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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITAGARH NAVAL SYSTEMS LIMITED

(Formerly Known as TITAGARH NAVAL SYSTEMS PRIVATE LIMITED)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Financial Statements of ***Titagarh Naval Systems Limited (Formerly Known as Titagarh Naval Systems Private Limited) ("The Company")*** which comprise the Balance Sheet as at **31st March, 2026**, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of changes in Equity and Statement of Cash Flows for the year then ended and notes to the Financial Statements, including a summary of material Accounting Policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2026, and its ***Loss*** (including other comprehensive income), Changes in Equity and its Cash Flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India(ICAI) together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matter to be communicated in our report.

Revenue recognition - appropriateness of estimation of contract cost and contract revenue
(Refer to 2.17 – "Revenue Recognition", refer Note 2.31 – "Critical Estimates and Judgements – Accounting for revenue from contracts wherein company satisfies performance obligation and recognizes revenue over time" and Note 22 – "Revenue from operations")

In respect of contracts with customers, the Company recognizes revenue over a period of time in accordance with its accounting policy. Recognition of contract revenue involves determination of percentage completion of the project and contract margin to be recognized on the project, which is dependent on the actual cost incurred and total budgeted cost, which is cost incurred till date and estimation of future cost to complete the contract.

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This estimation involves exercise of significant judgement by the management in making forecasts of future cost to complete the contract considering future activities to be carried out in the contract, and the related assumptions.

This has been considered as a key audit matter in view of the significant management judgements and complexities involved in determining future costs to complete with consequential impact on the recognized contract revenue

How our audit addressed the key audit matter. Our audit procedures included the following:

- Obtained an understanding, evaluated the design, and tested the operating effectiveness of key controls around determination of contract revenue and estimation of future costs to complete the contracts.
- Inquired with the management the status of the contracts, the basis for estimates of future cost to complete the contracts and other factors such as consideration of any specific identified risks.
- Verified on a sample basis the contract revenue with the underlying contracts and other relevant terms and conditions as appropriate.
- Tested on a sample basis the actual costs incurred during the year with supporting documents.
- Tested on a sample basis the future cost to complete with orders placed with vendors, and other relevant supporting documents, as appropriate.
- Recomputed the percentage of completion based on the total budgeted cost and the total actual cost incurred and the revenue recognized based on the percentage of completion.
- Evaluated the adequacy of the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the, Board's Report including Annexures to Board's Report, and Shareholder's Information, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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Responsibility of Management for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance, Changes in Equity and Cash Flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements 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 of the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Management and board of directors 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 the board of directors 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 objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional Skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure- 'A' a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.

2. ***As required by the Sec 143(3) of the Act, we report that:***

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.

   c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   d. In our opinion, the aforesaid Financial Statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.

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e. On the basis of the written representations received from the Directors as on 31st March, 2026 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2026 from being appointed as a director in terms of Section 164 (2) of the Act.

f. With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Financial Statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to this report.

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirement of section 197(16) of the Act as amended.
In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid/provided by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations as at 31st March, 2026, which would impact its financial position on its financial statements.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

iv. (a) The Management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to accounts, 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 or entity, including foreign entity ("Intermediaries"), with the under-standing, 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, that, to the best of its knowledge and belief, other than as Disclosed in the notes to accounts, no funds have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the under-standing, 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 audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

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v. The Company has neither declared nor paid any dividend during the financial year. Hence, compliance in accordance with Section 123 of the Companies Act, 2013 is not applicable.

vi. Based on our examination, which included test checks, the Company has used accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and that has operated throughout the year for all relevant transactions recorded in the software, except that in case of one accounting software, the audit log of modification does not contain the pre-modified values at the database level. During the course of performing our procedures except the aforesaid instance, we did not notice any instance of audit trail feature being tampered with. Further, the audit trail has been preserved by the Company as per the statutory requirements for record retention.

For Salarpuria & Partners
Chartered Accountants
Firm ICAI Reg. No.302113E

Sarvesh Kumar Singh
Chartered Accountant
Membership No. - 069367
Partner

SALARPURIA & PARTNERS Chartered Accountants Kolkata

UDIN:26069367NFRHOF5862
Place: Kolkata
Date: 29/05/2026

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ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in Paragraph 1 of Report on Other Legal and Regulatory Requirements of our Report of even date)

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:

i. a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(B) The Company does not have any Intangible Assets. So, comment on paragraph 3(i)(b) of the said Order is not applicable.

b) The Property, Plant and Equipment are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the Property, Plant and Equipment has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

c) According to the information and explanations given to us and based on our examination of the records of the Company, the immovable properties disclosed in Note 3 and Note 4 to the financial statements under Property, Plant and Equipment (leasehold land & Building) and Right-of-Use Assets, respectively, were acquired pursuant to a business transfer arrangement under common control from holding company. The lease agreements in respect of such properties are yet to be transferred/assigned in the name of the Company and, accordingly, the said properties continue to be held in the name of the Holding Company, as detailed below:

Description of Property	Gross Carrying Value (Rs. In Lakhs)	Held in the name of	Whether Promoter/ Director /Relative/Employee	Period held	Reason for not being held in name of Company
Leasehold Land	Rs. 781.93	Titagarh Rail Systems Limited (Holding Company)	No	Since acquisition pursuant to business transfer	Leasehold rights acquired under common control business transfer; legal transfer/assignment of lease deed is under process.
Riverside Jetty (ROU Asset)	Rs. 1228.88	Titagarh Rail Systems Limited (Holding Company)	No	Since acquisition pursuant to business transfer	Underlying lease agreement continues in the name of Holding Company and transfer formalities are under process.

d) The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) during the year. Consequently, the question of our commenting on whether the revaluation is based on the valuation by a Registered Valuer, or specifying the amount of change, if the change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment (including Right of Use assets) does not arise.

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e) According to information and explanations given to us, no proceedings have been initiated during the year or are pending against the Company as at March 31, 2026 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder. Refer Note 39(i) of the Financial Statements.

ii a) The physical verification of inventory has been conducted at reasonable intervals by the Management during the year and, in our opinion, the coverage and procedure of such verification by Management is appropriate and no discrepancies of 10% or more in aggregate for each class of inventory were noticed on such physical verification.

b) The Company has not sanctioned working capital limits in excess of five crore rupees during the financial year. Hence, comment on clause 3(ii)(b) of the said order is not applicable to the Company.

iii. According to information and explanations given to us, the Company has not made investments in, provided any guarantee or Security or granted any loan or advances in the nature of loans, Secured or Unsecured to Companies, Firms, Limited Liability Partnerships or any other parties during the year. Hence, Comment on Clause (3)(iii)(a),(b),(c),(d),(e),(f) of the said order is not applicable.

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to loans or investments made and guarantees or security provided wherever applicable.

v. According to the information and explanations given to us, there is no such deposits, taken by the Company, for which directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act,2013 and the rules framed thereunder, are required to be complied with. Hence, comment on clause 3(v) of the said order is not applicable.

vi. The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus, reporting under clause 3(vi) of the order is not applicable to the Company.

vii. (a) According to the records of the Company and as per the information and explanations given to us, the Company is regular in depositing undisputed Statutory Dues including Provident Fund, Employees' State insurance, Income-Tax, Sales-Tax, Service Tax, Goods and Services Tax, Duty of custom, Duty of excise, Value added tax, Cess and any statutory dues to the appropriate authorities during the period. According to the information and explanations given to us, no undisputed statutory dues were outstanding as at 31st March, 2026 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there were no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited on account of any dispute, with appropriate authorities.

viii. There were no transactions that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961(43 of 1961). Hence comment on Paragraph 3(viii) of the said Order is not applicable.

ix. a) In our opinion and according to the information and explanations given to us, the Company has not been defaulted in repayment of loans or borrowings or in payment of interest thereon to any lender. Hence, reporting under this clause 3(ix) (a) is not applicable.

b) According to the information and explanations given to us, the Company has not been declared wilful defaulter by any bank or financial institution or any other lender. Hence, reporting under this clause 3(ix) (b) is not applicable.

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Kolkata

c) According to the information and explanation given to us and records of the Company examined by us, there is no term loan obtained by the Company. Hence, reporting under this clause 3(ix) (c) is not applicable.

d) There are no funds raised on short term basis which have been utilized for long term purposes. Hence, reporting under this clause 3(ix) (d) is not applicable.

e) On an overall examination of the Financial Statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

f) As per the information and explanations given to us the Company has not raised any loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies, hence reporting under clause 3(ix)(f) of the said order is not applicable.

x. a) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Hence comment on paragraph 3(x)(a) of the said order does not arise.

b) According to the information and explanations given to us and based on our examination of records of the Company, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partly or optionally) during the year. However, the company has issued right share during the year and the fund raise through right share have been used for the purpose for which the fund was raised.

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, we have neither come across any instance of material fraud by the Company or on the Company, noticed or reported during the year, 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, a report under Section 143(12) of the Act, in Form ADT-4, as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 was not required to be fi led with the Central Government. Accordingly, the reporting under clause 3(xi)(b) of the Order is not applicable to the Company.

c) 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 as represented to us by the management, no whistle-blower complaints have been received during the year by the Company. Accordingly, the reporting under clause 3(xi)(c) of the Order is not applicable to the Company.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the reporting under clause 3(xii) (a) to (c) of the Order is not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and such transactions have been disclosed in the notes to the Financial Statements, as required by the applicable accounting standards to the extent applicable.

xiv. a) As per Section 138 of the Companies Act 2013, the Company is not required to have an internal audit system. Hence comment under clause 3(xiv) (a) and (b) is not applicable to the Company.

