinitrotoluene (TNT) Plant	<b>High Explosive Factory, Khadki (HEF)</b>
De-Nitration (DEN) Plant	
Nitrocellulose (NC) Plant	<b>Cordite Factory, Aruvankadu (CFA)</b>
Cartridge 9 mm ball	<b>Ordnance Factory, Varangaon</b>

#### 4.2 Following actions have been taken at MIL for Export promotion.

- Export Promotion Cell formed at MIL
- Response time against enquiries reduced considerably
- Registered with EXIM Portal and DGFT
- All Channel Partners of erstwhile OFB are on-boarded
- New Channel Partners added – 8 Nos
- Finalization of “Product: Country” Matrix:
- In addition to existing matrix, new geographies and products have been identified
- MIL participated in Egyptian Defence Exhibition (EDEX-2021) held at Cairo, Egypt in Nov-Dec, 2021 and Eurosatory-2022 held at Paris in Jun, 2022.

#### 4.3 MIL plans to have an aggressive Export Promotion strategy with following actions.

- Expansion of Geography by aggressive marketing in identified target countries.
- Expansion of Exportable Product base
- Continuously monitoring Offset Opportunities
- Exploring possibilities for becoming part of International Supply Chain of Ammunition Components, Explosives and Sub-assemblies of ammunition.
- Participation in exhibitions like Defexpo-2022 for exhibiting MIL products and production capabilities to perspective customers

#### 4.4 Achievements:

- MIL has bagged export orders of INR 600 Crores since its formation in Oct, 2021.



- MIL aims to get export orders from 5 new Countries in 2022-23.
- MIL aims to get export order of new Products in 2022-23.
- Post corporatization, freedom and flexibility to form Joint Ventures and enter into co-production agreements
- Post Corporatization, more Autonomy in Operations
- Present Geo-Political Scenario/Environment

#### 4.5 **Global Opportunities:**

Post corporatisation of Ordnance Factories outreach of MIL is not just restricted to the Armed forces and security agencies under the Ministry of Home Affairs but now there lies a huge opportunity to reach out to the vast global market, i.e., the security forces of foreign countries.

#### 4.6 **Accelerated Technological Innovations & Advances:**

Rapid technical advancements and modernisation of manufacturing plants are increasing industry productivity, allowing suppliers to provide a wider range of products and services. This may enable Munitions India Limited to expand its product portfolio dramatically.

### 5 **RISKS/THREATS:**

- 5.1 Opening up of Indian Defence Sector to private players
- 5.2 Emergence of Competitors in Domestic Market
- 5.3 Issue of RFPs for items (which were previously supplied by us on nomination basis) to various domestic players
- 5.4 Total dependance on DRDO/DGQA for proof ranges.

#### 5.6 **Safety & Health of Employees:**

Munitions India Limited deals with major safety threats to its workers and employees as the organisation deals in ammunition filling and manufacturing of chemicals & explosives which are highly volatile and may sometime have unpredictable behaviour.

#### 5.7 **Private Sector in Defence Production:**

With the GOI's decision of 74% FDI in the field of Defence Manufacturing, a significant number of Private Companies have now entered into the Defence Production sector who enjoy ease of working with liberty in taking dynamic decision in absence of the restrictive administrative systems and policies being faced by the DPSUs.





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## **6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Company has an adequate internal control and Internal Audit System commensurate with its size and nature of business. The Internal Audit Report are reviewed by Statutory Auditors of the Company as well as by the Government Auditors.

## **7. CORPORATE SOCIAL RESPONSIBILITY:**

As per relevant provisions of the Company Act, 2013, 2021-22 being the first period of operations Corporate Social Responsibility is not applicable to the Company.



## CERTIFICATE OF COMPLIANCE OF DPE GUIDELINES ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2021-22

To,  
The Members,  
Munitions India Limited,  
Pune, Maharashtra

We have examined the compliance of Conditions of Guidelines on Corporate Governance for **Munitions India Limited (CIN: U29190PN2021GOI203505)** here after called as Company as required to be done under Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by DPE with respect to your Company for the Financial Year 2021-22.

The compliance of Guidelines on Corporate Governance is the responsibility of management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of Guidelines on Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us by the management, we certify that the company has complied with all the provisions of DPE Guidelines on Corporate Governance as referred above during the Financial Year 2021-22 except for the matter specified below:

- 1. The Company has not complied with paragraph 3.1.1 of the Guidelines on Corporate Governance for Central Public Sector Enterprises with regard to the Composition of the Board as the company has no Independent Directors on its Board.**
- 2. The Company has not complied with paragraph 3.4.1 and 3.4.2 of the Guidelines on Corporate Governance for Central Public Sector Enterprises with regard to the Code of Conduct for all Board Members and senior Management of the company.**
- 3. The Company has not constituted the Audit Committee as provided in paragraph 4.1 of the Guidelines on Corporate Governance for Central Public Sector Enterprises as the Company does not have any Independent Director on the Board.**
- 4. The company has not constituted its Remuneration Committee as provided in paragraph 5.1 of the Guidelines on Corporate Governance for Central Public Sector Enterprises as the company does not have any Independent Director on the Board.**

1. We further certify that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For A. K. Rastogi & Associates**

*Company secretaries*

ICSI Unique code No S2020UP724400

**(A.K. RASTOGI)**

*PROPRIETOR*

FCS no 1748

CP No.:22973

UDIN: F001748D001357905

Date: 26/10/2022

Place: Ghaziabad



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No.MIL/HR/BC&E

Dated: 16/01/2023

## Certificate for Code of Business Conduct & Ethics

It is hereby declared that all members of the Board of Directors of Munitions India Limited have affirmed compliance with Code of Business Conduct & Ethics for the Financial Year 2021-22.

**(RAVI KANT)**  
Chairman and Managing Director





## FINANCIAL STATEMENTS

**P G BHAGWAT LLP**  
CHARTERED ACCOUNTANTS  
LLPIN: AAT-9949

**HEAD OFFICE**  
Suites 101-102, 'Orchard'  
Dr. Pai Marg, Baner, Pune – 45  
Tel (O): 020 – 27290771/1772/1773  
Email: pgb@pgbhagwatca.com  
Web: www.pgbhagwatca.com

### INDEPENDENT AUDITORS' REPORT

To the Members of MUNITIONS INDIA LIMITED

#### Report on the Audit of the Financial Statements

##### Disclaimer of Opinion

We were engaged to audit the Financial Statements of Munitions India Limited (“the Company”, which includes the Head Office located at Pune, Maharashtra and fifteen branches), which comprise the Balance Sheet as at March 31, 2022, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the period (i.e. from August 17 2021 to March 31, 2022) then ended, and notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as “the Financial Statements”) in which are included the Returns of fifteen branches for the period on that date audited by the branch auditors of the Company's branches as stated below,

Significant branches:

Sr no	Branch Name	Branch Location
1	Ammunition Factory Khadki,	Pune, Maharashtra
2	Highly Explosive Factory, Pune	Pune, Maharashtra
3	Ordnance Factory Dehuroad	Pune, Maharashtra
4	Ordnance Factory Khamaria	Khamaria, Jabalpur, Madhya Pradesh
5	Cordite Factory Aruvankadu	Ooty, Tamilnadu
6	High Energy Projectile Factory Tiruchirappalli	Tiruchirappalli, Tamilnadu
7	Ordnance Factory Bhandara	Bhandara, Maharashtra
8	Ordnance Factory Chanda	Chandrapur, Maharashtra
9	Ordnance Factory Bolangir	Bolangir, Odisha
10	Ordnance Factory Itarsi	Itarsi, Madhya Pradesh
11	Ordnance Factory Nalanda	Nalanda, Bihar
12	Ordnance Factory Varangaon	Varangaon, Maharashtra

Other immaterial branches:

Sr no	Branch Name	Branch Location
13	Ordnance Factory Institute of Learning, Khamaria	Khamaria, Jabalpur, Madhya Pradesh
14	Regional Controller of Safety, Pune	Pune, Maharashtra
15	National Institute of Defence Production, Ambajhari	Nagpur, Maharashtra



We do not express an opinion on the accompanying Financial Statements of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report and based on the consideration of reports of branch auditors on Branch Financial Statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these Financial Statements.

### Basis for Disclaimer of Opinion

We draw attention to the matters described in Annexure A where we are unable to obtain sufficient and appropriate audit evidence and the identified material misstatements effect of which was not ascertainable along with the possible effect of undetected misstatements, if any, which could be both material and pervasive to the Financial Statements for the period ended March 31, 2022. As a result of these matters, we are unable to determine as to whether any adjustments that would have been necessary and required to be made in respect of;

- non-compliance with maintenance of books of accounts as required by law,
- balances of assets and liabilities acquired as a result of business reorganisation which were not subjected to any audit,
- Reconciliation of inter-unit transactions and balances
- Purchases and trade payable
- Sales and trade receivable
- Inventory,
- GST related accounting and
- Other matters as included in section II of Annexure A consisting of observations as mentioned in respective reports issued by the branch auditors

We were engaged to conduct our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that we could not obtain sufficient and appropriate audit evidence which provide a basis for our disclaimer of opinion.

### Emphasis of Matter

#### 1. Balances acquired on Business Reorganisation as on October 1, 2021

We draw attention to Note 39 of the financial statements, regarding the following aspects of balances of assets and liabilities as on October 1, 2021 which is the 'Appointed Date' for the purpose of business reorganisation, acquired on account of business reorganisation;

During the course of audit, the management has made adjustments to balances acquired as a part business reorganisation as on October 1, 2021 on account of Ind AS adjustments as well as certain correction entries pertaining to the period prior to October 1, 2021. Refer note no 39 to Financial Statements showing net debit impact of Rs. 4,233.87 Crore to equity. The balances incorporated for the purpose of accounting are after considering impact of abovementioned adjustment entries.

#### 2. Ind AS 19 – Employee benefits related obligations



We draw attention to Note 40 of the financial statements regarding recognition of employee benefits expenses.

As per information and explanation given by the management and based on the consideration of the audit reports issued by respective branch auditors, provision for employee benefits as per IND-AS 19 namely, provision for gratuity, leave encashment and other retirement benefits and allowances etc., are not recognized in the financial statements as on March 31, 2022, since these are obligations of the Central Government and not of the Company vide the Ministry of Defence's Office Memorandum (OM) No. 1(5)/2021/OF/DP(Plg-V)/02 dated September 24, 2021.

### 3. Tax expenses

We draw attention to Note 31 of the financial statements regarding tax expenses recognised in the financial statements.

The management has made provision for income tax expense (current tax) as per provisions of Income Tax Act 1961 without considering various disallowances specified under the Act including Section 40, Section 43B etc. as necessary details were not available. Further in the opinion of the management, effect of such disallowances if any would not be material to the financial statements. The Company has made provision for current tax under Section 115JB of the Income Tax Act, 1961 for which MAT Credit Entitlement has been recognised as deferred tax asset. Deferred tax asset has also been recognised in respect of unabsorbed depreciation.

### 4. Non compliances related to appointment of directors and constitution of audit committee.

We draw attention to Note 41 of the financial statements regarding certain non-compliances related to appointment of directors and constitution of Audit Committee. As informed by the management, the Company is in the process of making necessary compliances and such compliances could not be made due to pendency of certain administrative procedures. The management believes that these non-compliances would not result in material adjustment to the financial statements.

### **We further draw attention to the following matters reported in the branch audit report**

#### 5. Unusable and obsolete stock as on October 1, 2021 (As reported in the branch audit report of Ordnance Factory Dehuroad)

We draw attention to Note 8 of the branch financial statements regarding accounting treatment of unusable and obsolete stock acquired on October 1, 2021. Based on the assessment performed by the management, unusable and obsolete inventory items as on October 1, 2021 which mainly consisted of raw material and work in progress, amounting to Rs. 30.36 crore were written down to its estimated scrap value at the rate of 10% i.e. Rs. 3.37 crores. It was informed to us that the branch has also nominated the aforesaid matter to the Board of Enquiry (BOE) for confirmation of management assessment that the stock is unusable/ obsolete and its disposal plan. Our opinion is not modified in respect of this matter.

Note 8 as described above corresponds to Note 9A to these Financial Statements.

#### 6. Unusable and obsolete stock as on October 1, 2021 (As reported in the branch audit report of Highly Explosive Factory, Pune)

We draw attention to Note 8 of the branch financial statements regarding accounting treatment of Unusable and obsolete stock acquired on October 1, 2021. Based on the assessment performed by the management, unusable and obsolete inventory items as on October 1, 2021 which mainly consisted of raw material and work in progress, amounting to Rs. 3.39 crore were written down to its estimated scrap value at the rate of 10% i.e. Rs. 0.40 crore. It was informed to us that the branch has also nominated the aforesaid matter to the Board of Enquiry (BOE) for confirmation of management assessment that the





stock is unusable/ obsolete and its disposal plan. Our opinion is not modified in respect of this matter. Note 8 as described above corresponds to Note 9B to these Financial Statements. Our opinion is not modified in respect of these matters.

### Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the Directors' report, but does not include the Financial Statements and our auditor's report thereon.)

Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph above, we are unable to comment on the Other Information referred above.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance (including 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 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the entity's financial statements in accordance with Standards on Auditing issued by ICAI and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the entity in accordance with the ethical requirements in accordance with the requirements of the Code of Ethics issued by ICAI and the ethical requirements as prescribed under the laws and regulations applicable to the entity.



