CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri Dinesh Kumar Sarraf	:	Chairman
Shri Paritosh Kumar Gupta	:	Managing Director
Shri I.S.N.Prasad	:	Independent Director
Shri Srinivas S Kamath	:	Independent Director
Shri Pradeep Puri	:	Nominee Director
Shri H Kumar	:	Nominee Director
Shri A K Sahoo	:	Nominee Director
Shri Pankaj Kumar Pandey	:	Additional Director (Co-opted on 13th January 2017)
Shri Jeevan Saldanha	:	Additional Director (Co-opted on 13th January 2017)
Shri Santosh Nautiyal	:	Independent Director (Up to 29th April 2017)
Shri Saibal Kumar De	:	Nominee Director (Up to 30th September 2016)
Shri B.S.Shekharappa	:	Nominee Director (Up to 03rd June 2016)

Company Secretary
V.Phani Bhushan

Chief Financial Officer
Gouranga Charan Swain

Statutory Auditors
M/s Maharaj N R Suresh and Co.,
Chartered Accountants, Chennai.

Internal Auditors
M/s. Chokshi&Chokshi LLP,
Chartered Accountants, Mumbai.

Secretarial Auditor
M/s P.N. Pai & Co,
Company Secretaries, Mangaluru.

Banker
State Bank of India
Corporate Account Group –II,Redfort Capital Parsvnath Towers, 4th & 5th Floor, Bhai Veer Singh Marg
Gole Market, New Delhi-110001

Security Trustee
SBICAP Trustee Company Ltd
202, Maker tower E,
Cuffe Parade, Mumbai – 400005

Registered office
3rd Floor, MUDA Building, Ashok Nagar, Urwa Stores, Mangaluru – 575 006, Dakshina Kannada Dist, Karnataka.
Phone : 0824-2452748/2452750, Fax : 0824- 2452749
Website :www.mangaloresez.com; Email :info@msezl.com
CIN :U45209KA2006PLC038590.

Project Site
Bajpe, Permude village, Mangaluru – 574 509,
Dakshina Kannada (Dist), Karnataka

CONTENTS

NOTICE OF 11TH ANNUAL GENERAL MEETING

Notice is hereby given that the 11th Annual General Meeting of the Members of MANGALORE SEZ LIMITED (MSEZL) will be held on Saturday, the 19th August, 2017 at 9.30 a.m. at 3rd Floor, MUDA Building, Urwa Stores, Ashoknagar, Mangaluru - 575 006 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt

   a. The Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2017, the report of the Board of Directors and the report of the Auditors thereon; and

   b. The Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2017 and the report of the Auditors thereon.

2. To appoint a Director in place of Shri Dinesh Kumar Sarraf (DIN: 00147870) who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Shri Pradeep Puri (DIN:00051987) who retires by rotation and being eligible, offers himself for re-appointment.

4. To Ratify the re-appointment of Statutory Auditors

   To consider and if thought fit, to pass with or without modification (s), the following resolution as an **Ordinary Resolution:**

   "**RESOLVED THAT**, in accordance with the provisions of Sections 139 and 142 of the Companies Act, 2013 and other applicable provisions, if any, read with rules framed there under (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time,) the appointment of M/s Maharaj N R Suresh and Co., Chartered Accountants, bearing Registration No. FRN 001931S, as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of 12th Annual General Meeting be and is hereby ratified, and remuneration of Rs 3,75,000/- to M/s Maharaj N R Suresh and Co., to conduct the audit for the financial year 2017-18 payable in one or more instalments plus applicable taxes, and reimbursement of out-of-pocket expenses incurred, be and is hereby approved".

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification (s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT Shri Pankaj Kumar Pandey (DIN: 03376149) who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. January 13, 2017 and who holds office up to the date of this Annual General Meeting of the Company in terms of section 161 of the Companies Act 2013 ("The Act") and in respect of whom, the Company has received notice in writing, pursuant to Section 160(1) of the Companies Act, 2013 proposing him as candidature to the office of Director of the Company, be and is hereby, appointed as Director (Nominee of KIADB) of the Company, whose term of office shall be liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modification (s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT Shri Jeevan Saldanha (DIN: 02424388) who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. January 13, 2017 and who holds office up to the date of this Annual General Meeting of the Company in terms of section 161 of the Companies Act 2013 ("The Act") and in respect of whom, the Company has received notice in writing, pursuant to Section 160(1) of the Companies Act, 2013 proposing him as candidature to the office of Director of the Company, be and is hereby, appointed as Director (Nominee of KCCI) of the Company, whose term of office shall be liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification (s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to Section 196, 197, 203 and other applicable provisions if any, of the Companies Act 2013 ("The Act") read with Schedule V of the Act and the Companies (Appointment and Remunerations of Managerial Personnel) Rules, 2014 including any statutory modifications or enactments thereof from time to time, approval of the Shareholders be and is hereby accorded for the re-appointment of Shri Paritosh Kumar Gupta (DIN: 01054182), as Managing Director for a further period of 1 year with effect from May 19, 2017, at a remuneration of Rs 30.00 Lakhs per annum.

   "RESOLVED FURTHER THAT the Board be and is hereby authorized to alter the terms and conditions of the said appointment in such a manner as may be agreed by the Board and Shri Paritosh Kumar Gupta so as, not to exceed the limits specified in Section 196, 197 and Schedule V of the Companies Act, 2013, or any amendment thereto or enactments thereof with effect from such date as may be decided the Board"

   "RESOLVED FURTHER THAT, notwithstanding anything herein contained, where in any financial year during the currency of the tenure of re-appointment of Shri Paritosh Kumar Gupta, Managing Director, if the Company has no profits or its profits are inadequate, the company shall pay to Shri Paritosh Kumar Gupta, the above remuneration by way of salary and perquisites as minimum remuneration but not exceeding the limits specified under Clause (d) of Section III of Part II of Schedule V to the Companies Act, 2013, or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

   RESOLVED FURTHER THAT Shri Gouranga C Swain, Chief Financial Officer or Shri V.Phani Bhushan, Company Secretary be and are hereby severally authorized to file e-forms with the Ministry of Corporate Affairs / Registrar of Companies, Karnataka and to do all such acts, deeds and things as may be deemed necessary to give effect to this resolution."

By Order of the Board of Directors
For Mangalore SEZ Limited

Sd/-

Place: New Delhi **Phani Bhushan.V**
Date: 21-07-2017 **Company Secretary**

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company at its registered office not later than forty-eight hours before the commencement of the meeting. Proxies submitted on behalf of companies, societies, etc. must be supported by an appropriate resolution/authority, as applicable. A person shall not act as a Proxy for one or more members and holding in the aggregate not more than ten percent of the total voting share capital of the Company. However, a single person may act as a proxy for a member holding more than ten percent of the total voting share capital of the Company provided that such person shall not act as a proxy for any other person.
2. Every member entitled to vote at the Annual General Meeting of the Company can inspect the proxies lodged at the Company at any time during the business hours of the Company during the period beginning twenty four hours before the time fixed for the commencement of the Annual General Meeting and ending on the conclusion of the meeting. However, a prior notice of not less than 3 (three) days in writing of the intention to inspect the proxies lodged shall be required to be provided to the Company.
3. The relevant Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of items 5 to 7 of the Notice is **annexed** hereto.
4. The statement of the particulars of Directors seeking appointment / re-appointment as per the corporate governance regulations is **Annexed** to the Notice and forms part of the Annual Report.
5. Relevant documents if any, referred to in the accompanying notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the Meeting.
6. Members are requested to inform the Company, immediately of change in their particulars, including their residential status.
7. Nomination facility: Pursuant to Section 72 of the Companies Act, 2013 (corresponding section 109A of the Companies Act, 1956) individual/ joint members are entitled to register nomination in respect of the shares held by them in Form No.SH-13 and send it to the Company.
8. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
9. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
10. Route map for venue of 11th AGM is made available at the website of the company.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102 OF THE COMPANIES ACT, 2013.

Item No. 5 :

The Government of Karnataka vide notification reference CI 84 IAP 2016 dated 22 June 2016 has nominated Shri Pankaj Kumar Pandey, IAS as director on the Board of Mangalore SEZ Limited representing M/s Karnataka Industrial Areas Development Board (KIADB)

Pursuant to provisions of Section 161 of the Companies Act, 2013, read with Articles of Association of the Company, the Board of Directors have appointed Shri Pankaj Kumar Pandey as an Additional Director (Nominee of KIADB) of the Company with effect from January 13, 2017.

Shri Pankaj Kumar Pandey will hold office up to the date of this AGM. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs.1,00,000/- proposing the candidature of Shri Pankaj Kumar Pandey for the office of Director.

Shri Pankaj Kumar Pandey holds a Bachelor Degree in Mechanical Engineering from Indian Institute of Technology (I.I.T) Roorkee. He is an astute and result oriented professional with 13 years of experience in General Administration, Planning and execution of new schemes. Shri Pankaj Kumar Pandey is a keen innovator with experience in Urban and Energy Sectors and is instrumental in setting up of lot of civic amenities like international class stadium, Helipads, Bus Stands, Widening of Roads etc in Shimoga Dist, Karnataka. He has good experience in Energy Sector having worked as Managing Director of Hubli Electricity Supply Company Ltd for about 18 Months. He has been serving the Government of Karnataka under various capacities from year 2000. He got 1st rank in Indian Engineering Services – 2000 and was awarded the Thomsonian Gold Medal for the best final year project.

Currently Shri Pankaj Kumar Pandey is the Chief Executive officer and Executive Member of KIADB, Karnataka, India.

The appointment of Shri Pankaj Kumar Pandey, as Director was made during the last quarter of FY 2016-17, hence he has not attended any meetings during the year. Further, he does not hold any shares in the Company.

The Board of Directors recommends the resolution for your approval.

Except Shri Pankaj Kumar Pandey who may be deemed to be concerned or interested in his own appointment, none of the other Directors, Key Managerial Personnel & their relatives are concerned or interested in the said resolution.

Item No. 6

Kanara Chamber of Commerce and Industry (KCCI) vide its letter dated October 08, 2016 has nominated Shri Jeevan Saldanha, President of KCCI as Director on the Board of the company.

Pursuant to provisions of Section 161 of the Companies Act, 2013, read with Articles of Association of the Company, the Board of Directors have appointed Shri Jeevan Saldanha as an Additional Director (Nominee of KCCI) of the Company with effect from January 13, 2017.

Shri Jeevan Saldanha will hold office up to the date of this AGM. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs.1,00,000/- proposing the candidature of Shri Jeevan Saldanha for the office of Director.

Shri Jeevan Saldanha holds a Bachelor Degree in Mechanical Engineering. He worked as a design engineer and there after started his own company namely Spectrum Industries. In 1993 he pioneered the manufacture of optical colour sorting machinery in India and developed the first colour sorting machine for the optical separation of seeds and grains.

Spectrum Industries manufactured optical colour sorting machines for various applications and these machines have been exported to over 20 countries including USA, Russia, Ukraine, Cyprus, Nigeria, Ethiopia and other countries in Africa, Asia and far east. Spectrum Industries is an ISO 9000 company and has been certified for the design, manufacture and supply of Electronic Colour Sorters by the British Standard Institute.

Shri Jeevan Saldanha has been a member of Board of Directors of KCCI for the last 10 Years and is presently the President of KCCI.

The appointment of Shri Jeevan Saldanha, as Director was made during the last quarter of FY 2016-17, hence he has not attended any meetings during the year. Further, he does not hold any shares in the Company.

The Board of Directors recommends the resolution for your approval.

Except Shri Jeevan Saldanha who may be deemed to be concerned or interested in his own appointment, none of the other Directors, Key Managerial Personnel & their relatives are concerned or interested in the said resolution.

Item No. 7

The Board of Directors at the 49th meeting held on May 11, 2017 have re-appointed Shri Paritosh Kumar Gupta, as the Managing Director of the company for further period of 1 year with effect from 19th May, 2017 at a remuneration of Rs.30 lakhs p.a., subject to the approval of the shareholders in the General Meeting. The Remuneration would be reimbursed by the company on receipt of payment advice from IL&FS.

Shri Paritosh Kumar Gupta, 55 years, holds a Masters in Economics from Delhi School of Economics, and an MBA from IIM, Lucknow. He is a business leader & strategist with over 27 years broad-based experience of leading & transforming businesses/organizations, developing, marketing, managing & financing infrastructure projects and extensive exposure to business partnerships with governments. The company has been performing well under the stewardship of Shri Paritosh Kumar Gupta and FY 2016-17 has been particularly a rewarding year for MSEZL because of notable achievements.

The details of Board meeting attendance and other details of Shri Paritosh Kumar Gupta have been mentioned in the Corporate Governance Report which is forming part of the Board's Report. Shri Paritosh Gupta holds 500 equity shares of Rs.10 each in Mangalore SEZ Limited.

In order to comply with provisions of Section 203 of the Companies Act, 2013 and in order to have continuity and stability in the operations of the Company, the Board of Directors recommends the resolution for your approval.

Except Shri Paritosh Kumar Gupta, who may be deemed to be concerned or interested in his own appointment, none of the other Directors, Key Managerial Personnel & their relatives are concerned or interested in the said resolution.

By Order of the Board of Directors
For Mangalore SEZ Limited

Sd/-

Place: New Delhi **Phani Bhushan.V**
Date: 21-07-2017 **Company Secretary**

Annexure to the Notice

Details of the Directors seeking Appointment/Re-appointment at the forthcoming Annual General Meeting

Name of Director	Shri Dinesh Kumar Sarraf	Shri Pradeep Puri	Shri Pankaj Kumar Pandey	Shri Jeevan Saldanha	Shri Paritosh Kumar Gupta
Date of Birth	03/09/1957	28/09/1956	30/07/1976	26/03/1967	21/06/1962
Date of Appointment	01/03/2014	03/08/2015	13/01/2017	13/01/2017	19/05/2015
Expertise in specific functional areas	He has experience of over three and half decades in the oil and gas industry. He started his career in Oil India Ltd., and joined ONGC in 1991 and handled various key assignments at corporate offices. He was elevated to the post of Director (Finance) in ONGC Videsh in 2005 where he served till 2007. During this period, ONGC Videsh made significant acquisitions in Syria, Brazil, Colombia, Venezuela, Cuba, Egypt and Myanmar. In December 2007, he joined back ONGC as Director (Finance). In 2011, Shri. D K Sarraf joined ONGC Videsh assuming the charge of Managing Director. As MD he transformed ONGC Videsh into an aggressive growth engine for ONGC Group by clinching many high value deals within a short span of time. In March, 2014, he joined back ONGC as its Chairman & Managing Director. As CMD, he has been focussing primarily on augmentation of production of Oil and Gas from domestic assets.	He carries a unique blend of Government and Private Sector experience of over 37 years. Held various posts in Karnataka and in Delhi. Shri Pradeep has spent equal time in the Civil Service and the private sector. In Government, Shri Pradeep Puri has held positions on the Ministry of Commerce and the Department of Economic Affairs, Ministry of Finance, Government of India, dealing with International Trade and Investment. Shri Pradeep Puri resigned from Civil Service in 1997 and joined IL&FS. During this period he was closely associated with India's first major BOOT project, the Noida Toll Bridge Company Ltd, the first toll road to be listed on the LSE. He has nearly two decades of experience in various facets of urban infrastructure.	He is an astute and result oriented professional with 13 years of experience in General Administration, Planning and execution of new schemes. Shri Pankaj Kumar Pandey is a keen innovator with experience in Urban and Energy Sectors and is instrumental in setting up of lot of civic amenities like international class stadium, Helipads, Bus Stands, Widening of Roads etc in Shimoga Dist, Karnataka. He has good experience in Energy Sector having worked as Managing Director of Hubli Electricity Supply Company Ltd for about 18 Months. He has been serving the Government of Karnataka under various capacities from year 2000. He got 1st rank in Indian Engineering Services – 2000 and was awarded the Thomsonian Gold Medal for the best final year project.	He worked as a design engineer and there after started his own company namely Spectrum Industries. In 1993 he pioneered the manufacture of optical colour sorting machinery in India and developed the first colour sorting machine for the optical separation of seeds and grains.	He is a business leader & strategist with over 27 years broad-based experience of leading & transforming businesses/organizations, developing-marketing-managing & financing infrastructure projects and extensive exposure to business partnerships with governments

Qualification	Graduated in Commerce from Shri Ram College of Commerce of Delhi University and did his post-graduation from the same University. He is an associate member of the Institute of Cost and Works Accountants of India and the Institute of Company Secretaries of India.	Post graduate from Delhi University. He Joined the IAS, Karnataka Cadre, in 1979.	Bachelor Degree in Mechanical Engineering from Indian Institute of Technology (I.I.T) Roorkee. He Joined the IAS, Karnataka Cadre, in 2000.	Bachelor Degree in Mechanical Engineering.	M.A. (Economics) from Delhi School of Economics (1985) and holds Masters in Business Administration from Indian Institute of Management (IIM) Lucknow with specialization in Marketing and Finance (1987).
List of other companies in which directorship is held as on March 31, 2017*	1. Oil and Natural Gas Corporation Ltd. (ONGC) 2. ONGC Videsh Limited (OVL) 3. Mangalore Refinery and Petrochemicals Limited (MRPL) 4. ONGC Petro additions Limited (OPaL) 5. ONGC Tripura Power Company Limited (OTPC) 6. ONGC Mangalore Petrochemicals Limited (OMPL) 7. Petronet LNG Ltd (PLL)	1. IIDC Ltd 2. IL&FS Transportation Networks Limited 3. Urban Mass Transit Company Limited 4. Pipavav Railway Corporation Limited 5. Rapid Metro Rail Gurgaon Limited 6. Rapid Metro Rail Gurgaon South Limited 7. IL&FS Water Limited 8. IL&FS Paradip Refinery Water Limited 9. Noida Toll Bridge Company Limited	1. Information Technology Park Ltd. 2. Karnataka Trade Promotion Organization. 3. Food Karnataka Ltd. 4. Karnataka State Small Industries Development Corporation Ltd. 5. Invest Karnataka Forum. 6. Tumakuru Machine Tool Park	1. Kanara Chamber of Commerce and Industries.	1. Urban Mass Transit Company Limited 2. Uttarakhand Infrastructure Projects Company Limited 3. Bengal Urban Infrastructure Development Limited 4. Andhra Pradesh Urban Infrastructure Asset Management Ltd 5. Tamil Nadu Water Investment Company Limited 6. PDCOR Limited 7. Mangalore STP Limited 8. MSEZ Power Limited 9. IIDC Limited
Chairman/Member of the Committees of the Board of the other Companies in which he/she is a director as on March 31, 2017*	Petronet LNG Ltd – Member of Audit committee.	1) IIDC Ltd – Member of Audit Committee & Share allotment committee. 2) Pipavav Railway Corporation Ltd-Chairman audit Committee and Member of Share allotment committee. 3) Noida Toll Bridge Company Ltd – Member of Audit Committee.	Nil	Nil	1. Urban mass Transit Company Ltd- member of audit Committee 2. Uttarakhand Infrastructure Projects Company Ltd- member of share allotment and transfer committee
Equity Shares held in the Company	Nil	Nil	Nil	Nil	500
Relationship between Directors inter-se	Nil	Nil	Nil	Nil	Nil

* Directorships and Committee memberships in Mangalore SEZ Ltd and its Committees are not included in the aforesaid disclosure. Also directorships in Private Limited Companies, Foreign Companies and Section 8 companies and their Committee memberships are excluded. Membership and Chairmanship of Audit Committees and Stake holders' relationship Committees of only public Companies have been included in the aforesaid table.

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 11th Annual Report of the Company for the year ended 31st March, 2017.

Financial Performance:

The highlights of the standalone financial results of the Company for the year ended 31st March, 2017 are as follows:

Rs.in Crores

Particulars	2016-17	2015-16*
REVENUE :		
Income from operations	128.52	110.03
Other Income	6.20	8.39
Total Revenue	**134.72**	**118.42**
EXPENSES :		
Employee Benefit Expenses	6.81	5.66
Finance Costs	53.35	46.04
Depreciation and amortization expense	29.33	26.37
Other Expenses	36.09	39.12
Total Expenses	**125.58**	**117.19**
Profit Before Exceptional items and tax from continuing operations	9.14	1.23
Profit Before Tax	**9.14**	**1.23**
Tax Expense-Current Tax	1.99	1.30
Tax Expense-Deferred Tax	13.14	11.95
Profit for the period from continuing operations	**(5.99)**	**(12.02)**
Profit,Tax from Discontinued operations	**-**	**-**
Profit/(Loss) for the period	**(5.99)**	**(12.02)**
Other Comprehensive Income	**(0.14)**	**(0.02)**
Total Comprehensive Income	**(6.13)**	**(12.04)**

*Restated as per IND AS.

Review of Performance and state of the company's affairs

During the year under review, the standalone revenues (operations) have increased by 16.80% to Rs 128.52 Cr from Rs 110.03 Cr of the previous year 2015-16, while the comprehensive income is at Rs. (6.13) Cr compared to Rs (12.04) Cr during the previous year 2015-16.

The Company has substantially completed infrastructure development (~96%) for Phase–I of the Project. The salient features of the infrastructure development in the previous year are as under:

- Up to 31st March 2017, the Company has awarded 131major orders cumulatively amounting to Rs. 812.26 Cr towards infrastructure development within SEZ out of which 119 work orders cumulatively amounting to Rs.738.51 Cr have been satisfactorily concluded. The balance 12 orders are under various stages of execution.
- The 5 year Contract for O&M of River water and TTP Water facility was awarded to M/s VA Tech Wabag Limited, Chennai. The Contract is into its second year of operation and water is being supplied to MRPL, OMPL and other SEZ units.

- Planning and engineering is in progress for taking up additional water infrastructure works viz., Barrage at Jakhribettu for 6.5 MGD, Pumphouse at Bajal Sewage Treatment Plant (STP) and Pipeline from Bajal STP to Kavoor STP along with augmenting the treatment capacity at Kavoor Tertiary Treatment Plant (TTP) from 5 MGD to 10 MGD and the works are scheduled to be bid out during FY 2017-18.
- The JV Company Mangalore STP Limited (MSTPL) jointly promoted by the company and Mangalore City Corporation (MCC) is successfully operating the associated wet wells and Kavoor STP from January 2014 through O&M operator GET water solutions, Chennai, the contract for which is extended up to 30th September 2017. Bidding process for appointment of an operator for the period beyond 30th September 2017 is being initiated in Q1 2017-18.
- The pipeline corridor from New Mangalore Port Trust (NMPT) to MSEZ has been substantially completed and OMPL and ISPRL have already laid their pipelines on the corridor in their allocated space. Further, M/s GAIL have also been allocated space to lay their pipeline up to MRPL on the corridor.
- The company has taken up the construction of Road flyover across Konkan Railway Corporation Limited (KRCL) railway track near Jokatte with a grant of Rs 15 Cr from Government of Karnataka (GoK) under Assistance to States for Infrastructure Development of Exports (ASIDE) scheme. With the completion of flyover in FY 17-18, direct road connectivity from the port to the SEZ will be established.
- Treated effluents from MRPL and OMPL are being discharged to the marine environment by complying with all the statutory compliances through the marine outfall facilities completed and commissioned by MSEZL in 2014. JBF has also entered into an agreement for utilising the marine outfall facility with a minimum guaranteed discharge clause. MSEZL has obtained the Consent for Operation (CFO) from Karnataka State Pollution Control Board (KSPCB) for operating this facility and has also installed online analysers to monitor the discharge of treated effluents on real-time basis.
- MSEZL has completed construction of all the power infrastructure consisting of 110/33/11 KV Grid Substation and laid transmission lines for tapping power from 220 KV MRSS. 33KV and 11KV cables and remote metering units (RMU) have also been installed along the roads in the zone for distributing power to the units. Further, street lighting has also been completed in the Zone.
- River water treatment plant of 60 MLD capacity along with a 120ML storage reservoir have been commissioned and treated water is being supplied to SEZ units. Site grading of ~505 acres of land has been completed and internal roads and storm water drainage system have also been developed in the zone.

Land Acquisition

The land required for the Project has been acquired through Karnataka Industrial Areas Development Board (KIADB). A total land of 2353.23 acres has been acquired including 251.23 acres of land for MRPL, 1619.75 acres for SEZ and balance for R&R Colony, Corridor and other requirements viz., ISPRL's booster station, road widening, water infrastructure and exchange with forest land etc.,& 1619.75 acres of land has already been notified for SEZ.

Update on Permissions & "Right of Way".

- MSEZ Phase I has been notified as a Multi product SEZ since Sept '13, thus upgrading the sector specific SEZ status for Petroleum & Petrochemicals accorded by Ministry of Commerce & Industry (MoCI) on 30th July'2007. With the first unit Cardolite Speciality Chemicals India LLP and second unit OMPL becoming operational in 2014, MSEZ is recognised as being 'operational' and COD is declared effective from 01 April 2015.
- MSEZ Phase I project has obtained Environment clearance from MoEF and Consent for Establishment from KSPCB in 2008. MSEZ has now received the amendment to Environment clearance for allowing Downstream Petrochemical units in lieu of Olefin complex in Phase I area as well as extension to CFE from KSPCB. MSEZL had obtained amendment to Environment Clearance from Ministry of Environment and Forests for permitting Multi-Product SEZ on 18.06.2015. MSEZL has obtained Right of Way from Public Works Departnment, GoK, National Highways, Zilla Panchayat, Mangalore for laying ~4+2 kms length of River water pipeline from Netravathi river to MSEZL.

- MSEZL has taken on lease, the land requierd for Pipeline-cum-Road Corridor from New Mangalore Port Trust (NMPT), Kudremukh Iron Ore Company Ltd (KIOCL) and the balance land requried for the corridor is acquired by the company. The Company has already entered Tripartiate agreements with MRPL, OMPL for development and utilisation of Corridor.

Rehabilitation and Resettlement (R&R) of Displaced People

- Allotment of plots for Project Displaced families (PDFs) continued by developing the balance R&R colonies. Overall, 1424 plots have been planned to be developed in 10 R&R colonies. All the 10 R&R colonies have been fully developed (48, 16 & 9.88 acres at Kulai, 16 acres at Permude, 4 acres at Kalavar, 1.58 acres at Rampal, 35 acres at Bajpe, 9.58 acres at Kulai, 69 acres at Thokur and 6.48 acres at Bajpe). In all, 1386 plots have already been handed over to the PDFs thus far leading to the company evacuating 1225 families out of 1236 PDFs in the acquired land. Balance 11 families are proposed to be evacuated shortly.
- As a part of the implementation of the Government Order for R&R activities, out of the total no of 1608 eligible PDF candidates for employment, one time compensation has been paid to 830 candidates and balance 778 are to be provided employment. Out of the 778 candidates 584 candidates have been provided employment and balance 194 are yet to be placed. Payment of Stipend & Sustenance allowance to PDF nominees, who have not opted for the ex-gratia is continuing and payment has been made by MSEZL.
- Based on the directions issued by the R&R Committee chaired by the Deputy Commissioner, Dakshina Kannada District, a proposal for providing a 'One-time Enhanced Exit Option' to the PDFs opting for cash compensation in lieu of jobs were placed in the 49th Board meeting held on 11th May 2017 and approval of the Board has been obtained for the proposal. The Exit option window will be opened after the meeting with Deputy Commissioner, Dakshina Kannada District.