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xv. In our opinion, the Company has not entered into any noncash transactions with its directors or persons connected with him. Accordingly, the reporting on compliance with the provisions of Section 192 of the Act under clause 3(xv) of the Order is not applicable to the Company.

xvi. a) According to the information and explanations given to us, The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) as Company has not conducted non-banking financial / housing finance activities during the year. Hence, Comment on clause 3(xvi)(a)(b) of the said order is not applicable to the Company.

b) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, the reporting under clause 3(xvi)(c) of the Order is not applicable to the Company.

c) According to the information and explanations given to us, the group has not more than one CIC as part of the group. Hence, reporting under clause 3(xvi)(d) of the Order is not applicable to the Company.

xvii. According to the information and explanations given to us, the Company has incurred cash losses during the year amounting to Rs.443.10 (In lakhs) and the immediately preceding financial year amounting to RS. 0.22 (in Lakhs).

xviii. There has been no resignation of the statutory auditors of the Company during the year. Hence, comment on clause 3(xviii) of the said Order does not arise.

xix. 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 and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is 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. As per the records and according to the information and explanation given to us, section 135 of the Companies act, 2013 is not applicable to the Company. Hence, comments on clause 3(xx)(a)(b) of the said order is not applicable.

For Salarpuria & Partners
Chartered Accountants
Firm ICAI Reg. No.302113E

Sarvesh Kumar Singh
Chartered Accountant
Membership No. - 069367
Partner

SALARPURIA & PARTNERS Chartered Accountants Kolkata

UDIN:26069367NFRHOF5862
Place: Kolkata
Date: 29/05/2026

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ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT
Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").

(Refer to Paragraph 2(f) of the report on other legal and regulatory requirements of our report of even date)

We have audited the internal financial controls over financial reporting of ***Titagarh Naval Systems Limited (Formerly Known as Titagarh Naval Systems Private Limited)*** ("the Company") as of 31st March, 2026 in conjunction with our audit of the Financial Statements of the Company for the period 01st April, 2025 to 31st March, 2026.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

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

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

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

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E-mail : salarpuria.jajodia@rediffmail.com
office@salarpuriajajodia.com
Branch at New Delhi

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Financial Statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2026, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Salarpuria & Partners
Chartered Accountants
Firm ICAI Reg. No. 302113E

Sarvesh Kumar Singh
Chartered Accountant
Membership No. - 069367
Partner

SALARPURIA & PARTNERS * Kolkata * Chartered Accountants

UDIN:26069367NFRHOF5862
Place: Kolkata
Date: 29/05/2026

TITAGARH NAVAL SYSTEMS LIMITED
FORMERLY TITAGARH NAVAL SYSTEMS PRIVATE LIMITED
CIN - U30110WB2024PLC274908
Balance Sheet as at March 31, 2026

	Particulars	Notes	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
I.	ASSETS			
	Non-current Assets			
a)	Property, Plant and Equipment	3	1,104.14	-
b)	Right-of-Use Assets	4	1,205.26	-
c)	Capital Work-in-progress	5	158.96	
d)	Deferred Tax Assets (Net)	6	279.50	-
e)	Financial Assets			-
	i) Other Financial Assets	7	68.06	
	Total Non-current Assets		2,815.92	-
	Current Assets			
a)	Inventories	8	2,482.89	
b)	Financial Assets			
i)	Trade Receivables	9	881.88	-
ii)	Cash and Cash Equivalents	10	239.59	0.10
iii)	Bank balances other than (ii) above	11	1,177.49	-
iv)	Other Financial Assets	7	5,314.42	-
c)	Contract Assets	12	5,834.13	
d)	Current Tax Assets (Net)	13	0.17	
e)	Other Current Assets	14	419.44	-
	Total Current Assets		16,350.01	0.10
	TOTAL - ASSETS		19,165.92	0.10
	II. EQUITY AND LIABILITIES			
	Equity			
a)	Equity Share Capital	15	11,988.10	0.10
b)	Other Equity	16	(346.53)	(0.22)
	Total Equity		11,641.57	(0.12)
	Liabilities			
	Non-current Liabilities			
a)	Financial Liabilities			
i)	Lease Liabilities	4	1,014.80	-
b)	Provisions	17	77.97	-
	Total Non-current Liabilities		1,092.76	-
	Current Liabilities			
a)	Financial Liabilities			
i)	Lease Liabilities	4	97.33	-
ii)	Trade Payables	18		
a)	Total Outstanding Dues of Micro Enterprises and Small Enterprises		372.48	
b)	Total Outstanding Dues of Creditors Other Than Micro Enterprises and Small Enterprises		575.51	0.22
iii)	Other Financial Liabilities	19	68.43	-
b)	Contract Liabilites	20	4,450.00	-
c)	Other Current Liabilities	21	18.21	-
d)	Provisions	17	849.63	-
	Total Current Liabilities		6,431.59	0.22
	TOTAL - LIABILITIES		7,524.35	0.22
	TOTAL - EQUITY AND LIABILITIES		19,165.92	0.10

Summary of material accounting policies 2
The above balance sheet should be read in conjunction with the accompanying notes
This is the Balance Sheet referred to in our Report of even date

For SALARPURIA & PARTNERS
Chartered Accountants
Firm Registration No.: 302113E

SALARPURIA & PARTNERS * Kolkata * Chartered Accountants

Sarvesh Kumar Singh
Partner
Membership No.: 069367
Place : Kolkata
Date : 29-05-2026

For and on behalf of the Board

Anil Kumar Agarwal
Director
D.I.N- 01501767

Sanjay Ranganath Deshpande
Director
D.I.N- 10429349

TITAGARH NAVAL SYSTEMS LIMITED
FORMERLY TITAGARH NAVAL SYSTEMS PRIVATE LIMITED
CIN - U30110WB2024PLC274908
Statement of Profit and Loss for the year ended March 31, 2026

Particulars	Notes	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Income			
Revenue from Operations	22	1,688.88	-
Other Income	23	2.84	-
Total Income		1,691.72	-
Expenses			
Cost of Raw Materials and Components Consumed	24	1,582.59	-
Employee Benefits Expense	25	145.53	-
Finance Costs	26	7.97	-
Depreciation and Amortization Expense	27	9.32	-
Other Expenses	28	528.42	0.22
Total Expenses		2,273.83	0.22
Profit before tax		(582.11)	(0.22)
Tax Expense			
Current Tax			
Deferred Tax- Credit	6	(130.85)	0.00
Total Tax Expense		(130.85)	-
Profit for the Period after Tax		(451.26)	(0.22)
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			-
Actuarial gains / (losses) on defined benefit obligations		(27.22)	-
Income tax relating to items that will not be reclassified to profit or loss		6.85	-
Other Comprehensive Income for the year (Net of taxes)		(20.37)	-
Total Comprehensive Income for the Period		(471.63)	(0.22)
Earnings per Equity Share			
[Nominal Value of Share Rs. 10/-]	29		
Basic (In Rs.)		(3.56)	(65.74)
Diluted (In Rs.)		(3.56)	(65.74)

Summary of Material Accounting Policies 2
The above statement of profit and loss should be read in conjunction with the accompanying notes
This is the Statement of Profit and Loss referred to in our Report of even date

For SALARPURIA & PARTNERS
Chartered Accountants
Firm Registration No.: 302113E

SALARPURIA & PARTNERS Chartered Accountants * Kolkata *

Sarvesh Kumar Singh
Partner
Membership No.: 069367
Place : Kolkata
Date : 29-05-2026

For and on behalf of the Board

Anil Kumar Agarwal
Director
D.I.N- 01501767

Sanjay Ranganath Deshpande
Director
D.I.N- 10429349

TITAGARH NAVAL SYSTEMS LIMITED
FORMERLY TITAGARH NAVAL SYSTEMS PRIVATE LIMITED
CIN - U30110WB2024PLC274908
Statement of Cash Flows for the year ended March 31, 2026

Particulars		For the period For the year ended March 31, 2026 Rs. In Lacs	For the period December 02, 2024 to March 31, 2025 Rs. In Lacs
A.	Cash Flows from Operating Activities		
	Profit before Tax	(582.11)	(0.22)
	Adjustments for:		
	Depreciation and Amortisation Expense	9.32	-
	Finance Cost	7.59	-
	Interest Income	(2.84)	-
	Operating Profit before Working Capital Changes	(568.04)	(0.22)
	Increase/(decrease) in Trade Payable	(224.39)	0.22
	Increase/(decrease) in Contract Liabilties	(1,892.28)	-
	Increase/(Decrease) in Other Non-current and Current Financial and Non-financial Liabilities and Provisions	2.80	-
	Increase/(decrease) in Trade Receivable	1,824.11	-
	Increase/(decrease) in Inventories	1,451.06	-
	Increase/(decrease) in Contract Assets	1,102.59	-
	Increase/(Decrease) in Other Non-current and Current Financial and Non-financial Assets	(617.25)	-
	Cash Generated From (Used in) Operations	1,078.59	-
	Income Taxes Paid (Net of Refunds)	-	-
	Net Cash From (Used in) Operating Activities	1,078.59	-
B.	Cash Flows from Investing Activities		
	Payment for acquisition of Property, Plant and Equipment including Capital Work in Porgress	(161.61)	-
	(Investment)/Redemption of Fixed Deposit	(1,177.49)	-
	Net Cash From (Used in) Investing Activities	(1,339.10)	-
C.	Cash Flows from Financing Activities		
	Proceeds from issue of Equity Shares	500.00	0.10
	Net Cash From (Used in) Financing Activities	500.00	0.10
	Cash and Cash Equivalents - Opening Balance	0.10	-
	Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	239.49	0.10
	Cash and Cash Equivalents - Opening Balance	-	-
	Cash and Cash Equivalents - Closing Balance	239.59	0.10

a) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.
b) Refer Note 36 for Debt Reconciliation.
c) Refer Note 39 for non- cash item pursuant to business transfer agreement.
The above Statement of Cash Flows accompanying notes are an integral part of the financial statements
This is the Statement of Cash Flows referred to in our Report of even date