### Other Matters

We did not audit the financial information of fifteen branches, whose financial information reflect total assets of Rs 11,531.93 Crore and net assets of Rs 8,042.28 Crore as at 31 March 2022, total revenue of Rs. 3,058.06 Crore, total comprehensive income (comprising of (loss)) and other comprehensive income) of Rs (10.22) Crore and net cash inflows amounting to Rs 385.68 Crore for the year ended on that date, as considered in the financial statements. These financial information have been audited by other auditors (branch auditors) whose reports have been furnished to us by the Management, and our opinion on the Financial Statements insofar as it relates to the amounts and disclosures included in respect of these branches and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid branches, is based solely on the reports of the other auditors. Our opinion is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 (the "Order"/ "CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by respective branch auditors for fifteen branches included in the financial statements of the Company, we give in the Annexure B; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - a) As described in the Basis for Disclaimer of Opinion paragraph above, we sought but were unable to obtain all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph above, we are unable to state whether proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The reports on the accounts of the branch offices of the Company audited under Section 143 (8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report.
  - d) Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph above, we are unable to state whether the Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
  - e) Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph above, we are unable to state whether, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act



- f) The matter described in the Basis for Disclaimer of Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- g) The provisions of this clause i.e. section 164 (2) of the Act is not applicable to the government company vide notification no. GSR 463(E), dated 5<sup>th</sup> June 2015.
- h) The reservation relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Disclaimer of Opinion paragraph and in Paragraph 2 (b) above.
- i) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure C”.
- j) The provisions of this clause i.e. section 197 of the Act is not applicable to the government company vide notification no. GSR 463(E), dated 5<sup>th</sup> June 2015.
- k) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the audit reports of branch auditors:
- (I) The Company has disclosed the impact of pending litigations on its financial position in its Financial Statements – Refer Note 37 to the Financial Statements. However, based on the consideration of audit reports of branch auditors, we are unable to obtained sufficient and appropriate audit evidence with respect to completeness of the relevant disclosure.
  - (ii) Due to lack of availability of sufficient and appropriate audit evidence regarding long term contracts having material foreseeable losses if any, we are unable to state whether the Company has made provision for such losses.
  - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
  - (iv) (a) The management has represented to us that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts to the financial statements, if any, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
  - (b) The management has represented to us, that, to the best of its knowledge and belief,





other than as disclosed in the notes to the accounts to the Financial Statements, if any, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(c) Based on the information and explanation given to us and audit procedures performed as considered reasonable and appropriate in the circumstances and based on the consideration of the reports of branch auditors, nothing has come to our notice that has caused us to believe that the representations made by the management and as mentioned under sub-clause (iv)(a) and (iv)(b) above contain any material misstatement.

- (i) The Company has not declared or paid dividend during the period. The provisions of sub section (1) and (4) of section 123 of the Act are not applicable to the government company vide notification no. GSR 463(E), dated 5<sup>th</sup> June 2015.
  - (ii) The requirement to the use of accounting software for maintaining Company's books of account which has a feature of recording audit trail (edit log) facility is deferred to financial years commencing on or after April 1, 2023, therefore reporting under Rule 11(g) of Companies (Audit & Auditors) Rules, 2014 is not applicable for financial year ended on March 31, 2022.
1. As required by section 143(5) of the Act, on the basis of such check of the books and record of the Company as we considered appropriate and according to the information and explanation given to us, we give in the "Annexure D" a statement on the directions and additional directions issued by the Comptroller and Auditor General of India, for the Company.

For

**PG BHAGWAT LLP**

Chartered Accountants

Firm Registration Number: 101118W/W100682

Abhijit Shetye

Partner

Membership Number: 151638

UDIN: 23151638BGQGEJ3393

Place - Pune

Date – December 31, 2022

**PG BHAGWAT LLP**

Chartered Accountants

LLPIN: AAT-9949



## Annexure A – Section I

### Annexure A

#### (As referred to in Basis of Disclaimer of Opinion Para in main audit report)

#### Section I – Common Observations

Based on the reading of report of branch auditors and communication received from for all branches, except otherwise stated, during the course of audit, we have noted following observations;

##### A. Maintenance of books of accounts

The Company has maintained its books of accounts at head office and branches (individually referred to as 'Unit') on Fox Pro based accounting systems/ software, comprising of Inventory Package, Cash Compilation report (CC02), Production, Planning and Control (PPC) Package, Punching Media, Commercial Accounts (COMMAC) etc. and various excel spreadsheets which are not Integrated with each other and as such no comprehensive report or trial balance is available from these systems for preparation of financial statements at unit level. At unit level, Output from respective software are used to update excel spreadsheets which are considered as basis for passing accounting entries in COMMAC. Frequency of updating excel spreadsheets and passing accounting entries in COMMAC is neither defined nor followed uniformly. In case of many units, most of the entries are passed at year end. Also, internal controls including maker checker principles, access controls to avoid unauthorised changes etc. around the entire process of maintenance of books of accounts and preparation of financial statements could not be identified and verified. The financial statements at unit level are prepared based on COMMAC. There is no consolidated database at Head Office to facilitate preparation and review of company level financial statements. In absence of such common database, Financial Statements of the Company have been prepared by consolidating individual unit level financial statements.

Various accounting software referred above do not provide the conventional reports such as general ledgers and sub ledgers (for debtors, creditors and employees) giving the date wise details of transactions for the period under audit including opening and closing balances, for the purpose of verification. Due to lack of integration among the accounting systems/software, the accuracy and completeness of all the transactions cannot be verified.

Primary recording of transactions does not take place in the accounting software being used by the units for preparation of unit level financial statements by following the double entry system of accounting, further giving party wise details of transactions. Therefore, cash book / bank book / purchase register / sales register / journal entries etc. in date wise and transaction wise format could not be generated from the accounting software being used.

##### B. Accrual basis of accounting

Present accounting system and related processes implemented by management are not designed to maintain books of accounts on accrual basis. The management has passed certain adjustment entries to prepare the financial statements on accrual basis to the extent possible. However, completeness of accrual basis of accounting as on March 31, 2022 could not be ensured due to



inherent limitation of accounting system.

For instance, as observed by the branch auditors of Ordnance Factory Khamaria, accounting of transactions other than related to goods viz accounting of services related to vendors/contractors of Material Handling for loading /unloading/shifting transportation and Freight, Bills of Civil Work or Maintenance work or Contractual Labour and hired vehicle are made at the time of processing of payment instead of recording such transactions on availing respective services as per terms of the agreement entered into with such vendors.

#### **C. Balances acquired on Business Reorganisation as on October 1, 2021**

The formation of the Munition India Limited ('The Company') is incorporated vide Memorandum of Understanding dated 29th September 2021 by Ministry of Defence as part of the restructuring and corporatisation of the Ordnance Factory Board (hereinafter referred to as 'Business Reorganisation') into seven different public sector undertakings.

Balances of assets and liabilities acquired by the Company on account of Business Reorganisation as at October 1, 2021, are not subjected to audit from any independent auditor or Comptroller and Audit General (CAG) of India. These balances were taken from the unaudited books of accounts of respective units as on September 30, 2021 as maintained by Defence Accounts Department (DAD) for which detailed breakup of these assets and liabilities could not be made available to auditors for the purpose of audit. Therefore, there is no comfort on the opening balances and consequentially on the closing balances.

#### **D. Reconciliation of inter-unit transactions and balances**

The management does not have internal control in place for reconciliation of inter-unit transactions and balances on regular basis. The differences in inter-unit balances between the branches were presumed to be on account of Goods in Transit (GIT) and accordingly the accounting effects were given in the books of accounts to tally the inter-unit balances. The detailed transaction wise breakup of reconciling items (including subsequent receipts thereof) could not be made available to the auditors for verification. Further there is no process of obtaining inter-unit balance confirmation and timely accounting of reconciling differences.

Hence, we are not able to comment on the completeness and accuracy of the accounting effects given in respect of the same in the financial statements.

#### **E. Process related to accounting of purchases and trade payable**

Based on the reading of reports issued by other branch auditors, it was observed that the purchases are booked when the goods are received in the factory and inspection is complete. However, it was observed that the cost at which purchases are booked in the accounting system are not necessarily in agreement with actual cost of the goods as mentioned in purchase invoice. Further it was observed that rate as per purchase order is not matched at the time of booking purchases of goods and many a times the purchases are booked at the historical weighted average cost of the material and not at the actual price as per purchase invoice.

While making the payment, the payment is made at the actual purchase price as per purchase invoice. At the time of making the payment, a program is required to be run to account for the





price difference. However, in case of one of the branches, this program was not run resulting into misstatement of purchases and creditors. Impact of such cases if any on the financial statements cannot be ascertained. Similarly, this will have a corresponding effect on the inventory valuation. In view of the same, proper recording of purchases and payables could not be ensured.

Similarly, the accounting system does not provide party wise and invoice wise list of trade payable balances including advances to supplier duly tallying with the general ledger balance. Further, management has not obtained balance confirmation from suppliers and therefore not performed reconciliation as at March 31, 2022.

Therefore, we could not obtain sufficient and appropriate audit evidence with respect to completeness and accuracy of purchases and existence of trade payable and advances to supplier balances.

#### **F. Process related to accounting of sales and trade receivables**

Sales of goods made by the branches are recorded in an accounting system named PPC from which excel report is generated which is considered as basis for booking sales in the COMMAC. At the time of booking the sales in COMMAC, GST payable on such sales is not accounted for. Further based on the reading of audit report of the branch auditors and communication received from branch auditors during the course of audit, it was noted that accounting entry for recording of sales in COMMAC is passed two to three times during the period under audit as a combined entry. Whereas balance of trade receivables and advances from customers are accounted as part of single entry as at year end. Hence customer wise and invoice wise list of sales made during the period could not be generated from COMMAC. Further payments received from customers are not adjusted at invoice level. As a result, detailed list of invoice wise outstanding balances receivable from customers and advances received from customers could not be obtained and verified from any of the accounting systems.

The balances of Trade receivables and advances from customer are subject to confirmation from respective parties and/or reconciliation as the case may be. Pending such confirmation and reconciliation, the impact of consequential adjustments if any cannot be ascertained. In the absence of sufficient and appropriate audit evidence, we are unable to comment on completeness, accuracy and existence of these balances as at March 31, 2022.

#### **G. Inventory**

##### **i. Existence of Inventory**

Based on the consideration of report of branch auditors, it was noted that the management has performed physical verification of inventory as at March 31, 2022. However proper, detailed report and working has not been prepared by the management and provided to branch auditors for their cross examination to ensure whether all material discrepancies observed in the verification has been appropriately accounted in the books of accounts.

Further as per the information and explanation given to branch auditors and as per their examination of books of accounts, physical verification of inventory was not conducted on October 1, 2021 (i.e. appointed date of business reorganization) and also during the period at



reasonable interval by the Management as prescribed in the Office Manual.

Therefore, we could not obtain sufficient and appropriate audit evidence on existence of inventory as on March 31, 2022.

#### ii. Valuation including NRV

Based on the consideration of audit reports of branch auditors, it was noted that the impact of incorrect purchase accounting, as described under para E above, is leading to incorrect valuation of inventory. Further non-production overheads like selling and administrative overheads are also considered for the inventory valuation purpose.

Further in respect of inter-unit inventory, elimination of unrealized profit or loss was not identified and accounted for at individual inventory at unit level. Based on management assessment performed, the impact of such adjustments, if made, would be immaterial. However, the assessment performed by the management is not adequate, and therefore, sufficient and appropriate audit evidence was not available to substantiate the management conclusion.

Further, measurement of inventory at value lower or higher than the actual cost due to the reasons mentioned above, it would result into incorrect assessment of Net Realisable Value (NRV). Therefore, compliance with Ind AS 2 “Inventories” regarding valuation of inventory at lower of cost or NRV could not be verified.

#### iii. Non-moving and slow-moving provision

As per the information and explanation given to branch auditors and from the examination of records provided to them, it was observed that the accounting impact of slow and non-moving inventory on the inventory valuation was not assessed by management and it was valued as per ordinary inventory in use. No provision has been made for obsolete/discarded inventories. There is no policy about the provision for non-moving stock. In absence of the management assessment, we are unable to quantify the impact, if any, of the same on the financial statements.

It was also observed that actual inward movement of inventory and booking of corresponding purchases viz a viz outward movement of inventory and corresponding recognition of sales does not coincide in the existing accounting system, therefore it may lead to understatement of payable and receivable balances as at the period end. However, in the absence of management control to mitigate this risk and non-availability of corresponding sufficient and appropriate audit evidence, we are not able to comment on the consequential impact on the financial statements.

It was also observed that actual inward movement of inventory and booking of corresponding purchases viz a viz outward movement of inventory and corresponding recognition of sales does not coincide in the existing accounting system, therefore it may lead to understatement of payable and receivable balances as at the period end. However, in the absence of management control to mitigate this risk and non-availability of corresponding sufficient and appropriate audit evidence, we are not able to comment on the consequential impact on the financial statements.



## H. GST Related accounting

Based on the reading of report of branch auditors for all branches except Ordnance Factory Bolangir and Ordnance Factory Nalanda, GST Input tax credit (ITC) is booked in the books of accounts at the time of payment to suppliers instead of recording of the same along with the booking of corresponding purchases. However as informed by the management, GST ITC as on March 31, 2022 has been recorded based on the balances appearing in respective Electronic Credit Ledger. The management has not reconciled purchases as per GST return with those as per books of accounts and therefore we are not able to comment on the occurrence of underlying purchases booked in the system.

Further as reported by the branch auditors of Ordnance Factory Khamaria (OFK), ITC has been recorded at the time of payment. And ITC in respect of unpaid liabilities as on March 31, 2022 were recognized on estimated basis at the rate of 18%. Further, no reconciliation of ITC as per books vis-à-vis ITC (including transfer of ITC) GST returns of Company and erstwhile entity has been made which has substantial impact on the recoverability of ITC and its accounting in the Books. No reversal of ITC has been recognised on account of obsolete/unserviceable inventory. Based on the examination of the records performed by the branch auditors of OFK, there exists excess claim of ITC (including duplication of claims) which may attract non-compliances with the provisions of Goods and Service Tax related laws.

Further the GST liability as on March 31, 2022 as per books of accounts were neither reconciled with the GST returns filed nor details of the same were made available for verification by branch auditors verification. Therefore, completeness and accuracy of the same cannot be ensured.