Infrastructure Development

- During the year under review, the Company has completed substantial development of infrastructure for Phase-I. The Company has incurred expenditure of Rs. 1458 Cr as against Rs. 1732 Cr towards Land, R&R, infrastructure development and proponents' share of corridor as on 31st March, 2017.
- Additional infrastructure development works viz., Construction of Common Effluent Treatment Plant and Flyover across Konkan Railway Track near Jokatte village taken up with a grant of Rs 20 crores under ASIDE Scheme from the State Govt. of Karnataka are in advanced stages of completion.

Corridor

- The pipeline-cum-road Corridor of approximate 11.45 km length from NMPT to MSEZ area has been developed in six construction packages and completed all major works.
- The entire stretch of ~11.45 km was handed over to OMPL during the previous year for laying their pipelines which has been completed as on date. OMPL has commenced exporting its products through this pipeline from October, 2014.
- The company has allocated 1 Meter space to GAIL for laying its pipelines and is in discussion with prospective investors for leasing the balance corridor space.

Water

MSEZ water requirements are being sourced as follows:

(i) River water from Netravathi and Gurupur rivers - Government of Karnataka has already accorded necessary permissions for constructing two barrages each across Netravathi and Gurupur rivers.

The Company had entered into an agreement with M/s AMR Power Private Limited (APPL) and M/s Rithwik Energy Generation Private Ltd (REGPL) for drawing water from the barrage & reservoir built by M/s APPL and M/s REGPL across the Netravathi River on a cost sharing basis. MSEZ has appointed M/s Bekem Infrastructure as the O&M contractor for sarpady barrage as per the Barrage sharing agreement with M/s AMR Power Private Limited (APPL) and M/s Rithwik Energy Generation Private Ltd (REGPL).

All civil and electro mechanical works completed at Sarpady and Jakribettu pumping station. The Company has been successfully pumping the river Water from the AMR Barrage to OMPL & MRPL and other units since October 2013.

MSEZL is in process of getting designs for Jakribettu barrage through a specialized agency after which the company will take up construction of the barrage which will take another 2 years for completion.

(ii) Mangalore City Corporation (MCC) Sewage treatment Plants (STPs) post tertiary treatment for the STP water - Construction of 5MGD Tertiary Treatment Plant (TTP) for STP Water has been completed. This TTP is the first of its scale and size in India using "state-of-the-art" GE membrane technology for further treating secondary treated sewage water and making it fit for industrial use. The construction of ~13.5 kms treated water pipeline from Kavoor STP to SEZ including related infrastructure has been completed and treated water supplies commenced to MRPL on a regular basis. Construction of Water treatment plant & 120 ML reservoir inside the SEZ for river water and internal pipeline distribution system for fire fighting network is completed and commissioned. Construction of 120 ML and 10 ML reservoirs for TTP water has also been completed.

The company is in the process of taking over the Bajal STP from MCC as per the agreement and also will take up the pipe line connectivity between Bajal STP to Kavoor STP to augment the TTP water from existing 5 MGD capacity to 9 MGD. Further the company is in the process of expanding the TTP capacity from present 5 MGD to 10 MGD.

Power

- MSEZL has completed construction of all the power infrastructure consisting of 110/33/11 KV Grid Substation, laid transmission lines for tapping power from 220/110/11 KV Main receiving sub-station (MRSS) and is distributing power to various units in the zone. It has completed street lighting in the Zone.
- Your company is a Deemed Licensee for distribution of power to consumers in MSEZ. Accordingly, during the year under review, your Company has filed before Karnataka Electricity Regulatory Commission (KERC) for approval of Annual Performance Review (APR) for FY 2015-16, Annual Revenue Requirement (ARR) for FY 2017-18 and to determine retail supply tariff for FY 2017-18.
- The Board and share holders of the company have approved for the transfer of the entire Power distribution activity including the assets and liabilities pertaining to power distribution business of Mangalore SEZ Limited in favour of MSEZ Power Limited (MPL), a Wholly Owned Subsidiary of the Company, on a Slump Sale basis, at a fair value of Rs.27.09 Cr.

Environment

- The Company is complying with the prescribed conditions and submitting the Compliance reports as per the Environmental Clearance conditions to the Ministry of Environment & Forests and KSPCB as stipulated.
- Your Company has also obtained Consent for Operation for marine outfall in August, 2014.
- The Company has taken up construction of Common Effluent Treatment Plant in SEZ and the same is substantially completed and is likely to get commissioned during 2017-18.
- The company is in the process of installing an online environmental monitoring system as mandated by MoEF & Pollution Control Board.

Common Effluent Treatment Plant (CETP):

- The company to comply with the statutory requirements and also to make MSEZ fully operational has constructed 3.0 MLD capacity of CETP as a part of MSEZ Phase I of the Project. The plant is under advanced stage of construction and is expected to be commissioned by August 2017. The present estimated demand for treatment of process waste water exceeds the existing capacity as the company has recently leased land to fish processing and export industries like (i) Authentic Ocean Treasure, (ii) Ulka India (iii)Gadre Marine Exports and (iv) Yashaswi Fish Meal and Oil company who have indicated their CETP requirement in the range of 3.00 MLD initially and scalable to 5.75 MLD. Therefore, to cater to additional demand, the company is in the process of expanding the CETP from present 3.00 MLD capacity to 6.00 MLD.

Green Belt Development

- As per environment clearance & amendments thereto, out of around 1620 acres land notified, MSEZ need to develop green belt in 272 acres as green cover excluding OMPL and ISPRL green belt requirements which are developed by respective units. MSEZL so far developed green belt in 207 acres by planting 87,000 plants in processing and non-processing areas.
- Green belt development along with avenue plantation has been taken up in 30 acres as against 55 acres proposed during the last year. Beautification works to enhance the aesthetic outlook like land scape gardening in and around utilities and along the road median have been taken up during the FY 2016-17 and completed the beautification of WTP, Sarpady Jack well and Road Median have been completed and the remaining will be completed during the next FY 2017-18.

Marketing Initiatives

- During FY 2016-17, MSEZL has participated in some of the events as Delegate, Speaker and Exhibitor with a view to showcasing and promoting the Project among potential investors from wide diaspora of Petrochemical, chemical and allied industries.
- To promote the leasing of the land, your company has introduced the success fee of 1% to those entities who successfully markets the land to the prospective investors.
- During FY 2016-17, MSEZL has leased around 50 Acres of land to the following Industries:

(a)	Anthea Aromatics Pvt Ltd	:	10.00 acres
(b)	Mangalore Refinery and Petrochemical Ltd	:	11.44 acres
(c)	Authentic Ocean Treasure	:	2.66 acres
(d)	ULKA India	:	9.19 acres
(e)	Grade Marine Exports	:	11.50 acres
(f)	Yashaswi Fish Meal and Oil Company	:	5.00 acres

Apart from this, discussions are on-going with various prospective investors for allotment of additional land and expect to close few more deals in the forth coming year.

Since MSEZ turned Multi Product, efforts are being directed towards the targeted sectors suitable for investments in SEZ. These sectors include the Tankage industries, Cold Storage, Mass Housing, Food Processing Industries along with petrochemical, pharma and other allied industries.

Administrative Matters

- The Company has shifted its Registered office w.e.f 17th March 2017 from Al-Latheef, 1st Floor, No.2, Union Street, Off Infantry Road, Bangalore – 560 061 to 3rd Floor, MUDA building, Ashok Nagar, Urwa Stores, Mangalore – 575 006.
- The Project site of the company is at Bajpe, Permude village, Mangalore – 574 509, Dakshina Kannada, (Dist) Karnataka
- The total strength of the employees as at March 31, 2017 is 50.
- The company has in place a HR policy which has been approved by the Board.

Units in SEZ

The Company has leased land to 12 Units in the SEZ. Presently, 4 companies viz ONGC Mangalore Petrochemicals Limited (OMPL), Indian Strategic Petroleum Reserve Limited (ISPRL), JBF Petrochemicals Limited (JBFPL) and Cardolite Specialty Chemicals India LLP(Cardolite) has already commenced its operations, while the other 8 entities are in the process of setting up units in the SEZ and are in different stages of implementation. The 8 entities are Syngene International Ltd (Syngene) (a subsidiary of M/s Biocon Ltd), Anthea Aromatics Pvt Ltd (Anthea), Trident Infrastructure Ltd (Trident), Authentic Ocean Treasure (AOT), Ulka India (ULKA), Gadre Marine Exports Pvt Ltd (Gadre), IMC and Yashaswi Fish Meal and Oil Company(Yashaswi). Discussions with other potential investors are at different stages of progress.

Share Capital

During the period under review there is no change in the authorised and paid up capital of the Company. The authorised share capital is Rs 425,00,00,000 and paid up share capital is Rs 50,00,12,000.

The Company has not issued any shares with differential rights and hence no information as per provisions of Section 43(a)(ii) of the Companies Act, 2013 read with Rule 4(4) of the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

Dividend

No dividend is being recommended by the Company for the year ended 31st March, 2017 and no amount has been transferred to General Reserve during the FY 2016-17.

Credit Rating

The Company had obtained domestic credit rating from ICRA Limited for the term loan of Rs 706.00 Cr. The ICRA Limited has upgraded its rating from A (pronounced as ICRA A stable) to A+ (Pronounced as ICRA A+) for the aforesaid fund based term loan for FY 2017-18.

Declaration of Commercial Operation Date (COD)

The Company has achieved the Commercial Operations Date (COD) with effect from April 01, 2015.

Refinance of Credit facilities

During the Year under review, the company has refinanced the credit facilities availed from consortium of 7 Banks lead by Indian Overseas Bank by availing the refinance from State Bank of India.

The Company has refinanced the existing debt from a tenure of 9 years to a tenure of 15 years 4 months at lower interest rate and also with other beneficial terms. This has improved the cash flows to meet the development objectives of the Company.

Financial Accounting

The financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, as per the provisions of the Companies Act , 2013 ('Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The Company has adopted all the Ind AS provisions w.e.f 01/04/2015 (Transition date). The transition was carried out from Indian Generally Accepted Accounting Principles (IGAAP) as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in accordance with Ind AS101 first time adoption of Indian Accounting Standards.The Company has presented a reconciliation of other equity under Previous IGAAP and Ind AS as at April 1, 2015 (transition date) and March 31, 2016, and reconciliation of the Profit/(Loss) after tax as per Previous IGAAP and Total comprehensive Income under Ind AS for the year ended March 31, 2016.

Consolidated Financial Statements:

The Annual Audited Consolidated Financial Statements together with Auditors' report thereon form part of annual report. In accordance with section 136 of the Companies Act, 2013, the audited financial statements of the subsidiary Companies are available on the Company's website.These documents will also be available for inspection during business hours at the registered office of the Company.

The Auditors' Report to the shareholders contains emphasis matter pertaining to

Dues from and dues to related parties are based on the books of accounts of the company and confirmations of balance have not been obtained.

The Company has the following Two Subsidiaries:

1. **Mangalore STP Limited (MSTPL)**

   Mangalore STP Limited is a Special PurposeVehicle with 70% stake by Mangalore SEZ Limited and balance 30% stake by Mangalore City Corporation.

Mangalore STP Limited presently operates the Kavoor STP along with associated wet wells which has been taken over from MCC for efficient operation & maintenance based on a cost sharing formula which has been agreed with Mangalore City Corporation (MCC) on 10th Jan, 2008 and approved by Govt. of Karnataka on 11th Mar 2008.

The Company has engaged O&M operator to manage the operation and maintenance activities of STP. MSTPL has been supplying STP water to MSEZ on a regular basis.

During the year under review, the revenues from operations stood at Rs 3.88 Cr as compared to Rs 3.47 Cr during the FY 2015-16. The comprehensive income is Nil in the current year and previous year.

2. MSEZ Power Limited (MPL)

MSEZ Power Limited is a 100% Subsidiary of the company formed with the prime objective of distribution of Power to the units in MSEZL. This Subsidiary will commence its operations once the power distribution segment currently vesting with Mangalore SEZ Ltd (MSEZL) is transferred to MPL. The Company has obtained approval of the Board at its 44th meeting for transfer of Power Distribution Business to MPL. The shareholder approval has been obtained at the 10th AGM held on 29th September 2016. The company is in the process of securing the other approvals that are required to be obtained in this regard.MPL has also been granted a Co-Developer Status from the Ministry of Commerce and Industries on May 19, 2015.

During the year under review, the company had other revenues of Rs 33,841 as compared to Rs 31,819 during the FY 2015-16. The comprehensive income is Rs 6,185 in the current year and Rs (101,656) in the previous year.

The statement containing the salient features of the financial statement of a company's subsidiaries under the first proviso to sub-section (3) of section 129 of the Companies Act, 2013 is annexed in form **AOC-1** as **Annexure VI**

Directors & Meetings of the Board

Four meetings of the Board of Directors were held during the year. For further details, please refer report on Corporate Governance annexed to this report as **Annexure-II.**

Directors and Key Managerial Personnel - *changes during the financial year 2016-17:*

Change in Directors (Resignations) :

1. *Shri B.S.Shekharappa resigned as Director of the company w.e.f 03/06/2016*
2. *Shri Saibal Kumar De ceased to be a director of the company w.e.f 30/09/2016*

Your Directors wish to place on record their sincere appreciation for the valuable services rendered by Shri B.S.Shekharappa and Shri Saibal Kumar De during their association with the Company.

Change in Directors (Appointments)

The following persons were appointed as Directors during the year

1. Shri Pankaj Kumar Pandey (Nominee from KIADB) was appointed as Director of the company w.e.f 13/01/2017
2. Shri Jeevan Saldanha (Nominee from KCCI) was appointed as Director of the company w.e.f 13/01/2017

Proposed Appointments:

a. Re-appointments of Directors at the 11th AGM:

The following re-appointments to the Board are proposed:

Approval of the shareholders is being sought for the re-appointment of Shri Dinesh Kumar Sarraf, Director and Shri Pradeep Puri, Director of the Company, who retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment in accordance with the provisions of the Companies Act, 2013 and pursuant to Articles of Association of the Company.Your Board recommends their re- appointment.

b. Appointments of Directors at the 11th AGM:

Shri Pankaj Kumar Pandey was inducted as an Additional Director on the Board w.e.f January 13,2017. As per the provisions of Section 161 of the Companies Act, 2013, he holds office only up to the date of the Annual General Meeting of the Company. Approval of the Shareholders is being sought for his appointment as (Nominee of KIADB) Director (Non-Executive) in the ensuing Annual General Meeting pursuant to the provisions of the Section 160 of the Companies Act, 2013. Being eligible, the Board recommends his appointment.

Shri Jeevan Saldanha was inducted as an Additional Director on the Board w.e.f January 13, 2017. As per the provisions of Section 161 of the Companies Act, 2013, he holds office only up to the date of the Annual General Meeting of the Company. Approval of the Shareholders is being sought for his appointment as (Nominee of KCCI)Director (Non-Executive) in the ensuing Annual General Meeting pursuant to the provisions of the Section 160 of the Companies Act, 2013. Being eligible, the Board recommends his appointment.

c. Re-appointment of Managing Director at the 11th AGM:

Based on the recommendation of the Nomination and Remuneration Committee, **Shri Paritosh Kumar Gupta** was re-appointed as Managing Director by the Board of Directors on 11 May 2017 for a period of 1 Year effective from 19th May 2017. Approval of the Shareholders is being sought for his re-appointment as Managing Director in the ensuing Annual General Meeting pursuant to the provisions of the Section 196, 197, 203 and other applicable provisions if any, of the Companies Act 2013 ("The Act") read with Schedule V of the Act and the Companies (Appointment and Remunerations of Managerial Personnel) Rules, 2014 the Board recommends his re-appointment.

Declarations by Independent Directors:

The Company has received declarations form the Independent Directors under Section 149(6) of the Companies Act, 2013 confirming their independence vis-à-vis the Company.

Directors' Responsibility Statement

As required under clause (c) of sub-section (3) of section 134 of the Companies Act, 2013, your Directors confirm that:

a) the applicable accounting standards have been followed along with proper explanations relating to material departures, if any, for preparation of the annual accounts;

b) the accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2017 and of the profit and Loss of the Company for that period.

c) proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud or other irregularities;

d) the annual accounts have been prepared on a going concern basis.

e) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Corporate Governance

The report on Corporate Governance is annexed to this report as **Annexure-II.**

Contracts and Arrangements with Related Parties

Related party transactions that were entered during the financial year are on arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions with the Company's Promoters, Directors, Management or their relatives, which could have a potential conflict with the interests of the Company. Transactions with related parties entered by the Company in the normal course of business are periodically placed before the Audit Committee for its review. The particulars of contracts entered during the year with the Related Parties in the prescribed Form AOC-2 are enclosed as **Annexure-III**.

Corporate Social Responsibility (CSR) initiatives

As a socially responsible organization, MSEZL is committed to the well-being of the communities around the SEZ area and with this objective the Company has taken up a number of schemes/ development activities during the FY 2016-17. These activities pertain to the areas of education, water supply, sanitation, community and social development.

As required under the Companies Act, 2013, the Company is required to spend at least 2% of the average net profits in the immediately three preceding years. The average profit before tax for the last three years viz., 2013-14, 2014-15 and 2015-16 was Rs 12.07 crores; 2% of which was Rs 24.14 lakhs.

Your Company has spent Rs 17.40 lakhs out of Rs 24.14 Lakhs allocated as CSR Budget for FY 2016-17 and there is unspent balance of Rs 6.74 Lakhs. The prime reasons for not spending the balance CSR amount of Rs 6.74 Lakh is due to :

"The company has undertaken infrastructure works for the Community Hall in Thokur earmarking a budget of Rs. 8.33 Lakhs. The company has awarded the work which is scheduled to be completed during the FY 2017-18."

In addition to the CSR spending of Rs 17.40 Lakhs made during the FY 2016-17, the company has also spent an amount of Rs 8.23 Lakhs out of the carried forward CSR amount of Rs 17.38 Lakhs pertaining to unspent CSR budget of FY 2015-16.

A report on the CSR activities for FY 2016-17 is provided as an Annexure-IV to this report.

Risk Management

The Risk Management Policy has been adopted for the organization by the Board. The Risk Management Committee reviews various types of risks whether present or future and updates the risk register. The Management appraises the same to the Audit Committee periodically.

Internal Financial Control Systems and their Adequacy:

Your Company has in place a Policy on Internal Financial Controls.The Audit Committee is regularly reviewing the Internal Audit Reports for the auditing carried out in all the key areas of the operations. Additionally, the Audit Committee reviews the significant issues raised by the Internal and External Auditors. Regular reports on the business development, future plans and projections are given to the Board of Directors. Internal Audit Reports are regularly circulated for perusal of Senior Management for appropriate action as and when required.

Normal foreseeable risks of the Company's assets are adequately covered by comprehensive insurance,risk assessments,inspections and safety audits are carried out periodically.

Statutory Auditors

M/s Maharaj N R Suresh & Co., Chartered Accountants, Statutory Auditors holds their office until the conclusion of the forthcoming Annual General Meeting of the Company. M/s Maharaj N R Suresh and Co., Chartered Accountants bearing Firm Registration No. 001931S are proposed to be re-appointed as Statutory Auditors of the Company from the conclusion of the ensuing 11th Annual General Meeting till the conclusion of the 12th Annual General Meeting of the Company held thereafter, subject to ratification of the appointment by the members at the 11th AGM.

As required under Section 139 of the Companies Act, 2013, the Company has obtained a written consent from M/s Maharaj N R Suresh and Co., Chartered Accountants to such re-appointment and also a certificate to the effect that their appointment, if made, would be in accordance with Section 139(1) of the Companies Act, 2013 and the rules made there under.

The Board of Directors and the Committee thereof, recommend for ratification of the re-appointment. Appropriate resolutions form part of the agenda at the ensuing Annual General Meeting.

Internal Auditors

The Board of Directors have appointed M/s. Chokshi & Chokshi LLP, Chartered Accountants as Internal Auditors of the Company for the financial year 2016-17.

Auditors' Report:

The report of the Auditors of the Company and notes to the accounts are self-explanatory and therefore do not call for any further comments and may be treated as adequate compliance of Section 134(2) of the Companies Act, 2013.

The Auditors' Report to the shareholders contains emphasis matter pertaining to :-

Dues from and dues to related parties are based on the books of accounts of the company and confirmations of balance have not been obtained.

Management's Reply:

The company has sent letters seeking confirmation of debit/credit balances as on March 31, 2017 to all the related parties. But few related parties viz MRPL, OMPL and KIADB have not confirmed their balances in spite of efforts by the company.

Secretarial Audit

The Board has appointed M/s P.N. Pai & Co, Company Secretaries to conduct Secretarial Audit for the financial year 2016-17. The Secretarial Audit Report for the financial year ended March 31, 2017 is annexed herewith marked as **Annexure-I** to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Evaluation of Board

The provisions of Section 134 (3) (p) of the Companies Act, 2013 read with rule 8(4) of the companies (Accounts) rules, 2014 requires every listed company and every other public company having paid-up share capital of Rs 25 Cr or more shall include a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

Accordingly, based on the criteria of Board evaluation approved by the Nomination and Remuneration Committee (NRC), the Board of Directors have evaluated the performance of Board, Managing Director, Non-Executive and Non-Independent Directors, Committees of Board and Independent Directors of the Company. A consolidated report was submitted to the Nomination and Remuneration Committee and to the Board for its review. The Nomination and Remuneration Committee reviewed the consolidated report on Evaluation and noted the % of rating obtained against each category. Based on the % of rating obtained, the NRC has recommended for continuation of all Directors to the Board. The Consolidated report on the performance of Board, Managing Director, Non-Executive and Non-Independent Directors, Committees of Board and Independent Directors was placed for review and noting by the Board. The Board reviewed and noted the Consolidated report on performance evaluation and recommendations of the NRC.

Meeting of Independent Directors

A Separate meeting of the Independent Directors was held on August 19, 2016, inter-alia, to discuss evaluation of the performance of Non- Independent Directors, the Board as a whole, evaluation of the performance of the Chairman and the evaluation of the quality, content and timelines of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties. The Independent Directors expressed satisfaction.

Disclosures:

Audit Committee

The Board has constituted Audit Committee with following Directors as its members. The constitution consists of majority of members as Independent Directors, as required under section 177 of the Companies Act, 2013. The details of the Terms of reference are provided in the Corporate Governance Report.

Name of Director	Designation
Shri Srinivas S Kamath	Chairman and Independent Director
Shri ISN Prasad	Independent Director
Shri Santosh Nautiyal*	Independent Director
Shri Paritosh Kumar Gupta	Member
Shri A.K.Sahoo	Member

*Resigned as Director w.e.f 29th April 2017.

Corporate Social Responsibility Committee

The Board has constituted Corporate Social Responsibility Committee with following Directors as its members. The constitution consists of at least one Independent Director as Member as required under Section 135 of the Companies Act, 2013. The details of the Terms of reference are provided in the Corporate Governance Report.

Name of Director	Designation
Shri Santosh Nautiyal*	Chairman and Independent Director
Shri Paritosh Kumar Gupta	Member
Shri A.K.Sahoo	Member

*Resigned as Director w.e.f 29th April 2017.

Nomination and Remuneration Committee

The Board has constituted Nomination and Remuneration Committee with following Directors as its members. The constitution consists of half of Members as Independent Directors as required under Section 178 of the Companies Act, 2013. The details of the Terms of reference are provided in the Corporate Governance Report.

Name of Director	Designation
Shri Santosh Nautiyal*	Chairman and Independent Director
Shri ISN Prasad	Member and Independent Director
Shri H Kumar	Member
Shri Pradeep Puri	Member

*Resigned as Director w.e.f 29th April 2017.

Internal Complaints Committee :

The Company in compliance of instruction of Department of Woman and Child development read with the guidelines issued by the Honarable Supreme Court, the company has constituted an Internal Complaints Committee to enquire into the complaints on sexual harassment of women at work place under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year ended 31st March, 2017, the Company has not received any complaints pertaining to Sexual Harassment.

Vigil Mechanism:

The Company has adopted in its Board Meeting held on 28th March, 2015 a Vigil mechanism and Whistle blower policy (part of HR policy) which would be administered by the Audit Committee under which an employee who observes any unethical or improper practices or alleged wrongful conduct, shall make a disclosure to the Company Secretary in writing through letter or e-mail as soon as possible but not later than 30 consecutive calendar days after becoming aware of the same. The Company Secretary shall prepare a written summary of the employee's disclosure and provide a copy to the employee and the Chairman, Audit Committee. Under exceptional circumstances employees may also directly report to the Chairman of the Audit Committee. Detailed policy on vigil mechanism is available on the Company's website viz., www.mangaloresez.com

Particulars of Loans given, Investments made, Guarantees given and Securities provided

During the year, the Company has not made any investment and no loans or guarantees or securities were provided to other business entities.

Fixed Deposit

The Company did not invite or accept any deposits from the public during the year within the meaning of Section 73 of the Companies Act, 2013. There are no unpaid or unclaimed deposits with the Company.

Particulars of Conservation of Energy, Technology Absorption etc.

Information on conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo required to be disclosed under Section 134 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are provided hereunder:

(A) Conservation of Energy :	
i) the steps taken or impact on conservation of energy ii) the steps taken by the company for utilising alternate sources of energy iii) the capital investment on energy conservation equipments;	Energy conservation continues to receive priority attention at all levels. All efforts are made to conserve and optimise use of energy with continuous monitoring, improvement in maintenance and distribution systems and through improved operational techniques.
(B) Technology absorption :	
(i) the efforts made towards technology absorption	Updation of Technology is a Continuous process, absorption implemented and adapted by the Company for innovation. Efforts are continuously made to developing infrastructure and rendering allied services to its clients.
(ii) the benefits derived like product improvement, cost reduction, product development or import substitution	The Company has been successful in conservation of river water by constructing Sewage Treatment Plants for treating the secondary sewage water with the help of the State of the Art Technology and making it fit for Industrial use.
(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) (a) the details of technology imported (b) the year of import; (c) whether the technology been fully absorbed (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable since 5 years period is over.
(iv) the expenditure incurred on Research and Development.	Nil

Foreign Exchange Earnings and Outgo	2016-17	2015-16
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo	Rs 2,43,880	**Nil**

Extract of Annual Return

Extract of Annual Return of the Company is annexed herewith as **Annexure-V** to this Report.