For SALARPURIA & PARTNERS
Chartered Accountants
Firm Registration No.: 302113E

For and on behalf of the Board

Sarvesh Kumar Singh
Partner
Membership No.: 069367
Place : Kolkata
Date : 29-05-2026

Anil Kumar Agarwal
Director
D.I.N- 01501767

Sanjay Ranganath Deshpande
Director
D.I.N- 10429349

TITAGARH NAVAL SYSTEMS LIMITED
FORMERLY TITAGARH NAVAL SYSTEMS PRIVATE LIMITED
Statement of Changes in Equity as at March 31, 2026

A) Equity Share Capital

(Rs in Lacs)

Particulars	Number in Lacs	Amount
Balance as at December 02. 2024	-	-
Changes in Equity Share Capital	0.01	0.10
Balance as at March 31, 2025	**0.01**	0.10
Changes in Equity Share Capital	1,198.80	11,988.00
Balance as at March 31, 2026	**1,198.81**	**11,988.10**

B) Other Equity

(Rs. in Lacs)

Particulars	Reseves & Surplus	Total Other Equity
	Retained Earnings	
Balance as at December 02, 2024	-	-
Profit for the Period	(0.22)	(0.22)
Other Comprehensive Income	-	-
Balance as at March 31, 2025	**(0.22)**	**(0.22)**
Profit for the Period	(451.26)	(451.26)
Adjusted on account of Business Transfer under common control (Refer Note- 16)	125.32	125.32
Other Comprehensive Income (Net of Tax)	(20.37)	(20.37)
Balance as at March 31, 2026	**(346.53)**	**(346.53)**

The above Statement of changes in equity should be read in conjunction with the accompanying notes.
This is the Statement of Changes in equity referred to in our Report of even date

For SALARPURIA & PARTNERS
Chartered Accountants
Firm Registration No.: 302113E

SALARPURIA & PARTNERS Chartered Accountants * Kolkata *

Sarvesh Kumar Singh
Partner
Membership No.: 069367
Place : Kolkata
Date : 29-05-2026

For and on behalf of the Board

Anil Kumar Agarwal
Director
D.I.N- 01501767

Sanjay Ranganath Deshpande
Director
D.I.N- 10429349

1 Corporate Information

Titagarh Naval Systems Limited (Formerly Titagarh Naval Systems Private Limited) (the Company) is a public company incorporated and domiciled in India. The registered office of the Company is located at 756, Anandapur, EM-Bypass, Kolkata - 700107.

The Company is engaged in the business of design, construction, manufacturing, and maintenance of naval systems, including shipbuilding, ship repair, and related marine and defence equipment, along with research, development, and sale of vessels and their components.

2 Material Accounting Policies

This note provides a list of the material accounting policies adopted in the preparation of the Financial Statements.

2.1 Basis of Preparation

(i) Compliance with Indian Accounting Standards

The Financial Statements comply in all material respects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Accounting Standards) Rules, 2015] and other provisions of the Act.

(ii) Historical Cost Convention

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

- Certain financial assets and liabilities (including derivative instruments)
- Defined benefits plan- plan assets
- Share based payments

(iii) Current versus Non-current Classification

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

a) expected to be realised or intended to be sold or consumed in the normal operating cycle,
b) held primarily for the purpose of trading,
c) expected to be realised within twelve months after the reporting period, or
d) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

a) it is expected to be settled in the normal operating cycle,
b) it is held primarily for the purpose of trading,
c) it is due to be settled within twelve months after the reporting period, or
d) there is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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

(iv) Rounding of Amounts

All amounts disclosed in the Financial Statements and notes have been rounded off to the nearest Lakhs and decimals thereof (Rs. 00.00) as per the requirement of Schedule III to the Act, unless otherwise stated.

2.2 Property, Plant and Equipment

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 Method, Estimated Useful Lives and Residual Values

Depreciation is calculated on pro-rata basis using the straight-line method to allocate their cost, net of their estimated residual value, over their estimated useful lives. The useful lives have been determined based on technical evaluation done by the management's expert which are different than those specified by Schedule II to Companies Act 2013 in respect of factory buildings / other buildings , plant and equipment and railway sidings, in order to reflect the actual usage of assets. Each component of an item of property, plant and equipment with a cost that is significant in relation to the cost of that item is depreciated separately if its useful life differs from the other components of the item.

The useful lives of the property, plant and equipment as estimated by the management are as follows:

Particulars	Useful Life
Factory Buildings / Other Buildings	30 years
Plant and Equipments	15 / 20 / 30 years
Office Equipments	5 years
Computers	3 years
Vehicles	8 years

Salarpuria & Partners Chartered Accountants Kolkata

Titagarh Naval Systems Ltd. Kolkata 700107

Leasehold land is amortised on straight - line basis over the primary lease period of 99 years or its estimated useful life, whichever is shorter. Leasehold improvement are amortised on straight - line basis over the primary lease period (ranging from 2 to 10 years) or their estimated useful lives, whichever is shorter.

The useful lives, residual values and the method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance Sheet date is classified as 'Capital Advances' under 'Other Non-current Assets' and the cost of property, plant and equipment not ready to use are disclosed under 'Capital Work-in-progress', if any.

2.3 *Intangible Assets*

Intangible assets have a finite useful life and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

2.4 *Investment Properties*

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.5 *Impairment of Non-financial 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 costs of disposal and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Company of assets (cash-generating units).

2.6 *Inventories*

Inventories are stated at the lower of cost and net realisable value. However, material and other items held for use in production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of inventories comprises cost of purchases and all other costs incurred in bringing the inventories to their present location and condition. 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 are assigned to individual items of inventory on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost of raw materials and components consumed is a derived figure out of opening stock, closing stock and purchases including adjustment if any during the period.

2.7 *Leases*

As a Lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:-

a) Fixed payments (including in substance fixed payments) less any lease incentive receivable.

b) Variable lease payment that are based on an index or a rate, initially measured using the index or a rate at the commencement date.

c) Amount expected to be paid by the Company as under residual value guarantees.

d) Exercise price of a purchase option if the Company is reasonably certain to exercise that option.

e) Payment of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

SALARPURIA & PARTNERS Chartered Accountants Kolkata

TITAGARH NAVAL SYSTEMS LTD Kolkata 700107

To determine the incremental borrowing rate, the Company:

a) Where possible, use recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in the financing conditions since third party financing was received.

b) Use a built up approach that starts with risk free interest rate adjusted for credit risk of leases held by Titagarh Rail Systems Limited (Formerly Titagarh Wagons Limited), which does not have recent third party financing.

Lease payments are allocated between principal and finance cost. The finance cost is charged to Statement profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following :-

i) the amount of the initial measurement of lease liability

ii) any lease payment made at or before the commencement date less any lease incentive received

iii) any initial direct cost and

iv) restoration costs.

Right of use of assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. Payment associated with short-term leases of equipment and all the leases of low value assets are recognised on a straight line basis as an expenses in the statement of profit and loss. Short term leases are leases with a lease term of less than 12 months or less.

As a Lessor

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.8 Investments (other than Investments in Subsidiaries, Associates and Joint Venture) and Other Financial Assets

i) Classification

The Company classifies its financial assets in the following measurement 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 amortised cost.

The classification depends on 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. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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

(ii) 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. There are three measurement categories into which the Company classifies its debt instruments:

•**Amortised 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 amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired.

•**Fair Value through Other Comprehensive Income (FVOCI)**: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other Income/Other Expenses'.

•**Fair Value through Profit or Loss (FVTPL)**: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net in the Statement of Profit and Loss within 'Other Gain / (Losses)' in the period in which it arises.

Equity Instruments

The Company subsequently measures all equity investments (other than investments in subsidiaries, associates and joint venture) at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'Other Gain / (Losses)' in the Statement of Profit and Loss.

Kolkata 700107

(iii) Impairment of Financial Assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments, if any. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 45(II) 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 permitted by Ind AS 109,'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) Modification of Financial Instruments

The Company if renegotiates or otherwise modifies the contractual cash flows of financial instrument, the Company assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the original financial instrument is derecognised and recognizes a 'new' instrument at fair value and recalculates a new effective interest rate for the instrument. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the management recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(v) Derecognition of Financial Assets

A financial asset is derecognised only when

-the Company has transferred the rights to receive cash flows from the financial asset or

-retains the contractual rights to receive the 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

Interest income on financial assets at amortised cost is accrued on a time proportion basis using the effective interest rate method and is recognised in the statement of profit and loss as part of other income.

Interest income is calculated by 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 assets (after deduction of the loss allowance).

Dividends

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

In determining the fair value of financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis and available quoted market prices. All methods of assessing fair value result in general approximation of value, and such value may never actually be realised.