## PG BHAGWAT LLP

Chartered Accountants  
LLPIN: AAT-9949





## Annexure B to the Independent Auditors' Report

**Referred to in paragraph 1 under the heading, “Report on Other legal and Regulatory Requirements” of our report on even date and based on the consideration of the CARO reports issued by respective branch auditors and as per information and explanation given to us by the management we report:**

- I. (a) (A) Based on observations made by the branch auditors, we report that, except in respect of two branches, proper records showing full particulars, including quantitative details and situation of Property, Plant & Equipment has not been maintained by the company. The unit wise observations as reported by the branch auditor, have been mentioned below:

Name of Unit	Comments by respective branch auditor
Head Office (HO)	The Head Office has maintained not proper records of Property, Plant & Equipment.
Ammunition Factory Khadki (AFK)	The Branch has not properly maintained record of PPE showing full particulars, including quantitative details, situation of property, plant & equipment. In numerous cases, location of asset, identification numbers from land records, quantitative details etc. are not mentioned in asset register. The PPE register is not maintained in the format required under companies act. Soft Copy of block book maintained by erstwhile AFK was produced before us as record of PPE, however it does not give details such as cost of acquisition by the new company depreciation for the year etc. Though the unit is in physical possession of various furniture and computers, there is no mention of any furniture and computers in PPE register.
Regional Controller of Safety, Pune	The Branch has not properly carved out and maintained record of PPE showing full particulars, including quantitative details, situation of property, plant & equipment. Location of asset, identification numbers from land records, quantitative details etc. are not mentioned in asset register. The PPE register is not maintained in the format required under companies act. Soft Copy of block book maintained by erstwhile AFK was produced before us as record of PPE, however it does not give details such as cost of acquisition by the new company depreciation for the year etc. Though the unit is in physical possession of various furniture and computers, there is no mention of any furniture and computers in PPE register.
Highly Explosive Factory, Pune	The Branch has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment except in case of Building,



Name of Unit	Comments by respective branch auditor
	Machinery and Vehicles quantity wise details needs to be updated and maintained by branch.
Ordnance Factory Dehuroad	The Branch has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment except in case of Building, Machinery and Vehicles quantity wise details needs to be updated and maintained by branch.
Ordnance Factory Khamaria	The branch has maintained proper records showing full particulars including quantitative details of Property, Plant and Equipment except records related to situation of Asset has not been maintained.
Ordnance Factory Institute of Learning, Khamaria	According to the information and explanations given to us and on the basis of our examination of the records of the branch, the assets of the branch has been maintained with the assets of the Ordnance Factory Khamaria. Hence, we are unable to comment on this clause.
Cordite Factory Aruvankadu	The Branch has not maintained proper records showing full particulars, including quantitative details and situation of Property, plant and equipment. The Branch does not have adequate system of recording of Fixed Assets and hence, the cost of the assets sold during the year could not be ascertained while determining the profit or loss on sale of such asset.
High Energy Projectile Factory Tiruchirappalli	Branch maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
Ordnance Factory Bhandara	The branch has not maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment
National Institute of Defence Production, Ambajhari	The Unit has not maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment and relevant details of right-of-use assets. However, block register for all fixed assets is maintained in excel format.
Ordnance Factory Chanda	The Branch has maintained proper records showing full particulars including quantitative details except the location of Property, plant and equipment which has not been updated in



Name of Unit	Comments by respective branch auditor
	fixed asset register. Further the Branch has not recorded the furniture and fixture in the books of accounts as well as fixed asset register even though the same are physically available at site. The title deeds of the land has not been transferred in the name of MIL from the erstwhile board. The Branch has not carried out fair valuation of fixed assets which has been handed over by erstwhile board.
Ordnance Factory Bolangir (OFBOL)	OFBOL has not maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
Ordnance Factory Itarsi	Branch has maintained proper records showing full particulars, including quantitative details except the location of Property, plant and equipment which has not been updated in fixed asset register, further the company has not recorded the furniture and fixture in fixed asset register even though the same are physically available at site and are charged to profit and loss as per erstwhile accounting policy.
Ordnance Factory Nalanda	The Branch has maintained proper records showing full particulars, including quantitative details except the location of Property, plant and equipment which has not been updated in fixed asset register, further the Branch has not recorded the furniture and fixture in the books of accounts as well as fixed asset register even though the same are physically available at site.
Ordnance Factory Varangaon	Branch has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment.

(B) The Company is maintaining proper records showing full particulars of intangible assets except in case of six units where proper records were not maintained as per branch auditor's report. The unit wise observations as reported by the branch auditor, have been mentioned below:

Name of Unit	Comments by respective branch auditor
Head Office (HO)	The HO has maintained proper records showing full particulars of Intangible assets.
Ammunition Factory Khadki	The branch has not maintained proper records showing full particulars of intangible assets.





Name of Unit	Comments by respective branch auditor
Regional Controller of Safety, Pune	The unit is not having any intangible assets, as such this clause is not applicable.
Highly Explosive Factory, Pune	The Branch has maintained proper records showing full particulars of intangible assets.
Ordnance Factory Dehuroad	The Branch has maintained proper records showing full particulars of intangible assets.
Ordnance Factory Khamaria	According to the information and explanations given to us and on the basis of our examination of the records of the branch, the branch does not have record any Intangible assets whereas the erstwhile entity had obtained patent rights, licenses and Successful Reassert &* development Project. Hence, we are unable to comment upon the maintenance of proper records showing full particulars including quantitative details and situation of Intangible asset arises
Ordnance Factory Institute of Learning, Khamaria	According to the information and explanations given to us and on the basis of our examination of the records of the branch, the branch does not have any Intangible assets. Hence this point of CARO, 2020 is not applicable
Cordite Factory Aruvankadu	The Branch has maintained proper records showing full particulars of Intangible assets.
High Energy Projectile Factory Tiruchirappalli	The Branch having intangible assets of Rs.45.60 crores towards deferred revenue expenditure.
Ordnance Factory Bhandara	The Branch has not maintained proper records showing full particulars of intangibles assets.
National Institute of Defence Production, Ambajhari	The Unit does not hold any intangible assets thus reporting under clause (i) (b) of the order is not applicable.
Ordnance Factory Chanda	The Branch has not disclosed research and development expenditure in fixed asset register which has been shown as intangible asset in IND AS financial statement.
Ordnance Factory Bolangir	The Branch has not maintained proper records showing full particulars of intangible assets.
Ordnance Factory Itarsi	The Branch has maintained proper records showing full particulars of Intangible assets.



Name of Unit	Comments by respective branch auditor
Ordnance Factory Nalanda	The Branch has maintained proper records showing full particulars of Intangible assets.
Ordnance Factory Varangoan	The Branch has maintained proper records showing full particulars of Intangible assets.

(b) Based on the reports of the branch auditors, except in respect of three branches, in case of remaining branches the Property, Plant & Equipment of the branches have not been physically verified by the Management during the period. Accordingly, the discrepancies, if any, could not be ascertained and therefore, the branch auditors are unable to comment on whether the discrepancies, if any have been properly dealt with in the books of account. Details as reported by branch auditors and as observed by us are mentioned below:

Name of Unit	Comments by respective branch auditor
Head Office (HO)	Physical verification of assets was not conducted at HO level.
Ammunition Factory Khadki (AFK)	It was informed that there is regular yearly programme of physical verification of property, plant and equipment, which in our opinion is reasonable having regard to the size of the company and nature of its assets. During the year, physical verification of property, plant and equipment was done. As informed by the management, no material discrepancies were noticed on such verification. One page report stating that there is no discrepancy on physical verification of the assets was produced before us. However it does not mention the fact that computers and furniture which are physically present in the possession of the Branch are not found in the Assets record. Hence in our opinion the exercise done by the Branch is not reliable
Regional Controller of Safety, Pune	It was informed that there is regular yearly programme of physical verification of property, plant and equipment, which in our opinion is reasonable having regard to the size of the company and nature of its assets. During the year, physical verification of property, plant and equipment was done. As informed by the management, no material discrepancies were noticed on such verification.
Highly Explosive Factory, Pune	According to the information and explanations given to us, the Fixed assets were physically verified during the year by the Management in accordance with a regular program of



Name of Unit	Comments by respective branch auditor
	verification which, in our opinion, its provides for physical verification of the fixed assets on test check basis. According to the information and explanation given to us, the report of Physical verification of fixed assets does not provide details of discrepancies if any, therefore we cannot comment upon whether there is any impact or not of material discrepancies noticed on such verification.
Ordnance Factory Dehuroad	The Fixed assets were physically verified during the year by the Management in accordance with a regular program of verification which, in our opinion, provides for physical verification of the fixed assets on test check basis. According to the information and explanation given to us, the report of Physical verification of fixed assets does not provide details of discrepancies if any, therefore we cannot comment upon whether there is any impact or not of material discrepancies noticed on such verification.
Ordnance Factory Khamaria	b. According to the information and explanations given to us and on the basis of our examination of the records of the branch of a company, the branch does have a policy, direction and programme of physical verification of its property, plant and equipment by which all property, plant and equipment could be verified. However, on scrutiny of the reports we observed that there exist various discrepancies which have been detailed in Point No-5 of this report in Section-II of Annexure-A. Hence, we are unable to comment upon the following requirement of the clause:- (i) Whether any material discrepancies were noticed on such verification and. (ii) Whether the same have been properly dealt with in the books of account.
Ordnance Factory Institute of Learning, Khamaria	b. According to the information and explanations given to us and on the basis of our examination of the records of the branch of a company, the branch does have a policy, direction and programme of physical verification of its property, plant and equipment by which all property, plant and equipment could be verified. However, on scrutiny of the reports we observed that there exist various discrepancies which have been detailed in Point No-5 of this report in Section-II of Annexure-A. Hence, we are unable to comment upon the following requirement of the clause:- (I) Whether any material discrepancies were noticed on such





Name of Unit	Comments by respective branch auditor
	verification and, (ii) Whether the same have been properly dealt with in the books of account.
Cordite Factory Aruvankadu	All Property, plant and equipment have been physically verified by the management at a regular interval of time (normally once a year). No material discrepancies were noticed on such verification.
High Energy Projectile Factory Tiruchirappalli	Physical verification is performed by management and no discrepancies were noticed.
Ordnance Factory Bhandara	There is no a regular program of verification, which, in our opinion, is unreasonable having regard to the size of the Company and the nature of its assets.
National Institute of Defence Production, Ambajhari	According to information and explanations given to us, the unit has not physically verified its Property, Plant & Equipment since during the year. The last physical verification of Property, Plant & Equipment was conducted during June-2020.
Ordnance Factory Chanda	The Branch has not carried out physical verification of assets both while taking handover of assets from erstwhile board as well as on 31.03.2022 hence we cannot comment on material discrepancies in physical verification as compared with available records.
Ordnance Factory Bolangir	The OFBOL does not have a program of verification of Property, Plant and Equipment so to cover all the items of Property, plant and equipment in a phased manner over a period of 3 years which, in our opinion, is not reasonable having regard to the size of the OFBOL and the nature of its assets. Pursuant to the program, certain Property, Plant and Equipment were due for verification during the year and were physically not verified by the management during the year.
Ordnance Factory Itarsi	The Branch has not carried out physical verification of assets both while taking handover of assets from erstwhile board as well as on 31.03.2022 hence we can't comment on material discrepancies in physical verification as compared with available records.



Name of Unit	Comments by respective branch auditor
Ordnance Factory Nalanda	Branch has not carried out physical verification of assets both while taking handover of assets from erstwhile board as well as on 31.03.2022 hence we cant comment on material discrepancies in physical verification as compared with available records.
Ordnance Factory Varangaon	The Company does not regularly programme of physical verification to cover Property, Plant and Equipment.

- (c) Title deeds of immovable properties are not held in the name of the Company since all the assets were transferred consequent upon the decision of the Ministry of Defence vide Memorandum of Understanding dated 29th September 2021 to transfer activities carried on by the erstwhile Ordnance Factory Board to 7 New Defence Public Sector Units (DPSUs). This company is of one such DPSUs. However, as informed by the management, the Company has obtained the signed document named "Handing taking over of Erstwhile ordnance factories Land in name of New DPSU". Further we were informed that the process of transfer of title deed in the name of company is under process.
- (d) The Company has adopted cost model and hence not revalued its Property, Plant and Equipment or intangible assets during the period.
- (e) According to the information and explanations provided to us there are no proceedings have been initiated or are pending against the company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) and rules made thereunder. Hence reporting under clause 3(i) (e) of the order is not applicable.
- ii. (a) In our opinion and based on branch auditors report, except in respect of six branches, the coverage and procedure of such verification is not appropriate and conclusive, and therefore discrepancies, if any cannot be commented upon. Details as reported by branch auditors are mentioned below:

Name of Unit	Comments by respective branch auditor
Head office (HO)	The HO does not have any inventory and hence reporting under clause 3(ii)(a) of the Order is not applicable.
Ammunition Factory Khadki	The inventory of stores has been physically verified by the separate internal inspection department and other items of inventory were physically verified by the management at reasonable intervals, in our opinion, which is reasonable. One page report stating that "there is no discrepancy / differences in physical inventory verified and inventory as per records" was produced before us. However later on material discrepancies to



Name of Unit	Comments by respective branch auditor
	were noticed on verification of inventory during our audit. Please refer our comments in Annexure A of emphasis of matter regarding valuation as well physical w/off of inventory. Hence in our opinion inventory has not been properly physically verified by the management, and exercise of physical verification done by management is not reliable. Detailed discrepancy/variation reports on physical verification were not produced before us for verification.
Reginal Controller of safety	The inventory of stores has been physically verified by the separate internal inspection department and other items of inventory were physically verified by the management at reasonable intervals, in our opinion, which is reasonable.
Highly Explosive Factory, Pune	According to the information and explanation given to us, inventories have been physically verified during the year by the management at regular intervals on test check basis. However, detailed report of such verification mentioning details of observation was not produced for verification. Therefore, we cannot comment on effect of material discrepancies, if any, to be given in books of accounts. Regarding the coverage and procedure of such verification, whether it is appropriate or not, cannot be commented.
Ordnance Factory Dehuroad	Inventories have been physically verified during the year by the management at regular intervals on test check basis. However, detailed report of such verification mentioning details of observation was not produced for verification. Therefore, we cannot comment on effect of material discrepancies, if any, to be given in books of accounts. Regarding the coverage and procedure of such verification, whether it is appropriate or not, cannot be commented.
Ordnance Factory Khamaria	As per the information and explanation given to us and as per our examination of books of accounts Physical verification of inventory has not been conducted at reasonable interval by the Management as prescribed in the OMs. However, the branch has carried out verification of the Inventory subsequent to the end of the financial year for which no proper, detailed report and detailed working has been prepared by the team members and provided to us for our cross examination so that an assurance can be concluded that all material discrepancies observed in the verification has been appropriately adjusted in the books of account.