Particulars of Employees

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said Rules is Not Applicable

Material changes and commitments, if any, affecting the financial position of the company

There are no material changes and commitments affecting the financial position of the company which occurred between the end of the financial year to which the financial statements relate and the date of the report.

Significant and Material Orders passed by the Regulators or Courts

No significant and material orders were passed by the Regulators/Courts that would impact the going concern status of the Company and its future operations.

Environment Protection Measures

The Company has taken up regular environmental monitoring to check the quality of water and air to maintain the environmental standards.

Acknowledgment

Your Directors wish to express a deep sense of gratitude and acknowledge the co-operation, assistance and support extended by the Central and State Government, Government departments & agencies, Banks and local authorities for their continued guidance and support. The Directors also wish to place on record their sincere appreciation for the total commitment, dedication and hard work put in by the employees at all levels for the development of the Company.

The Directors place on record their appreciation for the continued co-operation and confidence reposed by all stakeholders viz Oil and Natural Gas Corporation Ltd (ONGC), Infrastructure Leasing and Financial Services Ltd (IL&FS), Karnataka Industrial Areas Development Board (KIADB), Kanara Chamber of Commerce and Industry (KCCI) and ONGC Mangalore Petrochemical Ltd (OMPL).

On Behalf of the Board
For Mangalore SEZ Limited

	Sd/-	**Sd/-**
Place: Mangaluru	**Paritosh Kumar Gupta**	**H.Kumar**
Date: 02-08-2017	**Managing Director**	**Director**
	DIN : 01054182	**DIN : 06851988**

ANNEXURE I TO DIRECTORS REPORT

FORM NO. MR- 3
SECRETARIAL AUDIT REPORT

(FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017)

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

To,
The Members
MANGALORE SEZ LIMITED
3rd Floor, Mangalore Urban Development Authority
(MUDA) Building, Urwa Stores, Ashok Nagar
Mangalore, Karnataka- 575 006

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **MANGALORE SEZ LIMITED** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of **MANGALORE SEZ LIMITED** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period ended on 31st March 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. I have examined the books, papers, minute books, forms and returns filed and other records maintained by **MANGALORE SEZ LIMITED** for the financial year on 31st March 2017 according to the provisions of:

   I. The Companies Act, 2013 (the Act) and the Rules made there under;

   II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and rules made thereunder do not apply to the company as it is Unlisted Public company.

   III. The Depositories Act, 1996 and the Regulations and Bye-laws do not apply to the company as it is Unlisted Public company.

   IV. Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under.

   V. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') is not applicable to company as it is not a listed company.

   a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

   d. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   e. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

   f. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

I have also examined compliance with the applicable clauses of the following:

i) Secretarial Standards issued by The Institute of Company Secretaries of India. During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines & Standards mentioned above.

2. I further report that

The Company has, in my opinion, complied with the provisions of the Companies Act, 1956 and the Rules made under that Act and the provisions of Companies Act, 2013 as notified by Ministry of Corporate Affairs and the Memorandum and Articles of Association of the Company, with regard to:

a) Maintenance of various statutory registers and documents and making necessary entries therein;

b) Closure of the Register of Members.

c) Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and the Central Government;

d) Service of documents by the Company on its Members, Auditors and the Registrar of Companies;

e) Notice of Board meetings and Committee meetings of Directors;

f) The meetings of Directors and Committees of Directors including passing of resolutions by circulation;

g) The Annual General Meeting held on 29.09.2016

h) Minutes of proceedings of General Meetings and of the Board and its Committee meetings;

i) Approvals of the Members, the Board of Directors, the Committees of Directors and the government Authorities, wherever required;

j) Constitution of the Board of Directors / Committee(s) of Directors, appointment, retirement and reappointment of Directors including the Managing Director and Whole-time Directors;

k) Payment of remuneration to Directors including the Managing Director and Whole-time Directors,

l) Appointment and remuneration of Auditors and Internal Auditors;

m) Transfers and transmissions of the Company's shares and issue and dispatch of duplicate certificates of shares if any;

n) Declaration and payment of dividends if any;

o) Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund and uploading of details of unpaid and unclaimed dividends on the websites of the Company and the Ministry of Corporate Affairs is not applicable;

p) Borrowings and registration, modification and satisfaction of charges wherever applicable;

q) Investment of the Company's funds including investments and loans to others;

r) Form of balance sheet as prescribed under Part I, form of statement of profit and loss as prescribed under Part II and General Instructions for preparation of the same as prescribed in Schedule III to the Act;

s) Directors' report;

t) Contracts, common seal, registered office and publication of name of the Company; and

u) Generally, all other applicable provisions of the Act and the Rules made under the Act.

3. **I further report that**:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

Majority decision is carried through while the dissenting members' views if any are captured and recorded as part of the minutes. The Company has obtained all necessary approvals under the various provisions of the Act; and

There was no prosecution initiated and no fines or penalties were imposed during the year under review under the Act, SEBI Act, SCRA, Depositories and Guidelines framed under these Acts against / on the Company, its Directors and Officers.

The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the Code of Business Conduct & Ethics for Directors and Management Personnel;

4. The provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made under that Act, with regard to maintenance of minimum public shareholding is not applicable to this company.

5. **I further report that**:

Based on the information received and records maintained, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Sd/-

Place : Mangaluru **CS Narasimha Pai P**

Date : 05-07-2017 **ACS No.31740, CP No: 11629**

ANNEXURE II TO DIRECTORS REPORT

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2016-17

Company's philosophy on Corporate Governance

The Company is committed to maintain the highest standards of Corporate Governance in its dealings with its various stakeholders. It is an integral part of the Company's core values which include transparency, integrity, honesty and accountability. The Company believes in practicing good Corporate Governance and endeavors to improve on these aspects on an ongoing basis.

Board of Directors

The following is the composition of the Board of Directors for the financial year 2016-17

Name of Director	Designation	Category of Directorship
Shri. D. K. Sarraf	Chairman	Non-Executive Director
Shri Paritosh Kumar Gupta	Managing Director	Executive Director
Shri ISN Prasad	Independent Director	Non-Executive Director
Shri Srinivas S Kamath	Independent Director	Non-Executive Director
Shri Pradeep Puri	Nominee Director from IL&FS	Non-Executive Director
Shri H.Kumar	Nominee Director from ONGC	Non-Executive Director
Shri A.K.Sahoo	Nominee Director from ONGC	Non-Executive Director
Shri Pankaj Kumar Pandey	Additional Director (Nominee from KIADB)	Non-Executive Director
Shri Jeevan Saldanha	Additional Director (Nominee from KCCI)	Non-Executive Director
Shri B.S.Shekharappa*	Director	Non Executive Director
Shri Saibal Kumar De**	Director	Non-Executive Director
Shri Santosh Nautiyal***	Independent Director	Non-Executive Director

*Ceased to be a director w.e.f 03/06/2016

** Ceased to be a director w.e.f 30/09/2016

***Resigned as Director w.e.f 29/04/2017

Changes during the financial year 2016-17:

Name of the Director	*Date of Resignation*	*Remarks*
Shri B.S.Shekharappa	*03/06/2016*	Due to change of office as Shri B.S.Shekharappa got transferred as Additional secretary to Chief Minister vide Government of Karnataka (GoK) Notification No.DPAR 232 SAS 2016 dated April 30, 2016
Shri Saibal Kumar De	*30/09/2016*	Ceases to be a Director pursuant to Section 167(1)(b) of the Companies Act, 2013

Name of the Director	*Date of Appointment*	*Remarks*
Shri Pankaj Kumar Pandey	*13/01/2017*	*Nominee of KIADB*
Shri Jeevan Saldanha	*13/01/2017*	*Nominee of KCCI*

Directors Appointments/Re-appointments

In terms of Section 152 of the Companies Act, 2013, Shri Dinesh Kumar Sarraf (DIN 00147870) and Shri Pradeep Puri (DIN 00051987),Directors, retire by rotation at the Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors of the Company recommends their respective re-appointments.

In terms of Section 160 of the Companies Act, 2013, Shri Pankaj Kumar Pandey (DIN: 03376149) who was appointed as additional director by the Board on 13th January 2017 is proposed to be appointed at the Annual General Meeting . The Board of Directors of the Company recommends his appointment.

In terms of Section 160 of the Companies Act, 2013, Shri Jeevan Saldanha (DIN: 02424388) who was appointed as additional director by the Board on 13th January 2017 is proposed to be appointed at the Annual General Meeting . The Board of Directors of the Company recommends his appointment.

The Board of Directors at the 49th meeting held on May 11, 2017 have re-appointed Shri Paritosh Kumar Gupta, as the Managing Director of the company for further period of 1 year with effect from 19th May, 2017 at a remuneration of Rs.30 lakhs p.a., subject to the approval of the shareholders in the General Meeting.

The Board of Directors of the Company recommends his re-appointment.

A Statement showing the particulars of Directors as per the corporate governance regulations is Annexed to the Notice

Board Meetings held during the financial year 2016-17

During the financial year under review Board of Directors met four times as under:

Date of Meeting	Place of Meeting
12th May, 2016	Bangalore
03rd September, 2016	Mangalore
15th October, 2016	Bangalore
13th January 2017	Mumbai

Attendance of Directors at the Board meeting held during the financial year 2016-17 and attendance at the 10th AGM

Name of Director	No. of Board meetings held during the year	No. of Board Meetings attended	Attendance at the 10th AGM	Directorships in other companies*	No. of outside committee #	
					Member	Chairman
Shri D. K. Sarraf	4	3	Absent	7	1	-
Shri Paritosh Kumar Gupta	4	4	Present	9	2	-
Shri I.S.N Prasad	4	3	Absent	9	-	-
Shri Santosh Nautiyal**	4	3	Absent	2	-	-
Shri Srinivas S Kamath	4	4	Present	-	-	-
Shri H Kumar	4	3	Present	4	-	-
Shri Pradeep Puri	4	2	Absent	9	4	1
Shri Pankaj Kumar Pandey (Appointed w.e.f 13/01/2017)	4	0	Absent	6	-	-
Shri A.K.Sahoo	4	4	Present	2	2	-
Shri Jeevan Saldanha (Appointed w.e.f 13/01/2017)	4	0	Absent	2	-	-

Chairmanship/Membership of the Audit Committee and Stakeholders' Relationship Committee of Public Limited Companies,*excludes directorships in foreign companies

** Resigned as Director w.e.f 29th April 2017.

Independent Directors

In order to comply with the provisions of Companies Act 2013, the company has appointed Independent Directors. Considering the requirement of skill sets on the Board, eminent people having an independent standing in their respective field/profession, and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee, for appointment, as Independent Directors on the Board. The Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and Memberships held in various committees of other companies by such persons while selecting such Directors and determining Directors' independence. The Board considers the Committee's recommendation, and takes appropriate decision subject to the approval of Shareholders in the General Meeting.

Following are the Independent Directors.

Name	Date of Appointment	Tenure
Shri I.S.N Prasad	28th March 2015	5 Years
Shri Srinivas S. Kamath	28th March 2015	5 Years
Shri Santosh Nautiyal*	28th March 2015	5 Years

***Resigned as Director w.e.f 29th April 2017.**

Disclosure of Relationships between directors Inter-se :

Inter-se relationships between Directors and Key Managerial Personnel of the Company: None

Number of Shares held by Non Executive Directors :

The Non Executive Directors do not hold any shares in the Company.

Audit Committee

The Company has a duly Constituted Audit Committee in accordance with the provisions of the Companies Act. The broad terms of reference, role and scope were drawn as per the provisions of the Act. The terms of reference of the Audit Committee as approved by the Board is reproduced below:

- To discuss with the auditors periodically about the internal control systems, the scope of audit including the observation of the auditors.
- To review the half-yearly and annual financial statements before submission to the Board for its approval,
- To ensure compliance of internal control systems
- To investigate into any matter in relation to the items referred to it by the Board.
- To make any recommendations on any matter relating to financial management, including the Audit Report.

Six Meetings of the Audit Committee were held during the financial year 2016-17;

Date of Meeting	Place of meeting
11th May 2016	Bangalore
19th August, 2016	Bangalore
29th September, 2016	Bangalore
14thOctober, 2016	Bangalore
16th December 2016	Mangalore
17th March 2017	Bangalore

The composition of the Committee during the year under review and the details of meetings attended by the Directors during the financial year are given below:

Name of Director	Designation	No. of meetings held during the year	No. of meetings attended
Shri Srinivas S Kamath	Chairman & Independent Director	6	6
Shri ISN Prasad	Member & Independent Director	6	6
Shri Santosh Nautiyal	Member & Independent Director	6	4
Shri Paritosh Kumar Gupta	Member	6	6
Shri A.K.Sahoo	Member	6	5

The Statutory Auditors and Internal Auditors of the Company were invited to attend the Audit Committee meeting where ever required.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was constituted on 29th August 2014 pursuant to Section 135 of the Companies Act, 2013.The CSR Committee formulates the CSR Policy, monitoring of the CSR activities & CSR spending of the company as per the guidelines of Companies Act, 2013.

One Meeting of the Corporate Social Responsibility Committee was held during the financial year 2016-17;

Date of Meeting	Place of meeting
19th August 2016	Bangalore

The composition of the Committee during the year under review and the details of meetings attended by the Directors during the financial year are given below:

Name of Director	Designation	No. of meetings held during the Year	No. of meetings attended
Shri Santosh Nautiyal*	Chairman & Independent Director	1	1
Shri Paritosh Kumar Gupta	Member	1	1
Shri A.K.Sahoo	Member	1	1

* Resigned as Director w.e.f 29th April, 2017

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted by the Board on 29th August, 2014 pursuant to Section 178 of the Companies Act, 2013.

The Nomination and Remuneration Committee shall:

a. Formulate the criteria for determining qualifications, positive attributes and independence of a director.

b. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

c. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel (at Board level).

Two Meetings of the Nomination and Remuneration Committee were held during the financial year 2016-17;

Date of Meeting	Place of meeting
11th May 2016	Bangalore
19th August 2016	Bangalore

The composition of the Committee during the year under review and the details of meetings attended by the Directors during the financial year are given below:

Name of Director	Designation	No. of meetings held during the tenure	No. of meetings attended
Shri Santosh Nautiyal*	Chairman & Independent Director	2	2
Shri ISN Prasad	Member & Independent Director	2	2
Shri H Kumar	Member	2	2
Shri Pradeep Puri	Member	2	1

* Resigned as Director w.e.f 29th April, 2017

Committee of Directors (COD)

The Committee of Directors is constituted for following powers based on the value of contracts and proposals:

1. To approve the work contracts: For award of contract on open tender basis (from ₹ 10 Crore to ₹ 200 Crore), limited tender basis (₹ 7.5 Crore to ₹150 Crore) and single tender basis (from ₹ 2.5 to ₹ 50 Crore).
2. To approve appointment of consultants (form ₹ 50 Lakhs to ₹ 1 Crore)
3. To approve variation proposals where value of variation is between ₹ 5 Crore to ₹ 50 Crore subject to max ceiling of 10% of the contract value.

Committee of Directors reviews all proposals of award of works which requires approval of Board of Directors and furnishes its recommendation to the Board. Committee of Directors have powers up to 5% of the order value mentioned against in No.1 above to waive compensation for loss and/or liquidated damage/price reduction already claimed /levied due to failure of contractors/suppliers.

COD Meeting held during the financial year 2016-17 are as under:

Date of Meeting	Place of meeting
19th August 2016	Bangalore

The composition of the Committee during the year under review and the details of meeting attended by the Directors during the financial year are given as under:

Name of Director	Designation	No. of meetings held during the period	No. of meetings attended
Shri Paritosh Kumar Gupta	Member	1	1
Shri Pradeep Puri	Member	1	1
Shri A.K.Sahoo	Member	1	1

HRM Committee

The HRM Committee was reconstituted by the Board on 15th March, 2016. HRM Committee has not met during the financial year 2016-17;

The composition of the Committee during the year ended 31 March 2017 is as under :

Name of Director	Designation
Shri Santosh Nautiyal	Chairman
Shri ISN Prasad	Member
Shri Paritosh Kumar Gupta	Member
Shri A.K.Sahoo	Member

Business Committee

The Business Committee was reconstituted by the Board on 15th March, 2016. No Meetings of the Business Committee were held during the financial year 2016-17;

The composition of the Committee during the year ended 31 March 2017 is as under :

Name of Director	Designation
Shri Santosh Nautiyal	Chairman
Shri Paritosh Kumar Gupta	Member
Shri A.K.Sahoo	Member

Remuneration to Directors

The Company pays sitting fees to Non-Executive Independent Directors for attending the Board and Audit Committee meetings. The Details of sitting fees paid during the financial year 2016-17 are provided hereunder

Name of Director	Amount In Rs
Shri ISN Prasad	2,25,000
Shri Santosh Nautiyal	1,75,000
Shri S.S.Kamath	2,50,000

The company do not pay any sitting fees to the Non-Executive Directors and Executive Director.

The remuneration paid to Shri Paritosh Kumar Gupta , Managing Director towards salary and allowances, from April 01, 2016 to March 31, 2017 was Rs 56,16,429/-.

Annual General Meetings (AGM)

The details of the last three Annual General Meetings of the Company are as under:

Financial Year Ended	Date of AGM	Time	Venue	Special Resolution passed
31st March 2014	27th September 2014	14.30 Hrs	Hotel Le-Meridien, No.28, Sankey Road, Bangalore-560 052	Appointment of M/s Maharaj N R Suresh & Co, as Statutory Auditors.
31st March 2015	24th September 2015	12.30 Hrs	Hotel Le-Meridien, No.28, Sankey Road, Bangalore-560 052	Appointment of Shri Paritosh Kumar Gupta as Managing Director
31st March 2016	29th September 2016	12.45 Hrs	Hotel Le-Meridien, No.28, Sankey Road, Bangalore-560 052	a. Appointment of Shri Paritosh Kumar Gupta as Managing Director b. Resolution under 180(1)(c) c. Resolution under 180(1)(a) d.Transfer of Assets and Liabilities of power distribution business of MSEZL to MSEZ Power Ltd.

Extra-Ordinary General Meeting

During the year under review, the company has conducted 1 (One) Extra-Ordinary General Meeting on 17th March 2017 at Hotel Le-Meridien, No. 28, Sankey Road, Bangalore and transacted the following 2 special businesses

a. Resolution under Section 62 (3) for conversion on outstanding debt into equity incase of default of debt.

b. Resolution under Section 12 (5) for shifting the registered office from Bangalore to Mangalore.

Code of Conduct

The Company is committed to conducting its business in conformity with ethical standards and applicable laws and regulations. This commitment stands evidenced by the Code of Conduct adopted by the Board of Directors at their 32nd meeting held on 26th March, 2013 which is applicable to each member of the Board of Directors and Senior Management of the Company. The Board Members and Senior Management have affirmed the compliance to the Code of Conduct of the company for the year ended 31 March 2017.

CFO Certification

Certificate on the financial statement and internal controls relating to financial reporting from Chief Financial Officer of the Company for the year ended 31st March, 2017 was submitted to the Board at its meeting held on 11th May, 2017.

General Shareholder Information

The Company is registered in the State of Karnataka, India. The Corporate Identification Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is U45209KA2006PLC038590.

The Annual General Meeting is scheduled to be held on 19th August, 2017

Financial Calendar: April to March

Book Closure: None

Registrars/Transfer Agents: Company's in-house department carries out the related jobs.

Address for correspondence : 3rd Floor, MUDA Building, Ashoknagar, Urwa Stores, Mangalore - 575 006, Phone: 0824-2452748 / 2452750 Fax: 0824-2452749

Annual Report: Annual Report containing inter-alia, Audited Accounts, Board's Report, Corporate Governance Report, Auditor's Report including information for the shareholders and other important information is circulated to the members and others entitled thereto.

Designated Exclusive email-id: The Company has designated the following email-id exclusively for investor service: mangaloresezltd@gmail.com/info@msezl.com

Special Economic Zone Location; Mangalore SEZ Ltd, Bajpe, Permude village, Mangalore – 574 509, Dakshina Kannada Dist, Karnataka.

Shareholding Pattern as on 31st March 2017:

Sl. No.	Name of Shareholder	No. of Equity Shares of Rs 10/- each Held	% of Shareholding
1	Infrastructure Leasing and Financial Services Ltd. (IL&FS)	25,000,000	50.00
2	Oil and Natural Gas Corporation Ltd. (ONGC)	13,000,000	26.00
3	Karnataka Industrial Area Development Board (KIADB)	11,500,000	23.00
4	ONGC Mangalore Petrochemicals Ltd.(OMPL)	480,000	0.96
5	Kanara Chamber of Commerce & Industries (KCCI)	20,000	0.04
6	V.Suryanarayana	100	0
7	Rishi Bhardwaj	500	0
8	Diwakar Sinha	100	0
9	Paritosh Kumar Gupta	500	0
	TOTAL	**50,001,200**	**100.00**

Disclosures:

Related Party Transactions: There was no materially significant related party transaction with its promoters, the Directors or the management or relative of the Directors that may have potential conflict with the interests of the Company.

Disclosure of Accounting Treatment: In preparation of the Financial Statements, the company has followed the Accounting Standards issued by the Institute of Chartered Accountant of India (ICAI), to the extent applicable.

Compliances: The Company has complied with provisions of law and regulations as applicable to the Company.

Risk Management: The Risk Management Policy has been adopted for the organization by the Board. The Risk Management Committee reviews various types of risks whether present or future and apprises the same to the management.

Transfer to Investor Education and Protection Fund (IEPF) : The Company has not accepted any deposits from the public and also the Company has not declared any dividend since its incorporation. Therefore, transfer by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 124 of the Companies Act, 2013 do not arise.

On Behalf of the Board
For Mangalore SEZ Limited

	Sd/-	**Sd/-**
Place: Mangaluru	**Paritosh Kumar Gupta**	**H.Kumar**
Date: 02-08-2017	**Managing Director**	**Director**
	DIN : 01054182	**DIN : 06851988**

ANNEXURE III TO DIRECTORS REPORT

FORM NO AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso is given below

1. Details of contracts or arrangements or transactions not at arm's length basis:

Sl. No	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Nil
b)	Nature of contracts/arrangements/transaction	Nil
c)	Duration of the contracts/arrangements /transaction	Nil
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Nil
e)	Justification for entering into such contracts or arrangements or transactions	Nil
f)	Date of approval by the Board	Nil
g)	Amount paid as advances, if any	Nil
h)	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	Nil

2.Details of material contracts or arrangements or transactions at arm's length basis

S.No	Name (s) of the related party	ONGC	IL&FS	KIADB	OMPL	MRPL	IIDC LTD
a	Nature of Relationship	Investing Company (Controlling)	Investing Company (Controlling)	Investing Company	Controlled by ONGC	Subsidiary of ONGC	Subsidiary of IL&FS
b	Nature of contracts/ arrangements/ transaction	As mentioned in Sl. No. (d) below	As mentioned in Sl. No. (d) below	As mentioned in Sl. No. (d) below	As mentioned in Sl. No. (d) below	As mentioned in Sl. No. (d) below	Deputation Salary
c	Duration of the contracts/ arrangements / transaction	01.04.2016 to 31.03.2017	01.04.2016 to 31.03.2017	01.04.2016 to 31.03.2017	01.04.2016 to 31.03.2017	01.04.2016 to 31.03.2017	01/04//2016 to 31.03.2017
d	Salient terms of the contracts or arrangements or transaction including the value, if any	Reimbursement of Expenses	a) Charges for deputation of MD & CEO b) Security Deposit - Directorship c) Expenses incurred	a) Cost of Acquisition of Land b) Annual Lease Rent c)Security deposit d)Right of way charges & others e) Advance towards Corridor land f)Expenses incurred on behalf of KIADB g) Advance towards land	a) Lease Rental Income b) Advance received towards Infrastructure development c) Expenses incurred on behalf of OMPL (Sustenance & Stipend) d) Supply & Operation & Maintenance of Water, Effluent Discharge, Tariff revenue from licensed activity & Zone O&M e) Security deposit f) Advance towards O&M water g) Interest on security deposit (Power) h)Lease premium income	a)Advance/ Adjustment towards land b)Expenses incurred on behalf of the MRPL c)Supply & Operation & Maintenance of Water d) Advance towards O&M River Water e)Advance towards marine outfall f)Advance towards O& M TTP water g) Non-operational Lease rental from lease of land h)Security deposit towards usage of premises i)Lease rent on immovable property j)Expenses incurred on behalf of MRPL (Sustenance & Stipend) k)Advance towards Corridor	a) Deputation Salary

e	Justification for entering into such contracts or arrangements or transactions	Ordinary Course of Business	Ordinary course of business	Ordinary course of business	Ordinary course of business	Ordinary course of business	Ordinary course of business
f	Date of approval by the Board	Not Applicable.	a. 12/05/16 b. Not applicable c. Not applicable	Not applicable	Not applicable	Not applicable	15th March, 2016
g	Amount incurred during the year (₹ In lakhs)	Nil	a) 56.16 b) Nil C) 11.04	a) 112.78 b) 5.89 c) Nil d) 23.68 e) Nil f) Nil g) 73.61	a) 233.96 b) 757.00 c) 0.70 d) 2215.02 e) Nil f) Nil g) 11.93 h) 534.33	a) Nil b) 52.27 c) 5712.18 d) Nil e) Nil f) Nil g) Nil h) Nil i) 0.32 j) 3.78 k) 757.33	a) 16.50

S.No	Name (s) of the related party	**IL&FS cluster development initiative Ltd**	**IL&FS Energy Development Company Ltd**	**Mangalore STP Ltd**	**MSEZ Power Ltd**	**Key Managerial Personnel**	**Key Managerial Personnel**
a	Nature of Relationship	Subsidiary of IL&FS	Subsidiary of IL&FS	Subsidiary Company	Subsidiary Company	Chief Financial officer	Company Secretary
b	Nature of contracts/ arrangements/ transaction	As mentioned in Sl. No. (d) below	As mentioned in Sl. No. (d) below	As mentioned in Sl. No. (d) below	As mentioned in Sl. No. (d) below	Remuneration	Remuneration
c	Duration of the contracts/ arrangements / transaction	01.04.2016 to 31.03.2017	01.04.2016 to 31.03.2017	01.04.2016 to 31.03.2017	01.04.2016 to 31.03.2017	01.04.2016 to 31.03.2017	15.04.2016 to 31.03.2017
d	Salient terms of the contracts or arrangements or transaction including the value, if any	Professional charges	Professional charges	a) Expenses incurred on behalf of the company	a) Expenses incurred on behalf of the company	Chief Financial Officer	Company Secretary
e	Justification for entering into such contracts or arrangements or transactions	Ordinary Course of Business	Ordinary Course of Business	Ordinary course of business	Ordinary course of business	Ordinary course of business	Ordinary course of business
f	Date of approval by the Board	Not applicable	Not Applicable	Not applicable	Not applicable	29th August 2014	12th May 2016
g	Amount incurred during the year (₹ In lakhs)	Nil	3.00	254.62	0.032	47.01	15.11