2.9 *Trade Receivables*

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. Trade receivables are recognised initially at the transaction price as they do not contain significant financing components. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

2.10 *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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. These are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

SALARPURIA & PARTNERS Chartered Accountants Kolkata

TITAGARH NAVAL SYSTEMS LTD Kolkata 700107

2.11 *Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least 12 months after the reporting period.

2.12 *Other Financial Liabilities*

Other financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Other financial liabilities are initially measured at the fair value and subsequently measured at amortised cost using the effective interest method.

2.13 *Offsetting Financial Instruments*

Financial assets and liabilities are offset 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.

2.14 *Financial Guarantee Contracts*

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with Ind AS 37 and the amount initially recognised less cumulative amortisation, where appropriate.

2.15 *Cash and Cash Equivalents*

For the purpose of presentation in the Cash Flow Statement, cash and cash equivalents includes cash on hand, deposits held with banks / financial institutions 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. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.16 *Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

2.17 *Revenue Recognition*

The Company has applied five step model as per Ind AS 115 'Revenue from contracts with customers' to recognise revenue in the financial statements. The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or

b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

c) The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured at transaction price (net of variable consideration, if any). The transaction price is the consideration received or receivable and is reduced by rebates, allowances and taxes and duties collected on behalf of the government. Revenue also includes adjustments made towards liquidated damages, normal product warranty and price variations wherever applicable.
Revenue is recognised in the income statement to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

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Revenue from sale of specialized products

Revenue from specialized products mainly consists of Ship building unit in respect of which revenue is recognised over a period of time as performance obligations are satisfied over time as per criteria laid down under the standard and specified above.

Revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Profit (contract revenue less contract cost) is recognised when the outcome of the contract can be estimated reliably. When it is probable that the total cost will exceed the total revenue from the contract, the expected loss is recognised immediately. For this purpose, total contract costs are ascertained on the basis of contract costs incurred and cost to completion of contracts which is arrived at by the management based on current technical data, forecast and estimate of net expenditure to be incurred in future including for contingencies etc.

The outcome of a construction contract is considered as estimated reliably when (a) all approvals necessary for commencement of the project have been obtained; (b) the stage of completion of the project reaches reasonable level of development. The stage of completion is determined as a proportion that contract costs incurred for work performed up to the closing date bear to the estimated total costs of respective project. Profit (contract revenue less contract cost) is recognised when the outcome of the contract can be estimated reliably. When it is probable that the total cost will exceed the total revenue from the contract, the expected loss is recognised immediately. For this purpose total contract costs are ascertained on the basis of contract costs incurred and cost to completion of contracts which is arrived at by the management based on current technical data, forecast and estimate of net expenditure to be incurred in future including for contingencies etc. For determining the expected cost to completion of the contracts, cost of steel, labour and other related items are considered at current market price based on fixed cost purchase orders placed or firm commitments received from suppliers / contractors as these purchase orders and future firm commitments are enforceable over the period of the contracts.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probably recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When contract costs incurred to date plus recognised profit less recognised losses exceed progress billing, the surplus is shown as unbilled revenue. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as liability as advance from customer. Amounts received before the related work is performed are included as a liability as advance from customer. Amounts billed for work performed but not yet paid by customer are included under trade receivables.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled revenue when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Contract Liabilities are recognised when there is billing in excess of revenue and advance received from customers.

Generally, 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 goods or services to the customer and when the customer pays for that goods or services will be one year or less. The Company adjusts the promised amount of consideration if the contract contains significant financing component.

Sale of Services

Revenue from service contracts are recognised in the accounting period in which the services are rendered. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the standalone selling price and revenue is recognised at point in time on fulfillment of respective performance obligation. In case, the service contracts include one performance obligation revenue is recognised based on the actual service provided to the end of the reporting period as proportion of the total services to be provided. This is determined based on the actual expenditure incurred to the total estimated cost.

Revenue from services rendered is recognised as the services are rendered and is booked based on agreement / arrangements with the concerned parties.

2.18 *Foreign Currency Transactions and Translation*

i) *Functional and Presentation Currency*

Items included in the Financial Statements of the Company 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 (Rupees or Rs.), 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. At the year-end, monetary assets and liabilities denominated in foreign currencies are restated at the year-end exchange rates. The exchange differences arising from settlement of foreign currency transactions and from the year-end restatement are recognised in profit and loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

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2.19 Employee Benefits

i) Short-Term Employee Benefits

Liabilities for short-term employee benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

ii) Post-employment Benefits

Defined Benefit Plans

The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in 'Employee Benefits Expense' in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. These are included in 'Retained Earnings' in the Statement of Changes in Equity.

iii) Other Long-term Employee Benefits

Long-term compensated absences are provided for based on actuarial valuation, as per projected unit credit method, done at the end of each financial year. Accumulated leave, which is expected to be utilised within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

iv) Termination Benefits

Termination benefits, in the nature of voluntary retirement benefits, are recognised as expense in the Statement of Profit and Loss if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.20 Income Taxes

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, unused tax credits and to unused tax losses.

The current 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred 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 tax asset is realised or the deferred tax liability is settled.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and 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, if any. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

2.21 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expenses relating to a provision is recognised in the statement of profit and loss net of any reimbursement.

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

Warranties

Provisions for warranty related costs are recognised when the product is sold. Initial recognition is based on historical experience i.e. claims received up to the year end and the management's estimate of further liability to be incurred in this regard during the warranty period, computed on the basis of past trend of such claims. The initial estimate of warranty related costs is revised annually.

Liquidated Damages

Liquidated damages on supply of materials are provided based on the contractual obligations, deduction made by the customers, as the case may be based on management's best estimate of the expenditure required to settle the obligations.

Litigations, Claims and Contingencies

The management estimates the provisions for pending litigations, claims and demands based on its assessment of probability for these demands crystalising against the Company in due course. Also refer Note 2.24.

Onerous Contract

Provision is recognised for the contract, where unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.22 Contingencies

A disclosure for contingent liabilities is made when there is a possible obligation arising from past events, the existence of which will be confirmed only by the 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 embodying economic benefits will be required to settle or a reliable estimate of the amount cannot be made.

2.23 Earnings Per Equity Share

i) Basic Earnings Per Equity Share

Basic earnings per equity share is calculated by dividing:
- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year.

ii) Diluted Earnings Per Equity Share

Diluted earnings per equity share adjusts the figures used in the determination of basic earnings per equity share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

2.24 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, being the Board of Directors.

The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Board of Directors of the Company. Refer Note 42 for segment information presented.

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2.25 Governments Grants

Grants from the Government are recognised at there fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.
Government grants relating to purchase of property , plant and equipment are included in non current liabilities as deferred income and are credited to statement of profit and loss on straight line basis over the expected lives of related assets and presented within other income.

2.26 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27 Exceptional items

When items of income and expenses within statement of profit and loss from ordinary activities are of as such size, nature and or incidence that there disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such material items are disclosed separately as exceptional items.

2.28 Business Combinations

A common control business combination, involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and where the control is not transitory, is accounted for using the pooling of interest method.

Other business combinations, involving entities or businesses are accounted for using acquisition method.

2.29 (a) Embedded derivatives

Derivatives embedded in a host contract that is an asset within the scope of Ind AS 109 are not separated. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.
Derivatives embedded in all other host contract are separated only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

(b) Derivative Instruments

The Company enters into certain derivative contracts to hedge risks which are not designated as hedges. Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period, with changes included in 'Other Income' / 'Other Expenses'.

2.30 Hedging activities

Cash flow hedges that qualify for hedge accounting
The effective portion of the change in the fair value of the derivative is recognised directly in other comprehensive income and in cash flow hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit and loss, within other gains/(losses).
When forward contracts are used to hedge forecast transactions, the company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in other comprehensive income in cash flow hedging reserve within equity.
Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, as follows:
- If the cash flow hedge of a forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in the statement of profit and loss in the same period in which the hedged item affects the statement of profit and loss.

In cases where hedge accounting is not applied, changes in the fair value of derivatives are recognised in the statement of profit and loss as and when they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of profit and loss for the period.

2.31 Critical Estimates and Judgements

The preparation of Financial Statements in conformity with Ind AS requires management to make judgements, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed at each Balance Sheet date. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

This note provides an overview of the areas that involved 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. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the Financial Statements.

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The areas involving critical estimates or judgements are:

· Employee Benefits (Estimation of Defined Benefit Obligations) — Notes 2.19

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires the Company to make assumptions regarding variables such as discount rate and salary growth rate. Changes in these key assumptions can have a significant impact on the defined benefit obligations.

· Impairment of Trade and Other Receivables — Notes 2.8(iii)

The risk of uncollectibility of trade receivables and other receivables is primarily estimated based on prior experience, past due status of doubtful receivables which includes factors such as ability to pay, bankruptcy, payment history etc. The assumptions and estimates applied for determining the provision for impairment are reviewed periodically. The Company uses specific identification method in determining the allowance for credit losses of trade receivable considering historical credit loss experience and is adjusted for forward looking information. Receivables are deemed to be past due or impaired with reference to the Company's normal terms and conditions of business. These terms and conditions are determined on a case to case basis with reference to the customer's credit quality and prevailing market conditions. Further, the Company has also applied the simplified approach for expected credit loss on trade receivable and contract assets.

· Estimation of Expected Useful Lives of Property, Plant and Equipment, Right of use Assets and Intangible Assets— Notes 2.2, 2.3

Management reviews its estimate of the useful lives of property, plant and equipment and intangible assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of property, plant and equipment, right of use assets and intangible assets.