Name of Unit	Comments by respective branch auditor
	<p>The List of Inventory verified containing 1 page consist of 17 items valuing Rs. 87,68,50,571/-(18.23% of SIH value)out of Total Items 12771 valuing Rs. 480,92,20,010/- under Store in hand excluding Finished Components (SIH) has only been covered. This indicate that only 8.98% in total Inventory has only been verified whereas other Inventories i.e. WIP and FG Including Finished Components which consist of 50.73% of total Inventory has not been covered in the Inventory verification programme.</p> <p>In view of above observation, in our opinion system of verification of Inventory vis-a-vis- its reconciliation, maintenance of detailed working sheets for audit trails and appropriate adjustment in the books of account is not working effectively and required improvement.</p>
Ordnance Facorty Institute of Learning, Khamaria.	As per the information and explanation given to us and as per our examination of books of accounts there is no inventory maintained. Hence this point of CARO, 2020 is not applicable
Cordite Factory Aruvankadu	It was noted that the management has performed physical verification of inventory as at March 31, 2022. However proper, detailed report and working has not been prepared by the management and provided to branch auditors for their cross examination to ensure whether all material discrepancies observed in the verification has been appropriately adjusted in the books of accounts. Further as per the information and explanation given to branch auditors and as per their examination of books of accounts, physical verification of inventory was not conducted on October 1, 2021 and also during the period at reasonable interval by the Management as prescribed in the Office Manual. Therefore we could not obtain sufficient and appropriate audit evidence on existence of inventory as on March 31, 2022.the certificate of physical verification of stock, viz WIP and finished goods, was revised several times by the branch, and hence, we have our own apprehension on the accuracy and correctness of the stock reported in the Standalone financial statements.
High Energy Projectile Factory Tiruchirappalli	Physical verification of inventory has been conducted at reasonable intervals by the management and in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate; No discrepancies of 10% or more in the aggregate for each class of inventory were noticed and they have been properly dealt with in the books of account;



Name of Unit	Comments by respective branch auditor
Ordnance Factory Bhandara	<p>except the following There is item of Inventory in WIP which material rejected due to quality problems (Rs. 0.23Cr) included in the Inventory. We are of the opinion that adequate provision / write-off to be made in the accounts to get true and fair view of the Profit/ accounts.</p> <p>The management has conducted physical verification of inventory at reasonable intervals during the period, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the period-end, written confirmations were not obtained by the management except from few sister concerns. In our opinion the coverage and the procedure of such verification by the management is inappropriate.</p>
National Institute of Defence Production, Ambajhari	The Unit does not have any inventory and hence reporting under clause 3(ii)(a) of the Order is not applicable.
Ordnance Factory Chanda	As explained to us and on the basis of the records produced before us, in our opinion, though physical verification of the inventories, have been conducted at reasonable intervals by the Management. However proper, detailed report and working has not been prepared by the management and provided to branch auditors for their cross examination to ensure whether all material discrepancies observed in the verification has been appropriately adjusted in the books of account
Ordnance Factory Bolangir	The inventories were physically verified during the year by the Management at reasonable intervals. In our opinion and according to the information and explanations given to us, the coverage and procedure of such verification by the management is not appropriate having regard to the size of the Company and nature of its operations. No discrepancies of 10% or more in the aggregate for each class of inventories were noticed on such physical verification of inventories when compared with books of account.
Ordnance Factory Itarsi	As explained to us and on the basis of the records produced before us, in our opinion, though physical verification of the inventories, have been conducted at reasonable intervals by the management However proper, detailed report and working has not been prepared by the management and provided to branch auditors for their cross examination to ensure whether all material discrepancies



Name of Unit	Comments by respective branch auditor
	observed in the verification has been appropriately adjusted in the books of accounts.
Ordnance Factory Nalanda	As explained to us and on the basis of the records produced before us, in our opinion, though physical verification of the inventories, have been conducted at reasonable intervals by the management However proper, detailed report and working has not been prepared by the management and provided to branch auditors for their cross examination to ensure whether all material discrepancies observed in the verification has been appropriately adjusted in the books of accounts.
Ordnance Factory Varangaon	The management has not conducted physical verification of inventory at reasonable intervals during the year. In our opinion the coverage and the procedure of such verification by the management is inappropriate.

(b) According to the information and explanations provided to us, the company has not been sanctioned working capital limits in excess of five crore rupees during the period, in aggregate, from banks or financial institutions on the basis of security of current assets. Hence reporting under clause 3(ii)(b) of the order is not applicable.

iii. The company during the period has not made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Hence reporting under Clause (iii)(a), (iii)(b), (iii)(c), (iii)(d), (iii)(e) and (iii)(f), of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits or amounts which are deemed to be deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. Being the first year/period of incorporation of the company the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company is not applicable for the current year. Therefore, the provisions of Clause 3(vi) of the said Order are not applicable to the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by the branch auditors, in opinion of respective auditors, except for statutory dues in case





of branches as mentioned in the table below, the Company is regular in depositing undisputed statutory dues, including Goods and Service Tax, provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. There are no arrears of statutory dues outstanding as at March 31, 2022, for a period of more than six months from the date they became payable.

Name of Unit	Comments by respective branch auditor
Ordnance Factory Khamaria	As per the information and explanation given to us and as per our examination of books of accounts, the branch of a Company has delayed in deposition of Labour Cess under Rule 4 of the building and other constructions workers welfare cess rules, 1998 and also delay in deposit of TDS pertaining to the month of October-21 which are deposited in the month of December-21. However due to non-availability of complete data we are unable to comment on the same.
National Institute of Defence Production, Ambajhari	The Unit has been generally regular in depositing statutory dues as applicable; with the appropriate authorities except there have been certain delays in payment of ESIC & Provident Fund due to website error maintenance.

(b) According to the information and explanations given to us and the records of the Company examined by branch auditors, the particulars of statutory dues referred to in sub-clause (a) as at March 31, 2022 which have not been deposited on account of a dispute as reported by the branch auditor, are as follows:

Name of Branch	Name of the statute	Nature of dues	Amount (Rs. Crore)	Period to which the amount relates	Forum where the dispute is pending
Ordnance Factory Bhandara	Central Excise Act 1944	Excise Duty	8.98 Crore	01.06.2015 to 30.06.2017	The Custom Excise and Service Tax Appellate Tribunal

viii. Being first year of incorporation of the company, there are no income tax returns filled by the company till the date of this report and therefore there are no assessments completed or in progress under Income Tax Act, 1961. Hence reporting under clause 3(viii) of the order is not applicable.

ix.(a) As the Company does not have any loans or other borrowings from any lender during the year, hence the provisions of Clause 3(ix)(a) of the Order are not applicable to the Company.

(b) As there are no borrowings made by the company hence the provisions of Clause 3(ix)(b) relating to wilful defaulter are not applicable to the Company.

(c) According to the information and explanations given to us and on the basis of our audit procedures and based on branch auditors report, the Company has not availed any term loan.



- (d) According to the information and explanations given to us and on the basis of our audit procedures, the Company has not raised any funds on short term basis.
- (e) According to the information and explanations given to us and on an overall examination of the financial statements of the company, we report that the company has not taken any funds from any entity or person on account of or to meet the obligations of its associate. The company does not have any subsidiary or joint venture.
- (f) The company has not raised loans during the period on the pledge of securities held in its associate. The Company does not have any subsidiary or joint venture.
- x. (a) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) during the year. Accordingly, the provisions of Clause 3(x)(a) of the Order are not applicable to the Company.
- (b) The Company has not made any preferential allotment or private placement of shares or fully or partly or optionally convertible debentures during the year. Accordingly, the provisions of Clause 3(x)(b) of the Order are not applicable to the Company.
- xi. (a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us and based on branch auditors reports, we along with branch auditors have neither come across any instance of fraud by the Company or on the Company noticed or reported during the period, nor have we been informed of any such case by the Management.
- (b) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, report in the form ADT-4 as specified under sub-section (12) of section 143 of the Companies Act has not been filed. Accordingly reporting under clause 3(xi)(b) of the order is not applicable.
- (c) Provisions relating to whistle blower are not applicable to the company as per section 177(9) of the Companies act, 2013. As represented to us by the management and based on consideration of the CARO reports issued by respective branch auditors, there are no whistle blower complaints received by the company during the period.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph in the main audit report, we are unable to comment on whether the Company has entered into transactions with related parties in compliance with the provisions of Section 188 of the Act. Being a government company, the details of related party transactions are not required to be disclosed in the financial statements of the Company as per IndAS 24, Related Party Disclosures specified



under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. Further, the Company has not constituted an Audit Committee as required under Section 177 of the Act, however it was informed to us that the company is in the process of making compliance in respect of the same. Refer note 41 to the Financial Statements.

xiv. (a) Being the first year/period of incorporation of the company provisions of section 138 relating to Internal Audit system are not applicable to the company for the financial year under audit. As reported by branch auditors of following branches, respective branch has internal audit system, however same is not commensurate with the size and nature of business of the Company.

Name of Unit	Comments by respective branch auditor
Highly Explosive Factory, Pune	The Branch does not have an internal audit system commensurate with the size and nature of its business.
Ordnance Factory Dehuroad	The Branch does not have an internal audit system commensurate with the size and nature of its business.
Ordnance Factory Khamaria	Internal audit report provided to us is not appropriate, effective and not satisfies the requirement of various areas and aspects to be covered in an internal audit. We are in opinion that branch of a Company does not have an internal audit system commensurate with the size and nature of its business.
Cordite Factory Aruvankadu	In our opinion and based on our examination, the Branch does not have an internal audit system commensurate with the size and nature of its business.
Ordnance Factory Itarsi	The Company has an internal audit system commensurate with the size and the nature of its business
Ordnance Factory Nalanda	Branch does not have an internal audit system commensurate with the size and nature.
Ordnance Factory Varangaon	The Company does not have internal audit system commensurate with the size and nature of its business since this is the first year of its operation.

(b) As the provisions of section 138 relating to internal audit are not applicable to the company for the financial year under audit. Further in view of the comment given under clause 3 (xiv) (a) above, we are not able to comment on the clause 3 (xiv) (b) of the order.

(xv) According to information and explanations given to us, audit procedures carried out by us and based on branch auditors report, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.





- xvi. (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi)(a) of the Order are not applicable to the Company.
- (b) According to the information and explanations given to us and procedures performed by us, we report that the Company has not conducted any Non-Banking Financial or Housing Finance activities during the year. Therefore reporting under clause 3(xvi)(b) of the order is not applicable.
- (c) According to the information and explanations given to us and procedures performed by us, the Company is not Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, hence reporting under clause 3(xvi)(c) of the order is not applicable.
- (d) Based on information and explanation given to us and as represented by the management, the Group does not have any Core Investment Company (CIC) as part of the Group.
- (xvii) The Company has not incurred cash losses during current financial year/period.
- (xviii) There has been no resignation by statutory auditors during the year hence reporting under clause 3(xviii) of the order is not applicable.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions and further also considering the Company is a Government Company in the Defence Sector, active equity participation by the Central Government and based on consideration of CARO reports issued by branch auditors, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
- (xx) (a) Being first year of incorporation of the Company, the provision of section 135 of Companies Act, 2013 are not applicable for the year under audit. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable for the year.
- (b) Being first year of incorporation of the Company, the provision of section 135 of Companies Act, 2013 are not applicable for the year under audit. Accordingly, reporting under clause 3(xx)(b) of the Order is not applicable for the year

For **PG BHAGWAT LLP**

Chartered Accountants

Firm Registration Number: 101118W/W100682

Abhijit Shetye

Partner

Membership Number: 151638

UDIN: 23151638BGQGEJ3393

Place - Pune



## **Annexure C to the Independent Auditors' Report**

Referred to in paragraph 2(i) under the heading, “Report on Other legal and Regulatory Requirements” of our report on even date:

### **Report on the Internal Financial Controls with reference to Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls with reference to the Financial Statements of Munitions India Limited (“the Company”) (which includes the Head Office and fifteen branches) as of March 31, 2022 in conjunction with our audit of the Financial Statements of the Company for the period ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditors' Responsibility**

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

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

Because of the matter described in the Disclaimer of Opinion paragraph below, we were not able to



obtain sufficient and appropriate audit evidence to provide a basis of audit opinion on an internal financial controls with reference to financial statements of the Company.

### **Meaning of Internal Financial controls with reference to the Financial Statements**

A company's internal financial controls with reference to the Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to the Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

### **Inherent Limitations of Internal Financial Controls with reference to the Financial Statements**

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

### **Disclaimer of Opinion**

According to the information and explanation given to us, in the opinion of the management, the Company has not established its internal financial control over financial reporting on criteria based on or considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('Guidance Note') issued by the Institute of Chartered Accountants of India. As informed to us, being first year of incorporation, the Company is in the process of implementing internal financial control over financial reporting on criteria based on or considering the essential components of internal control stated in the Guidance Note.

Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company has internal financial controls with respect to the financial statements and whether such internal financial controls were operating effectively as at March 31, 2022.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the disclaimer has affected our opinion on the financial statements of the Company and we have issued a disclaimer of opinion on the financial statements of the Company. Refer Basis of Disclaimer of Opinion paragraph in our main audit report.





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### Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements insofar as it relates to fifteen branches is based on the corresponding reports of the branch auditors of such branches. Our opinion is not modified in respect of this matter.

### For PG BHAGWAT LLP

Chartered Accountants

Firm Registration Number: 101118W/W100682

### Abhijit Shetye

Partner

Membership Number: 151638

UDIN: 23151638BGQGEJ3393

Place - Pune

Date – December 31, 2022

### PG BHAGWAT LLP

Chartered Accountants

LLPIN: AAT-9949



### **Annexure D- Report on Directions / Additional Directions issued by Comptroller and Auditor General of India under sub-section (5) of section 143 of the Act**

In terms of Directions issued by the Comptroller and Auditor General of India under sub-section (5) of section 143 of the Act, and on the basis of such checks of the books of accounts, as we considered appropriate, the information and explanation given to us and based on the consideration of the audit reports issued by respective branch auditors and subject to matters specified in our basis of disclaimer of opinion, we give below a statement on the matters specified in the said Directions.