On Behalf of the Board
For Mangalore SEZ Limited

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Sd/-
H.Kumar
Director
DIN : 06851988

Place: Mangaluru
Date: 02-08-2017

ANNEXURE IV TO DIRECTORS REPORT

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2016-17

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy.	To actively contribute to the social and economic development of the communities in which we operate through our services, conduct and initiatives with environmental concern. In so doing build a better, sustainable way of life for the weaker sections of society. Depending upon their core competency and business interest, Company shall undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of its operations. These include: education, skill building for livelihood of people, health, cultural and social welfare etc, particularly targeting sections of society. To generate through its CSR initiatives, a community goodwill for MSEZL and help re-inforce a positive and socially responsible image of the Company as a Corporate entity The CSR Committee has allocated a budget for CSR activities during the year 2016-17. The CSR Policy is available at companies Website viz www.mangaloresez.com under policies.
2. Composition of CSR Committee	*Shri Santosh Nautiyal – Chairman, Shri S.S.Kamath – Chairman (effective from 11 May 2017) Shri Paritosh Kumar Gupta – Member & Shri A.K.Sahoo – Member *Resigned w.e.f 29th April 2017
3. Average net profit (PBT) of the Company for last three financial years	Rs 12.07 Cr
4. Prescribed CSR expenditure (two percent of the amount mentioned in item 3 above)	Rs 24.14 Lakhs
5. Details of CSR spent during the financial year:	Rs 17.40 Lakhs
Total amount to be spent for the financial year	Rs 24.14 Lakhs
Amount unspent, if any	Rs 6,73,635
Manner in which the amount spent during the financial year.	Details given below
6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.	Provided in the Board's Report
7. Implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.	Yes

CSR Expenditure incurred during the Financial Year 2016-17

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs Local area or others Specify the State and district where projects or program was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads 1) Direct expenditure on project or programs 2) Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1	Rural Development projects for upliftment of livelihood of the society and Promoting education and other allied activities	Under clause (ii) of Schedule VII – Promoting education & Rural Development, Livelihood enhancement	Bajpe, Dakshina Kannada (Dist), Karnataka Bikarnakatte, Dakshina Kannada (Dist), Karnataka Bantwal, Dakshina Kannada (Dist), Karnataka Perne Bantwal TQ, Dakshina Kannada (Dist), Karnataka Surtatkal, Pedre, Dakshina Kannada (Dist), Karnataka Jokattte, Dakshina Kannada (Dist), Karnataka	Rs 25,00,000 (for 3 years)	Rs 8,89,485 (Direct & no overheads)	Rs 8,89,485	Direct
2	Providing Health Care, sanitation and other allied activities	Under clause (i) of Schedule VII – Promoting Health Care including preventing Health Care, Making available safe drinking water, Eradicating Hunger, Poverty and Malnutrition	Bajpe, Pachanady, Mangalore, Dakshina Kannada Dist, Karnataka. Kulai and Thokur, Dakshina Kannada Dist, Karnataka. Mangalore, Dakshina Kannada Dist, Karnataka. Someshwar, Mangalore , Dakshina Kannada Dist, Karnataka. Kadri, Mangalore Dakshina Kannada, Karnataka.	Rs 15,00,000 (for 3 Years)	Rs 7,16,150 (Direct & no overheads)	Rs 7,16,150	Direct

3	Conservation of environment by way Green nurturing programme in Schools	Clause (iv) of Schedule VII of the Companies Act, 2013 – ensuring environmental sustainability and ecological balance and protection of environment	Mangalore, Dakshina Kannada Dist, Karnataka.	Rs 5,00,0 00 (for 3 years)	Rs 20,000 (Direct & no overheads)	Rs 20,000	Direct
4	Protection of National Heritage, arts and Culture, Promotion and development of arts and Handicrafts	Clause (v) of Schedule VII of the Companies Act, 2013 – Protection of Arts , Public liabraries	Bantwal, Dakshina Kannada, Karnataka Udupi, Udupi Dist , Karnataka.	Rs 5,00,000 (for 3 years)	Rs 1,15,000 (Direct & no overheads)	Rs 1,15,000	Direct
	Total					Rs 17,40,635	

On Behalf of the Board
For Mangalore SEZ Limited

Sd/-	**Sd/-**
Paritosh Kumar Gupta	**S. S. Kamath**
Managing Director	**CSR Committee Chairman**
DIN : 01054182	**DIN : 01079043**

Place: Mangaluru
Date: 02-08-2017

Annexure V TO DIRECTORS REPORT

FormNo.MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2017

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

I. REGISTRATION & OTHER DETAILS :		
I	CIN	U45209KA2006PLC038590
II	Registration Date	24/02/2006
III	Name of the Company	MANGALORE SEZ LIMITED
IV	Category/Sub-category of the Company	Company having Share Capital
V	Address of the Registered office & contact details	3rd Floor, MUDA Building, Urwa Stores, Ashok Nagar, Mangaluru, Karnataka- 575 006 Tel: 0824- 2452760 Fax: 0824–2452749
VI	Whether listed company	No
VII	Name , Address & contact details of the Registrar & Transfer Agent, if any.	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name and Description of main products/ services	NIC Code of the Product/ service*	% to total turnover of the company#
1	Development of Special Economic Zones (Lease Premium &Rent)	431: Demolition and site preparation*	13.45%
2	Water supply	360: Water collection, treatment and supply	64.17%
3	Sale of Power	351: Collection and distribution of electric energy	13.33%

* As per National Industrial Classification – Ministry of Statistics and Programme Implementation

On the basis of Gross Turnover (Operations)

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sl.No	Name and Address of the Company	CIN/GLN	Holding/subsidiary/ Associate	% of shares held	Applicable Section
1	Mangalore STP Limited 3rd Floor, Muda Building Urwa Stores, Mangalore	U90009KA2011PLC057826	Subsidiary	70	2(87)(ii)
2	MSEZ Power Limited 3rd Floor, Muda Building Urwa Stores, Mangalore	U40104KA2014PLC077363	Subsidiary	100	2(87)(ii)

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

(i) Categorywise shareholding :

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
A. Promoters										
(1) Indian										
a) Individual/ HUF	0	1200	1200	0.0024	0	1200	1200	0.0024	0	0
b) Central Govt. or State Govt.	0	2,45,00,000	2,45,00,000	48.9988	0	2,45,00,000	2,45,00,000	48.9988	0	0
c) Bodies Corporates	0	2,55,00,000	2,55,00,000	50.9988	0	2,55,00,000	2,55,00,000	50.9988	0	0
d) Bank/FI	0	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0	0
SUB TOTAL: (A) (1)	0	5,00,01,200	5,00,01,200	100	0	5,00,01,200	5,00,01,200	100	0	0
(2) Foreign										
a) NRI- Individuals	0	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0	0
e) Any other…	0	0	0	0	0	0	0	0	0	0
SUB TOTAL (A) (2)	0	0	0	0	0	0	0	0	0	0
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	0	5,00,01,200	5,00,01,200	100	0	5,00,01,200	5,00,01,200	100	0	0

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
B. PUBLIC SHAREHOLDING										
(1) Institutions										
a) Mutual Funds	0	0	0	0	0	0	0	0	0	0
b) Bank/FI	0	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0	0
d) State Govt	0	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0	0
g) FIIS	0	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0	0
i) others (specify)	0	0	0	0	0	0	0	0	0	0
SUB TOTAL: (B)(1)	0	0	0	0	0	0	0	0	0	0
(2) Non Institutions										
a) Bodies Corporates	0	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0	0
i) Individual share holders holding nominal share capital upto Rs.1 lakhs	0	0	0	0	0	0	0	0	0	0
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	0	0	0	0	0	0	0	0	0	0
c) Any Other (specify) NRIs	0	0	0	0	0	0	0	0	0	0
d) Foreign Bodies Corporate	0	0	0	0	0	0	0	0	0	0
SUB TOTAL (B) (2)	0	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)= (B)(1)+(B)(2)	0	0	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	5,00,01,200	5,00,01,200	100	0	5,00,01,200	5,00,01,200	100	0	0

(ii) SHARE HOLDING OF PROMOTERS:

Sl. No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share Holding during the year
		No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Infrastructure Leasing and Financial Services Limited (IL&FS)	2,50,00,000	49.9988	0	2,50,00,000	49.9988	0	0
2	Oil and Natural Gas Corporation Limited (ONGC)	1,30,00,000	25.9994	0	1,30,00,000	25.9994	0	0
3	Karnataka Industrial Area Development Board	1,15,00,000	22.9994	0	1,15,00,000	22.9994	0	0
4	ONGC Mangalore Petrochemicals Limited	4,80,000	0.9600	0	4,80,000	0.9600	0	0
5	Kanara Chamber of Commerce & Industries	20,000	0.0400	0	20,000	0.0400	0	0
6	Shri Sanjeev T Karkera	100	0.0002	0	-	-	0	0.0002
	Shri V.Suryanarayana	-	-	0	100	0.0002	0	0.0002
7	Shri Rishi Bhardwaj	500	0.0010	0	500	0.0010	0	0
8	Shri Paritosh Kumar Gupta	500	0.0010	0	500	0.0010	0	0
9	Shri S Ramachandran	100	0.0002	0	-	-	0	0.0002
	Shri Diwakar Sinha	-	-	0	100	0.0002	0	0.0002
	Total	**5,00,01,200**	**100**	**0**	**5,00,01,200**	**100**	**0**	**0.0004**

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE):

Sl. No		Shareholding at the beginning of the Year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	At the beginning of the year	No changes in Promoters shareholding during the year			
2	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc.)	No changes in Promoters shareholding during the year			
3	At the end of the year	No changes in Promoters shareholding during the year			

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

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the Year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	Nil				

(v)Shareholding of Directors and Key Managerial Personnel:

Sl. No	For Each of the Directors & KMP	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	Shri Dinesh Kumar Sarraf, Chairman				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
2	Shri Paritosh Kumar Gupta, Managing Director				
	At the beginning of the year	500	500	0.0010	0.0010
	Date wise Increase /Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g.allotment /transfer /bonus/sweat equity etc):				
	At the end of the year	500	500	0.0010	0.0010
3	Shri I S N Prasad, Director				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
4	Shri Pradeep Puri, Director				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
5	Shri Srinivas Santhayya Kamath, Director				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
6	Shri Santosh Nautiyal, Director				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
7	Shri H.Kumar, Director				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
8	Shri A.K.Sahoo, Director				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
9	Shri Pankaj Kumar Pandey, Director				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
10	Shri Jeevan Saldanha, Director				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
11	Shri Gouranga Charan Swain, Chief Financial Officer				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil
12	Shri V.Phani Bhushan, Company Secretary				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil

V. INDEBTEDNESS

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

(Rs. In lakhs)

Particulars	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	 58,665.08 6.05 -	 - - -	 - - -	 58,665.08 6.05 -
Total (i+ii+iii)	**58,671.13**			**58,671.13**
Change in Indebtedness during the financial year • Addition • Reduction	 63,742.71 64,503.33			 63,742.71 64,503.33
Net Change	**(760.62)**			**(760.62)**
Indebtedness at the end of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	 57,910.51 - -			 57,910.51 - -
Total (i+ii+iii)	**57,910.51**			**57,910.51**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration to Managing Director, ~~Whole-time Directors and/or Manager~~:

Sl. No	Particulars of Remuneration	Name of MD/~~WTD/Manager~~	Total Amount
		Shri Paritosh Kumar Gupta	
1.	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	 56.16 - -	 56.16 - -
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission - as % of profit - others, specify	 - -	 - -
5	Others, please specify	-	-
	Total (A)	56.16	56.16

B. Remuneration to other directors:

(Rs. In lakhs)

Sl. No	Particulars of Remuneration	Name of Directors			Total Amount
		Shri Santosh Nautiyal	Shri ISN Prasad	Shri S.S.Kamath	
1.	Independent Director • Fees for attending board, committee meetings • Commission • Others, please specify	 1.75 - -	 2.25 - -	 2.50 - -	 6.50 - -
	Total (1)	**1.75**	**2.25**	**2.50**	**6.50**
2.	Other Non – Executive Directors	Shri D.K.Sarraf,Shri H.Kumar, Shri A.K.Sahoo, Shri Pradeep Puri, Shri Pankaj Kumar Pandey, Shri Jeevan Saldanha			Nil
3.	Other Non – Executive Directors · Fees for attending board, committee meetings · Commission · Others, please specify	Nil			
	Total (2)	0			0
	Total (B) (1)+(2)	1.75	2.25	2.50	6.50
	Total Managerial Remuneration (A+B)				**62.66**
	Overall Ceiling as per the Act :	For Managerial Person Rs 2,40,00,000 as per Schedule V section III (d) and the act provides for paying sitting fees up to Rs 1,00,000 per meeting			

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

(Rs. In lakhs)

Sl. No	Particulars of Remuneration	Key Managerial Personnel		
		Shri Gouranga Charan Swain Chief Financial Officer	**Shri V.Phani Bhushan Company Secretary**	**Total**
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	 47.01 - -	 15.11 - -	 62.12 - -
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	47.01	15.11	62.12

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/ NCLT/Court)	Appeal made if any (give details)
A. COMPANY					
Penalty Punishment Compounding			None		
B. DIRECTORS					
Penalty Punishment Compounding			None		
C. OTHER OFFICERS IN DEFAULT					
Penalty Punishment Compounding			None		

On Behalf of the Board
For Mangalore SEZ Limited

	Sd/-	**Sd/-**
Place: Mangaluru	**Paritosh Kumar Gupta**	**H.Kumar**
Date: 02-08-2017	**Managing Director**	**Director**
	DIN : 01054182	**DIN : 06851988**

ANNEXURE VI TO DIRECTORS REPORT

Form AOC -1

Statement containing salient features of the financial statements of subsidiaries/associate companies/Joint ventures

Statement pursuant to first proviso to sub section (3) of section 129 of the Companies Act, 2013 , read with rule 5 of companies (Accounts) Rules, 2014 .

Part –A : Subsidiaries

Amount in Rupees

S.No	Particulars	Name of the Subsidiary	
		Mangalore STP Ltd	**MSEZ Power Ltd**
1	Reporting Currency	INR	INR
2	Exchange Rate	NA	NA
3	Share Capital	5,00,000	5,00,000
4	Other Equity	0	(95,471)
5	Total Assets	38,05,989	5,44,029
6	Total Liabilities	38,05,989	5,44,029
7	Investment other than investment in Subsidiary	0	0
8	Turnover*	3,88,13,608	0
9	Profit /(Loss)before Tax	0	7,641
10	Provision for Taxation	0	1,456
11	Profit /(Loss)after taxation	0	6,185
12	Proposed Dividend	0	0
13	% of share holding	70	100

*turnover do not include other income

1. Names of subsidiaries which are yet to commence operations; MSEZ Power Ltd is yet to commence its operations
2. Names of subsidiaries which have been liquidated or sold during the year; Not Applicable

Part "B": Associates and Joint Ventures – Not Applicable

On Behalf of the Board
For Mangalore SEZ Limited

	Sd/-	**Sd/-**
Place: Mangaluru	**Paritosh Kumar Gupta**	**H.Kumar**
Date: 02-08-2017	**Managing Director**	**Director**
	DIN : 01054182	**DIN : 06851988**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MANGALORE SEZ LIMITED

Report on the Standalone IND AS Financial Statements

We have audited the accompanying standalone IND AS financial statements of **MANGALORE SEZ LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone 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 and presentation of these standalone IND AS financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone IND AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its Loss and its cash flows for the year ended on that date.

Other Matters

The Comparative financial information of the Company for the year ended 31st March, 2016 and the transition date opening Balance sheet as at 1st April, 2015 included in these standalone Ind AS financial statements, are based on the statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by us. The report for the year ended 31st March 2016 and 31st March 2015 dated 12th May 2016 and 16th May 2015, respectively expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion on the standalore Ind AS financial statements and our report on Other Legal and Regulatory requirements below is not modified in respect of these matters.

Emphasis of Matters

We draw attention to the following matters in the Notes to the financial statements:

Note 39 "dues from" and "dues to" related parties are based on the books of account of the Company and confirmations of balance have not been obtained.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by Section 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 account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss, the 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 standalone IND AS financial statements comply with the Accounting Standards specified under Section 133 of the Act , read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of the written representations received from the directors as on 31st March, 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 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 and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(g) 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 has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note No. 44(c) to the financial statements;

(ii) The Company did not have any long-term contracts, including derivative contracts; and

(iii) There has not been an occasion in case of the Company during the year under report to transfer any sums to the investor Education and protection Fund. Therefore the question of delay in transferring such sums does not arise.

(iv) The Company did not have any holdings or dealings in Specified bank Notes during the period from 8th November 2016 to 30th December 2016-Refer Note. 45.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act, we give in the Annexure "B" a statement on the matters specified in the Paragraphs 3 and 4 of the Order, to the extent applicable.

For Maharaj N R Suresh and Co
FRN001931S
Chartered Accountants

Sd/-
K V Srinivasan
Partner
M.No:204368

Place: New Delhi
Date:11.05.2017

ANNEXURE "A" to The Independent Auditor's Report of even date on the Standalone IND AS Financial Statements of Mangalore SEZ Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Mangalore SEZ Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Standalone IND AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

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 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, 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.

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 :

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

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and Directors of the company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

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, 2016, 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.

Annexure "B" to the Independent Auditors' Report of even date on the Standalone IND AS Financial Statements of Mangalore SEZ Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) These fixed assets have been physically verified by the Management at reasonable intervals which, in our opinion, is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) All the title deeds of immovable properties are held in the name of the Company except 320.2627 Acres of lease hold land amounting to Rs 576.06 Million not registered as on 31.03.2017.

(ii) The Management has carried out physical verification of Inventory at reasonable intervals and no material discrepancies were noticed.

(iii) The Company has not granted any loans secured or unsecured to companies, firms, Limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) The Company has complied with the provisions of Section 185 and 186 of the Companies Act, 1956 in respect of Investments provided by the company. The company has not granted loans or provided any guarantee or security to any company covered under Section 185.

(v) The Company has not accepted any deposits from the public.

(vi) The Central Government has not prescribed maintenance of cost records under section 148(1) of the Companies Act, 2013 for the industry in which the company is engaged.

(vii) According to the information and explanations given to us in respect of Statutory dues :

(a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident fund, Employees State insurance, Income Tax, , Service tax, Sales Tax, Value added tax and other material statutory dues as applicable to it. There were no undisputed amounts payable in respect of Income Tax, Wealth tax, Service tax, Value added tax, and Sales Tax, were in arrears as at 31st March 2017 for a period of more than six months from the date they became payable.

(b) According to the information and explanation given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty, Service Tax and cess, which have not been deposited on account of any dispute.

(viii) The Company has not defaulted in repayment of dues to financial institutions, banks, Government or to debenture holders.

(ix) In our opinion and 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 and the term loans borrowed by the company have been applied for the purpose for the which the loans were obtained.

(x) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

(xi) The managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Companies Act.

(xii) The Company is not a Nidhi company and hence clause (xii) of Paragraph 3 is not applicable to the Company.

(xiii) All Transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013,where applicable and the details have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.

(xv) The company has not entered into any non-cash transactions with directors or persons connected with him.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act,1934.

For Maharaj N R Suresh and Co
FRN001931S
Chartered Accountants

K V Srinivasan
Partner
M.No:204368

Place: New Delhi
Date:11.05.2017

Statement of Balance Sheet as at March 31, 2017

Amount in Rs.

	Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
	ASSETS				
(1)	**Non-current assets**				
	(a) Property, plant and equipment	4	5,367,281,000	4,928,603,531	3,357,085,662
	(b) Capital work in progress	5	4,510,097,393	4,438,875,876	4,927,103,625
	(c) Investment Property	6	4,436,425,151	4,398,886,563	4,313,946,854
	(d)Other Intangible Assets	7	145,391,636	151,846,561	158,448,585
	(e) Financial Assets				
	(i) Investments	8	850,000	850,000	850,000
	(ii) Trade Receivable	9	219,827,434	-	-
	(iii) Loans & advances	10	57,511,599	57,016,682	78,845,499
	(iv) Others	11	25,000	25,000	25,000
	(f) Other non-current assets	12	271,427,105	148,550,417	155,517,798
	Total Non Current Asset		**15,008,836,318**	**14,124,654,630**	**12,991,823,023**
(2)	**Current assets**				
	(a) Financial Assets				
	(i) Trade receivables	13	486,502,884	256,687,839	233,785,300
	(ii) Cash and cash equivalents	14	613,403,957	966,901,075	804,456,343
	(iii) Bank Balances other than (ii) above	15	128,072,597	-	-
	(iv) Loans & advances	16	1,173,296	1,173,296	1,173,296
	(v) Others	17	31,749,757	163,120,149	107,137,951
	(vi) Current tax asset (Net)	18	45,184,155	185,582,006	-
	(b) Other current assets	19	25,060,074	84,836,702	162,542,223
	Total Current Assets		**1,331,146,721**	**1,658,301,067**	**1,309,095,113**
	Total assets		**16,339,983,039**	**15,782,955,696**	**14,300,918,136**
	EQUITY AND LIABILITIES				
(1)	**Equity**				
	(a) Equity Share capital	20	500,012,000	500,012,000	500,012,000
	(b) Other equity	21	171,506,387	232,807,330	353,249,825
	Total equity		**671,518,387**	**732,819,330**	**853,261,825**
(2)	**Non-current liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	22	5,725,713,299	4,684,254,661	5,375,852,435
	(ii) Other financial liabilities	23	1,840,276	1,727,037	2,066,794
	(b) Provisions	24	13,224,441	8,627,504	7,073,459
	(c) Deferred tax liabilities (Net)	25	354,938,090	223,591,487	104,030,932
	(d) Other Non Current Liabilities	26	8,286,155,518	7,394,392,591	5,942,789,515
	Total non-current liabilities		**14,381,871,624**	**12,312,593,280**	**11,431,813,135**
(3)	**Current liabilities**				
	(a) Financial Liabilities				
	(ii) Trade payables	27	47,129,789	33,111,469	15,670,856
	(iii) Other financial liabilities	28	957,881,854	2,405,439,725	1,743,438,266
	(b) Other current liabilities	29	194,023,873	176,117,874	125,783,540
	(c) Provisions	30	87,557,511	122,874,019	130,950,514
	Total current liabilities		**1,286,593,027**	**2,737,543,087**	**2,015,843,176**
	Total liabilities		**15,668,464,651**	**15,050,136,367**	**13,447,656,311**
	Total equity and liabilities		**16,339,983,039**	**15,782,955,696**	**14,300,918,136**

The accompanying notes are an integral part of these financial statements 1 to 46

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Statement of Profit & Loss Account for the Year ended 31 March, 2017

Amount in Rs.

	Particulars	Note No.	Year Ended 31st March, 2017	Year Ended 31st March, 2016
	CONTINUING OPERATIONS			
I	Revenue from Operations	31	1,285,236,171	1,100,333,417
II	Other Income	32	62,010,928	83,884,488
III	**Total Revenue**		**1,347,247,099**	**1,184,217,905**
IV	Expenses			
	Cost of Purchased Power	33	105,376,965	73,355,110
	Employee Benefit Expenses	34	68,113,850	56,592,968
	Finance costs	35	533,480,331	460,425,113
	Depreciation and amortisation Expense	36	293,330,830	263,666,350
	Other expenses	37	255,521,389	317,834,043
	Total Expense		**1,255,823,365**	**1,171,873,585**
V	**Profit/(loss) before exceptional items and tax from continuing operations (III - IV)**		**91,423,734**	**12,344,320**
VI	Exceptional items		-	-
VII	Profit/(loss) before and tax from continuing operations (V - VI)		91,423,734	12,344,320
VIII	**Tax Expense**			
	(1) Current tax	38	19,936,193	13,007,286
	(2) Deferred tax	38	131,346,605	119,560,555
			151,282,797	**132,567,841**
IX	Profit/(loss) for the period from continuing operations (VII - VIII)		**(59,859,063)**	**(120,223,521)**
X	Profit/(loss) from discontinued operations			
XI	Tax expense of discontinued operations			
XII	Profit/(loss) from Discontinued operations (after tax) (X -XI)			
XIII	**Profit/(loss) for the period (IX + XII)**		**(59,859,063)**	**(120,223,521)**
XIV	**Other Comprehensive Income**			
	A (i) Items that will not be reclassified to profit or loss			
	(a) Remeasurement of the defined benefit plans (net of tax)		(1,441,879)	(218,975)
	(ii) Income tax relating to items that will not be reclassified to profit or loss			
	B (i) Items that will be reclassified to profit or loss			
	(ii) Income tax relating to items that will be reclassified to profit or loss			
			(1,441,879)	**(218,975)**
XV	Total Comprehensive Income for the period (XII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)		**(61,300,942)**	**(120,442,496)**
XVI	Earnings per equity share (for continuing operation):			
	(1) Basic		(1.23)	(2.41)
	(2) Diluted			
XVII	Earnings per equity share (for discontinued operation):			
	(1) Basic			
	(2) Diluted			
XVIII	Earnings per equity share (for discontinued and continuing operations):			
	(1) Basic		(1.23)	(2.41)
	(2) Diluted			

The accompanying notes are an integral part of these financial statements 1 to 46

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Statement of Changes in Equity for the year ended March 31, 2017

(i)Equity Share Capital

Particulars	Amount Rs. In lakhs
Balance as at April 1, 2015	5,000
Changes during the year	-
Balance as at March 31, 2016	5,000
Changes during the year	-
As at March 31, 2017	5,000

For the year ended 31 March, 2016

Particulars	Reserves and Surplus Retained Earnings - Amount in Rs.	TOTAL Amount in Rs.
Balance as at April 1, 2015	278,631,995	278,631,995
Changes in accounting policy or prior period errors	74,617,830	74,617,830
Restated balance at the beginning of the reporting period	353,249,825	353,249,825
Total Comprehensive Income for the year	(120,442,496)	(120,442,496)
Dividends		
Transfer to retained earnings	-	-
Any other change: Income tax provisions for earlier year		-
Balance at the end of the reporting period	232,807,329	232,807,329

For the year ended 31 March, 2017

Particulars	Reserves and Surplus Retained Earnings - Amount in Rs.	TOTAL Amount in Rs.
Balance at the beginning the reporting period	232,807,329	232,807,329
Changes in accounting policy or prior period errors		-
Retained Balance at the beginning of the reporting period	232,807,329	232,807,329
Total Comprehensive Income for the year	(61,300,942)	(61,300,942)
Dividends		
Transfer to retained earnings		
Any other change -		
Balance at the end of the reporting period	171,506,387	171,506,387

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Statement of cash flows for the Year ended March 31, 2017

Amount in Rs.