· Accounting for revenue from contracts wherein company satisfies performance obligation and recognises revenue over time- Notes 2.17

For contracts wherein performance obligation are satisfied over time, an entity recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation, in order to depict an entity's performance in transferring control of goods or services promised to a customer. This method requires estimates of the final revenue and costs of the contract, as well as measurement of progress achieved to date as a proportion of the total work to be performed. This involves determination of margin to be recognised on the contract, which are dependent on the total costs to complete contracts, that is, the cost incurred till date and estimation of future cost to complete the contract and price variations etc. This estimation involves exercise of significant judgement by the management in making cost forecasts considering future activities to be carried out in the contract, and the related assumptions etc. Experience, reduces but does not eliminate the risk that estimates may change significantly.

· Litigations, Claims and Contingencies — Notes 2.21 & 2.22

Legal proceedings covering a range of matters are pending against the Company. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against the Company often raise factual and legal issues that are subject to uncertainties and complexities, including the facts and circumstances of each particular case/claim, the jurisdiction and the differences in applicable law. The Company consults with legal counsel and other experts on matters related to specific litigations where considered necessary. The Company accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

· Valuation of Deferred Tax Assets — Notes 2.20

Deferred income tax expense is calculated based on the differences between the carrying value of assets and liabilities for financial reporting purposes and their respective tax bases that are considered temporary in nature. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred tax benefit. Expected recoverability may result from expected taxable income in the future, planned transactions or planned optimising measures. Economic conditions may change and lead to a different conclusion regarding recoverability.

· Warranties and Liquidated Damages— Notes 2.21

The Company's product warranty obligations and estimations thereof are determined using historical information of claims received up to the year end and the management's estimate of further liability to be incurred in this regard during the warranty period, computed on the basis of past trend of such claims. Liquidated damages on supply of products are provided based on the contractual obligations or deduction made by the customers considering the current situation and status of the project, the reasons for delays and past experience with the customers.
Changes in estimated frequency and amount of future warranty claims/ liquidated charges, can materially affect warranty / liquidated damage expenses.

· Fair Value Measurements

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques, including the discounted cash flow model, which involve various judgements and assumptions.

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2.34 Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Company
- fair value of any asset or liability resulting from a contingent consideration arrangement

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised in other comprehensive income and accumulated in equity as capital reserve provided there is clear evidence of the underlying reasons for classifying the business combination as a bargain purchase. In other cases, the bargain purchase gain is recognised directly in equity as capital reserve.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss or other comprehensive income, as appropriate.

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3. Property, Plant and Equipment

(Rs in Lacs)

Particulars	Leasehold Land	Factory Building	Plant & Equipments	Office Equipment	Computer	Vehicle	Total
Gross Carrying Amount							
As at December 02, 2024	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
As at March 31, 2025	-	-	-	-	-	-	-
Additions as a result of Business Transfer [Refer Note 39]	781.93	25.45	289.17	1.25	8.48	4.51	1,110.80
Other Additions	-	-	-	2.66	-	-	2.66
Disposals	-	-	-	-	-	-	-
As at March 31, 2026	781.93	25.45	289.17	3.91	8.48	4.51	1,113.46
Accumulated Depreciation							
As at December 02, 2024	-	-	-	-	-	-	-
Charge for the period December 02, 2024 to March 31, 2025	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
As at March 31, 2025	-	-	-	-	-	-	-
Charge for the year	2.31	0.22	5.36	0.13	1.07	0.23	9.32
Disposals	-	-	-	-	-	-	-
As at March 31, 2026	2.31	0.22	5.36	0.13	1.07	0.23	9.32
Net Carrying Amount							
As at March 31, 2025	-	-	-	-	-	-	-
As at March 31, 2026	**779.63**	**25.23**	**283.82**	**3.78**	**7.41**	**4.27**	**1,104.14**

a) The Company has no contractual commitments for acquisition of Property, Plant and Equipment.

b) The Company acquired certain assets under the Business Transfer Agreement with Titagarh Rail System Limited (Refer Note- 39)

c) Pursuant to the acquisition of business under a common control business transfer arrangement, Leasehold Land having a gross carrying value of Rs. 781.93 lakhs continues to be held in the name of the Titagarh Rail Systems Limited (Holding Company) pending completion of legal transfer and assignment formalities. The leasehold rights were acquired as part of the business transfer and the necessary documentation for transfer of lease deed is under process.

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4. Right-of-use assets and leases

(Rs in Lacs)

The Company's leasing arrangement includes Jetty having a lease term of 10 years. The lease arrangement can be further renewed to 5 years.

(i) Amount recognised in balance sheet

Particulars	River Side Jetty	Total
Gross Carrying Amount		
As at December 02, 2024	-	-
Additions	-	-
Disposals	-	-
As at March 31, 2025	-	-
Additions as a result of business transfer	1,228.88	1,228.88
Disposals	-	-
As at March 31, 2026	1,228.88	1,228.88
Accumulated Depreciation		
As at December 02, 2024	-	-
Charge for the period December 02, 2024 to March 31, 2025	-	-
Disposals	-	-
As at March 31, 2025	-	-
Charge for the year	23.62	23.62
Disposals	-	-
As at March 31, 2026	23.62	23.62
Net Carrying Amount		
As at March 31, 2025	-	-
As at March 31, 2026	1,205.26	1,205.26

Lease liabilities	As at March 31, 2026	As at March 31, 2025
Non Current	1,014.80	-
Current	97.33	-
Total	1,112.13	-

(ii) Extension and termination options:

Extension and termination options are included in the Company's lease contract. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exerciseable by mutual consent of both the lessor and the lessee.

(iii) Pursuant to the acquisition of business under a common control business transfer arrangement, Riverside Jetty classified as Right-of-Use (ROU) Asset having a gross carrying value of Rs. 1,228.88 lakhs continues to be held in the name of the Holding Company pending completion of transfer formalities. The underlying lease agreement remains in the name of the Holding Company and the required transfer/assignment process is under process.

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5.Capital Work-in-progress	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Balance at the beginning of the year	-	-
Additions during the year	158.96	-
Capitalised during the year	-	-
Balance at the end of the year	158.96	-

5A. Ageing of Capital work-in-progress

As at 31st March, 2026

CWIP	Amount in Capital work-in-progress for a period of				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	TOTAL
Projects in progress	158.96	-	-	-	158.96
Total	158.96	-	-	-	158.96

As at 31st March, 2025

CWIP	Amount in Capital work-in-progress for a period of				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	TOTAL
Projects in progress	-	-	-	-	-
Total	-	-	-	-	-

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TITAGARH NAVAL SYSTEMS LIMITED
FORMERLY TITAGARH NAVAL SYSTEMS PRIVATE LIMITED
Notes to Financial Statements as at March 31, 2026 and for the period December 02, 2024 to March 31, 2025

6. Deferred Tax Assets/(Liabilities) (Net)		As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Deferred Tax Assets			
Provision for Onerous Contract*		125.49	-
Leases liability		279.90	-
Provision for Employee Benefit*		28.69	-
Loss on Current tax		146.51	-
Disallowance u/s 43B (h)		8.93	-
Provision for Warranty Claims		11.33	-
Deferred Tax Assets	(A)	600.85	-
Deferred Tax Liabilities			
On account of Property, Plant and Equipment		18.00	-
Right of use assets		303.34	-
Deferred Tax Liabilities	(B)	321.34	-
Net Deferred Tax Assets	(A-B)	279.50	-

* Deffered tax assets on Provision for onerous contract Rs.125.49 Lakhs, Provision for employee benefit rs. 16.31 Lakhs has been created through other equity & 6.85 Lakhs through other comprehensive icome.

Reconciliation of Tax Expense and the Accounting Profit multiplied by India's Domestic Tax Rate for 31st March, 2025

Particulars	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
(A) Amount Recognised in the Statement of Profit and Loss		
Current Tax	-	-
Deferred Tax	(130.85)	-
Total Income Tax Expense Recognised in Statement of Profit and Loss	(130.85)	-
(B) Numerical Reconciliation of Income Tax Expense to Tax Payable		
Accounting Profit / (Loss) before Tax	(582.11)	-0.22
At India's Statutory Income Tax Rate of 25.168%	(146.51)	(0.05)
Adjustments:		
Expenses Not Allowed As Deductions	1.98	-
Others	13.67	0.05
Net Effective Income Tax	(130.85)	-

7. Other Financial assets	As at March 31, 2026 Rs. In Lacs		As at March 31, 2025 Rs. In Lacs	
	Current	Non-Current	Current	Non-Current
Security Deposit	-	68.06	-	-
Charges Recoverable	29.47	-	-	-
Receivable from Related Party (Holding Company)	5,283.44	-	-	-
Interest accrued on Fixed deposits	1.51	-	-	-
Total	5,314.42	68.06	-	-

8.Inventories	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Raw materials and components	2,454.75	-
Stores and spares	28.13	-
Total	2,482.89	-

9.Trade Receivables	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Trade Receivables		
Trade receivable from contract with customer	895.56	-
Less: Loss Allowances	13.68	-
Total Receivables	881.88	-

Trade Receivable Ageing Schedule

Particulars	Outstanding as at March 31, 2026					
	Less than 6 months	6 months - 1 year	1-2 Years	2-3 Years	More than 3 years	Total
Undisputed Trade Receivables						
Considered Good	895.56	-	-	-	-	895.56
Disputed Trade Receivables						-
Considered Good	-	-	-	-	-	-
Total	895.56	-	-	-	-	895.56
Not Due						-
Unbilled						-
Total						895.56
Less: Loss Allowance						13.68
Total						881.88

*No trade receivables were outstanding as at 31 March 2025. Accordingly, the Trade Receivables Ageing Schedule for the previous year has not been presented.