#### **Directions and Additional Directions under sub-section (5) of section 143 of the Act**

<b>S1. No.</b>	<b>Directions/Additional directions</b>	<b>Observations</b>
1.	Whether the company has system in place to process all accounting transactions through IT Systems? If yes, implications of processing of accounting transaction outside IT systems on integrity of accounts along with the financial implications if any may be stated.	Refer to Para A under Section I of Annexure A to our main audit report. Further due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are not able to comment on implications of the processing of accounting transactions outside IT systems on integrity of accounts along with the financial implications if any.
2.	Whether there is any restructuring of an existing loan or cases of waiver / write off of debt/loans/interest etc. made by a lender to the company due to Company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, the lender is a Government Company, then this direction is also applicable to Statutory Auditors of Lender company.)	According to information and explanations given to us, the Company has not obtained any loan during the period and does not have any existing loan. Hence this clause is not applicable.
3.	Whether funds (grant/subsidy etc.) received/receivable for specific schemes from central/state government or its agencies were properly accounted for / utilised as per its term and conditions? List the cases of deviations.	According to information and explanations given to us, no funds (grants/subsidy etc.) are received/receivable for the specific schemes from Central/ State Government or its agencies. However, during the period under audit, the Company has received/receivable amount of relief from the Government towards reimbursement of expenses incurred during current year but



S1. No.	Directions/Additional directions	Observations
		central or statement government or its agencies, this clause is not applicable.
4.	Whether the Company has migrated the assets and liabilities of erstwhile ordnance factories to the newly formed DPSU in accordance with the provisions of Ind AS and other related Govt. of India orders or directives? If there is any deviation, the nature of deviation and its impact on the financial statements may be stated.	As per information and explanation provided to us, the assets and liabilities of erstwhile ordnance factories have been migrated to the newly formed DPSU in accordance with the provisions of Ind AS and other related Govt. of India orders or directives. However due to lack of sufficient and appropriate audit evidence regarding completeness of assets and liabilities acquired as a part of business reorganisation and also giving consideration to the fact that these balances were not subjected to any independent auditor or Comptroller and Audit General (CAG) of India, we are not able to comment on the completeness including deviations if any. Also refer to Sr no 1 under Emphasis of Matter paragraph of our main audit report.
5.	Whether the Company has reconciled the opening balances of the Assets and Liabilities of the new formed DPSU with the closing balances of erstwhile ordnance factories as per the financial statements prepared by the Principal Controller of Accounts (Fys) in the commercial format? The discrepancies observed (if any) and its impact on the financial statements may be stated.	<p>Balances of assets and liabilities acquired by the Company on account of Business Reorganisation as at October 1, 2021, were not subjected to audit from any independent auditor or Comptroller and Audit General (CAG) of India. These balances were taken from the unaudited books of accounts of respective units as on September 30, 2021 as maintained by Defence Accounts Department (DAD) for which detailed breakup of these assets and liabilities and their reconciliation with closing balance of erstwhile ordnance factories as per the financial statements prepared by the Principal Controller of Accounts (Fys) could not be made available to auditors for the purpose of audit.</p> <p>Further due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are not able to comment on this para.</p> <p>Also refer to Sr no 1 under Emphasis of Matter paragraph of our main audit report.</p>
6.	Whether the Company has carried	As informed to us by the management,





S1. No.	Directions/Additional directions	Observations
	out reconciliation exercise of inter-factory balances with the other DPSUs on the date of formation of the Company and whether confirmation have been obtained from other DPSUs for balances due to/due from them? The amount of unreconciled balances, if any, for each DPSU may be stated	reconciliation of Inter- Factory balances with the other DPSUs as on the date of formation of the Company has not been made available to branch auditors. Further due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are not able to comment on this paragraph.
7.	Whether the accounting policies have been framed by the DPSU as per the provisions of the Ind AS and in accordance with the prudent accounting principles applicable to Defence Sector? Inconsistency, if any, may be stated.	Yes, the accounting policies have been framed by the DPSU as per the provisions of the Ind AS and in accordance with the prudent accounting principles applicable to Defence Sector.
8.	Whether the provisions for employee benefit liabilities and their valuation on the date of formation of DPSU have been made in accordance with the provisions of Ind AS? Deviations, if any, may be stated.	According to information and explanation provided to us, on corporatization of the production facilities of erstwhile Ordnance Factory Board (OFB), the employees of erstwhile OFB have been transferred to the Company on deemed deputation for an initial period of two years vide the Ministry of Defence's Office Memorandum (OM) No. 1(5)/2021/OF/DP(Plg-V)/02 dated September 24, 2021. As per the said OM, the employees continue to be the Central Government employees and therefore the pay allowances, leave, medical facilities and pension liability continue to be the obligation of the Central Government. Therefore, provision for employee benefits viz. provision for gratuity, leave encashment and other retirement benefits and allowances, are not recognized as per IND-AS 19 in the financial statements, as these are obligations of the Central Government and not of the Company. Also refer to Sr no 2 under Emphasis of Matter paragraph of our main audit report.

For **PG BHAGWAT LLP**  
Chartered Accountants  
Firm Registration Number: 101118W/W100682

Abhijit Shetye  
Partner  
Membership Number: 151638  
UDIN: 23151638BGQGEJ3393  
Place - Pune Date – December 31, 2022



## COMMENTS OF C & AG

### Comments of The Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of Munitions India Limited for the period ended 31<sup>st</sup> March, 2022



Confidential/ Speed Post

No. 216 /T-459/MIL/Accounts/2022-23 Dated: 01/03/23

कार्यालय  
महा निदेशक लेखा परीक्षा  
आयुध फैक्ट्रिया -  
कोलकाता

OFFICE OF THE  
DIRECTOR GENERAL OF AUDIT  
ORDNANCE FACTORIES  
KOLKATA

To,  
The Chairman & Managing Director,  
M/s. Munitions India Limited,  
Corporate Office : 2nd Floor Nyati Unitree,  
Nagar Road, Yerwada, Pune – 411006.  
[finance@munitionsindia.in](mailto:finance@munitionsindia.in)

**Sub: Comment under Section 143(6) (b) of the Companies Act, 2013 on the accounts of Munitions India Limited, Pune for the year ended 31<sup>st</sup> March 2022.**


Sir,

I am to forward herewith the comments of the Comptroller and Auditor General of India under section 143 (6) (b) of the Companies Act 2013 on the Financial Statements of M/s Munitions India Limited, Pune for the year ended 31<sup>st</sup> March 2022.

Receipt of this letter may kindly be acknowledged.

Encl: As stated.

Yours faithfully,

  
01/03/2023

(Sarat Chaturvedi)  
Director General of Audit  
(Ordnance Factories)  
KOLKATA



## **COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF MUNITIONS INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2022**

The preparation of Standalone Financial Statements of Munitions India Limited for the year ended 31 March 2022 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139 (7) of the Act is responsible for expressing opinion on these Financial Statements under Section 143 of the Act based on independent audit in accordance with the Standards on Auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 31 December 2022.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the Financial Statements of Munitions India Limited for the year ended 31 March 2022 under Section 143(6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the Financial Statements and the related Audit Report.

### **A. Comments on Profitability**

#### **Balance Sheet**

#### **Other Current Liabilities (Note 23)**

**Rs. 2123.90 crore**

1. The above does not include a sum of Rs 220.52 crore towards the provision for employer's contribution in respect of the employees of erstwhile Ordnance Factory Board on deemed deputation (Foreign Service) covered under Old Defined Benefit Pension Scheme and National Pension Scheme during the period from 01 October 2021 to 31 March 2022. As per Office Memorandum dated 24 September 2021, the Government of India has transferred all its Liabilities to the newly formed DPSUs, hence the Company is obligated to provide this liability for availing the services of the Government employees on deemed deputation for the six months' period. This has resulted in understatement of Other Current Liabilities and overstatement of Profit of the Company by Rs 220.52 crore.

#### **Statement of Profit and Loss**

#### **Other Income (Note 25):**

**Rs. 46.83 crore**

#### **Interest Income on Fixed Deposits:**

**Rs. 22.64 crore**

2. This includes an amount of Rs. 2.07 crore being Total Tax Deducted (Rs. 2.04 crore) and





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Overhead Tax Deducted (Rs. 0.03 crore) by State Bank of India on the Bank Deposits of the Company. This has been added by the Company with the Interest Paid (Rs. 20.29 crore) and Interest Accrual (Rs. 0.28 crore) to arrive at the Other Income of the Company amounting to Rs. 22.64 crore. Since the Interest Paid is inclusive of Total Tax Deducted and Overhead Tax Deducted, the same should not have been added by the Company. This has resulted in overstatement of Other Income as well as Profit of the Company by Rs. 2.07 crore.

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

**Place: Kolkata  
Date:01/03/23**

**Director General of Audit  
(Ordnance Factories)**



## MANAGEMENT REPLY TO THE COMMENTS OF C & AG

**Managements reply to the comments of The Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of Munitions India Limited for the period ended 31<sup>st</sup> March, 2022**

No. MIL/FIN/Audit/CAG/MIL response/FY2021-22

Dtd. 08.03.2023

To  
Office of the Director General of Audit,  
Ordnance Factories,  
Kolkata

(Kind Attention: Shri Sarat Chaturvedi, DGA)

Sub: MIL response to CAG audit report and comments.

Ref: (i) CAG comments vide Letter No. 216/T-459/MIL/Accounts/2022-23  
Dtd. 01/03/2023

1. In response to above referred letter, the management response of MIL is provided below.

### 1.1. CAG comments:

The above (Other current liabilities (Note 23)) does not include a sum of Rs 220.52 crore towards the provision for employer's contribution in respect of the employees of erstwhile Ordnance Factory Board on deemed deputation (Foreign Service) covered under Old Defined Benefit Pension Scheme and National Pension Scheme during the period from 01 October 2021 to 31 March 2022. As per Office Memorandum dated 24 September 2021, the Government of India has transferred all its Liabilities to the newly formed DPSUs, hence the Company is obligated to provide this liability for availing the services of the Government employees on deemed deputation for the six months' period. This has resulted in understatement of Other Current Liabilities and overstatement of Profit of the Company by Rs 220.52 crore.

### MIL management response:

Post corporatization from 1st Oct' 21, all the employees of the erstwhile OFB are working in the company on deemed deputation with same service conditions as that of government employee.

Regarding Central Government NPS subscribers, attention is invited towards para no. 07 of Office Memorandum No. 1(5)/2021/OF/DP (Plg-V)/02 dated 24 September 2021 of Government of India, Ministry of Defence (Department of Defence production), which states that "the pension liabilities of the retirees and existing employees will continue to be borne by the Government from the Ministry of Defence (MoD) budget for Defence Pensions. For the employees recruited after 01.01.2004, National Pension Scheme applicable to the Central Government employees is in vogue and the same may be adopted by the New DPSUs, including continuation of all special provisions applicable to Central Government employees under the National Pension Scheme".



It is submitted that as para no. 07 of OM, the company is making the payment of employer contribution of NPS in respect of employees recruited after 01.01.2004 as per special provisions applicable to Central Government employees (i.e., 14% of Basic Pay and DA).

Further, as per the para no. 08 of the same OM, “The condition of payment of pensionary benefits to the employees of OFB on absorption to the New DPSUs would be regulated in accordance with Rule 37-A of the Central Civil Services (Pension) Rules, 1972”.

Rule 37A, para no. 16 reproduced below for kind reference:

“The Government shall discharge its pensionary liability by paying in lump sum as a one-time payment to the Pension Fund the pension or service gratuity and retirement gratuity for the service rendered till the date of absorption of the Government servant in the Public Sector Undertaking.”

In view of the above, the liability to make the provision for terminal benefits will be borne by the GoI as there is no permanent employee of the company. Neither the GoI nor the company has crystallized any future service condition so far.

Notwithstanding above, MIL has submitted that any further directives given by the Government in this regard will be followed.

## 1.2. CAG comments:

This includes an amount of Rs. 2.07 crore being Total Tax Deducted (Rs. 2.04 crore) and Overhead Tax Deducted (Rs. 0.03 crore) by State Bank of India on the Bank Deposits of the Company. This has been added by the Company with the Interest Paid (Rs. 20.29 crore) and Interest Accrual (Rs. 0.28 crore) to arrive at the Other Income of the Company amounting to Rs. 22.64 crore. Since the Interest Paid is inclusive of Total Tax Deducted and Overhead Tax Deducted, the same should not have been added by the Company. This has resulted in overstatement of Other Income as well as Profit of the Company by Rs. 2.07 crore.

## MIL management response:

Interest income on FD was calculated as per document received from SBI and explanation made by SBI personnel and accordingly the sum total of interest paid, accrued interest, total tax deducted and overhead tax deducted was taken into consideration.

The calculation was re examined in view of the observation made by CAG audit and it is agreed upon that, FD amount is overstated by INR 2.07 Crores, which is due to inclusion of total tax deducted and Overhead Tax Deducted in the total interest paid shown in the SBI document and should not have been added separately while calculating total interest income of MIL from FDs.

These amounts will be restated as the comparative amounts for the prior period in FY 2022-23 as per Para 42 of Ind AS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

(Prakash Agarwala)  
Director/ Finance & CFO  
For CMD/MIL





## BALANCE SHEET

### Munitions India Limited

#### Balance Sheet as at March 31, 2022

(All amounts are in INR Crores, unless stated otherwise)

	Notes	As at March 31, 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4 (a)	3,009.87
Capital work-in-progress	4 (a)	1,442.99
Intangible assets	4 (b)	78.79
Intangible assets under development	4 (c)	13.42
Inventories	5	42.24
Financial assets		
(a) Investments	6	0.80
(b) Receivable from government	7	3.43
Other non-current assets	8	5.55
<b>Total non-current assets</b>		<b>4,597.09</b>
<b>Current assets</b>		
Inventories	9	2,987.46
Financial assets		
(a) Trade receivables	10	766.55
(b) Cash and cash equivalents	11	2,976.53
(c) Receivable from government	12	434.28
(d) Other financial assets	13	9.31
Other current assets	14	686.25
<b>Total current assets</b>		<b>7,860.37</b>
<b>Total assets</b>		<b>12,457.46</b>
<b>EQUITY AND LIABILITIES</b>		
Equity share capital	15	1,232.31
Equity shares pending issue on business reorganisation (refer note 39)	39	32,724.50
Reserves and surplus	16	-27,407.06
<b>Total equity</b>		<b>6,549.75</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Financial Liabilities		
Other financial liabilities	17	3.60
Provisions	18	2,985.31



Deferred tax liabilities	19	2.63
<b>Total non-current liabilities</b>		<b>2,991.54</b>
<b>Current liabilities</b>		
Financial liabilities		
(a) Trade payables	20	
(i) Total outstanding dues of micro enterprises and small enterprises		8.07
(ii) Total outstanding dues other than (a)(i) above		595.46
(b) Other financial liabilities	21	186.15
Current tax liabilities	22	2.60
Other current liabilities	23	2,123.90
<b>Total current liabilities</b>		<b>2,916.17</b>
<b>Total liabilities</b>		<b>5,907.71</b>
<b>Total equity and liabilities</b>		<b>12,457.46</b>

The above balance-sheet should be read in conjunction with the accompanying notes.