		Year Ended 31st March, 2017		Year Ended 31st March, 2016	
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**				
	Net Profit before tax		**89,981,855**		**12,125,345**
	Adjustments For:				
	- Depreciation, Depletion, Amortisation & Impairment	293,330,830		263,666,350	
	- Impairment	13,137,275		105,144,634	
	-Interest on Borrowings	456,999,412		408,800,526	
	-Provision for Gratuity	2,651,493		1,296,619	
	-Provision for Leave Encashment	3,695,938		1,607,431	
	-Provision for other Employee benefits	-		2,262,258	
	-Interest Income	(23,611,619)		(25,243,994)	
	- Interest Expense on EIR Accounting	35,783,160		43,930,866	
	-Dividend Income	(9,620,005)		(14,578,351)	
	-Other (describe) - (Profit)/Loss on sale of asset & Loss on sale of asset	22,598		(9,001)	
			772,389,083		**786,877,339**
	Operating Profit before Working Capital Changes		**862,370,938**		**799,002,685**
	Adjustments for:-				
	-(Increase)/decrease in Trade and other receivables	(462,779,752)		(128,047,173)	
	-(Increase)/decrease in Other assets	227,283,180		49,836,874	
	-Increase/(Decrease) in Trade payable and other liabilities	557,943,818		1,545,187,966	
	Gratuity & Leave Encashment Paid	(1,247,748)		(3,100,013)	
			321,199,498		**1,463,877,654**
	Cash generated from Operations		**1,183,570,436**		**2,262,880,338**
	Direct Taxes Paid (Net of tax refund)		**40,581,487**		**186,363,461**
	Net Cash Flow from Operating Activities 'A'		**1,142,988,949**		**2,076,516,877**
B.	**CASH FLOW FROM INVESTING ACTIVITIES:**				
	Purchase of Fixed Assets	(723,629,420)		(1,246,520,724)	
	Sale of Fixed Assets	2,200		22,500	
	Dividend Received from Other Investments	9,620,005		14,578,351	
	Interest Received	25,146,999		27,209,768	
	Net Cash Flow from Investing Activities 'B'		**(688,860,219)**		**(1,204,710,105)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES:**				
	Long Term Borrowings	6,374,271,086		454,221,474	
	Long Term Borrowings (Repayment)	(6,449,728,408)		(559,800,000)	
	Interest Paid	(603,775,685)		(603,783,514)	
	Other (describe) - Net Transaction Cost of Refinanced Loan	(320,244)			
	Net Cash Flow from Financing Activities 'C'		**(679,553,251)**		**(709,362,040)**
	Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)		**(225,424,521)**		**162,444,732**
	Cash and Cash Equivalents as at the beginning of the year		**966,901,074**		**804,456,343**
	Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currency		-		-
	Cash and Cash Equivalents as at the end of year		**741,476,554**		**966,901,075**

Notes:

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard (Ind AS) 7 on Cash Flow statements.

Brackets indicate cash outflow/ deduction.

Amount in Rs.

For the purpose of the Statement of Cash flow, cash & cash equivalents comprises the following		
Particulars	**As at March 31, 2017**	**As at March 31, 2016**
Balances with bank:		
- on current account	67,886,971	40,039,529
Deposits with original maturity of less than three months	362,785,883	693,740,944
Deposits with original maturity of more than three months	128,072,597	-
cash on hand	6,616	16,120
Investments in Mutual Funds	182,724,487	233,104,482
Total	**741,476,554**	**966,901,075**

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Notes accompanying financial statements

Note 1: Corporate information

Mangalore SEZ Limited (MSEZ) is a Public Limited Company domiciled and incorporated in India having its Registered Office at 3rd Floor, Mangalore Urban Development Authority (MUDA) Building, Urwa Stores, Ashok Nagar, Mangalore-575006.

The Company is jointly promoted by Karnataka Industrial Area Development Board (KIADB), Oil & Natural Gas Corporation Limited (ONGC) and Infrastructure Leasing and Financial Services Limited(IL&FS).

The company's shares are unlisted and the Company is engaged in developing and maintenance of Special Economic Zone (SEZ) at Mangaluru.

Note 2: Application of new and revised Ind AS

The Ministry of Corporate Affairs (MCA) has issued a Notification dated 16.02.2015 announcing the Companies (Indian Accounting Standards) Rules, 2015. Under Phase I, listed and unlisted company with net worth of Rs. 500 Crores or more and its holding, subsidiaries, joint ventures or associates including the parent and subsidiaries to such company,will have to prepare financial statements in accordance with the Ind AS with effect from 01.04.2016 with comparatives periods beginning with 01.04.2015. Since MSEZ is an associate of ONGC and IL& FS whose net worth is more than Rs. 500 Crores, MSEZ is required to publish its financial statement in Ind AS with effect from 01.04.2016.

Note 3: Significant accounting policies

3.1. Statement of compliance:

The Standalone Financial Statements have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 and Technical Guide on Accounting for Special Economic Zones(SEZs) Development Activities, issued by the Institute of Chartered Accountants of India. These are the Company's first Ind AS Standalone Financial Statements. The date of transition to Ind AS is April 1, 2015.

Refer Note 3.24 for details of First-time adoption – mandatory exception and optional exemptions availed by the Company.

Previous period figures in the Standalone Financial Statements have been restated in compliance to Ind AS.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 11th May 2017.

Up to the year ended March 31, 2016, the Company had prepared the Standalone Financial Statements under the historical cost convention on accrual basis in accordance with the Generally Accepted Accounting Principles (Previous GAAP) applicable in India, applying the Technical Guide on Accounting for Special Economic Zones(SEZs) Development Activities, issued by the Institute of Chartered Accountants of India and the applicable Accounting Standards as prescribed under the provisions of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

In accordance with the notification dated 16th February, 2015, issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016.

In accordance with Ind AS 101-"First time adoption of Indian Accounting Standards" (Ind As101), the Company has presented a reconciliation of Shareholders' equity under previous GAAP and Ind AS as at March 31, 2016, and April 1, 2015 and of the Net Profit as per previous GAAP and Total comprehensive income under Ind AS for the year ended March 31, 2016.

3.2 Basis of Preparation:

The Standalone Financial Statements have been prepared on the historical cost basis except for certain assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

As the operating cycle cannot be identified in normal course due to the special nature of industry, the same has been assumed to have duration of 12 months. Accordingly, all assets and liabilities have been classified as current or noncurrent as per the Company's operating cycle and other criteria set out in Ind AS-I Presentation of Financial Statements (Ind AS-I) and Schedule III to the Companies Act, 2013.

The Standalone Financial Statements are presented in Indian Rupees.

Fair value Measurement:

The Company measures financial instruments at fair value at each balance sheet date.

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

3.3 Investments in subsidiaries:

The Company records the investments in subsidiaries at cost less impairment loss, if any.

3.4 Non-current assets held for sale:

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Property, Plant and Equipment and intangible assets are not depreciated or amortized once classified as held for sale.

3.5 Accounting for Government Grants and Disclosure of Government Assistance:

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

These are recognized in the Standalone Statement of Profit and Loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized at fair value as deferred revenue and disclosed as 'Deferred revenue arising from government grant a liability in the Standalone Balance Sheet and transferred to the Standalone Statement of Profit and Loss on a systematic and rational basis over the useful lives of the related assets.

3.6 Tangible Assets – Property, Plant and Equipment:

For transition to Ind AS, the Company has elected to continue with the carrying value of its Property, Plant and Equipment (PPE) recognized as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as on the transition date.

Land acquired on long term lease cum sale and to be converted into a sale subject to fulfillment of the terms and conditions is treated as finance lease and recognized under Plant, Property and Equipment.

Buildings held for use in the production or supply of goods or services or for administrative purposes, are stated in the Standalone Balance Sheet at cost less accumulated depreciation and impairment losses, if any.

PPE in the course of construction for production, supply or administrative purposes are carried at cost less accumulated depreciation less any recognized impairment loss. The cost of an asset comprises its purchase price or its construction costs (net of applicable tax credits) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of PPE when completed and ready for intended use. Parts of an item of PPE having different useful life and material value and subsequent expenditure on PPE arising on account of capital improvement or other factors are accounted for as separate components.

Depreciation of these PPE commences when the assets are ready for their intended use.

Depreciation is provided on the cost of PPE less residual value, under straight-line method in accordance with the Schedule II to the Companies Act, 2013 adopting the useful life for assets as specified therein, except for the following, whose useful life have been taken on the basis of the technical certification obtained. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Asset	Useful life (in years)
Electrical Installations & Equipments	15
Hydraulic works, pipelines & sluices	30
Marine Pipeline Asset – Pipeline Inside Sea	15
TTP Water Membranes	7

Depreciation on power distribution assets is provided at the rate of depreciation notified by Central Electricity Regulatory Commission (CERC).

The estimated useful lives and residual values are reviewed at the end of each year and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sale proceeds and the carrying amount of assets and is recognized in the Statement of Profit and Loss.

3.7 Investment properties (Freehold Land):

Property (Freehold Land) 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 properties are 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 the 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.

Transition to Ind AS

On transition to Ind AS, the company has elected to continue with the carrying value of all of its investments property (Freehold Land) recognised as at 01 April, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of investment property.

3.8 Intangible Assets:

(i) Deemed cost on transition to Ind AS:

For transition to Ind AS, the Company has elected to continue with the carrying value of intangible assets recognized as of April 1, 2015 (transition date) measured as per the Previous GAAP and use that carrying value as its deemed cost as on the transition date.

(ii) Intangible Assets and Amortization:

Intangible assets acquired are measured on initial recognition at cost.

Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably and are amortized under straight line method as follows:

- Specialized software over a period of 5 years from the month of addition.
- Cost of Barrage usage Rights is amortized on a straight line basis over the lease period/life of the underlying asset whichever is less and determined at 25 Years.

(iii) De-recognition of Intangible Assets:

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. When the asset is derecognized, Gains or losses, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized as impairment in the Statement of Profit & Loss.

3.9 Impairment of Tangible and Intangible Assets:

The Company reviews the carrying amount of its tangible and intangible assets, Property, Plant and Equipment (including Capital Works in progress) annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Loss.

An assessment is made annually as to see if there are any indications that impairment losses recognized earlier may no longer exist or may have come down. The impairment loss is reversed, if there has been a change in the estimates used to determine the asset's recoverable amount since the previous impairment loss was recognized. If it is so, the carrying amount of the asset is increased to the lower of its recoverable amount and the carrying amount that have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. After a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Reversals of impairment loss are recognized in the Statement of Profit and Loss.

3.10 Inventories:

Inventories are valued at lower of cost (weighted average method) and net realizable value.

Unserviceable and scrap items, when determined, are valued at estimated net realizable value less all costs necessary to make the sale.

Net realizable 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.

3.11 Revenue recognition:

Revenue is recognized at the fair value consideration received or receivable when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

Lease Income and Lease rentals paid are recognized in accordance with the recognition and measurement principles as per Ind AS 17 – Leases

a) Lease Premium:

Lease Premium received/receivable are recognized on straight line basis over the lease term as specified in the lease agreements.

b) Lease Rentals:

Lease rentals are recognized as and when they fall due as per the terms of the lease agreements.

c) Sale of Goods:

Revenue arising from sale of goods is recognized when the significant Risks and Rewards are passed to the buyer and the company does not retain any managerial involvement in the goods transferred and the amount of revenue can be measured reliably.

1. Income from River water and Tertiary Treatment Plant (TTP) are recognized on the basis of quantity committed/ delivered to the units and invoiced at the agreed rates.
2. Income from licensed activity (distribution of power) is recognized as per actual consumption billed at Karnataka Electricity Regulatory Commission (KERC) approved tariff.

d) Sale of Services:

Revenue from services is recognized when the outcome of services can be estimated reliably and it is probable that the economic benefits associated with rendering of services will flow to the Company, the amount of revenue can be measured reliably.

1. Operation and Maintenance charges (O&M) are recognized based on the agreement with the units. Where agreements are not finalized, O&M charges are recognized at cost plus markup.
2. Marine outfall usage charges received in advance are recognized over the useful life of the asset on proportionate basis.

e) Non-Operating Revenue:

1. Dividend income from the investments is recognized when the right to receive payment is established.
2. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is that rate exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.
3. Rental and other charges for usage of long term assets of the company which do not partake the character of lease, are recognized as and when they fall due as per the terms of the agreements.

3.12 Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset. Lease other than financial lease are classified as operating lease.

AS LESSEE:

Land acquired from KIADB on a long term lease cum sale and to be converted into a sale subject to fulfillment of the terms and conditions is treated as finance lease and recognized under Investment Property.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Prepayments towards operating lease are amortized on straight line basis over the period of the lease. Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.

AS LESSOR:

Lease agreements with a definite term with no stipulation for transfer of the ownership of the asset by the end of the lease term or for further renewal, are treated as operating lease.

Lease Premium:

Lease Premium received/receivable are recognized on straight line basis over the lease term as specified in the lease agreements.

Lease Rentals:

Lease rentals are recognized as and when they fall due as per the terms of the lease agreements

3.13 Foreign Exchange Transaction:

The functional currency of the Company is Indian Rupees which represents the currency of the economic environment in which it operates.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

a. Foreign currency monetary items are translated using the closing rate.

b. Non Monetary items measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in the previous financial statements are recognized in the statement of profit and loss of the period.

3.14 Employee Benefits:

a) Short term employee benefits

All employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service are classified as short term employee benefits.

All short term employee benefits are recognized at the undiscounted amount in the accounting period in which they are incurred.

b) Post-employment benefits

i) Defined Contribution Plans: The provident fund scheme and the employee pension scheme are defined contribution plans. The contribution paid / payable under the schemes are recognized during the period in which the employee renders the related service.

ii) Defined Benefit plans: The employee's gratuity liability is the company's defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the term of related obligations.

Actuarial gains and losses are recognized immediately in Other Comprehensive Income (OCI).

c) Long term employee benefits

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

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

3.15 Taxes on Income:

Income tax expense represents the aggregate of Current tax and Deferred tax.

(i) Current tax:

Current tax is the amount of Income tax payable in respect of the taxable profit for a period.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

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

(ii) Deferred Tax:

Deferred tax is recognized on deductable/taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statement and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to get future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with asset will be realized.

(iii) Current and deferred tax for the year:

Current and deferred tax are recognized in the Statement of Profit and Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

3.16 Borrowing Costs:

Borrowing costs specifically identified in the acquisition or construction of qualifying assets is capitalized as part of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Statement of Profit and Loss applying the "effective interest method" as described in Ind AS 109, *Financial Instruments.*

Borrowing Cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

3.17 Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent assets are disclosed in the Financial Statements by way of notes to accounts where an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

3.18 Financial instruments:

A Financial Instrument is a contract that gives rise to a financial asset or a financial liability or an equity instrument of another entity.

Financial assets and financial liabilities are recognized when Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Profit and Loss.

3.19 Financial assets:

Cash and cash equivalents:

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

Financial assets at amortized cost:

Financial assets are subsequently measured at amortized cost using the effective interest method if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income:

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

Financial assets at fair value through profit or loss:

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition.

Impairment of financial assets:

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

a) Lease receivables under Ind AS 17

b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

The Company follows ‘simplified approach’ for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

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

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

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

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

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

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

Derecognition of financial assets:

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the Statement of Profit and Loss.

3.20 Financial liabilities:

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

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and delivered financial instruments.

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

Financial liabilities at fair value through profit and loss:

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

Gains or losses on liabilities held for trading are recognized in the profit and loss.

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

Loans and borrowings:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

The category generally applies to borrowings.

Financial guarantee contracts:

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor falls to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

Derecognition:

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

Financial liabilities:

Financial liabilities are measured at amortized cost using the effective interest method.

De-recognition of financial liabilities:

The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the Statement of Profit and Loss.

3.21 Earnings per share:

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

3.22 Cash Flow Statement:

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

3.23 Operating Segments:

Operating Segments are identified based on the business activities from which they earn revenue and incur expenses and whose operating results are regularly reviewed by the entities Chief operating decision maker and for which discrete financial information is available.

3.24 First-time adoption – mandatory exceptions and optional exemptions:

(i) Overall principle:

The Company has prepared the opening balance sheet as per Ind AS as of April 1, 2015 (the transition date) by recognizing all assets and liabilities whose recognition is required by Ind AS, not recognizing items of assets or liabilities which are not permitted by Ind AS, by reclassifying certain items from Previous GAAP to Ind AS as required under the Ind AS, and applying Ind AS in the measurement of recognized assets and liabilities. However, this principle is subject to certain mandatory exceptions and certain optional exemptions availed by the Company as detailed below.

(ii) De-recognition of financial assets and financial liabilities:

The Company has applied the de-recognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after April 1, 2015 (the transition date)

(iii) Classification of debt instruments:

The Company has determined the classification of debt instruments in terms of whether they meet the amortized cost criteria or the fair value through other comprehensive income (FVTOCI) criteria based on the facts and circumstances that existed as of the transition date.

(iv) Impairment of financial assets:

The Company has applied the impairment requirements of Ind AS 109 retrospectively; however, as permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognized in order to compare it with the credit risk at the transition date. Further, the Company has not undertaken an exhaustive search for information when determining, at the date of transition to Ind AS, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101.

(v) Deemed cost for Property, Plant and Equipment and Intangible assets:

The Company has elected to continue with the carrying value of all of its Property, Plant and Equipment, and intangible assets recognized as of April 1, 2015 (transition date) measured as per the Previous GAAP and use that carrying value as its deemed cost as of the transition date.

(vi) Determining whether an arrangement contains a lease:

The Company has applied Appendix C of Ind AS 17 for determining whether an arrangement contains a Lease at the transition date on the basis of facts and circumstances existing at that date.

(vii) Investments in subsidiaries:

The Company has elected to carry its investments in subsidiaries at deemed cost being carrying amount under Previous GAAP on the transition date.

3.25 Critical Accounting Judgments and Key Sources of Estimation Uncertainty:

Application of many of the accounting policies used in preparing the Financial Statements, MSEZ Management makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual outcomes could differ from the estimates and assumptions used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

Key source of judgments and estimation of uncertainty in the preparation of the Financial Statements which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of impairment, useful lives of Property, Plant and Equipment, retirement benefit obligations, provisions, valuation of deferred tax assets and contingent assets & liabilities.

3.26 Critical judgments in applying accounting policies:

The following are the critical judgements, apart from those involving estimations (Refer note 41), that the Management have made in the process of applying the Company's accounting policies and that have the significant effect on the amounts recognized in the Financial Statements.

3.27 Key sources of estimation uncertainty:

Information about estimates and assumptions that have the significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may differ from these estimates.

a) **Impairment of assets:**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired, if any indication exists, or when annual impairment testing for an asset is required, the Company estimates that asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, when the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on investments, are recognized in the statement profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation surplus.

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

b) **Defined benefit obligation (DBO):**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Notes accompanying financial statements

Note 4: Plant, Property & Equipment

Amount in Rs.

	Gross carrying value				DEPRECIATION / AMORTISATION				Net carrying value	
	As at 01.04.2016	Additions during the year	Deductions / Adjustments	As at 31.03.2017	As at 01.04.2016	Additions during the year	Deductions / Adjustments	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Land - Leasehold	3,623,745	-	-	3,623,745	213,076	217,194	-	430,270	3,193,475	3,410,669
Building	1,066,221,489	417,775,204	2,231,874	1,481,764,819	21,486,813	23,914,980	27,419	45,374,374	1,436,390,445	1,044,734,676
Plant and equipment	3,429,762,072	265,234,421	198,411	3,694,798,082	106,301,655	114,147,231	198,411	220,250,475	3,474,547,607	3,323,460,417
Furniture and fixtures	7,522,694	349,765	-	7,872,459	1,284,660	1,469,437	-	2,754,097	5,118,362	6,238,034
Vehicle	-	19,155,739	-	19,155,739	-	1,682,687	-	1,682,687	17,473,052	-
Office equipments	5,467,548	397,729	43,100	5,822,177	1,358,820	1,361,174	18,302	2,701,692	3,120,485	4,108,728
Roads	672,527,948	26,417,192	1,685,003	697,260,137	125,876,942	144,227,376	281,755	269,822,563	427,437,574	546,651,006
Total	5,185,125,496	729,330,050	4,158,388	5,910,297,158	256,521,966	287,020,079	525,887	543,016,158	5,367,281,000	4,928,603,530
Previous Year	3,357,085,662	1,832,125,624	4,085,789	5,185,125,496		257,131,706	609,740	256,521,966	4,928,603,530	3,357,085,662

Amount in Rs.

	Gross carrying value				DEPRECIATION / AMORTISATION				Net carrying value	
	As at 01.04.2015	Additions during the year	Deductions / Adjustments	As at 31.03.2016	As at 01.04.2015	Additions during the year	Deductions / Adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land - Leasehold	3,623,745	-	-	3,623,745	-	213,076		213,076	3,410,669	3,623,745
Factory Building	678,376,028	390,492,097	2,646,636	1,066,221,489	-	21,520,628	33,815	21,486,813	1,044,734,676	678,376,028
Plant and equipment	2,196,826,578	1,233,966,730	1,031,236	3,429,762,072	-	106,483,162	181,507	106,301,655	3,323,460,417	2,196,826,578
Furniture and fixtures	5,033,431	2,489,263	-	7,522,694	-	1,284,660	-	1,284,660	6,238,034	5,033,431
Office equipments	2,823,167	3,052,298	407,917	5,467,548	-	1,753,238	394,418	1,358,820	4,108,728	2,823,167
Roads	470,402,712	202,125,236	-	672,527,948	-	125,876,942		125,876,942	546,651,006	470,402,712
Total	3,357,085,662	1,832,125,624	4,085,789	5,185,125,496	-	257,131,706	609,740	256,521,966	4,928,603,530	3,357,085,662
Previous Year	14,981,800	3,470,021,462	157,298	3,484,845,964	-	127,830,751	70,449	127,760,302	3,357,085,662	14,981,800

4(i) The company has taken borrowings from bank which carry charge over all the assets of the company (refer Note no.22 (i) Towards security and pledge).

4(ii) Refer Note No.44(b) for disclosure of contractual commitments for acquistion of Plant, Property & Equipment

Notes accompanying financial statements

Note 5: Capital work in progress

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Capital work in progress			
Development of Land	990,377,223	939,587,206	1,273,161,227
Infrastructrure Development	3,519,720,170	3,499,288,670	3,653,942,398
Total	**4,510,097,393**	**4,438,875,876**	**4,927,103,625**

5 (i) Capital work in Progress includes interest capitalized during the year Rs.110,321,219 (Previous Year Rs.184,942,880)

5 (ii) Capital work in progress includes Rs.990,377,223 as on 31.03.2017 (includes PDE allocation as at 31.03.2017) (previous year Rs.938,517,987), mandatory and unavoidable expenditure incurred on creation of infrastructure at R&R colony, pursuant to the Government of Karnataka ORder No.KE 309 REH, 2006, Bangalore dated 20.06.2007. The expenditure will be transferred to the cost of land in the year in which the obligation is completed.

5 (iii) The Company has an obligation vide Government Order no. RD 309 REH 2006 dated 20.06.2007 to provide various compensations to the Project Displaced Families (PDFs) including one job per family and sites for construction. The PDFs can opt for cash in lieu of site and cash in lieu of job. The estimated provision in respect of various compensations is as under which has been included in development of land.

Amount in Rs.

Particulars	As at 31.03.2017	As at 31.03.2016
Rehabilitation Compensation including training	11,211,961	45,139,716
Rehabilitation Colony Development Cost	75,163,040	77,054,539
Total	**86,375,001**	**122,194,255**

The Company has made the above provision based on present obligation as a result of past event.

Further, the said R&R package has been amended vide G.O. no. RD 116 REH 2011 dated 02.12.2011 by including the following:

a) Exit Option - the PDF's can opt for an ex-gratia cash in lieu of employment, in addition to the one time cash compensation payable as per earlier G.O.

b) Payment of stipend/sustenance allowance to PDF/nominees who do not opt for the ex-gratia as mentioned in option (a) above.

5 (iv) The company has taken borrowings from bank which carry charge over all the assets of the company (refer Note no. 22 (i) Towards security and pledge).

5(v) Refer Note No.44 (b) for disclosure of contractual commitments for acquistion of Plant, Property & Equipment

Notes accompanying financial statements

Note 6: Investment Property

Amount in Rs.

	Gross carrying value				AMORTISATION			Net Carrying value		
	As at 01.04.2016	Additions during the year	Deductions/Adjustments	As at 31.03.2017	As at 01.04.2016	Additions during the year	Deductions/Adjustments	As at 31.03.2017	As At 31.03.2016	As At 01.04.2015
Land - Leasehold	4,398,886,563	50,363,250	12,824,662	4,436,425,151	-	-	-	**4,436,425,151**	4,398,886,563	4,313,946,854
Previous Year	4,313,946,855	129,205,294	44,265,586	4,398,886,563				**4,398,886,563**	**4,313,946,854**	

6(i) Land lease

Execution of lease cum sale agreement

Total Area (Acres) as on 31.03.2017	Agreement date	Lease Commencement date	Area Registered as on 31.03.2017 (Acres)	Land surrendered to KIADB (Acres)	Balance not registered as on 31.03.2017 (Acres)	Total Area as on 31.03.2016 (Acres)	Area Registered as on 31.03.2016 (Acres)	Balance Not registered as on 31.03.2016 (Acres) (after surrender to KIADB)
1985.15	28.12.2010* 29.06.2011#	27.01.2010 27.12.2010	1543.21		441.94	1985.15	1543.21	441.94
2.47	07.12.2011	28.10.2011	2.47		-	2.47	2.47	
86.5242	03.11.2014	25.07.2012	86.5242		-	86.5242	86.5242	
274.36			-	251.23	23.13	274.36		23.13
7.35					7.35	7.35		7.35
2355.85			**1632.20**	**251.23**	**472.42**	**2355.85**	**1632.20**	^472.42

* For 1533.22 acres

For 9.99 acres

^ Includes 152.153 Acres allocated to project displaced families

Amount in Rs.

6(ii) Amount recognised in Profit & Loss Account for investment property	For the Year 31.03.17	For the Year 31.03.16
Rental Income	172,856,562	144,639,463
Direct Operating Expenses from property that generate direct rental income	29,192,713	28,165,828
Direct Operating Expenses from property that did not generate direct rental income		
Profit from investment property before depreciation	143,663,849	116,473,635
Depreciation		
Profit from investment property	143,663,849	116,473,635

6(iii) No fair value has been obtained for investment property

6(iv) The lenders (banks) have right to assign the lease rental in favour of banks in the event of default in payment of installments.