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10.Cash and cash equivalents	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Balances with banks:		
On current accounts	239.59	0.10
Total	239.59	0.10

11.Bank Balances Other than Cash and Cash Equivalents	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Bank deposits		
Fixed Deposit (held as a security against bank gaurantee / letter of credit)	1,177.49	-
Total	1,177.49	-

12.Contract Assets	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Unbilled Revenue		
Construction of Ships	5,834.13	-
Total	5,834.13	-

13.Current Tax Assets	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
TDS Receivable	0.17	-
Total	0.17	-

14. Other Current Assets (Unsecured, Considered Good unless stated otherwise)	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Advances to Supplier & others	286.56	-
Balance with Government Authorities	63.06	-
Prepaid Expenses	69.82	-
Total	419.44	-

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15. Equity Share Capital	As At March 31, 2026		As At March 31, 2025	
	No. of shares in lacs	Amount	No. of shares in lacs	Amount
Authorised Shares (Equity Shares of Rs. 10/- each)				
As at the beginning of the year	0.50	5.00	0.50	5.00
Increase during the year	1,349.50	13,495.00	-	-
As at the end of the year	1,350.00	13,500.00	50.00	500.00
Issued, Subscribed and Paid-up Shares	1,198.81	11,988.10	0.01	0.10
Equity Shares of Rs. 10/- each, fully paid-up	1,198.81	11,988.10	0.01	0.10

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares	2025-26		2024-25	
	No. of shares in lacs	Amount	No. of shares in lacs	Amount
Outstanding at the beginning of the year	0.01	0.10	-	-
Shares issued during the year *	1,198.80	11,988.00	0.01	0.10
Outstanding at the end of the year	1,198.81	11,988.10	0.01	0.10

*Right Share issued in this current year, Pursuant to Resolution passed by the Board of Directors in their meetings held on 05th September, 2025, allotment of 50,00,000 Equity Shares of the Company for cash at an offer price of INR 10 per equity share (at par) {the Issue Price }, aggerating Rs. 500/- Lakhs to the following Subscribers on right basis in the ratio of 1:500 as on the record date.
Equity Shares issued during the current year, pursuant to the Business Transfer Agreement dated 31st December, 2025 entered into with Titagarh Rail Systems Limited and approval of the Board of Directors at their meeting held on 20th February, 2026, allotment of 11,48,80,000 Equity Shares of the Company at an offer price of Rs. 10/- per equity share (at par) aggregating Rs. 1,14,88,00,000/- towards consideration for transfer of business undertaking/assets.

The Equity Shares allotted as aforesaid is subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari-passu with the existing equity shares of the Company in all respects including payment of dividend.

b) Terms and Rights attached to Equity Shares
The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

c) Details of Shareholders holding more than 5% shares in the Company

Name of the Shareholder	As at March 31, 2026		As at March 31, 2025	
	No. of shares	% holding	No. of shares	% holding
Equity shares of Rs 10/- each fully paid				
Titagarh Rail Systems Limited**	11,98,81,000	100%	-	-
Dimple Sureka Maitra	-	-	500	50%
Akash Saraf	-	-	500	50%

** Equity Shares are held by Titagarh Rail Systems Limited & through its nominees.

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

d) Details of Shareholding of Promoters

Promoter Name	As at March 31, 2026			As at March 31, 2025		
Particulars	No. of shares	% of total shares	% change during the period	No. of shares	% of total shares	% change during the period
Titagarh Rail Systems Limited	11,98,81,000	100%	100%	-	-	-
Mrs.Dimple Sureka Maitra	-	-	-100%	500	50%	100%
Mr.Aakash Saraf	-	-	-100%	500	50%	100%

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16.Other Equity -Reserves and Surplus	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Balance at the begining of the year	(0.22)	-
Profit for the year	(451.26)	(0.22)
Adjusted on account of Business Transfer under common control*	125.32	-
Item of Other Comprehensive Income recognised directly in Retained Earnings		
-Remeasurements Losses on Defined Benefit Plan (Net of Tax)	(20.37)	-
Net surplus in the statement of profit and loss at the end of the year	(346.53)	(0.22)
Total Other Equity	(346.53)	(0.22)

* Deffered Tax Adjustment on account of onerous contract, employee benefit liabilties amounting to Rs. 141.80 Lakhs & Difference between Consideration paid & net identifiable assets acquired amounting to Rs.(16.48) Lakhs.

17. Provisions	As at March 31, 2026 Rs. In Lacs		As at March 31, 2025 Rs. In Lacs	
	Current	Non-Current	Current	Non-Current
Provisions for Employee Benefits :				
Gratuity	24.11	54.83	-	-
Leave Benefits	11.91	23.13	-	-
	36.01	77.97		
Other Provisions				
Warranties	315.00	-	-	-
Loss on Onerous Contract	498.61	-	-	-
	813.61	-	-	-
Total	849.63	77.97	-	-

Movement of provisions for loss on onerous contract and Warranties are as follows:

	Loss on onerous contract		Warranties	
	2025-26 Rs. In Lacs	2024-25 Rs. In Lacs	2025-26 Rs. In Lacs	2024-25 Rs. In Lacs
Acquired as a result of business transfer	608.81	-	270.00	-
Made during the year	-	-	45.00	-
Amount Utilised during the year	(110.20)	-	-	-
At the end of the year	498.61	-	315.00	-

18.Trade Payables	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Trade Payables:		
-Total outstanding dues of Micro Enterprises and Small Enterprises	372.48	-
-Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	575.51	0.22
	948.00	0.22

Trade Payables Ageing Schedule

Particulars	Outstanding as at March 31, 2026				
	Less than 1 year	1-2 Years	2-3 Years	More than 3 years	Total
Undisputed Trade Payables					
Micro enterprises and small enterprises	234.66	-	-	-	234.66
Others	434.24	-	-	-	434.24
Disputed Trade Payables					
Micro enterprises and small enterprises	-	-	-	-	-
Others	-	-	-	-	-
Total	668.90	-	-	-	668.90
Not Due					
Micro enterprises and small enterprises	-	-	-	-	137.83
Others	-	-	-	-	6.57
Unbilled					
Micro enterprises and small enterprises	-	-	-	-	
Others	-	-	-	-	134.70
Total	-	-	-	-	279.10

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Particulars	Outstanding as at March 31, 2025				
	Less than 1 year	1-2 Years	2-3 Years	More than 3 years	Total
Undisputed Trade Payables					
Micro enterprises and small enterprises	-	-	-	-	-
Others	-	-	-	-	-
Disputed Trade Payables					
Micro enterprises and small enterprises	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	-	-
Not Due					
Micro enterprises and small enterprises	-	-	-	-	-
Others	0.22	-	-	-	0.22
Unbilled					
Micro enterprises and small enterprises	-	-	-	-	-
Others	-	-	-	-	-
Total	0.22	-	-	-	0.22

19.Other Financial Liabilities	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Employee Related Liability	68.43	-
Total	68.43	

20.Contract Liabilities	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Advance From Customers	4,450.00	-
Total	4,450.00	

21.Other Current Liabilities	As at March 31, 2026 Rs. In Lacs	As at March 31, 2025 Rs. In Lacs
Statutory Dues	18.21	-
Total	18.21	-

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22. Revenue From Operations	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Revenue from Contract with Customers:-		
Sale of Finish Goods	1,688.88	-
Total	1,688.88	-

Reconciliation of revenue recognised with contract price:

Particulars	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Contract Price	1,559.95	-
Adjustment for:		
Escalation & Claims	128.92	-
Revenue from operations	1,688.88	-

23. Other Income	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Interest unwinding in respect of Security Deposit for Leases	1.16	-
Interest Income on Bank Deposits	1.68	-
Total	2.84	-

24. Cost Of Raw Material Consumed	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Inventories at the beginning of the year as a result of business transfer	3,907.93	-
Add: Purchases	129.41	-
	4,037.34	-
Less: Inventories at the end of the year	2,454.75	-
Cost of Raw Materials and components consumed	1,582.59	-

25. Employee Benefit Expenses	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Salaries, Wages and Bonus	124.22	-
Contribution to Provident Fund	5.20	-
Gratuity Expense	16.11	-
Total	145.53	-

26. Finance Cost	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Interest on late payment of TDS	0.29	-
Bank Charges	0.09	-
Interest expense on delayed payment of MSME	7.59	-
Total	7.97	-

27. Depreciation and amortisation expense	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Depreciation of Property, Plant & Equipments (Refer Note 3)	9.32	-
Total	9.32	-

28. Other Expenses	For the year ended March 31, 2026 Rs. In Lacs	For the period December 2, 2024 to March 31, 2025 Rs. In Lacs
Consumption of stores and spares	1.02	-
Job Processing and other machining charges	216.36	-
Power and Fuel	0.75	-
Repairs and maintenance		
- Others	8.63	-
Rent and Hire charges	9.84	-
Rates and Taxes	97.63	0.07
Insurance	7.44	-
Security Services	6.55	-
Advertising and sales promotion	14.44	-
Brokerage and commission	0.83	-
Travelling and conveyance	86.42	-
Legal and professional fees	27.25	-
Warranty Claims	45.00	-
Director Sitting Fees	0.30	-
Payment to Auditors:		
- Statutory Audit Fees	3.50	0.15
Miscellaneous expenses	2.45	-
Total	528.42	0.22

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29 Earnings Per Equity Share

Rs. In Lacs

	For the year Ended March 31,2026	For the year Ended March 31,2025
(A) Basic		
(i) Number of Equity Shares at the Beginning of the period	1,000	-
(ii) Number of Equity Shares at the End of the Period	11,98,81,000	1,000
(iii) Weighted Average Number of Equity Shares Outstanding during the Period	1,26,61,712	329
(iv) Face Value of Each Equity Share (Rs)	10.00	10.00
(v) Profit/(loss) after Tax Available for Equity Shareholders	(451.26)	(0.22)
(vi) Basic Earnings per Equity Share (Rs.) [(v)/(iii)]	**(3.56)**	(65.74)
(B) Diluted		
(i) Weighted Average Number of Equity Shares Outstanding during the period for Diluted Earnings per Equity Share	1,26,61,712	329
(ii) Diluted Earnings/(Loss) per Equity Share (Rs) [A(v)/B(ii)]	(3.56)	(65.74)

30 Employee Benefits:

(i) Post-employment Defined Benefit Plans:

Gratuity

The Company has a gratuity plan which is unfunded, Every employee who has completed five years or more of service is entitled to gratuity on terms not less favorable than the provisions of the Payment of Gratuity Act, 1972.