As per our report of even date attached.

**For P G BHAGWAT LLP**  
Firm Registration Number: 101118W/W100682

**For and on behalf of Board of Directors of  
Munitions India Limited**

**Abhijit Shetye**  
Partner  
Membership Number: 151638

**Ravi Kant**  
Chairman and Managing Director  
DIN: 09283919

**Prakash Agarwala**  
CFO & Director Finance  
DIN: 09666613

**E J Paul**  
Company Secretary  
Membership No. : FCS4521

**Pune**  
**31 December 2022**

**Pune**  
**27 December 2022**



## STATEMENT OF PROFIT & LOSS

### Munitions India Limited

#### Statement of Profit and Loss for the period ended March 31, 2022

(All amounts are in INR Crores, unless stated otherwise)

	Notes	For the period from 17 August 2021 to 31 March 2022
Revenue from operations	24	2,571.55
Other income	25	46.83
<b>Total income</b>		<b>2618.38</b>
<b>Expenses</b>		
Cost of materials consumed	26	1,051.90
Changes in inventories of work-in-progress, stock-in-trade and finished goods	27	283.38
Employee benefit expenses	28	919.39
Depreciation and amortisation expense	29	85.02
Other expenses	30	253.29
<b>Total expenses</b>		<b>2,592.98</b>
<b>Profit before tax</b>		<b>25.40</b>
<b>Income tax expense</b>		
- Current tax	31	4.67
- Deferred tax	31	2.63
<b>Total tax expense</b>		<b>7.30</b>
<b>Profit for the period</b>		<b>18.10</b>
Other comprehensive income		-
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>
<b>Total comprehensive income for the period</b>		<b>18.10</b>
Earnings per share		
Basic and Diluted (Nominal value per share Rs. 10 each)	38	0.01





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The above statement of profit and loss should be read in conjunction with the accompanying notes.

As per our report of even date attached.

**For P G BHAGWAT LLP**

Firm Registration Number: 101118W/W100682

**For and on behalf of Board of Directors of  
Munitions India Limited**

**Abhijit Shetye**

Partner

Membership Number: 151638

**Ravi Kant**

Chairman and Managing Director

DIN: 09283919

**Prakash Agarwala**

CFO & Director Finance

DIN: 09666613

**E J Paul**

Company Secretary

Membership No. : FCS4521

**Pune**

**31 December 2022**

**Pune**

**27 December 2022**



## STATEMENT OF CASH FLOW

### Munitions India Limited

#### Statement of cash flows

(All amounts are in INR Crores, unless stated otherwise)

	31 March 2022
<b>Cash flow from operating activities</b>	
Profit before income tax	25.40
<u>Adjustments for :</u>	
Depreciation and amortisation expense	85.02
Interest received	(22.64)
<b>Changes in operating assets and liabilities:</b>	
(Increase)/decrease in trade receivables	(516.80)
(Increase)/decrease in inventories	290.21
Increase/(decrease) in trade payables	320.18
(Increase)/decrease in other financial assets	22.88
Increase/(decrease) in other financial liabilities	56.99
(Increase)/decrease in other current and non-current assets	(314.83)
(Increase)/decrease in provisions	(14.69)
(Increase)/decrease in receivable from government	262.44
Increase/(decrease) in current liabilities	1,704.92
<b>Cash generated from operations</b>	<b>1,899.07</b>
Income taxes paid	-
<b>Net cash flow from operating activities</b>	<b>1,899.07</b>
<b>Cash flows from investing activities:</b>	
Payments for property, plant and equipment	(179.45)
Payments for intangible assets	(13.42)
Interest received	22.64
Cash acquired as part of reorganisation of Ordnance Factory Board (Refer note 39)	15.39
<b>Net cash flow from investing activities</b>	<b>(154.85)</b>
<b>Cash flow from financing activities:</b>	
Proceeds from issues of shares	1,232.31
<b>Net cash from financing activities</b>	<b>1,232.31</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,976.53</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,976.53</b>



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Non-cash investing activities include consideration for business reorganisation in the form of equity shares pending issue amounting to Rs. 32,724.50 Refer note 39 for details.

The above statement of cash flows should be read in conjunction with the accompanying notes.

As per our report of even date

**For P G BHAGWAT LLP**

Firm Registration Number: 101118W/W100682

**For and on behalf of Board of Directors of  
Munitions India Limited**

**Abhijit Shetye**

Partner

Membership Number: 151638

**Ravi Kant**

Chairman and Managing Director

DIN: 09283919

**Prakash Agarwala**

CFO & Director Finance

DIN: 09666613

**E J Paul**

Company Secretary

Membership No. : FCS4521

**Pune**

**31 December 2022**

**Pune**

**27 December 2022**





## STATEMENT OF CHANGE IN EQUITY

### Munitions India Limited

#### Statement of changes in equity

(All amounts are in INR Crores, unless stated otherwise)

#### A. Equity share capital

	Notes	Amount
	15	
<b>As at 17 August 2021</b>		-
Issue of equity shares		1,232.31
<b>As at 31 March 2022</b>		<b>1,232.31</b>

#### B. Other equity

	Notes	Capital Reserve	Retained earnings	Total
<b>Balance as at 17 August 2021</b>	16	-	-	-
On reorganisation of Ordnance Factory Board	39	(27,425.01)	-	<b>(27,425.01)</b>
Profit for the period		-	18.10	<b>18.10</b>
Other comprehensive income		-	-	-
<b>As at 31 March 2022</b>		<b>(27,425.01)</b>	<b>18.10</b>	<b>(27,406.91)</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

As per our report of even date

**For P G BHAGWAT LLP**  
Firm Registration Number:  
101118W/W100682

**For and on behalf of Board of Directors of**  
**Munitions India Limited**

**Abhijit Shetye**

Partner

Membership Number: 151638

**Ravi Kant**

Chairman and Managing Director

DIN:

09283919

**Prakash Agarwala**

CFO & Director

Finance

DIN: 09666613

**E J Paul**

Company Secretary

Membership No. : FCS4521

**Pune**

**31 December 2022**

**Pune**

**27 December 2022**



## NOTES TO FINANCIAL STATEMENTS

### Munitions India Limited

(All amounts in Rs. Crores, unless otherwise stated)

#### 1. General Information

Munitions India Limited ('MIL', or 'the Company') is an Indian state-owned Defence company, headquartered in Pune, India was incorporated on 17 August 2021 to take over the business of manufacture of ammunition and explosives as part of the restructuring and corporatisation of the Ordnance Factory Board (OFB) of Government of India into different public sector undertakings.

The Board of directors have approved these financial statements for issue on 27 December 2022.

#### 2. Basis of preparation and summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.1 Basis of preparation

###### i. Compliance with Ind-AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

This is the first year of incorporation of the Company. Refer note 39 for details of business reorganization of OFB.

###### ii. Historical cost convention

The financial statements have been prepared on historical cost basis, except certain financial assets and liabilities measured at fair value.

###### iii. Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III (Division II) to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

###### iv. New amendments issued but not effective

The Ministry of Corporate Affairs has vided notification dated 23 March 2022 notified



Companies (Indian Accounting Standards) Amendment Rules, 2022 which amends certain accounting standards and are effective 1 April 2022. These amendments are not expected to have a material impact on the financial statements in the current or future reporting periods and on foreseeable future transactions.

## 2.2 Summary of significant accounting policies

### a) Foreign currency transactions

#### (i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss and presented in the Statement of Profit and Loss on a net basis.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

### b) Revenue recognition

The Company accounts for a contract with its customer when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The supply of goods does not have the same pattern of transfer to the customer as it does not meet the conditions of performance obligations satisfied over time. Hence, each product is a distinct performance obligation.

The Company assesses for the timing of revenue recognition in case of each distinct performance obligation. The Company first assesses whether the revenue can be recognised over time as it performs if any of the following criteria is met:

- (a) The customer simultaneously consumes the benefits as the Company performs, or





- (b) The customer controls the work-in-progress, or
- (c) The Company's performance does not create an asset with alternative use to the Company and the Company has right to payment for performance completed till date.

If none of the criteria above are met, the Company recognizes revenue at a point-in- time.

The contracts entered by the Company generally have a single performance obligation. The point-in-time is determined when the control of the goods is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession, and the customer acceptance in determining the point in time when control has been transferred.

#### Sale of products

In case of sale of products, revenue is recognised at a point in time when control of goods is transferred to the customer - based on delivery terms, payment terms, customer acceptance and other indicators of control as mentioned above.

#### Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Therefore, the Company does not adjust any of the transaction prices for the time value of money.

For contracts where the Company receives short-term advances from its customers, using the practical expedient in Ind-AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

### **c) Income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.



Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### **d) Impairment of assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

For the purposes of assessing impairment, assets are tested at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **e) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, balances with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



#### f) Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at the amortised cost using the effective interest method, less loss allowance.

#### g) Inventories

Raw materials and stores, work-in-progress, and finished goods

Raw materials and stores, work-in-progress and finished goods are stated at the lower of cost and net realizable value. Cost of raw materials comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### h) Other financial assets

##### i. Classification

The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortized cost.

The classification is done depending upon the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income, as elected. For investments in debt instruments, this will depend on the business model in which the investment is held.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

##### ii. Recognition

Financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.





### iii. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at 'fair value through profit or loss' are expensed in profit or loss.

**Debt instruments:** Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments as follows:

**Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in Other Income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in Other Income. Impairment losses are presented as a separate line item in the statement of profit and loss.

### iv. Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach required by Ind AS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### v. Derecognition of financial assets

A financial asset is derecognised only when

- Company has transferred the rights to receive cash flows from the financial asset.
- Retains the contractual rights to receive cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

### vi. Income recognition

Interest income from financial assets at amortised cost is calculated using the effective interest method and is recognised in the statement of profit and loss as part of Other Income. Interest income is calculated applying the effective interest rate to the gross carrying



amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### i) Offsetting financial instruments

Financial assets and liabilities are off-set and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### j) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

#### Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to allocate the costs of the assets, net of their residual value over their estimated useful lives.

Assets	Usefull life as per schedule II
Buildings	60 Years
Machines installed in Tool-rooms & Production shop	20 Years
Motor Vehicles, e. g. Diesel/ Petrol driventrucks, Forklift trucks, Dumpers, Tractors, Railway's shunters, Mobile Cranes etc.	05 Years
Air conditioners and Refrigerators	10 Years
Air Circulators, Pedestal Fans, Exhaust Fans etc.	20 Years
Electrical mains, meters, installation	16 Years
Electrical installation & fans in factory quarters	20 Years
Furniture & Fixture	05 Years
Office Equipment	8 Years



The residual values of the assets are not more than 5% of the original cost of the asset. The depreciation is calculated as per depreciation rate mentioned in above table on the net value of original cost and residual value.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets costing individually Rs 10,000 or less, are depreciated in full in the year of purchase.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss within Other Income.

## k) Intangible assets

### Acquired intangible assets

Intangible Assets are stated at acquisition cost less accumulated amortization and impairment losses, if any. Amortization period and amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

Intangible assets include rights to technical know-how under a technology transfer agreement which is amortised over the period of the agreement which is twelve years.

### Research and Development expenses

Development costs that are directly attributable to the design and testing of identifiable and unique intangible assets controlled by the Company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use
- management intends to complete the intangible asset and use or sell it
- there is an ability to use or sell the asset
- it can be demonstrated how the asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available, and
- the expenditure attributable to the asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the intangible asset include employee costs and an appropriate portion of relevant overheads.





Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### **l) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

#### **m) Provisions and contingent liabilities**

Provisions for legal claims and service warranties are recognised when the Company has a present legal or constructive obligation because of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at undiscounted amounts since the impact of discounting is not material.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

#### **n) Employee benefits**

On corporatization of the production facilities of erstwhile OFB, the employees of erstwhile OFB have been transferred to the Company on deemed deputation on an initial period of two years vide the Ministry of Defence's Office Memorandum (OM) No. 1(5)/2021/OF/DP(Plg-V)/02 dated September 24, 2021. As per the said OM, the employees continue to be the Central Government employees and the pension liability of existing employees will continue to be the obligation of the Central Government. The pay allowances and medical facilities is paid by the Company for these employees. Given the substance of these expenses, it has been presented as employee benefit expenses in the financial statements.



**o) Contributed equity**

Equity shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Equity shares to be issued and allotted against the net assets transferred to the Company on the reorganization of OFB has been presented separately on the balance-sheet as equity.

**p) Earnings per share**

**Basic earnings per share is calculated by dividing**

- dividing the profit or loss attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year.

**q) Rounding of amounts**

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

**3. Critical estimates and judgements**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.

**Significant Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

**1. Investment in associate**

The Company acquired 8% equity interest in Indo Russian Rifles Private Limited (IRRPL) as a part of reorganisation of OFB. The Company has also nominated one of the directors on the board of directors of IRRPL. The Management has determined that the equity investment in IRRPL together with representation on the board, provides it an ability to exercise significant influence over IRRPL. Accordingly, the management has determined that IRRPL is an associate of the Company. However, given the materiality of the amounts involved, the Company has not equity accounted its investment in IRRPL by preparing consolidated financial statements. Had the Company prepared the consolidated financial statements in order to equity account for its associate, the profit after tax would have been higher by Rs. 0.06 crores and the corresponding investment in associate would have been higher by the same amount.