6(v) Refer Note No.44(b) for discloure of contraucal obligation to purchase, construct or develop investment property or for its repairs, maintenance or enhancement

Notes accompanying financial statements

Note 7: Other Intangible Assets

Amount in Rs.

	Gross carrying value				AMORTISATION				Net carrying value	
	As at 01.04.2016	Additions during the year	Deductions / Adjustments	As at 31.03.2017	As at 01.04.2016	Additions during the year	Deductions / Adjustments	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Intangible Assets										
Specialised Software	5	165,000	-	165,005	-	17,901	-	17,901	147,104	5
Barrage usage rights	158,448,580	-	-	158,448,580	6,602,024	6,602,024	-	13,204,048	145,244,532	151,846,556
Total	**158,448,585**	**165,000**	-	**158,613,585**	**6,602,024**	**6,619,925**	-	**13,221,949**	**145,391,636**	**151,846,561**
Previous Year	158,448,585	-	-	158,448,585	-	6,602,024		6,602,024	151,846,561	158,448,585

Amount in Rs.

	Gross carrying value				AMORTISATION				Net carrying value	
	As at 01.04.2015	Additions during the	Deductions / Adjustments	As at 31.03.2016	As at 01.04.2015	Additions during the	Deductions / Adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Intangible Assets										
Specialised Software	5	-		5	-	-	-	-	5	5
Barrage usage rights	158,448,580	-		158,448,580	-	6,602,024	-	6,602,024	151,846,556	158,448,580
Total	**158,448,585**	-	-	**158,448,585**	-	**6,602,024**	-	**6,602,024**	**151,846,561**	**158,448,585**
Previous Year	39,647	165,050,604		165,090,251	-	6,641,666	-	6,641,666	158,448,585	39,647

Notes accompanying financial statements

Note 8: Investments

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
In Subsidiaries Investment in Equity Instruments fully paid up Unquoted Equity Shares			
35,000 (31 March, 2016: 35,000 shares, 1st April 2015 35,000) equity shares of Rs.10 each. Mangalore STP Limited (Partly owned subsidiary)	350,000	350,000	350,000
50,000 (31 March, 2016: 50,000 shares, 1st April 2015 50,000) equity shares of Rs.10 each. MSEZ Power Limited (Wholly owned subsidiary)	500,000	500,000	500,000
Total	**850,000**	**850,000**	**850,000**

Aggregate book value of Unquoted Investments - At cost	850,000	850,000	850,000

Note 9: Trade Receivable

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Receivables form related parties	-	-	-
Receivables from others	219,827,434	-	-
Total	**219,827,434**	**-**	**-**

Break-up for Security Details Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Secured, considered good	-	-	-
Unsecured, considerd good	219,827,434	-	-
Doubtful	-	-	-
	219,827,434	**-**	**-**
Unsecured, considered good			
Impairment Allowance (allowance for bad and doubtful debts)	-	-	-
Total	**219,827,434**	**-**	**-**

No Trade or other receivable are due from directors or other officers of the company either severally or jointly with any other persons nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner or a director or a member

Note 10: Loans & advances

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Security Deposit	57,511,599	57,016,682	78,845,499
Total	**57,511,599**	**57,016,682**	**78,845,499**

Notes accompanying financial statements

Break-up for Security Details (Note 10 Contd.)

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Secured, considered good	-	-	-
Unsecured, considerd good	57,511,599	57,016,682	78,845,499
Doubtful		-	-
Total	57,511,599	57,016,682	78,845,499

Note 11: Others

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Deposits with banks (more than 12 months)	25,000	25,000	25,000
Total	**25,000**	**25,000**	**25,000**

Note 12: Other Non current Assets

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Capital Advance:			
Related Party	34,161,952	26,800,402	49,952,902
Others	50,732,933	96,260,940	81,358,948
Others:			
Income Tax (Net of Provision)	186,532,220	25,489,075	24,205,948
Total	**271,427,105**	**148,550,417**	**155,517,798**

12 (i) Capital Advances to related party represents an advance of Rs.34,161,952 (previous year Rs.26,800,402) paid to Karnataka Industrial Area Development Board (KIADB) towards acquistion of Land.

Note 13: Trade Receivables

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Receivables form related parties	129,728,445	48,228,894	116,343,471
Receivables from others	356,774,439	208,458,945	117,441,829
Total	**486,502,884**	**256,687,839**	**233,785,300**

Break-up for Security Details

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Secured, considered good	-	-	-
Unsecured, considerd good	534,359,084	291,406,766	233,785,300
Doubtful	62,609,952	77,730,323	7,304,616
	596,969,036	**369,137,088**	**241,089,915**

Unsecured, considered good

Impairment Allowance (allowance for bad and doubtful debts)	(110,466,152)	(112,449,250)	(7,304,616)
Total Trade Receivables	486,502,884	256,687,839	233,785,300

No Trade or other receivable are due from directors or other officers of the company either severally or jointly with any other persons nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner or a director or a member.

Notes accompanying financial statements

Note 14: Cash & cash equivalents

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Balances with banks:			
-Current accounts	67,886,971	40,039,529	24,412,472
- Deposits with original maturity of less than three months	362,785,883	693,740,944	700,000,000
Cash on hand	6,616	16,120	17,740
Investments in Mutual Funds:			
179239.058 units of Rs.1019.4457 each (Previous Year 228658.066 units of Rs.1019.4457 each) UTI Liquid cash plan daily dividend reinvestment option	182,724,487	233,104,482	80,026,131
Total	**613,403,957**	**966,901,075**	**804,456,343**

Note 15: Bank Balances other than above

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Balances with banks:			
Deposits with original maturity of more than three months	128,072,597	-	
Total	**128,072,597**	-	-

Note 16: Loans & Advances

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Security Deposits	1,173,296	1,173,296	1,173,296
Total	**1,173,296**	**1,173,296**	**1,173,296**

Break-up for Security Details

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Secured, considered good	-	-	-
Unsecured, considerd good	1,173,296	1,173,296	1,173,296
Doubtful	-	-	-
Total	**1,173,296**	**1,173,296**	**1,173,296**

Note 17: Others

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Due from Related Parties	31,647,352	42,366,282	107,137,951
Due from Others	102,405		
Unbilled Revenue	-	120,753,867	-
Total	**31,749,757**	**163,120,149**	**107,137,951**

Notes accompanying financial statements

Note 18: Current tax asset (net)

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Income tax (Net of provisions)	45,184,155	185,582,006	
Total	**45,184,155**	**185,582,006**	-

Note 19: Other current assets

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Advance to Suppliers	3,269,060	28,714,386	69,341,281
Interest accrued but not due	3,739,439	5,274,819	7,240,593
Prepaid Expenses	2,560,023	9,694,588	6,927,112
Service Tax	2,403,134	4,590,065	3,717,763
VAT	12,681,197	36,562,844	49,636,634
Others	407,221		25,678,840
Total	**25,060,074**	**84,836,702**	**162,542,223**

Note 20. Equity Share Capital and Other Equity

(a) Equity Share Capital

Details of Authorised, Issued, Subscribed and Paid up Share Capital

Description	Number	As at 31st March 2017 - Amount in Rs.	Number	As at 31st March 2016 - Amount in Rs.	Number	As at 01st April 2015 - Amount in Rs.
Authorised :						
425000000 Equity Shares of Rs. 10 each	425,000,000	4,250,000,000	425,000,000	4,250,000,000	425,000,000	4,250,000,000
(Previous Year 425000000 Equity Shares of Rs. 10 each)						
Issued						
100000000 Equity Shares of Rs. 10 each fully paid up	100,000,000	1,000,000,000	100,000,000	1,000,000,000	100,000,000	1,000,000,000
(Previous Year 100000000 Equity Shares of Rs. 10 each)						
Subscribed and fully Paid up						
50001200 Equity Shares of Rs. 10 each fully paid up	50,001,200	500,012,000	50,001,200	500,012,000	50,001,200	500,012,000
(Previous Year 50001200 Equity Shares of Rs. 10 each)						
	50,001,200	**500,012,000**	**50,001,200**	**500,012,000**	**50,001,200**	**500,012,000**

Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period:

Particulars	No. of Shares	Amount in Rs.
Balance as at April 1, 2015	**50,001,200**	**500,012,000**
Changes during the year	-	-
Balance as at March 31, 2016	**50,001,200**	**500,012,000**
Chnages during the year	-	-
Balance as at March 31, 2017	**50,001,200**	**500,012,000**

Notes accompanying financial statements

Terms / rights attached to equity shares:

(i) The Company has issued only one class of equity shares and no securities have been issued with the right / option to convert the same into equity shares at a later date.
(ii) No shares have been reserved for issue under options and contracts / commitments for the sale of shares / disinvestment.
(iii) The shares issued and subscribed carry equal rights and voting power.
(iv) All the shares issued and subscribed carry equal right of dividend declared by the Company and no restrictions are attached to any specific shareholder.

Name of Equity Shareholders	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Infrastructure Leasing and Financial Services Ltd	25,000,000	50%	25,000,000	50%	25,000,000	50%
Oil and Natural Gas Corporation Ltd	13,000,000	26%	13,000,000	26%	13,000,000	26%
Karnataka Industrial Area Development Board	11,500,000	23%	11,500,000	23%	11,500,000	23%

Note 21: Equity Share Capital and Other Equity

(b) Other Equity

Retained Earnings

Amount in Rs.

Particulars	Retained Earnings	Total
Balance at April 1, 2015	353,249,825	353,249,825
Total Comprehensive Income for the year	(120,442,496)	(120,442,496)
Income tax provision for, previous year	-	-
Balance at March 31, 2016	**232,807,330**	**232,807,330**

Amount in Rs.

Particulars	Retained Earnings	Total
Balance at April 1, 2016	232,807,330	232,807,330
Total Comprehensive Income for the year	(61,300,942)	(61,300,942)
Income tax provision for, previous year	-	-
Balance at March 31, 2017	**171,506,387**	**171,506,387**

Notes accompanying financial statements

Note - 22: Borrowings

Amount in Rs.

Particulars	Effective interest rate	As at March 31, 2017	Effective interest rate	As at March 31, 2016	Effective interest rate	As at April 01, 2015
Term Loan						
Secured Loan from Bank	9.35%	5,725,713,299	10.75%	4,684,254,661	10.75%	5,375,852,435
Total		**5,725,713,299**		**4,684,254,661**		**5,375,852,435**

22 (i). Secured by mortagage of the land and structure/lease hold rights, of the entire immovable assets of the borrower both present and future, excluding land & structure pertaining to the rehabiltation and resettlement of the colony and lands for which lease agreements with tenants of the SEZ project already in place. First charge on the entire assets of the borrower present and future both movable and immovable. First charge on all revenues/receivable accruing to the project.

22 (ii). During the year the company has availed fresh loan from State Bank of India for Rs.5850 Million and preclosed the earlier loan due to IOB led consortium bankers.

22 (iii). The new Term loan is Repayable in 62 unequal quarterly instalments commencing from 31st December 2016.

22 (iv) Interest on the loan paid is at 0.4% above 1 year MCLR rate of the lender.

22 (v) There has been no default in payment of principle/interest during the year.

22 (vi) Out of the total sanction of Rs. 5850 million , the Company has availed ng to Rs.5840 million as at 31.03.17 out of which company has repaid Rs.32.76 Million.

22(vii) Term of repayment is given below in Rupees millions.

Financial Year	QTR	QTRLY Installment	Yearly
2016 - 17	1 to 2	16.38	32.76
2017 - 18	3 to 6	16.38	65.52
2018 - 19	7 to 10	24.62	98.48
2019 - 20	11 to 14	32.86	131.44
2020 - 21	15 to 18	41.10	164.40
2021 - 22	19 to 22	57.58	230.32
2022 - 23	23 to 26	74.05	296.20
2023 - 24	27 to 30	90.53	362.12
2024 - 25	31 to 34	107.01	428.04
2025 - 26	35 to 38	115.25	461.00
2026 - 27	39 to 42	123.49	493.96
2027 - 28	43 to 46	139.97	559.88
2028 - 29	47 to 50	148.21	592.84
2029 - 30	51 to 54	156.45	625.80
2030 - 31	55 to 58	160.57	642.28
2031 - 32	59 to 62	164.69	654.96
			5,840

Notes accompanying financial statements

Note 23: Other financial liabilities

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Security Deposit	1,840,276	1,727,037	1,727,037
Retention Money Payable		-	339,757
Total	**1,840,276**	**1,727,037**	**2,066,794**

Note 24 : Provisions

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Provision for employee benefits			
Gratuity	6,742,116	4,454,116	3,423,223
Compensated Absence	6,482,325	4,173,388	3,650,236
Total	**13,224,441**	**8,627,504**	**7,073,459**

Note 25: Deferred tax liabilities

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Deferred tax assets	-	-	-
Deferred tax liabilities	354,938,090	223,591,487	104,030,932
Deferred tax (net)	(354,938,090)	(223,591,487)	(104,030,932)

	Opening balance	Recognised in Profit and Loss Account	Closing balance
Deferred tax (liabilities)/assets in relation **Deferred Tax Assets**			
Provision for Non Moving Inventories	-	-	-
Provision for Doubtful debts/Advances/Claims/Interest	-	-	-
Expenses Disallowed Under Income Tax	-	-	-
FVTPL financial Assets	-	-	-
Financial Assets at FVTOCI	-	-	-
Defined benefit obligation	-	-	-
Others (describe)			-
Total Assets	-	-	-
Deferred Tax Liabilities			
Property, plant and equipment	205,358,758	121,166,701	326,525,458
Intangible assets	18,232,728	5,177,393	23,410,121
FVTPL financial laibilities	-	5,002,511	5,002,511
Total Liabilities	**223,591,486**	**131,346,605**	**354,938,090**
Net Deferred Tax Liabilites	**223,591,486**	**131,346,605**	**354,938,090**

Note: The company avails 80IAB exemption under income tax Act, 1965. Hence most of the differences in deferred taxed are permanent in nature.

Notes accompanying financial statements

Note 26 : Other non current liabilities

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Lease Premium received in advance (Refer Note No.26(ii) below			
-Related Parties	2,349,235,124	2,292,736,468	2,346,169,659
-Others	2,791,253,874	2,197,443,252	2,248,711,320
Advance Related Parties (Refer note No.26(i) below)	1,967,240,084	1,815,806,751	1,261,065,951
Usage charges for marine assets received in advance (Refer Note Note 26(iii) below)	335,672,936	348,105,266	-
Advance Others	682,753,500	610,300,854	86,842,585
Deferred government grant	160,000,000	130,000,000	-
Total	**8,286,155,518**	**7,394,392,591**	**5,942,789,515**

26(i)

Amount in Rs.

Name of Party	Nature of transctions	As at 31st March 2017	As at 31st March 2016	As at April 01, 2015
Mangalore Refinery and Petrochemicals Limited	Lease of land for constuction of PP-Petcoke evacuation road	109,931,847	-	
ONGC Mangalore Petrochemicals Limited	Lease Premium	2,239,303,277	2,292,736,468	2,346,169,659
Total		**2,349,235,124**	**2,292,736,468**	**2,346,169,659**
Mangalore Refinery and Petrochemicals Limited	Advance towards corridor cost	975,733,333	900,000,000	80,000,000
ONGC Mangalore Petrochemicals Limited	Advance towards corridor cost	975,700,000	900,000,000	800,000,000
ONGC Mangalore Petrochemicals Limited	Advance Operation & Maintenance charges	3,127,164	3,127,164	5,265,951
Mangalore Refinery and Petrochemicals Limited	Advance Operation & Maintenance charges-Marine outfall	622,209	622,209	
Mangalore Refinery and Petrochemicals Limited	Advance Operation & Maintenance charges-River water	7,484,710	7,484,710	
Mangalore Refinery and Petrochemicals Limited	Advance Operation & Maintenance charges-Marine outfall-TTP water	4,572,668	4,572,668	
ONGC Mangalore Petrochemicals Limited	Advance towards marine outfall infrastructure			107,400,000
Mangalore Refinery and Petrochemicals Limited	Advance towards marine outfall infrastructure			268,400,000
Total		**1,967,240,084**	**1,815,806,751**	**1,261,065,951**

26(ii) Lease premium received represent unamortised portion of lease premium received from customers as per agreement to be recognised as income over the primary lease period on time proportion basis.

26(iii) Usage charges for marine assets received in advance from ONGC Mangalore Petrochemicals Limited (OMPL) & Mangalore Refinery and Petrochemicals Limited MRPL represents unamortized portion of usage charges received from customers as per agreement to be recongised as income over the useful life of assets on proportionate basis.

Notes accompanying financial statements

Note 27 : Trade Payables

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Trade Payables	47,129,789	33,111,469	15,670,856
Total	**47,129,789**	**33,111,469**	**15,670,856**

27 (i) The classification of the suppliers under Micro, Small and Medium Enterprises Development Act, 2006 is made on the basis of information made available to the Company.

27 (ii) Disclosure requirement as required under Micro, Small, & Medium Enterprises Development Act, 2006 is as follows

Particulars	2016-17	2015-16
i) Principal amount remaining unpaid but not due as at year end to micro, small and medium enterprises	Nil	Nil
ii) Interest due thereon as at year end	Nil	Nil
iii) Interest paid by the Company in terms of section 16 of Micro, Small and Medium Enterprises Development Act, 2006	Nil	Nil
iv) Interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
v) Interest accrued and remaining unpaid as at year end	Nil	Nil
vi) Further interest remaining due and payable even in the succeeding periods, until such date when the interest dues as above are actually paid to the small enterprise	Nil	Nil

Note 28: Other financial liabilities

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Current maturity of long term debt at amortized cost	65,337,344	1,182,253,304	552,303,190
Interest accrued but not due on borrowings	-	604,499	1,029,340
Retention Money	229,229,818	407,223,552	477,596,536
Security Deposits			
Related Party	15,400,000	20,891,328	27,114,856
Others	22,043,767	21,794,480	20,600,000
Vendors	236,866	271,278	346,268
Earnest Money Deposit	4,892,050	5,202,050	6,589,500
Others			
- Liability for Related Party (Refer Note 28(i) below)	382,900,277	393,723,437	403,147,410
- Liability for others	103,090,795	112,701,366	78,675,050
- Liability for capital goods	134,750,937	260,774,431	176,036,116
Total	**957,881,854**	**2,405,439,725**	**1,743,438,266**

28(i) Include due to related parties Rs.381,771,173/- (Previous year Rs.393,723,437/) payable to Karnataka Industrial Area Development Board (KIADB) towards land taken on lease cum sale basis and the same is subject to confirmation. Payable to Mangalore STP Ltd towards O&M expenses of STP of Rs.1,129,104/- (Previous year Rs. Nil) , to Infrastrcuture Leasing & Financial Services towards expense Rs.551,722/- (Previous year Rs.457,341/-)

Notes accompanying financial statements

Note 29: Other current liabilties

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Lease premium received in advance			
- Related Party	56,061,044	53,433,191	53,433,191
- Others	68,987,578	51,268,068	51,268,068
Marine Outfall Usage charges received in advance			
-Related parties	12,432,330	12,432,330	-
Advance Received towards infrastructure facility	44,973,157	47,652,300	-
Other liabilities :			
Statutory payments	11,569,764	11,331,985	21,082,281
Total	**194,023,873**	**176,117,874**	**125,783,540**

Note 30: Provisions

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Provision for employee benefits			
Gratuity	551,946	241,373	92,869
Compensated Absence	630,564	438,391	2,336,903
Rehabilitation & Resettlement cost (refer note 5 (iii))	86,375,001	122,194,255	128,520,742
Total	**87,557,511**	**122,874,019**	**130,950,514**

Note 31: Revenue from operations

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Sale of Products		
River water charges	522,192,499	423,917,255
TTP water charges	113,314,940	118,231,548
Sale of power -Licensed activity	171,264,873	116,461,333
Sale of Services		
Lease Premium	114,331,364	104,701,259
Lease Rental	58,525,198	39,938,204
O&M Charges - River water, TTP Water, Marine outfall & Zone	293,174,967	284,651,488
Marine Outfall Right of Usage charges	12,432,330	12,432,330
Total	**1,285,236,171**	**1,100,333,417**

Note 32: Other Income

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Interest Income on short term deposits with banks and other interest	23,611,619	25,243,994
Dividend Income	9,620,005	14,578,351
Other Non operating income	27,641,130	42,538,691
Miscellaneous Income	1,138,174	1,523,452
Total	**62,010,928**	**83,884,488**

Notes accompanying financial statements

Note 33: Cost of Purchased Power

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Purchase of Power	105,376,965	73,355,110
Total	**105,376,965**	**73,355,110**

Note 34: Employee Benefit Expenses

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Salaries, wages and bonus	63,188,585	53,030,988
Contribution to provident and other Funds	1,142,513	839,934
Staff welfare expenses	3,782,752	2,722,046
Total	**68,113,850**	**56,592,968**

Note 35: Finance costs

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Interest on debt	492,782,572	452,731,392
Other borrowing cost	37,800,261	3,886,892
Interest on financial liability not under fair value through profit or loss	2,897,498	3,806,829
Total	**533,480,331**	**460,425,113**

Note 36: Depreciation and Amortisation Expense

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Depreciation on Tangible assets	286,493,711	256,851,250
Amortisation of Intangible assets	6,837,119	6,815,100
Total	**293,330,830**	**263,666,350**

Note 37: Other Expenses

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Rent	4,438,011	3,916,202
Rates and taxes	231,740	313,558
Repair and Maintenance	159,882,741	149,376,543
Insurance	5,643,832	3,475,946
Advertising and publicity	2,119,948	2,021,023
Travelling expenses	14,932,858	12,479,296
Professional & consultancy charges	38,880,127	23,990,518
Impairment allowance (Provision for bad & doubful debts)	13,137,275	105,144,634
Auditors Remuneration:		
Audit Fees	325,000	280,000
Taxation matter	62,500	62,500
Other Services	125,000	125,000
Out of pocket expenses	319,360	396,959
Miscellaneous Expenses	15,422,998	16,251,865
Total	**255,521,389**	**317,834,043**

Notes accompanying financial statements

Note 38: Income tax expense

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Current tax:		
Current tax on profits for the year	19,920,926	13,508,958
Adjustments for current tax of prior periods	15,267	(501,672)
Total current tax expense	19,936,193	13,007,286
Deferred tax:		
Relating to originating and reversal of temporary timing difference	131,346,605	119,560,555
Income Tax expense	**151,282,797**	**132,567,841**

38 (i) Reconciliation of tax expense and the accounting profit multiplied by Indian domestic rate for 31 March 2017 and 31 March 2016

Amount in Rs.

Particulars	**31-Mar-17**	**31-Mar-16**
Accounting Profit	91,423,734	80,834,947
Profit/(Loss) before tax from a discontined operations	-	-
Accounting Profit before Income tax	**91,423,734**	**80,834,947**
At Indian Statutory domestic rate of 20.3885% (31 March 2016 20.3885%) - (Refer Note 38(ii))	18,639,928	16,481,033
Dividend income exempt from tax	1,535,735	2,972,307
Non deductable expenses for the tax purposes:	2,678,493	
One time IND AS transition effects	137,808	
At effective income tax rate 21.78% (31 March 2016 - 16.71%)	19,920,926	13,508,958

38 (ii) The Company has recognised Minimum Alternate Tax on the Book Profits as required under section 115JB of the Income Tax Act, since the Company is eligible for tax holiday for a period of 10 years from the FY 2011-12 in respect of income relatable to SEZ activities in accordance with section 80I(AB) of the Income Tax Act.

Note 39: " Dues from" and "due to" related parties are based on the books of account of the company and confirmation of balance have not been obtained.

Notes accompanying financial statements

Note 40: Effect of IND AS adoption on the Balance Sheet as at 1 April 2015
(date of IND AS transition)

Amount in Rs.

	Particulars	IGAAP As at March 31,2015 end of last period presented under previous GAAP	Effect of Transition to IND AS	IND AS As at April 1,2015
	ASSETS			
(1)	**Non-current assets**			
	(a) Property, plant and equipment	7,671,032,517	(4,313,946,855)	3,357,085,662
	(b) Capital work in progress	4,927,103,625	-	4,927,103,625
	(c) Investment Property	-	4,313,946,854	4,313,946,854
	(d) Other Intangible Assets	158,448,585	-	158,448,585
	(e) Financial Assets			
	(i) Investments	850,000	-	850,000
	(ii) Loans & advances	-	78,845,499	78,845,499
	(iii) Others		25,000	25,000
	(f) Other non-current assets	234,388,297	(78,870,499)	155,517,798
	Total Non Current Asset	**12,991,823,024**	**(1)**	**12,991,823,023**
(2)	**Current assets**			
	(a) Inventories	-	-	-
	(b) Financial Assets			
	(i) Trade receivables	241,089,915	(7,304,615)	233,785,300
	(ii) Cash and cash equivalents	804,456,343	-	804,456,343
	(iii) Loans & advances		1,173,296	1,173,296
	(iv) Others	-	132,816,791	107,137,951
	(c) Other current assets	270,853,470	(133,990,087)	162,542,223
	Total Current Assets	**1,316,399,728**	**(7,304,616)**	**1,309,095,113**
	Total assets	**14,308,222,752**	**(7,304,617)**	**14,300,918,136**
	EQUITY AND LIABILITIES			
(1)	**Equity**			
	(a) Equity Share capital	500,012,000	-	500,012,000
	(b) Other equity	278,631,995	74,617,830	353,249,825
	Total equity	**778,643,995**	**74,617,830**	**853,261,825**
(2)	**Non-current liabilities**			
	(a) Financial Liabilities			
	(i) Borrowings	5,447,849,407	(71,996,972)	5,375,852,435
	(ii) Other financial liabilities	-	2,066,794	2,066,794
	(b) Provisions	7,073,459	-	7,073,459
	(c) Deferred tax liabilities (Net)	106,559,596	(2,528,664)	104,030,932
	(d) Other Non Current Liabilities	5,973,656,309	(30,866,794)	5,942,789,515
	Total non-current liabilities	**11,535,138,771**	**(103,325,636)**	**11,431,813,135**
(3)	**Current liabilities**			
	(a) Financial Liabilities			
	(ii) Trade payables	15,670,856	-	15,670,856
	(iii) Other financial liabilities	-	1,743,438,266	1,743,438,266
	(b) Other current liabilities	1,847,818,615	(1,722,035,076)	125,783,539
	(c) Provisions	130,950,514	-	130,950,514
	Total current liabilities	**1,994,439,985**	**21,403,190**	**2,015,843,175**
	Total liabilities	13,529,578,756	**(81,922,446)**	**13,447,656,310**
	Total equity and liabilities	14,308,222,751	**(7,304,616)**	**14,300,918,135**

(Note 40 Contd.)

Notes accompanying financial statements

Effect of IND AS adoption on the Balance Sheet as at 31 March 2016

Amount in Rs.