The following tables sets forth the particulars in respect of the gratuity plan.

	Gratuity (Unfunded)	
	For the year Ended March 31,2026	For the year Ended March 31,2025
Statement of Profit and Loss		
Net Employee Benefits Expense recognised in the Employee Cost		
Current Service Cost	13.76	-
Past Service Cost	-	-
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	2.35	-
Total	16.11	-
Expenses Recognised in Other Comprehensive Income (OCI)		
Remeasurements (Gains) / Losses	27.22	-
Total	27.22	-
Net Liability Recognised in Balance Sheet		
Benefit liability		
Present value of Defined Benefit Obligation	78.94	-
Fair value of Plan Assets	-	-
Net Liability	78.94	-
Bifurcation of Net Liability at the end of the year as per revised Schedule III of the Companies Act, 2013		
Current Liability (Short term)	24.11	-
Non-Current Liability (Long term)	54.83	-
	78.94	-
Changes in the Present Value of the Defined Benefit Obligation are as follows:		
Opening Defined Benefit Obligation	-	-
Current Service Cost	13.76	-
Interest Expense or Cost	2.35	
Past Service Cost	-	-
Interest Cost	-	-
Benefits Paid	-	-
Transfer In / (Out)	35.61	
Remeasurement (Gains)/ Losses		
Financial Assumptions Changes	-	-
Demographic Assumptions	-	-
Experience Variance	-	-
Remeasurement (Gains)/ Losses		
Financial Assumptions Changes	-	-
Demographic Assumptions	-	-
Experience Variance	27.22	-
Closing Defined Benefit Obligation	78.94	-

Maturity Profile of the Defined Benefit Obligation

Weighted Average Duration of the Defined Benefit Obligation 3 years

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Expected Benefit Payments for the year ending	
Not later than 1 year	24.11
Later than 1 year and not later than 5 years	43.62
Later than 5 year and not later than 10 years	24.98
More than 10 years	11.28

The principal assumptions used in determining gratuity obligation are shown below:	
Discount Rate	6.60%
Rate of increase in Salary	10.77%

Assumptions regarding future mortality experience are based on mortality tables of Indian Assured Lives Mortality (2012-2014) published by the Institute of Actuaries of India.
The estimate of future salary increase, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

A quantitative sensitivity analysis of impact on defined benefit obligations for significant assumption on the gratuity plan is as shown below:

(Rs. in Lacs)

Sensitivity level	Gratuity (Unfunded) As at December 31, 2026		Gratuity (Unfunded) As at December 31, 2025	
	Decrease	Increase	Decrease	Increase
Discount Rate (-/+ 1%)	82.02	76.08	-	-
Salary Growth Rate (-/+ 1%)	76.65	81.34	-	-
Attrition Rate (-/+ 50%)	86.19	74.55	-	-
Mortality Rate (-/+ 50%)	78.94	78.94	-	-

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognised in the Balance Sheet.

(ii) Post-employment Defined Contribution Plans:

(A) Provident Fund

Certain categories of employees of the Company receive benefits from a provident fund, a defined contribution plan. Both the employee and employer make monthly contributions to a government administered fund at specified percentage of the covered employee's qualifying salary. The Company have no further obligations under the plan beyond its monthly contributions.

The amounts paid to Defined Contribution Plans are as follows:

(Rs. in Lacs)

	For the year Ended March 31,2026 Rs.in Lacs	For the year Ended March 31,2025 Rs.in Lacs
Provident Fund	8.97	-
Total	8.97	-

(iii) Leave Benefits

The Company provides for accumulation of leave by its employees. The employees can carry forward a portion of the unutilised leave balances and utilise it in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a provision for leave benefits in the period in which the employee renders the services that increases this entitlement. This is an unfunded plan.
The total provision recorded by the Company towards these benefits as at year end was Rs. 35.04 Lakhs (March 31, 2024: Rs. Nil).
The amount of the provision is presented as current and non -current , since the Company does not have an unconditional right to defer settlement for any of these benefits. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

(Rs. in Lacs)

	As at March 31,2026 Rs.in Lacs	As at March 31,2025 Rs.in Lacs
Leave provision not expected to be settled within the next 12 months	23.13	-

(iv) Risk Exposure

Through its defined benefit plans, the Company is exposed to some risks, the most significant of which are detailed below:

(a) Discount Rate Risk

The Company is exposed to the risk of fall in discount rate. A fall in discount rate will eventually increase the ultimate cost of providing the above benefit thereby increasing the value of the liability.

(b) Salary Growth Risks

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liability.

(c) Demographic Risk

In the valuation of the liability, certain demographic (mortality and attrition rates) assumptions are made. The Company are exposed to this risk to the extent of actual experience eventually being worse compared to the assumptions thereby causing an increase in the benefit cost.

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	31 Information relating to Micro and Small Enterprises (MSEs):	As at March 31,2026 Rs.in Lacs	As at March 31,2025 Rs.in Lacs
(i)	Principal amount due to suppliers reqistered under the MSMED Act and remaining unpaid as at year end *	372.48	-
(ii)	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	7.59	-
(iii)	Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
(iv)	Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
(v)	Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
(vi)	Amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	-	-
(vii)	Interest accrued and remaining unpaid at the end of the accounting year	7.59	-
(viii)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act	-	-

32 Fair Values

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into three levels prescribed under the accounting standard. An explanation of each level follows below.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.
Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(i) Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are included at the amount that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.
The methods and assumptions were used to estimate the fair values:
(a) The management assessed that the fair values of financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.
(b) For financial assets / liabilities carried at fair value, the carrying amounts are equal to their fair values.

33 Financial Risk Management Objectives and Policies

The Company's financial liabilities comprise trade payables and other financial liabilities. The Company's financial assets include trade receivables, cash and cash equivalents and other financial assets.
The Company's Board of Directors ensures that risks are identified, measured and managed in accordance with Risk Management Policy of the Company and also reviews these risks and related risk management policy, which are summarised below.

I) Market Risks
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk and other price risk, such as equity price risk and interest rate risk. Financial instruments affected by market risk include trade payables, trade receivables, other financial assets / liabilities etc.

(i) Foreign currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities. The Company has a treasury team which continuously monitors the foreign exchange fluctuations on a continuous basis and advises the management of any material adverse effect on the Company, and any additional remedial measures to be taken.

II) Credit Risks
Credit Risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables). The Company's maximum exposure to credit risk for the components of the Balance Sheet as at December 31, 2024 is their carrying amount.

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Trade and Other Receivables

Customer credit risk is managed by the Company through established policy and procedures and control relating to customer credit risk management. Trade receivable are non-interest bearing. The Company has a detailed review mechanism of overdue customer receivables at various levels within organisation to ensure proper attention and focus for realisation.

The Company applies the expected credit loss ("ECL") model for measurement and recognition of impairment loss on trade receivables. For this purpose, the Company follows a "simplified approach" for recognition of impairment loss allowance on the trade receivable balances. As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. Currently the Company has assessed the historical loss rates as NIL.

Receivables are deemed to be past due or impaired with reference to the Company's normal terms and conditions of business. These terms and conditions are determined on a case to case basis with reference to the customer's credit quality and prevailing market conditions.

III) Liquidity Risks

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due and to close out market positions.
Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows.

As at March 31, 2026	Carrying Amount	Contractual Cash flows	Upto 1 year	1-3 years	More than 3 years
Non-derivative Financial Liabilities					
Lease Liabilities	1,112.13	1,962.17	100.12	331.40	1,530.65
Trade Payables	948.00	948.00	948.00	-	-
Other Financial Liabilities	68.43	68.43	68.43	-	-
	2,128.55	2,978.59	1,116.54	331.40	1,530.65

As at March 31, 2025	Carrying Amount	Contractual Cash flows	Upto 1 year	1-3 years	More than 3 years
Non-derivative Financial Liabilities					
Lease Liabilities	-	-	-	-	-
Trade Payables	0.22	0.22	0.22	-	-
Other Financial Liabilities	-	-	-	-	-
	0.22	0.22	0.22	-	-

34 Capital Management

(a) Risk Management

The Company's objective when managing capital (defined as net debt and equity) is to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, while protecting and strengthening the balance sheet through the appropriate balance of debt and equity funding. The Company manages its capital structure and makes adjustments to it, in light of changes to economic conditions and strategic objectives of the Company.