**2. Provision for warranty**

The Company provides for lifetime warranty on its products against contracts transferred from the erstwhile OFB. The Company adjusted the net assets transferred from the erstwhile OFB by providing for warranty as of the transfer date at an amount based on the best estimate of the amount likely to be settled in case of products whose shelf-life is not over as of the transfer date. The amount was further discounted to the date of transfer. Refer note 39 for details.



#### 4 (a) Property, Plant Equipment and Intangible Assets (PPE & ITA): Munitions India Limited

	Freehold Land	Buildings	Plant and Machinery	Vehicles	Computer & Hardware	Office Furniture and fixtures	Office Equipment	Total	Capital work-in-progress
<b>Gross carrying amount</b>									
As at 17 August 2021	-	-	-	-	-	-	-	-	-
Acquired on business reorganisation of OFB (refer note 39)	73.09	1,361.14	1,511.47	34.62	1.01	0.24	0.71	<b>2,982.28</b>	1,367.22
Additions	-	34.11	65.96	2.51	0.84	0.49	0.15	<b>104.07</b>	75.77
Disposals	-	-	-0.99	-0.35	-	-	-	<b>-1.34</b>	
<b>Closing gross carrying amount</b>	<b>73.09</b>	<b>1,395.25</b>	<b>1,576.44</b>	<b>36.78</b>	<b>1.85</b>	<b>0.74</b>	<b>0.85</b>	<b>3,085.00</b>	<b>1,442.99</b>
<b>Accumulated depreciation</b>									
Charge for the period		18.26	53.49	4.11	0.11	0.06	0.07	<b>76.09</b>	
Disposals	-	-	-0.68	-0.28	-	-	-	<b>-0.96</b>	
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>18.26</b>	<b>52.81</b>	<b>3.84</b>	<b>0.11</b>	<b>0.06</b>	<b>0.07</b>	<b>75.13</b>	
<b>Net carrying amount</b>	<b>73.09</b>	<b>1,377.00</b>	<b>1,523.63</b>	<b>32.94</b>	<b>1.73</b>	<b>0.68</b>	<b>0.79</b>	<b>3,009.87</b>	<b>1,442.99</b>

#### Capital work-in-progress comprises of:

	As at March 31, 2022
Buildings	786.11
Plant and Machinery	656.88
<b>Total</b>	<b>1,442.99</b>

#### Capital work-in-progress ageing schedule

	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
<b>Projects in progress</b>					
Large calibre ammunition facilities	42.60	60.09	137.20	462.93	702.82
Rocket production facilities	-	-	-	181.64	181.64
Other plant and equipment and building construction in progress	65.54	31.24	161.46	300.29	558.53
<b>Total</b>	<b>108.15</b>	<b>91.33</b>	<b>298.66</b>	<b>944.86</b>	<b>1,442.99</b>

There are no projects suspended as at the balance-sheet date.

Certain projects have exceeded their original time estimates. However, these are expected to be completed within revised time estimate.

#### 4 (b) Intangible assets

	Technical Know-how	Total
<b>Gross carrying amount</b>		
As at 17 August 2021		
Acquired on business reorganisation of OFB (refer note 39)	87.71	<b>87.71</b>
<b>Closing gross carrying amount</b>	<b>87.71</b>	<b>87.71</b>
<b>Accumulated amortisation</b>		
Charge for the year	8.92	<b>8.92</b>
<b>Closing accumulated amortisation</b>	<b>8.92</b>	<b>8.92</b>
<b>Net carrying amount</b>	<b>78.79</b>	<b>78.79</b>



#### 4 (c) Intangible assets under development

	As at March 31, 2022
Technology related to products	13.42
<b>Total</b>	<b>13.42</b>

#### 5 Non-current inventories

	As at March 31, 2022
Raw materials	42.24
<b>Total</b>	<b>42.24</b>

#### 6 Non current Investment

	As at March 31, 2022
<b>Investment in associate - carried at cost</b>	
<b>Unquoted</b> 80,000 equity shares of Indo-Russian Rifels Private Limited	0.80
<b>Total</b>	<b>0.80</b>

Aggregate amount of quoted investments	--
Aggregate market value of quoted investments	--
Aggregate amount of unquoted investments	0.80
Aggregate amount of impairment in the value of investments	--

#### 7 Receivables from government

	As at March 31, 2022
Receivables from government	3.43
<b>Total</b>	<b>3.43</b>





## 8 Other non-current assets

	As at March 31, 2022
Considered good Capital advances	5.55
<b>Total</b>	<b>5.55</b>

## 9 Inventories

	As at March 31, 2022
Raw materials	1,957.63
Work-in-progress	937.61
Finished goods	92.22
<b>Total</b>	<b>2,987.46</b>

	As at March 31, 2022
Raw materials	59.90
	<b>59.90</b>

The above inventories include goods-in-transit as follows:

### Note 9A

Inventories which are unusable and obsolete inventory items as on October 1, 2021 which mainly consisted of raw material and Work in progress, amounting to Rs. 30.36 crore are written down to its estimated scrap value at-the rate of 10% i.e. Rs. 3.37 crores . We have also nominated the aforesaid matter to the Board of Enquiry (BOE) for confirmation of management assessment that the stock is unusable/ obsolete and its disposal plan.

### Note 9B

Inventories which are unusable and obsolete inventory items as on October 1,2021 which mainly consisted of raw material, amounting to Rs. 3.39 crore are written down to its estimated scrap value at the rate of 10% i.e. Rs.0.40 crores. We have also nominated the aforesaid matter to the Board of Enquiry (BOE) for confirmation of management assessment that the stock is unusable/ obsolete and its disposal plan.

## 10 Trade receivables

	As at March 31, 2022
Trade receivables from contracts with customers - billed	766.55
Trade receivables from contracts with customers - unbilled	-
Less: Loss allowance	-
<b>Total</b>	<b>766.55</b>



Refer note 36 for related party disclosures.

### Break-up of security details

	As at March 31, 2022
Trade receivables considered good - Secured	
Trade receivables considered good - Unsecured	766.55
Trade receivables which have significant increase in credit risk	-
Trade receivable - credit impaired	-
<b>Total</b>	<b>766.55</b>
Less: Loss allowance	-
<b>Total</b>	<b>766.55</b>

Particulars	Outstanding for following periods from due date of payments							Total
	Unbilled	Not due	Less than 6 months	6 months - 1 years	1-2 Years	2-3 Years	More than 3 Years	
<b>Trade receivables</b>								
Undisputed trade receivables- considered good			377.88	262.94		125.73	-	766.55
Undisputed trade receivables- which have significant increase in credit risk			-	-	-	-	-	-
Disputed trade receivables- considered good			-	-	-	-	-	-
Disputed trade receivables- which have significant increase in credit risk			-	-	-	-	-	-
Disputed trade receivables- credit impaired			-	-	-	-	-	-
<b>Total</b>			<b>377.88</b>	<b>262.94</b>	<b>-</b>	<b>125.73</b>	<b>-</b>	<b>766.55</b>

### 11 Cash and cash equivalents

	As at March 31, 2022
Balances with banks	
- in current accounts	709.03
Deposits with maturity of less than three months	2,267.49
<b>Total</b>	<b>2,976.53</b>

### 12 Receivables from government

	As at March 31, 2022
Receivables from government	434.28
<b>Total</b>	<b>434.28</b>

### 13 Other current financial assets

	As at March 31, 2022
Advances to employees	0.01
Security deposits	1.92
Other current financial assets	7.37
<b>Total</b>	<b>9.31</b>



#### 14 Other current assets

	As at March 31, 2022
Advances to vendors	514.29
Balances with government authorities	171.96
<b>Total</b>	<b>686.25</b>

#### 15 Equity share capital

##### (a) Authorised share capital

	Number of shares	Amount
As at the incorporation date i.e. 17 August 2021	40,50,00,00,000	40,500.00
Changes during the period	-	-
<b>As at 31 March 2022</b>	<b>40,50,00,00,000</b>	<b>40,500.00</b>

##### (b) Issued, subscribed and paid-up share capital

Particulars	Number of shares	Amount
As at the incorporation date i.e. 17 August 2021	-	-
Issued during the period	1,23,23,10,000	1,232.31
<b>As at 31 March 2022</b>	<b>1,23,23,10,000</b>	<b>1,232.31</b>

#### Terms/ rights attached to equity shares

Equity shares have a par value of INR 10. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Every holder of equity shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

#### c) Details of equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at 31 March 2022	
	Number of shares	% of holding
Government of India	1,23,23,10,000	100%

The Government of India, being the Promoter, holds 100% of Shares as on 31 March 2022.

#### 16 Other equity

	As at 31 March 2022
Capital reserve (a)	-27,425.16
Retained earnings (b)	18.10
<b>Total</b>	<b>-27,407.06</b>



### (a) Capital Reserve

	As at 31 March 2022
<b>As at the incorporation date i.e. 17 August 2021</b>	
Reorganisation of Ordnance Factory Board (Refer note 39)	-27,425.16
<b>Closing balance</b>	<b>-27,425.16</b>

### (b) Retained earnings:

	As at 31 March 2022
<b>As at the incorporation date i.e. 17 August 2021</b>	-
Profit for the period	18.10
<b>Closing balance</b>	<b>18.10</b>

Capital reserve represents the difference between the net assets transferred to the Company on business reorganisation of Ordnance Factory Board and the consideration issued. Refer note 39 for details.

### 17 Other non-current financial liabilities

	As at March 31, 2022
Security deposit payable	3.60
<b>Total</b>	<b>3.60</b>

### 18 Non-current provisions

	As at March 31, 2022
Provision for warranty	2,985.31
<b>Total</b>	<b>2,985.31</b>

### Movements in provisions

	Product warranties
<b>As at 17 August 2021</b>	-
Acquired through business reorganisation (Refer note 39)	3,000.00
Amounts utilised during the year	(14.69)
<b>As at 31 March 2022</b>	<b>2,985.31</b>





## 19 Deferred tax liabilities

The balances comprises temporary differences attributable to :

	As at March 31, 2022
<b>Deferred tax liabilities</b>	
Property, plant and equipment and intangible assets	90.84
<b>Deferred tax assets</b>	
Inventories	0.38
Tax losses	83.16
MAT Credit Entitlement	4.67
<b>Total</b>	<b>2.63</b>

Tax losses include unabsorbed depreciation which is allowed to be carried forward indefinitely.

## 20 Trade payables

	As at March 31, 2022
Trade payables	
(a) Micro and small enterprises	8.07
(b) Other than micro and small enterprises	595.46
<b>Total</b>	<b>603.53</b>

## Aging of trade payables

	Unbilled	Not due	Less than 1 Year	1-2 Years	2-3 Years	More than 3 years	Total
<b>Trade payables</b>							
Undisputed-MSME			5.26	0.31	0.06	0.09	5.73
Undisputed-Others			458.38	4.96	0.10	2.17	465.61
Disputed dues- MSME			-	-	0.44	1.91	2.34
Disputed dues- Others			-	4.75	-	125.10	129.85
<b>Total</b>			<b>463.64</b>	<b>10.02</b>	<b>0.59</b>	<b>129.27</b>	<b>603.53</b>

The details of dues to micro enterprises and small enterprises (MSME) as defined under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act') and disclosures pursuant to the MSMED Act are as follows:

	31 March 2022
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	8.07
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-



Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-
Amount of interest due and payable for the period 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	-
Interest accrued and remaining unpaid at the end of the accounting year	-
Amount of further interest remaining due and payable even in the succeeding years	-

## 21 Other financial liabilities – current

	As at March 31, 2022
Payable to employees	186.15
<b>Total</b>	<b>186.15</b>

## 22 Current tax liabilities

	As at March 31, 2022
Current tax payable for the year	2.60
<b>Total</b>	<b>2.60</b>

## 23 Other current liabilities

	As at March 31, 2022
Advances from customers	1,891.26
Capital creditors	11.25
Statutory tax payables	221.39
<b>Total</b>	<b>2,123.90</b>

## 24 Revenue from operations

	For the period from 17 August 2021 to 31 March 2022
<b>Revenue from contracts with customers</b>	
Sale of products - at a point in time	2,571.55
<b>Other operating revenue</b>	
Sale of scrap	-
<b>Total</b>	<b>2,571.55</b>



Disaggregation of revenue recognised against contracts with customers (17 August 21 to 31 March 2022)

Particulars	Domestic		Exports	Total
	Government of India			
	Defence	Non-Defence		
Sale of Products	1,897.54	651.46	22.55	2,571.55
Total	1,897.54	651.46	22.55	2,571.55

**Notes:**

- (a) The performance obligation is satisfied “at a point in time” which is primarily determined on customer obtaining control of the asset. One of the prime indicator considered for this is transfer of significant risk and rewards to the customer based on Inco terms.
- (b) The company’s turnover mainly includes supply of defence arms and ammunition.
- (c) There are no reconciling items between contract revenue and revenue recognised.