	Particulars	IGAAP As at March 31,2016 end of last period presented under previous GAAP	Effect of Transition to Ind AS	IND AS As at March 31, 2016
	ASSETS			
(1)	Non-current assets			
	(a) Property, plant and equipment	9,244,397,688	(4,315,794,157)	4,928,603,531
	(b) Capital work in progress	4,438,875,876	-	4,438,875,876
	(c) Investment Property	-	4,398,886,563	4,398,886,563
	(d) Other Intangible Assets	151,846,561	-	151,846,561
	(e) Financial Assets			
	(i) Investments	850,000	-	850,000
	(ii) Loans & advances	-	57,016,682	57,016,682
	(iii) Others		25,000	25,000
	(f) Other non-current assets	205,592,099	(57,041,682)	148,550,417
	Total Non Current Asset	**14,041,562,224**	**83,092,406**	**14,124,654,630**
(2)	Current assets			
	(a) Inventories	464,251	(464,251)	-
	(b) Financial Assets			
	(i) Trade receivables	369,137,087	(112,449,249)	256,687,839
	(ii) Cash and cash equivalents	966,901,075	-	966,901,075
	(iii) Loans & advances		1,173,296	1,173,296
	(iv) Other financial assets	-	163,120,149	163,120,149
	(v) Current tax assets (Net)		185,582,006	185,582,006
	(c) Other current assets	434,712,153	(349,875,451)	84,836,702
	Total Current Assets	**1,771,214,566**	**(112,913,500)**	**1,658,301,067**
	Total assets	**15,812,776,790**	**(29,821,094)**	**15,782,955,696**
	EQUITY AND LIABILITIES			
(1)	Equity			
	(a) Equity Share capital	500,012,000	-	500,012,000
	(b) Other equity	239,976,801	(7,169,471)	232,807,330
	Total equity	**739,988,801**	**(7,169,471)**	**732,819,330**
(2)	Non-current liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	4,712,570,881	(28,316,220)	4,684,254,661
	(ii) Other financial liabilities	-	1,727,037	1,727,037
	(b) Provisions	8,627,504	-	8,627,504
	(c) Deferred tax liabilities (Net)	213,042,451	10,549,036	223,591,487
	(d) Other Non Current Liabilities	7,303,199,628	91,192,963	7,394,392,591
	Total non-current liabilities	**12,237,440,464**	**75,152,816**	**12,312,593,280**
(3)	Current liabilities			
	(a) Financial Liabilities			
	(ii) Trade payables	30,849,211	2,262,258	33,111,469
	(iii) Other financial liabilities	-	2,405,439,725	2,405,439,725
	(b) Other current liabilities	2,681,624,295	(2,505,506,421)	176,117,874
	(c) Provisions	122,874,019	-	122,874,019
	Total current liabilities	**2,835,347,525**	**(97,804,438)**	**2,737,543,087**
	Total liabilities	**15,072,787,989**	**(22,651,622)**	**15,050,136,367**
	Total equity and liabilities	**15,812,776,790**	**(29,821,093)**	**15,782,955,696**

(Note 40 Contd.)

Notes accompanying financial statements

Effect of Ind AS adoption on the Standalone Statement of Profit and Loss for the year ended 31st March, 2016

Amount in Rs.

	Particulars	IGAAP	Ind AS	IND AS
		31-Mar-16	Adjustments	31-Mar-16
	Continuing operations			
I	Revenue from Operations	1,100,914,272	(580,855)	1,100,333,417
II	Other income	43,112,252	40,772,236	83,884,488
III	**Total Revenue**	**1,144,026,524**	**40,191,381**	**1,184,217,905**
IV	**Expenses**			
	Cost of Purchased Power	73,355,110	-	73,355,110
	Employee Benefit Expenses	54,401,135	2,191,833	56,592,968
	Finance costs	416,494,247	43,930,866	460,425,113
	Depreciation and amortisation expense	305,296,766	(41,630,416)	263,666,350
	Others	213,644,319	104,189,724	317,834,043
	Total Expense	**1,063,191,577**	**108,682,008**	**1,171,873,585**
V	**Profit/(loss) before exceptional items and tax from continuing operations (III - IV)**	**80,834,947**	**(68,490,627)**	**12,344,320**
VI	**Exceptional items**	-	-	-
VII	**Profit/(loss) before and tax from continuing operations (V - VI)**	**80,834,947**	**(68,490,627)**	**12,344,320**
VIII	**Tax expense:**			
	(1) Current tax	13,508,958	(501,672)	13,007,286
	(2) Deferred tax	106,482,855	13,077,700	119,560,555
		119,991,813	12,576,028	132,567,841
IX	**Profit/(loss) for the period from continuing operations (VII - VIII)**	**(39,156,866)**	**(81,066,655)**	**(120,223,521)**
X	**Profit/(loss) from discontinued operations**	-	-	-
XI	**Tax expense of discontinued operations**	-	-	-
XII	**Profit/(loss) from Discontinued operations (after tax) (X -XI)**	-	-	-
XIII	**Profit/(loss) for the period (IX + XII)**	**(39,156,866)**	**(81,066,655)**	**(120,223,521)**
XIV	**Other Comprehensive Income ***			
	A (i) Items that will not be reclassified to profit or loss			
	(a) Remeasurement of the defined benefit plans (net of tax)	-	(218,975)	(218,975)
	(a) Equity instruments through other comprehensive income	-	-	-
	(ii) Income tax relating to items that will not be reclassified to profit or loss	-	-	-
	B (i) Items that will be reclassified to profit or loss	-	-	-
	(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-
		-	**(218,975)**	**(218,975)**
XV	**Total Comprehensive Income for the period (XII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)**	**(39,156,866)**	**(81,285,630)**	**(120,442,496)**
XVI	Earnings per equity share (for continuing operation):			
	(1) Basic	(0.78)	-	(2.41)
	(2) Diluted	(0.78)	-	(2.41)
XVII	Earnings per equity share (for discontinued operation):			
	(1) Basic	-	-	-

* Under the Previous GAAP, there was no concept of Other Comprehensive Income. Under Ind AS, specified items of income,expense, gains or losses are required to be presented in Other Comprehensive Income

(Note 40 Contd.)

Notes accompanying financial statements

Statement showing reconciliation of other equity between IND-AS and previous Indian GAAP

Sl. No.	Particulars	Note Ref.	Amount in Rs	Amount in Rs.
1	**Other Equity reported under IGAAP - as at 01 April 2015 (IND AS Transition Date)**			**278,631,995**
2	Impairment Provision & Life Time Expected Credit Loss provided for Financial Assets (Trade Receivables)	5	(7,304,616)	
3	Deferred tax liabilities	4	2,528,664	
4	Fair Value for Financial Liabilities - Amortized cost of Debt	5	79,393,782	
				74,617,830
	Other Equity as per IND AS - as at 01 April 2015 (IND AS Transition Date)			**353,249,825**

Statement showing Reconciliation of Profit Betweeen IND-AS and Previous Indian GAAP for Year Ended 31-March-2016

Sl.No.	Nature of Adjustments	Note Ref.	Profit Reconciliation for Year Ended 31-March-2016 - Amount in Rs.
	Net Profit/(Loss) as per Previous Indian GAAP		**(39,156,866)**
1	Incidental Income not necessary for intended use of Plant, Property & Equipment	1	40,772,236
2	Impairment Provision & Life Time Expected Credit Loss provided for Financial Assets (Trade Receivables)	5	(105,144,634)
3	Change in accounting Policy for assets used River Water & Tertiary Treatment Plant Assets from Useful life method (SLM basis) to Unit of Production Method	2	41,630,416
4	Fair Value for Financial Liabilities - Amortized cost of Debt	5	(43,930,866)
5	Deferred tax liabilities	4	(13,077,700)
6	Spares classified as Plant, Property & Equipment	3	225,504
7	Others	5	(2,043,283)
8	Adjustments for current tax of prior periods		501,672
9	Remeasurement of the defined benefit plans	5	(218,975)
	Net Profit as per IND AS		**(120,442,496)**

1. In the FS prepared under IGAAP , income from sale of rocks was deducted from cost of land . However under IND AS in accordance with paragraph 21 of IND AS16 PPE is recognized as "other non-operative Income ".

2. In the FS prepared under IGAAP, depreciationon Water Treatment Plant assets(River water and Territory treatment plant Assets) was charged on straight line method. On transition to Ind AS, the company elected to charge depreciation adopting units of production method in respect of above assets as permitted under paragraph 63 of IND As 16 –PPE . This has resulted in:

   a) decrease of depreciation/amortization expense to the extent of Rs.4.16 Crores which is recognised in statement of profit and loss and increase in carrying cost of PPE

3. Cost of spares which are held for use in production for more than one period is considered as part of Plant, Property and equipment as per IND AS 16 which hitherto was treated as Inventories under IGAAP.This change has affected equity and profit after tax for the period by Rs.0.02 Crores.

Notes accompanying financial statements

4. Deferred Tax –In the FS prepared under IGAAP, deferred tax was accounted as per Income approach which required creation of Deferred tax liability/ assets on timing differences between taxable profit and accounting profit. Under IND AS Deferred tax is accounted as per balance Sheet approach which requires creation of DTL/DTA on temporary differences between carrying amount of assets and liabilities in the Balance Sheet and its corresponding tax base.The impact of the above and transition adjustments together with IND AS mandate of using Balance Sheet approach, for computation of deferred taxes has resulted in increase in deferred tax expense by Rs.1.30 Crores in the statement of Profit and Loss.

5. **Fair valuation of financial assets :**

The Company has measured financial assets and financial liabilities (other than Loanliabilities which are measured at amortized cost and investment in subsidiaries which the company has elected to carry at cost), at fair value. Impact of fair value changes as on 31st March 2016 Rs.10.51 Crores is recognized in the Statement of Profit and loss .

In the FS prepared under IGAAP, loan liabilities were carried at the transaction value. Under IND AS 109, loan liabilities are to be carried at amortized cost. Transaction cost including processing fees are adjusted against the loan availed ,which was added to the cost of the asset / charged to P& l under IGAAP. This has resulted in credit to the balance in the statement of Profit and loss on the transition date Rs.7.94 Crores and increase in equity and debit to statement of Profit and loss for the year ended 31st march 2016 Rs.4.39 Crores.

In the FS prepared under IGAAP , remeasurement of defined benefit plans including, changes due to actuarial assumptions was recognized as employee benefits expense in the Statement Of Profit and Loss . Under Ind AS 19 – Employee Benefits, such remeasurement adjustments relating to defined benefit plans is recognized in OCI. Consequently, the related tax effect of the same is also recognized in OCI.

For the year ended 31st March 2016, re-measurement resulted in reduction of employee benefits expense by Rs.0.02 Crores and charge to OCI by an equal amount.This does not affect Equity as on the date of Transition and as at 31st March 2016.

Note 41:

I. RECOGNITION OF REVENUE:

(a) The Company has recognized revenues amounting to Rs.11.64 Crores towards Zone Operation and Maintenance charges (O & M). The agreements for Zone O & M charges are under finalization. Pending finalization of agreements, O & M charges are recognized at cost plus markup. Adjustments for increase / decrease will be given effect in the year in which agreements are finalized.

(b) The Company's power distribution business is rate/tariff regulated by Karnataka Electricity Regulatory Commission (KERC). Hence, the Company files Annual Revenue Requirement/tariff application before KEFC. The KERC passes tariff order determining and notifies the retail supply tariff to be charged from Consumers. In respect of FY 2016-17, the revenue is recognized based on the KERC tariff order dated 30th March 2016 applicable w.e.f. 01st April 2016. The Company upon submission of Annual audited accounts (pertaining to power distribution business) the KERC appraises the accounts and finalizes the revenue requirement. Thus, on final determination of the revenue requirement/ by KERC, the effect will be given for the difference, if any accordingly.

II. RECOGNITION OF BORROWING COST:

Borrowing costs are charged to the Statement of Profit & Loss applying the effective interest method. The interest charged on the loan is 40 basis point plus one year Maximum Commercial Lending Rate (MCLR) rate of the Lender. If the Lender changes the MCLR rate, the effective rate of interest will also change resulting in reduction or increase in interest cost.

III. ESTIMATED USEFUL LIFE OF TANGIBLE AND INTANGIBLE ASSETS:

(a) The Company has estimated the useful life of certain assets based technical evaluation and that of certain assets based on useful life as specified in Schedule-II to the Companies Act, 2013. The Management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. The estimated useful life and residual values are reviewed at the end of each financial year and if necessary, changes in estimates are accounted. The Company has adopted unit of production method for charging depreciation in respect of River Water Assets and Tertiary Treatment Plant assets (both excluding Electrical Installations and Equipment) Under unit of production

Notes accompanying financial statements

method, the Management estimates the production likely to be achieved in future years. The actual productions are reviewed at the end of each financial year and if necessary, changes in estimation are accounted.

(b) The Company amortize the cost of barrage useful usage rights on a straight-line basis over the lease period / life of the underlying assets whichever is less.

IV. IMPAIRMENT OF TRADE RECEIVABLE:

The impairment provision for financial assets is based on the assumption about risk of default and expected loss rates. The Company uses judgements in making these assumptions and selecting the input impairment calculation based on the Company past history as well as forward looking assumptions at the end of each reporting period.

Note 42: Earnings Per Share (EPS)

Basic EPS amounts are included by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Particulars	FY 2016-17	FY 2015-16
Profit after tax (Rs.)	(61,300,942)	(120,442,496)
Number of equity shares	50001200	50001200
Basic & diluted earnings per share (Rs.)	(1.23)	(2.41)

Note 43: Disclosure pursuant to IND AS 19 is given below:

(A) Brief description: A general description of the type of Defined Benefit Plans and Long Term Employee Benefits is as follows:

(i) Compensated absences - Earned leave eligibility is 25 days per annum and sick leave 12 days per annum. Encashment permitted up to a maximum of 300 days per employee.

(ii) Gratuity: As per the Payment of Gratuity Act, 1972.

(iii) Liabilities for compensated absentees and gratuity is unfunded.

(iv) The amount recognised in the Balance Sheet for post-employment benefit plan in respect of gratuity is as under:

Amount in Rs.

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Present value of funded	-	-
2	Fair value of plan assets	-	-
3	Present value of unfunded	7,294,062	4,695,489
4	Unrecognised past service cost	-	-
5	Net Liability		
	Current	551,946	241,373
	Non-current	6,742,116	4,454,116
	Total	**7,294,062**	**4,695,489**

(B) Reconciliation showing the movements during the year in the net liability recognised in the balance sheet:

Amount in Rs.

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Opening defined benefit	4,695,489	3,516,092
2	Service Cost	834,444	797,060
3	Interest Cost	375,170	280,584
4	Actuarial losses (gains)	1,411,879	218,975
5	Exchange differences on foreign plans	-	-
6	Liability transfer in	-	-
7	Benefits paid	(52,920)	(117,222)
8	Closing defined benefit obligation	**7,264,062**	**4,695,489**

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(C) The total expenses recognised in the statement of statement of Profit and Loss are as follows:

Amount in Rs.

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Current Service Cost	834,444	797,060
2	Net Interest cost	375,170	280,584
3	Past Service Cost	-	-
4	Expected Contributions by the Employees		
5	(Gains)/Losses on Curtailments and Settlements	-	-
6	Net Effect on Changes in Foreing Exchange Rates	-	-
7	Expenses Recognised	**1,209,614**	**1,077,644**

(D) The total expenses recognised in the Other Comprehensive Income (OCI) for the Current Period

Amount in Rs.

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Actuarial (Gains)/Losses on Obligation For the period	1,441,879	218,975
2	Return on Plan Assets, Excluding Interest Income		
3	Change in Asset Ceiling.	-	-
4	Net (Income)/Expense For the Period Recognised in OCI	**1,441,879**	**218,975**

(E) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Discount Rate	7.26%	7.99%
2	Retirement Age	60	60
3	Attrition Rate	5%	5%
4	Expected return on plan assets previous	-	-
5	Expected return on plan assets current	-	-
6	Annual increase in Salary	9%	7%

Note 44: Commitments and contingencies

a. Leases : Operating Lease Commitments- The Company has taken office premises under cancellable operating lease. The agreements are renewed on expiry. The Company has paid Rs. 40,03,548 (previous years Rs.40,37,005) during the year.

b. Commitments : Estimated amount of contracts remaining to be executed on capital account and not provided for

Amount in Rs.

Particulars	As at 31st March 2017	As at 31st March 2016
Plant, Property & Equipment	459,765,011	1,115,047,573
Investment Property.	8,408,468	16,916,816
Intangible Assets	-	
Total	**468,173,479**	**1,131,964,389**

c. Contigent liabilities:

The Claims against the company not acknowledged as debt is Rs.247.01 millions (previous year Rs. 614.51 millions). The details are as under

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs.	Indication of the uncertanities relating to the amount or timing of any outflow
1	BSNL	20 pairs JF cable (telephone cable) belonging to BSNL which is serving Thokur Railway Station and surrounding areas was cut and fully damaged to the length of one Km. The full length of cable was missing affecting communication of the whole area.	1,576,000	MSEZL has not got done any work of laying water pipeline at Thokur. In Thokur MSEZL has not entrusted any work to Koya & Company. In Thokur Village there is R&R rehabilitation colony floated by MSEZL. The R&R colony work was entrusted to Fiza Developers, & the work was done in 2009. thus the grirevance attriuted to MSEZL is wholly unfounded.
		Petitioner is claiming that MSEZL through his men & material while laying river water pipeline, the optical fiber cables were damaged in and between Bantwal - Moodbidri routes which carried the broad band network and 12F and 24F optical fiber between various Telephone exchanges. BSNL is claiming compensation of Rs. 9 Lakh.		MSEZL has granted the laying of river water pipeline works to Koya & Co. (2nd Defendant). The Contractor has to carry out the work efficiently. The liability to pay for any damage, if caused, would be on the person who might have caused the damage.
		Petitioner is claiming that MSEZL through his men & material while laying river water pipeline, the optical fiber cables were damaged in and between Bantwal - Moodbidri routes which carried the broad band network and 12F and 24F optical fiber between various Telephone exchanges. BSNL is claiming compensation of Rs. 6 Lakh.		MSEZL has granted the laying of river water pipeline works to Koya & Co. (2nd Defendant). The Contractor has to carry out the work efficiently. The liability to pay for any damage, if caused, would be on the person who might have caused the damage.
2	Mr. Ravindranath Bajpe	MSEZL has laid the water pipeline by the side of Mangalore-Bajpe Old Airport PWD Road abutting the schedule properties and other properties on the same line commencing from Nethravathi River Bank at sarapady to MSEZ Industrial area. While carrying out works near the plaintiffs (Ravindranath Bajpe) property, he had contended that MSEZL officials & Contractors have tresspassed his property and demolished the stone compound wal of 7 feet height, foundation of 3 feet height beneath the ground & 2 feet wide to the extent of about 500 meters and also cut & destroyed about 101 valuable trees and laid pipeline beneath the schedule properties about to extent of 500 meters. Therefore, Ravindranath Bajpe has filed an Original Suit before the civil court directing the defendants jointly and severally to apy a sum of Rs 47,90, 500/-	4,790,500	Ravindranath Bajpe is neither absolute owner nor is in possession of the plaint schedule Property or any part thereof. The assertion of the occupancy right contradicts the claim of absolute ownership. The Plaintiff (Ravindranath Bajpe) and other members of his family are having litigation in local court with regard to his claims on occupancy holding. Therefore, we maintain that the Plaintiff is not entitled to claim the alleged loss or any other claim
		Petitioner (Ravindranath Bajpe) has filed this Special Leave Petition contending whether The High Court & Session Court quashed the process issued by the learned trial court without appreciating the allegations in the Compalint and also as to whether the High Court & Session Court were expected to see the letter accompanying the Compalint which was written by Respondent No. 4 (Eta Sreenivasulu) on behalf of MSEZL to the Petitioner.		To establish a criminal offence, oral and documentary evidence needs to be furnished so as to substantiate any of the alleged offences. The letter written by Respondent No. 4 merely refers to compensate the complainant for the losses if any incurred by him, which need to be determined separately in a civil proceeding, or otherwise, as deemed fit by the persons responsible for the damage. The complainant cannot allege a criminal flavor to the proceedings on the basis of the said letter.

Notes accompanying financial statements

3	Cherian Varkey Construction Company	The petitioner was awarded the Reach IV contract forming part of Pipeline cum Road Corridor on August 2011. The petitioner had failed to complete the awarded contract as per milestones. Due to which the contract was extended. The petitioner has also stopped the work in an authourized manner on multiple occasions. Due to non-handing over of the front for executing work on Part A of the contract within the original contract period, the petitioner was seeking increase in rates for items covered under BOQ. The contract entered between MSEZL and petitioner being a fixed price contract did not provide for esclation of rates and compensation events to deal with instances of delay in handing over fronts.The intransigence on part of the petitioner lead to delay in works. Hence, the contract was terminated with immediated effect on 06.11.2013 and all Bank Guarantees furnished by the petitioner was invoked. The petitioner approached the Hon'ble District Court in Mangalore and secured a temporary injunction restraining MSEZL form encashing the BG. After the matter came up for argument in the COurt and several adjournments, the case filed by petitioner as dismissed by Hon'ble on 05th April 2014. The petitioner has also initiated proceedings in the matter. In order to settle the dispute out of court/arbitration an opportunity for redressal through an independent committee MSEZL sought consent for constituitng an Outside Expert Committee (OEC) which was accepted by petitioner. The arbitration proceedings was put on hold while OEC took over the dispute resolution. The OEC has recommeded MSEZL to pay Rs.9.39 Cr to petitioner. However, the petitioner did not accept the the recommendations of the OEC and choose to pursue the Arbitration proceedings. The Arbitral Tribubal had passed the award on 24.09.2016 stating that the performance and completion of works under the contract was on account of breaches/defaults committed by MSEZL and termination of contract was unlawful. MSEZL was directed to pay to Rs.19,23,53,085	69,009,159	MSEZL has file for modification of the order befoe the Tribunal. MSEZL has filed a petition contesting the Arbitration Award before the 1st Additional District Session Judge, Mangaluru on 28.01.2017 and the hearing is scheduled on 08.06.2017. In the mean time the petitioner has also filed the petition to set aside the award in the same court
4	M/s Nityanand Infrastructure Limited	The claimant has made several claims amounting to Rs 16.95 cr including claims towards loss from unrecovered overheads, under utilisation of plants & equipments, idle charges of piling rig, loss of profit on deleted scope of work, increase in cost of material due to prolongation of contract, interest due to delay in releasing retention money etc.	164,938,819	The delays are attributable to the Contractor
5	MSEZL	The KERC has passed tariff orders for FY 2017-18 and while approving the APR for FY 2015-16 has revised the power purchase cost for FY 2015-16 and directed us to pay to MESCOM Rs.67 lakhs. However, it has allowed only Rs.34 lakhs to be recovered from consumers through a tariff increase.	6,700,000	MSEZL is filing tariff review petition before KERC
		TOTAL	**247,014,478**	

Notes accompanying financial statements

d.

(i) List of related parties with whom the Company had transactions during the year:

Name of the Party	Relationship
Oil and Natural Gas Corporation Limited (ONGC)	Investing Company (Controlling Enterprise)
Infrastructure Leasing and Financing Services Ltd (ILFS)	Investing Company (Controlling Enterprise)
Karnataka Industrial Area Development Board (KIADB)	Investing Company
ONGC Mangalore Petrochemicals Ltd (OMPL)	Controlled by ONGC
Mangalore STP Ltd	Subsidiary Company
Mangalore Refineries and Petrochemicals Ltd (MRPL)	Subsidiary of ONGC
IIDC Ltd	Subsidiary of ILFS
IL&FS Financial Services Ltd	Subsidiary of ILFS
IL&FS Cluster Development Initiative Ltd	Subsidiary of ILFS
IL&FS Energy Development Company Ltd	Subsidiary of ILFS
MSEZ Power Ltd	Subsidiary Company
Petronet MHB Ltd (PMHBL)	Joint Venture of ONGC
Key Managerial Personnel	
Mr. Paritosh Kumar Gupta (appointed w.e.f. 19.05.2015)	Managing Director (MD)
Mr. Gouranga Charan Swain	Chief Financial Officer
Mr. Phani Bhushan (Appointed w.e.f. 15.04.2016)	Company Secretary

(ii) No amounts due from/due to relating to the related parties have been written off or written back during the year.

(iii) Transactions with and due to / due from related parties:

No.	Name	Nature of Transaction	Amount of Transactions	Amount payable as at 31st March 2017	Amount receivable as at 31st March 2017
			Amount in Rs	Amount in Rs	Amount in Rs
1	ONGC	Reimbursement of expenses	Nil (288,780)		
2	IL&FS	Charges for deputation of MD & CEO	5,616,429 (4,862,369)	420,000 (457,341)	
		Security deposit -Directorship	Nil (100,000)	Nil (Nil)	
		Expenses Incurred	1,104,071 (548,587)	131,722 (Nil)	
3	KIADB	Cost of Acquisition of Land	11,278,050 (12,997,644)	381,771,173 (393,723,437)	
		Annual Lease rent	589,921 (504,306)	37,696 (182,255)	
		Security deposit	Nil (Nil)		1,160,000 (1,160,000)
		Right of way charges & Others	2,368,700 (419,375)	Nil (Nil)	
		Advance towards Corridor land	Nil (802,341)		17,295,600 (17,295,600)
		Expenses incurred on behalf of KIADB	Nil (Nil)		130,773 (130,773)
		Advance towards land	7,361,550 (1,029,182)		16,866,352 (9,504,802)
4	OMPL	Lease rental income	23,396,214 (23,396,214)		
		Advance received towards Infrastructure development	75,700,000 (100,000,000)	975,700,000 (900,000,000)	
		Expenses incurred on behalf of OMPL (Sustenance & Stipend)	70,611 (1,314,132)		1,548,246 (17,314,047)

Notes accompanying financial statements

	OMPL	Supply & Operation & Maintenance of Water, Effulent Discharge, Tarriff revenue from licensed activity & Zone O&M	221,502,244 (115,551,509)		90,573,638 (12,511,693)
		Security deposit	Nil (Nil)	15,400,000 (20,891,328)	
		Advance towards O & M water	Nil (3,127,164)	3,127,164 (3,127,164)	
		Interest on security deposit (Power)	1,193,500 (1,972,842)	1,074,150 (1,775,558)	
		Lease premium income	53,433,191 (53,433,191)		
5	MRPL	Advance / Adjustment towards land	Nil (Nil)		17,438,138 (17,438,138)
		Expenses incurred on behalf of the MRPL	52,27,000 (70,850,085)		5,858,167 (631,167)
		Supply & Operation & Maintenance of Water	571,218,472 (428,900,313)		65,680,487 (70,779,422)
		Advance towards O & M River water	Nil (2,218,759)	7,484,710 (7,484,710)	
		Advance towards Marine outfall	Nil (622,209)	622,209 (622,209)	
		Advance towards O & M TTP water	Nil (4,572,668)	4,572,668 (4,572,668)	
		Non-operational Lease rental from lease of land	Nil (Nil)		760,450 (760,450)
		Security deposit towards usage of premises	Nil (Nil)		13,296 (13296)
		Lease rent on immovable property	32,778 (31,368)	Nil (Nil)	
		Expenses incurred on behalf of MRPL (Sustenance & Stipend)	378,586 (Nil)		5,925,851 (5,547,265)
		Advance towards Corridor	75,733,333 (820,000,000)	975,733,333 (900,000,000)	
6	IIDC Ltd	Deputation salary	1,650,000 (2,998,999)	Nil (226,923)	
7	IL&FS Cluster Development Initiative Ltd	Professional charges	Nil (250,000)	Nil (Nil)	
8	IL&FS Energy Development Company Ltd	Professional charges	300,000 (Nil)	Nil (Nil)	
9	Mangalore STP Ltd	Expenses incurred on behalf of the Company	25,462,778 (24,978,035)	1,129,104 (Nil)	Nil (561,915)
10	MSEZ Power Ltd	Expenses incurred on behalf of the Company	3,200 (113,300)	Nil (Nil)	116,500 (133,300)
11	Key Managerial Personnel	Chief Financial Officer	4,701,800 (4,019,200)		
12	Key Managerial Personnel	Company Secretary	1,511,727 (1,400,657)		

-Figures in brackets represent previous year.
-All the amounts are exclusive of refundable service tax.