35 Debt Reconciliation

This section sets out an analysis of debt and the movement in debt during the year.

Particulars	**March 31, 2026**	**March 31, 2025**
Lease Liabilities	1,112.13	-
Total	**1,112.13**	-
	(Rs in Lacs)	**(Rs in Lacs)**

Particulars	**Lease Liabilities**	**Total**
Debt as at 02 December, 2024	-	-
New Leases	-	-
Finance Costs	-	-
Cash Flows		
Principal Repayment of Leases	-	-
Interest Paid	-	-
Debt as at March 31, 2025	-	-
New Leases as a result of Business transfer	1,145.12	
Finance Costs	-	
Cash Flows		
Principal Repayment of Leases	(55.62)	
Interest Paid	-	
Debt as at March 31, 2026	1,089.50	

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36 Related Party Disclosures
(a) Names of Related Parties and Related Party Relationship

Related parties:

Holding Company	Titagarh Rail Systems Limited
Key Management Personnel (KMPs):	Mr. Rajaram Swaminathan - Independent Director Mr. Umesh Chowdhary - Executive Director Mr. Sanjay Ranganath Deshpande - Executive Director Mr. Anil Kumar Agarwal - Non- Executive Director Mr. Saket Kandoi - Executive Director Mr. Prithish Chowdhary -Non- Executive Director Ms. Devanshi Bagrodia - Company Secretary

(b) Details of transactions between the Company and Related Parties and outstanding balances as at the period end are given below:

(Rs. in Lacs)

Nature of transactions	Year	Holding Company	KMPs	Total
In relation to the Statement of Profit and Loss				
Remuneration to KMP				
Mr. Saket Kandoi	2025-26	-	15.45	15.45
	2024-25	-	-	-
Consultancy Fees				
Mr. Sanjay Ranganath Deshpande	2025-26	-	11.25	11.25
	2024-25	-	-	-
Director Sitting Fees				
Mr. Rajaram Swaminathan	2025-26	-	0.30	0.30
	2024-25	-	-	-
Issue of Equity Shares				
Titagarh Rail Systems Limited	2025-26	11,988.00	-	11,988.00
	2024-25	-	-	-
In relation to the Balance Sheet				
Receivable From Related Party				
Titagarh Rail Systems Limited	2025-26	5,283.44	-	5,283.44
	2024-25	-	-	-

The Remuneration to Key Managerial personnel does not include provisions made for gratuity and leave benefits as they are determined on an actruarial basis for the company as a whole.

37 Business Transfer Agreement - Acquisition of Shipbuilding and Maritime Systems (SMS) Business

Pursuant to the Business Transfer Agreement dated 31st December 2025 entered into between Titagarh Rail Systems Limited (TRSL), the Holding Company and the Company, the Company has acquired the Shipbuilding and Maritime Systems (SMS) Business including the undertaking thereunder from TRSL on a going concern basis by way of slump sale with effect from 1st January 2026.

In consideration for the transfer and vesting of the SMS Business undertaking pursuant to the BTA, the Company has discharged the purchase consideration through issuance and allotment of securities at par aggregating to Rs. 11,488 Lakhs to TRSL. Difference between purchase consideration and net identifiable assets acquired amounting to ₹16.48 Lakhs has been adjusted in "Other Equity" pursuant to the accounting treatment adopted for the common control business transfer in accordance with Appendix C to Ind AS 103.

The assets and liabilities pertaining to the transferred undertaking have been recorded in the books of the Company in accordance with the terms of the BTA and applicable Indian Accounting Standards.

Details of Assets and Liabilities are as follows:

I. ASSETS ACQUIRED	**Amount** Rs. (In Lakhs)
Non-current Assets	
Property, Plant and Equipment	1110.8
Right-of-Use Assets	1228.88
	2339.68
Current Assets	
Inventories	3933.95
Trade Receivables	9642.72
Cash and Cash Equivalents	4719.4
Other Financial Assets	195.51
Other Current Assets	243.46
	18580.12
Total Assets Acquired (A)	**21074.72**
II. LIABILITIES ASSUMED	
Non-current Liabilities	
Financial Liabilities	
Lease Liabilities	1145.12
	1145.12
Current Liabilities	
Financial Liabilities	
Trade Payables	
a) Total Outstanding Dues of Micro	
b) Total Outstanding Dues of Creditors Other	1172.17
Other Financial Liabilities	
Other Current Liabilities	6342.28
Provisions	943.62
	8458.08
Total Liabilities Assumed (B)	**9603.2**
Net Identifiable Assets acquired (A – B)	**11471.52**
Purchase consideration discharged through issue	11488
Balance adjusted against other equity on account of Business Transfer under common control	**-16.48**

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38 (i) Details of benami property held
No proceedings have been initiated on or are pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

(ii) Wilful defaulter
The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

(iii) Relationship with struck off companies
The Company has no transactions with the companies struck off under Companies Act, 2013 or Companies Act, 1956.

(iv) Compliance with number of layers of companies
The Company has complied with the number of layers prescribed under the Companies Act, 2013.

(v) Compliance with approved scheme(s) of arrangements
The Company has not entered into any scheme of arrangement which has an accounting impact on current financial period.

(vi) Utilisation of borrowed funds and share premium
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 or entity, including foreign entity ("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.

No funds have been received by the Company from any person or entity, including foreign entity ("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.

(vii) Undisclosed income
(viii) Details of crypto currency or virtual currency
The Company has not traded or invested in crypto currency or virtual currency during the current period.

(ix) Valuation of PP&E, intangible asset and investment property
The Company has not revalued its property, plant and equipment (including right-of-use assets) or intangible assets or both during the current period.

(x) Investor's and Protection Fund
There were no amount due to be credited to the Investor's and Protection Fund as on 31st March 2026.

39 The aggregate amount of the transaction price allocated to the remaining performance obligation, which are partially or fully unsatisfied as at year end is Rs. 47,085.09 Lakhs and the entity will recognize this revenue as the contract is completed and / or executed, which is expected to occur over the next 12–30 months.

40 Ratio Analysis

Ratio	March 31, 2026		March 31, 2025		Change	Remarks
Current Ratio (in times)		2.54		0.46	449%	Increase Due to Business acquisition in the current year
(Current Assets/Current Liabilities)						
Current Assets	16,350.01		0.10			
Current Liabilities	6,431.59		0.22			
Return on Equity Ratio (in %)		-5.14%		180.11%	-103%	variation is due to increase in shareholders' equity pursuant to business acquisition through issue of equity shares & Right Issue during the current year."
(Net profit after tax/Shareholders equity)						
Net profit after tax	-451.26		-0.22			
Average Shareholders equity	8,779.19		-0.12			
Inventory Turnover Ratio		0.68		-	100%	Increase is due to business acquisition during the current year.
(Revenue from Operations/ Average Inventory)						
Revenue from Operations	1,688.88		-			
Average Inventory	2,482.89		-			
Trade Receivables Turnover Ratio (in no. of days)		2.54		-	100%	Increase is due to business acquisition during the current year.
(Revenue from Operations/ Trade Receivables)						
Revenue from Operations	1,688.88		-			
Trade Receivables	665.06		-			
Trade Payables Turnover Ratio (in no. of days)		0.18		-	100%	Increase is due to business acquisition during the current year.
(Purchase/Trade Payables)						
Purchase	129.41		-			
Trade Payables	715.08		0.11			
Net Capital Turnover Ratio (in no. of days)		0.17		-	100%	Increase is due to business acquisition during the current year.
(Revenue from Operations/Working Capital)						
Revenue from Operations	1,688.88		-			
Working Capital	9,918.41		-0.12			
[Working Capital = Current Assets - Current Liabilities]						
Net Profit Ratio (in %)		-4.55%		-	100%	Increase is due to Increase in Net profit after tax
(Profit After Tax/Revenue from Operations)						
Profit After Tax	-451.26		-			
Revenue from Operations	9,918.41		-0.12			
Return on Capital Employed (in %)		-4.93%		180.11%	-103%	Decrease is due to increase in capital employed on account of business acquisition during the year.
(EBIT/Capital Employed)						
EBIT	-574.14		-0.22			
[EBIT = Profit before taxes + Finance Costs]						
Capital Employed	11,641.57		-0.12			
[Capital Employed = Total Equity]						

Notes:
(i) Debt equity ratio & Debt Service Coverage Ratio are not applicable since the Company does not have any debt outstanding as on March 31, 2026.

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41 The Company has been converted from a Private Limited Company to a Public Limited Company pursuant to the approval of the Registrar of Companies vide SRN: AB7599637 dated 03/10/2025. Accordingly, the name of the Company has been changed from TITAGARH NAVAL SYSTEMS PRIVATE LIMITED to TITAGARH NAVAL SYSTEMS LIMITED.

42 The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post employment received Indian Parliament approval and Presidential assent in September 2020. The Code has been published in the Gazette of India and subsequently on November 13, 2020 draft rules were published and invited for stakeholders' suggestions. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

For SALARPURIA & PARTNERS
Chartered Accountants
Firm Registration No.: 302113E

Sarvesh Kumar Singh
Partner
Membership No.: 069367
Place : Kolkata
Date : 29-05-2026

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For and on behalf of the Board

Anil Kumar Agarwal
Director
D.I.N- 01501767

Sanjay Ranganath Deshpande
Director
D.I.N- 10429349