**25 Other income**

	<b>For the period from 17 August 2021 to 31 March 2022</b>
Rental Income	4.96
Utility charges	5.45
Other income	10.14
Interest income on fixed deposits, being financial assets carried at amortised cost	22.64
Foreign exchange gain (net)	3.64
<b>Total</b>	<b>46.83</b>

**26 Cost of materials consumed**

	<b>For the period from 17 August 2021 to 31 March 2022</b>
As at the incorporation date i.e. 17 August 2021	-
Add: Transferred during the period on business reorganisation (refer note 39)	1,970.72
Add : Purchases	1,038.81
Less : Raw materials at the end of the period	-
	1,957.63
<b>Total cost of materials consumed</b>	<b>1,051.90</b>



## 27 Changes in inventories of work-in-progress, stock-in-trade and finished goods

	For the period from 17 August 2021 to 31 March 2022
<b>Opening balance</b>	
Work-in-progress	-
Finished goods	-
<b>Transferred during the period on business reorganisation (refer note 39)</b>	
Work-in-progress	1,165.49
Finished goods	147.71
<b>Total</b>	<b>1,313.21</b>
<b>Closing balance</b>	
Work-in-progress	937.61
Finished goods	92.22
<b>Total closing balance</b>	<b>1,029.83</b>
<b>Total changes in inventories of work-in-progress, stock-in-trade and finished goods</b>	<b>-283.38</b>

## 28 Employee benefit expenses

	For the period from 17 August 2021 to 31 March 2022
Salaries, wages and bonus	919.39
<b>Total</b>	<b>919.39</b>

## 29 Depreciation and amortisation expense

	For the period from 17 August 2021 to 31 March 2022
Depreciation on property, plant and equipment	76.09
Amortisation of intangible assets	8.92
<b>Total</b>	<b>85.02</b>

## 30 Other expenses

	For the period from 17 August 2021 to 31 March 2022
Power & fuel	51.65
Security expenses	88.24
Transportation charges	6.90
Technical know how	0.13
Telephone expenses	1.07





Printing & Stationary	0.04
Rent, Rates & Taxes	0.79
Insurance	0.32
Contract Labour	31.67
Departmental Canteen expenses	1.64
Medical and hygein expenses	1.41
Water Charges	22.77
Repairs & Maintenance	22.37
Travelling expenses	8.84
Exibhition expenses	1.10
IT expenses	2.11
Legal and professional fees	0.92
Loss on sale of scrap	8.37
Payment to auditor [refer 30 (a)]	0.21
Miscellaneous expenses	2.73
<b>Total</b>	<b>253.29</b>

### 30 (a) Details of payments to auditors

	For the period from 17 August 2021 to 31 March 2022
<i>As auditor:</i>	
Statutory audit fee	0.21
Tax audit fee	
<b>Total</b>	<b>0.21</b>

### 31 Income tax expense

The major components of income tax expense for the period 17 August 2021 to 31 March 2022 are:

Profit and Loss section	For the period from 17 August 2021 to 31 March 2022
<b>Income tax expense</b>	
Current income tax	4.67
Deferred income tax	2.63
<b>Total</b>	<b>7.30</b>

Reconciliation of tax expense and accounting profit multiplied by tax rate for 31 March 2022

Particulars	For the period from 17 August 2021 to 31 March 2022
Accounting profit before tax	25.40
Tax at substantively enacted income-tax rate of 29.12%	7.40
Individually immaterial reconciling items	-0.10
<b>Income tax expense</b>	<b>7.30</b>



For the purpose of computation of income tax (current tax) provision for the period ended March 31, 2022, the Company has not considered various disallowances specified under the Income Tax Act, 1961 including Section 40, Section 43B etc. as necessary details were not available. However due to considering amount of deduction available towards depreciation as per the provisions Income Tax Act, the management is of the opinion that effect of aforesaid disallowances if any would not be material to the financial statements. The current tax provision made by the Company is as per provisions of Section 115JB of the Income Tax Act, 1961 related to Minimum Alternate Tax (MAT). Consequently the management has recognised Deferred Tax Asset on account of MAT Credit Entitlement available to the Company. The Company has also recognised deferred tax assets towards unabsorbed depreciation as per the provisions of the Income Tax Act.

### 32 Fair value measurements

Financial assets and liabilities at amortised cost

	As at March 31, 2022
<b><u>Financial assets</u></b>	
Trade receivables	766.55
Cash and cash equivalents	2,976.53
Receivable from government	437.71
Other financial assets	9.31
<b>Total financial assets</b>	<b>4,190.09</b>
<b><u>Financial liabilities</u></b>	
Trade payables	603.53
Security deposits	3.60
Payable to employees	186.15
<b>Total financial liabilities</b>	<b>793.28</b>

#### Fair value of financial assets and liabilities measured at amortised cost

The fair values of all financial instruments carried at amortised cost are not materially different from their carrying amounts since they are either short-term in nature or the interest rate applicable are not materially different from the current market rate of interest. There are no financial instruments measured under the category of Fair value through Profit and Loss and Fair value through other comprehensive income.

### 33 Financial risk management

In the course of its business, the Company is exposed primarily to market risk, liquidity risk and credit risk, which may impact the fair value of its financial instruments. The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as credit risks. The risk management policy is approved by the board of directors.

#### A Credit risk

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness.

The credit risk of the Company mainly arises from trade receivables, cash and bank balances and other receivables.



Significant amount of trade receivables are due from Government / Government Departments, Public Sector Companies (PSUs)

consequent to which the Company does not have a credit risk associated with such receivables. In case of non government trade receivable, sales are generally carried out based on Letter of Credit established by the customer thereby reducing the credit risk.

The Company typically receives 60% advance payments against bank guarantee which further safeguards the credit risk associated with trade receivables.

For banks and financial institutions, only high rated banks/institutions are accepted.

#### *Exposure to credit risk*

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk, being the total of the carrying amount of balances with bank, short term deposits with banks, trade receivables and other financial assets is disclosed at the end of the each reporting period. Refer relevant notes for details.

## **B Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and deposits and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to pay out obligations. Due to the dynamic nature of the underlying businesses, Company ensures availability of funds by managing the working capital by accepting the order for production of goods after getting 60% of order value as advance from customers. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cashflows. The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet this. The Company invests its surplus funds in bank fixed deposits.

#### *Maturities of financial liabilities*

i. The tables below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities:

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 March 2022	Total	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Trade payables	603.53	171.18	432.35	-	-
Security deposits	3.60	-	-	3.60	-
Payable to employees	186.15	73.49	112.65	-	-
<b>Total</b>	<b>793.28</b>	<b>244.68</b>	<b>545.00</b>	<b>3.60</b>	<b>-</b>



## C Market Risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the foreign currency exchange rates, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

### (i) Foreign currency risk

The Company transacts internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, SEK. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (INR).

The Company has both import and export transactions in foreign currencies. The imports are higher than the exports and hence the Company has foreign currency exposure to the extent of purchases being higher than exports.

The currencies to which the Company is exposed to are not subject to significant volatility. However, the management closely monitors movements in these currencies and takes necessary actions, as may be required to protect the Company from losses on account of volatility.

	31 March 2022
<b>Financial assets</b>	
<b>Trade Receivables</b>	
SEK	
USD	125.73
<b>Net exposure to foreign currency risk (assets)</b>	<b>125.73</b>
<b>Capital creditors</b>	
SEK	-0.40
USD	-4.65
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>-5.05</b>

The sensitivity of profit or loss to changes in foreign exchange rates with respect to year end payable / receivable balances is as follows

	Impact on profit
	31 March 2022
<b>Increase by 5%*</b>	
SEK	(0.02)
USD	6.05
<b>Decrease by 5%*</b>	
SEK	0.02
USD	(6.05)





\*Holding all other variables constant

### 34 Capital management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares. The Company determines the amount of capital required on the basis of annual operating plans and long-term projects and other strategic investment plans. The funding requirements are met through equity.

### 35 Segment reporting

Ministry of Corporate Affairs vide Notification no. 463 (E) dated 5 June, 2015 as amended has exempted the Companies engaged in Defence Productions from the requirement of Segment Reporting.

### 36 Related party transactions

The Company is controlled by the Government of India.

#### Name of the related parties and nature of relationship

##### (a) Key Management Personnel

Shri.Ravi Kant	Chariman and Managing Director
Shri.Debashish Banerjee	Director/HR
Shri.S.K.Rout	Director/Operations
Shri.V.C.Verma	Director/Finance

Key management personnel compensation	As at March 31, 2022
Short term employee benefits	0.83
<b>Total</b>	<b>0.83</b>

(b) As Munitions India Limited is a government entity under the control of Ministry of Defence (MoD), the company has availed exemption from detailed disclosures required under Ind AS 24 with respect to related party transactions with government and government related entities.

However as required under Ind AS 24, following are the individually significant transactions: Approximately 95% of the Company's turnover and trade receivables and 99% of customer advances are with respect to government and government related entities.



### 37 Contingent Liabilities

	31 March 2022
Legal claim involves court cases for pay and allowances, penalty in disciplinary cases, arbitration in purchases and pay fixation etc.	6.47
Legal claim involves court cases for pay and allowances, arbitration in purchases, pay fixation and GST department etc.	11.93
<b>Total</b>	<b>18.40</b>

### 38 Earnings per share

	31 March 2022
(a) Basic earnings per share Profit attributable to the equity holders of the company used in calculating basic earnings per share	18.10
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	26,27,52,71,521
<b>Basic earnings per share</b>	<b>0.01</b>
(b) Diluted earnings per share Profit attributable to the equity holders of the company used in calculating diluted earnings per share	18.10
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	26,27,52,71,521
<b>Diluted earnings per share</b>	<b>0.01</b>

### 39 Business reorganization

The Government of India announced to convert Ordnance Factory Board, an attached office of Ministry of Defence, Department of Defence Production, into seven different wholly owned corporate entities by the Government of India, registered under the Companies Act, 2013. Accordingly, 12 production units and 4 non production units of erstwhile OFB, pertaining to production of ammunition and explosives (referred to as "business" for the purpose of this note) were transferred to Munitions India Limited on October 1, 2021 vide Order No. 1(5)/2021/OF/DP(Plg-V)/01 issued by Department of Defence Production, Ministry of Defence, Government of India.

Munitions India Limited was newly formed entity to take over the business of ammunition and explosives from the erstwhile OFB. The Company therefore did not meet the definition of 'Business' at the time of re-organisation as per Ind AS 103. Accordingly, this transaction is not construed as a business combination under common control, rather as a business reorganisation. There is no guidance under Ind-AS on accounting for business reorganisation. However, since the business has remained under common control (i.e., by the Government of India), before and after the reorganisation, the management has determined that it is appropriate to apply provisions



of Appendix C to Ind AS 103 that deals with business combinations under common control, as per the policy choice provided by Ind AS 8. Accordingly, the Company has accounted for the assets and liabilities of the business transferred at their existing carrying values adjusted for the effect of harmonising the accounting policies with those followed by the Company, by following the provisions under Appendix C to Ind AS 103.

"The erstwhile OFB accounted for the business as per the General Financial Rules applicable to the government departments. The Company has voluntarily adopted Indian Accounting Standards (Ind AS) specified under Section 133 of the Companies Act, 2013. The Management has determined that the General Financial Rules is the previous GAAP followed by the business before its transfer to the Company. The financial statements for the period ending March 31, 2022 are the first financial statements of the Company, since the Company was newly incorporated, it did not have any assets or liabilities as at its earliest date i.e., date of incorporation. However, since the businesses of the certain units of OFB were transferred to MIL, the Management determined that the Company can be a first time adopter in respect of the businesses transferred.

Accordingly, the management concluded that the exemptions and exceptions available under the provisions of Ind AS 101 should be applied to the carrying value assets and liabilities and then transferred to MIL."

As a result, Ind-AS adjustments as well as certain corrections were made to the assets and liabilities of the business transferred to the Company as at 1 October 2021 amounting to INR 4,233.87 with corresponding debit impact to equity. The significant adjustments included following:

- (i) The Company applied deemed cost to the carrying value of property, plant and equipment and intangible assets as at the date of transfer.
- (ii) The Company provided for warranty amounting to INR 3,000 for the contracts as of the date of transfer of business, since the same was not included in the carrying value of net assets transferred.
- (iii) The Company adjusted the value of inventories to bring the valuation to the lower of net realisable value or cost, wherever necessary.
- (iv) The Company recorded certain amounts receivable from the Government as the corresponding liabilities (mainly included security deposits and advance from customers) were transferred to the Company, without corresponding money received thereagainst. Miscellaneous expenditure and preliminary expenses recognised as an asset under the previous GAAP were charged off as these are not recognised under Ind-AS.

The details of net assets transferred, consideration agreed on business reorganization and the capital reserve recognised on reorganisation are as below:



	INR Crores
<b>Assets:</b>	
Property, plant and equipment	2,982.28
Capital work-in-progress	1,367.22
Intangible assets	87.71
Inventories	3,319.91
Investments	0.80
Receivable from governments	701.91
Other non-current assets	1.12
Trade receivables	249.76
Cash and cash equivalents	15.39
Other financial assets	30.42
Other current assets	377.91
<b>Total assets</b>	<b>9,134.42</b>
<b>Liabilities:</b>	
Other financial liabilities	132.75
Provisions	3,000.00
Trade payables	283.35
Other current liabilities	418.98
<b>Total liabilities</b>	<b>3,835.09</b>
<b>Net assets (A)</b>	<b>5,299.34</b>
<b>Consideration payable (B)</b>	<b>32,724.50</b>
[32,724,498,380 equity shares (nos.) of Rs. 10 each]	
<b>Capital Reserve [(A) - (B)]</b>	<b>(27,425.16)</b>

The consideration payable has been agreed in the form of equity shares to be issued by MIL to the Government of India, based on the fair value of the net assets of the business accounted by MIL. Since the fair value exercise was not completed by the reporting date i.e. March 31, 2022, the shares were not issued as of that date and therefore the consideration payable has been presented as "Equity shares pending issue on business reorganisation" under Equity in the balance-sheet. Out of the total consideration, the Company issued 32,505,350,000 equity shares (nos.) subsequent to the balance-sheet date on August 29, 2022.

#### 40 Provision for employee benefits obligations

On corporatization of the production and non-production facilities of erstwhile Ordnance Factory Board (OFB), the employees of erstwhile OFB have been transferred to the Company on deemed deputation for an initial period of two years vide the Ministry of Defence's Office Memorandum (OM) No. 1(5)/2021/OF/DP(Plg-V)/02 dated September 24, 2021. As per the said





OM, all such employees continue to be the Central Government employees and therefore their respective certain pay allowances, leave, medical facilities and pension liability continue to be the obligation of the Central Government. Since the Company is not required to fulfill these obligations, provision for certain employee benefits as per IND-AS 19 namely, provision for gratuity, leave encashment and other retirement benefits and allowances, are not recognized in the financial statements.

**41.** As per provisions of Section 149 and Section 177 of the Companies Act 2013, the Company is required to appoint Independent Directors and at least one-woman director, and constitute Audit Committee respectively. However, being a government company and Defence Public Sector Unit, the Company is required complete certain administrative procedures related appointment of directors including Independent Directors and Woman Director. Due to pendency of such procedures, the Company was not able to appoint Independent Directors including woman director and thereby was not able to constitute Audit Committee till the date of signing of these Financial Statements. The Management has made necessary applications with the government in this regard. The Management believes that aforesaid noncompliance will not require material adjustment to the Financial Statements.



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Corporate Office : 2nd Floor, Nyati Unitree, Nagar Road,  
Yerwada, Pune-411006