Notes accompanying financial statements

Note 45: The details of Specified Bank Notes (SBN) and other currency notes held and transacted during the period from 8th November, 2016 to 30th December, 2016 are provided in the table below:

	SBNs	Other denomination	Total
Closing cash in hand as on 08.11.2016	Nil	14,895	14,895
(+) Permitted receipts	Nil	30,656	30,656
(-) Permitted payments	Nil	39,050	39,050
(-) Amount deposited in Banks	Nil	0	0
Closing cash in hand as on 30.12.2016	Nil	6,501	6,501

Note 46: The Company is covered under section 135 of the Companies Act on Corporate Social Responsibility (CSR) for the FY 2016-17 and the company has incurred CSR expenditure towards approved CSR budget of FY 2016-17 and unspent budget of FY 2015-16 during the year on following:

Particulars	2016-17	2015-16
Gross amount expected to be spent	2,414,000	1,738,000
Amount spent during the year	1,740,635	822,590
	673,365	**915,410**

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MANGALORE SEZ LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated IND AS financial statements of **MANGALORE SEZ LIMITED** ("the Holding Company"), and its subsidiaries (Collectively referred to as "the Group) which comprise of the Consolidated Balance Sheet as at 31st March 2017, the Consolidated Statement of Profit and Loss, the Consolidated Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Standalone Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these IND AS consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated IND AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the Consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31st March, 2017, and their consolidated Profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters in the Notes to the financial statements:

Note 39 "dues from" and "dues to" related parties are based on the books of account of the Company and confirmations of balance have not been obtained.

Our opinion is not modified in respect of these matters.

Other Matters

We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of Rs 38.05 lakhs as at 31st March 2017,total revenues of Rs NIL lakhs and net cash flows amounting to Rs 7.25 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors, whose reports have been furnished to us by the management and our opinion in the consolidated financial statements.in so far as it relates to the amounts and disclosure included in respect of these subsidiaries, and our reports in terms of subsection (3) and (11) of section 143 of act, insofar as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

The Comparative financial information of the Group for the year ended 31st March, 2016 and the transition date opening Balance sheet as at 1st April, 2015 included in these Consolidated Ind AS financial statements, are based on the previously issued consolidated financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by us. The report for the year ended 31st March 2016 and 31st March 2015 dated 12th May 2016 and 16th May 2015, respectively expressed an unmodified opinion on those consolidated financial statements, and have been restated to comply with Ind AS adjustments made to the said consolidated financial information, prepared in accordance with the Companies (Accounting Standards) Rules 2006 to comply with Ind AS have been audited by us.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act,we report to the Extent applicable 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 of the consolidated financial statements.
   - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as it appears from our examination of those books
   - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
   - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act , read with Rule 7 of the Companies (Accounts) Rules, 2014.
   - (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 and taken on record by the Board of Directors of the Holding company, none of the directors of the subsidiary companies, none of the directors of the group companies is disqualified as on 31st March, 2017 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 and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
   - (g) 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 has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 44 (c) No. to the financial statements;
     - (ii) The group did not have any long-term contracts, including derivative contracts; and
     - (iii) There has not been an occasion in case of the Company during the year under report to transfer any sums to the investor Education and protection Fund by the Holding company and its subsidiary Company. Therefore the question of delay in transferring such sums does not arise.
     - (iv) The Company did not have any holdings or dealings in Specified bank Notes during the period from 8th November 2016 to 30th December 2016-Refer Note No.45.

For Maharaj N R Suresh and Co
FRN001931S
Chartered Accountants

Sd/-
K V Srinivasan
Partner
M.No:204368

Place: New Delhi
Date:11.05.2017

ANNEXURE "A" to The Independent Auditor's Report of even date on the Consolidated IND AS Financial Statements of Mangalore SEZ Limited.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Mangalore SEZ Limited ("the Holding Company") and its subsidiary companies as of March 31, 2017 in conjunction with our audit of the Consolidated Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of directors of the Holding company, its subsidiary company are 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 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, 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.

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 :

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

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and Directors of the company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding Company its subsidiary companies have, 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, 2017, 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 Maharaj N R Suresh and Co
FRN001931S
Chartered Accountants

Sd/-
K V Srinivasan
Partner
M.No 204368

Place: New Delhi

Date:11.05.2017

Statement Showing Consolidated Balance Sheet as at March 31, 2017

Amount in Rs.

	Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
	ASSETS				
(1)	**Non-current assets**				
	(a) Property, plant and equipment	4	5,367,281,000	4,928,603,531	3,357,085,662
	(b) Capital work in progress	5	4,510,097,393	4,438,875,876	4,927,103,625
	(c) Investment Property	6	4,436,425,151	4,398,886,563	4,313,946,854
	(d)Other Intangible Assets	7	145,391,636	151,846,561	158,448,585
	(e) Financial Assets				
	(i) Trade Receivable	8	219,827,434	-	-
	(ii) Loans & advances	9	57,877,889	57,143,822	78,845,499
	(iii) Others	10	25,000	25,000	25,000
	(f) Other non-current assets	11	271,427,105	148,550,417	155,517,798
	Total Non Current Asset		**15,008,352,608**	**14,123,931,770**	**12,990,973,023**
(2)	**Current assets**				
	(a) Financial Assets				
	(i) Trade receivables	12	488,088,057	257,142,485	233,785,300
	(ii) Cash and cash equivalents	13	614,197,567	970,366,890	808,051,340
	(iii) Bank Balances other than (ii) above	14	128,522,597	478,637	-
	(iv) Loans & advances	15	1,173,296	1,173,296	1,173,296
	(v) Others	16	31,633,257	162,444,934	107,137,951
	(vi) Current tax asset (Net)	17	45,186,072	185,581,206	-
	(b) Other current assets	18	25,083,998	84,836,702	163,204,810
	Total Current Assets		**1,333,884,844**	**1,662,024,150**	**1,313,352,697**
	Total assets		**16,342,237,452**	**15,785,955,920**	**14,304,325,720**
	EQUITY AND LIABILITIES				
(1)	**Equity**				
	(a) Equity Share capital	19	500,012,000	500,012,000	500,012,000
	(b) Other equity	20	171,410,916	232,705,674	353,249,825
	Equity attributable to non-controlling interests				
	(a) Equity Share capital	19	150,000	150,000	150,000
	(b) Other equity	20			
	Total Equity		**671,572,916**	**732,867,674**	**853,411,825**
(2)	**Non-current liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	21	5,725,713,299	4,684,254,661	5,375,852,435
	(ii) Other financial liabilities	22	1,840,276	1,727,037	2,066,794
	(b) Provisions	23	13,224,441	8,627,504	7,073,459
	(c) Deferred tax liabilities (Net)	24	354,938,090	223,591,487	104,030,932
	(d) Other Non Current Liabilities	25	8,286,155,518	7,394,392,591	5,942,789,515
	Total non-current liabilities		**14,381,871,624**	**12,312,593,280**	**11,431,813,135**
(3)	**Current liabilities**				
	(a) Financial Liabilities				
	(ii) Trade payables	26	50,375,133	35,978,933	18,797,948
	(iii) Other financial liabilities	27	956,752,750	2,405,439,725	1,743,338,110
	(b) Other current liabilities	28	194,107,518	176,202,289	125,861,164
	(c) Provisions	29	87,557,511	122,874,019	130,950,514
	(d) Current tax liabilities (Net)	30			153,024
	Total current liabilities		**1,288,792,912**	**2,740,494,966**	**2,019,100,760**
	Total liabilities		**15,670,664,536**	**15,053,088,246**	**13,450,913,895**
	Total equity and liabilities		**16,342,237,452**	**15,785,955,920**	**14,304,325,720**

The accompanying notes are an integral part of these financial statements 1 to 46

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Statement of Consolidated Profit & Loss Account for the Year ended 31 March, 2017

Amount in Rs.

	Particulars	Note No.	Year Ended 31st March, 2017	Year Ended 31st March, 2016
	CONTINUING OPERATIONS			
I	Revenue from Operations	31	1,285,236,171	1,100,333,417
II	Other Income	32	62,044,769	83,916,307
III	**Total Revenue**		**1,347,280,940**	**1,184,249,724**
IV	Expenses			
	Cost of Purchased Power	33	105,376,965	73,355,110
	Employee Benefit Expenses	34	68,113,850	56,592,968
	Finance costs	35	533,480,331	460,425,113
	Depreciation and amortisation Expense	36	293,330,830	263,666,350
	Other expenses	37	255,547,589	317,967,519
	Total Expense		**1,255,849,565**	**1,172,007,060**
V	**Profit/(loss) before exceptional items and tax from continuing operations (III - IV)**		**91,431,375**	**12,242,664**
VI	Exceptional items		-	-
VII	**Profit/(loss) before and tax from continuing operations (V - VI)**		**91,431,375**	**12,242,664**
VIII	**Tax Expense**			
	(1) Current tax	38	19,937,649	13,007,286
	(2) Deferred tax	38	131,346,605	119,560,555
			151,284,254	**132,567,841**
IX	**Profit/(loss) for the period from continuing operations (VII - VIII)**		**(59,852,879)**	**(120,325,177)**
X	Profit/(loss) from discontinued operations			
XI	Tax expense of discontinued operations			
XII	Profit/(loss) from Discontinued operations (after tax) (X -XI)			
XIII	Profit/(loss) for the period (IX + XII)		(59,852,879)	(120,325,177)
XIV	Other Comprehensive Income			
	A (i) Items that will not be reclassified to profit or loss			
	(a) Remeasurement of the defined benefit plans (net of tax)		(1,441,879)	(218,975)
	(ii) Income tax relating to items that will not be reclassified to profit or loss			
	B (i) Items that will be reclassified to profit or loss			
	(ii) Income tax relating to items that will be reclassified to profit or loss			
			(1,441,879)	**(218,975)**
XV	**Total Comprehensive Income for the period (XII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)**		**(61,294,758)**	**(120,544,152)**
XVI	Earnings per equity share (for continuing operation):			
	(1) Basic		(1.23)	(2.41)
	(2) Diluted			
XVII	Earnings per equity share (for discontinued operation):			
	(1) Basic			
	(2) Diluted			
XVIII	Earnings per equity share (for discontinued and continuing operations):			
	(1) Basic		(1.23)	(2.41)
	(2) Diluted			

The accompanying notes are an integral part of these financial statements 1 to 46

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Consolidated Statement of Changes in Equity for the year ended March 31, 2017

(i)Equity Share Capital

Particulars	Amount Rs. In lakhs
Balance as at April 1, 2015	**5,000**
Changes during the year	-
Balance as at March 31, 2016	**5,000**
Changes during the year	-
As at March 31, 2017	**5,000**

For the year ended 31 March, 2016

	Reserves and Surplus	TOTAL Amount in Rs.
	Retained Earnings - Amount in Rs.	
Balance as at April 1, 2015	278,631,995	**278,631,995**
Changes in accounting policy or prior period errors	74,617,830	**74,617,830**
Restated balance at the beginning of the reporting period	**353,249,825**	**353,249,825**
Total Comprehensive Income for the year	**(120,544,152)**	**(120,544,152)**
Dividends		
Transfer to retained earnings	-	-
Any other change:Income tax provisions for earlier year		-
Balance at the end of the reporting period	**232,705,673**	**232,705,673**

For the year ended 31 March, 2017

	Reserves and Surplus	TOTAL Amount in Rs.
	Retained Earnings - Amount in Rs.	
Balance at the beginning the reporting period	**232,705,673**	**232,705,673**
Changes in accounting policy or prior period errors		-
Retained Balance at the beginning of the reporting period	**232,705,673**	**232,705,673**
Total Comprehensive Income for the year	**(61,294,758)**	**(61,294,758)**
Dividends		
Transfer to retained earnings		
Any other change -		
Balance at the end of the reporting period	**171,410,916**	**171,410,916**

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Consolidated statement of cash flows for the year ended March 31, 2017

					Amount in Rs.
		Year Ended 31st March, 2017		Year Ended 31st March, 2016	
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**				
	Net Profit before tax		**89,989,496**		**12,023,689**
	Adjustments For:				
	- Depreciation, Depletion, Amortisation & Impairment	293,330,830		263,666,350	
	- Impairment	13,137,275		105,144,634	
	-Interest on Borrowings	456,999,412		408,800,526	
	-Provision for Gratuity	2,651,493		1,296,619	
	-Provision for Leave Encashment	3,695,938		1,607,431	
	-Provision for other Employee benefits	-		2,262,258	
	-Interest Income	(23,645,460)		(25,275,813)	
	- Interest Expense on EIR Accounting	35,783,160		43,930,866	
	-Dividend Income	(9,620,005)		(14,578,351)	
	-Other (describe) - (Profit)/Loss on sale of asset & Loss on sale of asset	22,598		(9,001)	
			772,355,241		**786,845,519**
	Operating Profit before Working Capital Changes		**862,344,737**		**798,869,209**
	Adjustments for:-				
	-(Increase)/decrease in Trade and other receivables	(463,910,279)		(128,047,173)	
	-(Increase)/decrease in Other assets	226,485,315		50,182,768	
	-Increase/(Decrease) in Trade payable and other liabilities	557,191,822		1,545,463,203	
	Gratuity & Leave Encashment Paid	(1,247,748)		(3,100,013)	
			318,519,110		**1,464,498,785**
	Cash generated from Operations		**1,180,863,847**		**2,263,367,994**
	Direct Taxes Paid (Net of tax refund)		**40,585,660**		**186,533,481**
	Cash Flow before prior period		**1,140,278,187**		**2,076,834,513**
	Prior period items (Cash items)		**-**		**-**
	Net Cash Flow from Operating Activities 'A'		**1,140,278,187**		**2,076,834,513**
B.	**CASH FLOW FROM INVESTING ACTIVITIES:**				
	Purchase of Fixed Assets	(723,629,420)		(1,246,520,724)	
	Sale of Fixed Assets	2,200		22,500	
	Dividend Received from Other Investments	9,620,005		14,578,351	
	Interest Received	25,156,916		27,241,587	
	Net Cash Flow from Investing Activities 'B'		**(688,850,299)**		**(1,204,678,286)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES:**				
	Long Term Borrowings	6,374,271,086		454,221,474	
	Long Term Borrowings (Repayment)	(6,449,728,408)		(559,800,000)	
	Interest Paid	(603,775,685)		(603,783,514)	
	Other (describe) - Net Transaction Cost of Refinanced Loan	(320,244)			
	Net Cash Flow from Financing Activities 'C'		**(679,553,251)**		**(709,362,040)**
	Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)		**(228,125,363)**		**162,794,187**
	Cash and Cash Equivalents as at the beginning of the year		**970,845,527**		**808,051,340**
	Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currency		-		-
	Cash and Cash Equivalents as at the end of year		**742,720,164**		**970,845,527**

Notes:

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard (Ind AS) 7 on Cash Flow statements.
Brackets indicate cash outflow/ deduction.

Amount in Rs.

For the purpose of the Statement of Cash flow, cash & cash equivalents comprises the following		
Particulars	**As at March 31, 2017**	**As at March 31, 2016**
Balances with bank:		
- on current account	68,680,581	43,505,344
Deposits with original maturity of less than three months	362,785,883	693,740,944
Deposits with original maturity of more than three months	128,522,597	478,637
cash on hand	6,616	16,120
Investments in Mutual Funds	182,724,487	233,104,482
Total	**742,720,164**	**970,845,527**

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Notes accompanying consolidated financial statements

Note 1: Corporate information

Mangalore SEZ Limited (MSEZ) is a Public Limited Company domiciled and incorporated in India having its Registered Office at 3rd Floor, Mangalore Urban Development Authority (MUDA) Building, Urwa Stores, Ashok Nagar, Mangalore-575006.

The Company is jointly promoted by Karnataka Industrial Area Development Board (KIADB), Oil & Natural Gas Corporation Limited (ONGC) and Infrastructure Leasing and Financial Services Limited(IL&FS).

The company's shares are unlisted and the Company is engaged in developing and maintenance of Special Economic Zone (SEZ) at Mangaluru.

Note 2: Application of new and revised Ind AS

The Ministry of Corporate Affairs (MCA) has issued a Notification dated 16.02.2015 announcing the Companies (Indian Accounting Standards) Rules, 2015. Under Phase I, listed and unlisted company with net worth of Rs. 500 Crores or more and its holding, subsidiaries, joint ventures or associates including the parent and subsidiaries to such company,will have to prepare financial statements in accordance with the Ind AS with effect from 01.04.2016 with comparatives periods beginning with 01.04.2015. Since MSEZ is an associate of ONGC and IL& FS whose net worth is more than Rs. 500 Crores, MSEZ is required to publish its financial statement in Ind AS with effect from 01.04.2016.

Note 3: Significant accounting policies

3.1. Statement of compliance:

The Standalone Financial Statements have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 and Technical Guide on Accounting for Special Economic Zones(SEZs) Development Activities, issued by the Institute of Chartered Accountants of India. These are the Company's first Ind AS Standalone Financial Statements. The date of transition to Ind AS is April 1, 2015.

Refer Note 3.24 for details of First-time adoption – mandatory exception and optional exemptions availed by the Company.

Previous period figures in the Standalone Financial Statements have been restated in compliance to Ind AS.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 11th May 2017.

Up to the year ended March 31, 2016, the Company had prepared the Standalone Financial Statements under the historical cost convention on accrual basis in accordance with the Generally Accepted Accounting Principles (Previous GAAP) applicable in India, applying the Technical Guide on Accounting for Special Economic Zones(SEZs) Development Activities, issued by the Institute of Chartered Accountants of India and the applicable Accounting Standards as prescribed under the provisions of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

In accordance with the notification dated 16th February, 2015, issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016.

In accordance with Ind AS 101-"First time adoption of Indian Accounting Standards" (Ind As101), the Company has presented a reconciliation of Shareholders' equity under previous GAAP and Ind AS as at March 31, 2016, and April 1, 2015 and of the Net Profit as per previous GAAP and Total comprehensive income under Ind AS for the year ended March 31, 2016.

3.2 Basis of Preparation:

The Standalone Financial Statements have been prepared on the historical cost basis except for certain assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

As the operating cycle cannot be identified in normal course due to the special nature of industry, the same has been assumed to have duration of 12 months. Accordingly, all assets and liabilities have been classified as current or noncurrent as per the Company's operating cycle and other criteria set out in Ind AS-I Presentation of Financial Statements (Ind AS-I) and Schedule III to the Companies Act, 2013.

The Standalone Financial Statements are presented in Indian Rupees.

Fair value Measurement:

The Company measures financial instruments at fair value at each balance sheet date.

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

3.3 Investments in subsidiaries:

The Company records the investments in subsidiaries at cost less impairment loss, if any.

3.4 Non-current assets held for sale:

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Property, Plant and Equipment and intangible assets are not depreciated or amortized once classified as held for sale.

3.5 Accounting for Government Grants and Disclosure of Government Assistance:

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

These are recognized in the Standalone Statement of Profit and Loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized at fair value as deferred revenue and disclosed as ‘Deferred revenue arising from government grant a liability in the Standalone Balance Sheet and transferred to the Standalone Statement of Profit and Loss on a systematic and rational basis over the useful lives of the related assets.

3.6 Tangible Assets – Property, Plant and Equipment:

For transition to Ind AS, the Company has elected to continue with the carrying value of its Property, Plant and Equipment (PPE) recognized as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as on the transition date.

Land acquired on long term lease cum sale and to be converted into a sale subject to fulfillment of the terms and conditions is treated as finance lease and recognized under Plant, Property and Equipment.

Buildings held for use in the production or supply of goods or services or for administrative purposes, are stated in the Standalone Balance Sheet at cost less accumulated depreciation and impairment losses, if any.

PPE in the course of construction for production, supply or administrative purposes are carried at cost less accumulated depreciation less any recognized impairment loss. The cost of an asset comprises its purchase price or its construction costs (net of applicable tax credits) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company’s accounting policy. Such properties are classified to the appropriate categories of PPE when completed and ready for intended use. Parts of an item of PPE having different useful life and material value and subsequent expenditure on PPE arising on account of capital improvement or other factors are accounted for as separate components.

Depreciation of these PPE commences when the assets are ready for their intended use.

Depreciation is provided on the cost of PPE less residual value, under straight-line method in accordance with the Schedule II to the Companies Act, 2013 adopting the useful life for assets as specified therein, except for the following, whose useful life have been taken on the basis of the technical certification obtained. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Asset	Useful life (in years)
Electrical Installations & Equipments	15
Hydraulic works, pipelines & sluices	30
Marine Pipeline Asset – Pipeline Inside Sea	15
TTP Water Membranes	7

Depreciation on power distribution assets is provided at the rate of depreciation notified by Central Electricity Regulatory Commission (CERC).

The estimated useful lives and residual values are reviewed at the end of each year and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sale proceeds and the carrying amount of assets and is recognized in the Statement of Profit and Loss.

3.7 Investment properties (Freehold Land):

Property (Freehold Land) 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 properties are 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 the 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.

Transition to Ind AS

On transition to Ind AS, the company has elected to continue with the carrying value of all of its investments property (Freehold Land) recognised as at 01 April, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of investment property.

3.8 Intangible Assets:

(i) Deemed cost on transition to Ind As:

For transition to Ind AS, the Company has elected to continue with the carrying value of intangible assets recognized as of April 1, 2015 (transition date) measured as per the Previous GAAP and use that carrying value as its deemed cost as on the transition date.

(ii) Intangible Assets and Amortization:

Intangible assets acquired are measured on initial recognition at cost.

Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably and are amortized under straight line method as follows:

- Specialized software over a period of 5 years from the month of addition.
- Cost of Barrage usage Rights is amortized on a straight line basis over the lease period/life of the underlying asset whichever is less and determined at 25 Years.

(iii) De-recognition of Intangible Assets:

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. When the asset is derecognized, Gains or losses, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized as impairment in the Statement of Profit & Loss.

3.9 Impairment of Tangible and Intangible Assets:

The Company reviews the carrying amount of its tangible and intangible assets, Property, Plant and Equipment (including Capital Works in progress) annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Loss.

An assessment is made annually as to see if there are any indications that impairment losses recognized earlier may no longer exist or may have come down. The impairment loss is reversed, if there has been a change in the estimates used to determine the asset's recoverable amount since the previous impairment loss was recognized. If it is so, the carrying amount of the asset is increased to the lower of its recoverable amount and the carrying amount that have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. After a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Reversals of impairment loss are recognized in the Statement of Profit and Loss.

3.10 Inventories:

Inventories are valued at lower of cost (weighted average method) and net realizable value.

Unserviceable and scrap items, when determined, are valued at estimated net realizable value less all costs necessary to make the sale.

Net realizable 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.

3.11 Revenue recognition:

Revenue is recognized at the fair value consideration received or receivable when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

Lease Income and Lease rentals paid are recognized in accordance with the recognition and measurement principles as per Ind AS 17 – Leases

a) Lease Premium:

Lease Premium received/receivable are recognized on straight line basis over the lease term as specified in the lease agreements.

b) Lease Rentals:

Lease rentals are recognized as and when they fall due as per the terms of the lease agreements.

c) Sale of Goods:

Revenue arising from sale of goods is recognized when the significant Risks and Rewards are passed to the buyer and the company does not retain any managerial involvement in the goods transferred and the amount of revenue can be measured reliably.

Notes accompanying consolidated financial statements

1. Income from River water and Tertiary Treatment Plant (TTP) are recognized on the basis of quantity committed/ delivered to the units and invoiced at the agreed rates.
2. Income from licensed activity (distribution of power) is recognized as per actual consumption billed at Karnataka Electricity Regulatory Commission (KERC) approved tariff.

d) Sale of Services:

Revenue from services is recognized when the outcome of services can be estimated reliably and it is probable that the economic benefits associated with rendering of services will flow to the Company, the amount of revenue can be measured reliably.

1. Operation and Maintenance charges (O&M) are recognized based on the agreement with the units. Where agreements are not finalized, O&M charges are recognized at cost plus markup.
2. Marine outfall usage charges received in advance are recognized over the useful life of the asset on proportionate basis.

e) Non-Operating Revenue:

1. Dividend income from the investments is recognized when the right to receive payment is established.
2. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is that rate exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.
3. Rental and other charges for usage of long term assets of the company which do not partake the character of lease, are recognized as and when they fall due as per the terms of the agreements.

3.12 Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset. Lease other than financial lease are classified as operating lease.

AS LESSEE:

Land acquired from KIADB on a long term lease cum sale and to be converted into a sale subject to fulfillment of the terms and conditions is treated as finance lease and recognized under Investment Property.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Prepayments towards operating lease are amortized on straight line basis over the period of the lease. Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.

AS LESSOR:

Lease agreements with a definite term with no stipulation for transfer of the ownership of the asset by the end of the lease term or for further renewal, are treated as operating lease.

Notes accompanying consolidated financial statements

Lease Premium:

Lease Premium received/receivable are recognized on straight line basis over the lease term as specified in the lease agreements.

Lease Rentals:

Lease rentals are recognized as and when they fall due as per the terms of the lease agreements

3.13 Foreign Exchange Transaction:

The functional currency of the Company is Indian Rupees which represents the currency of the economic environment in which it operates.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

a. Foreign currency monetary items are translated using the closing rate.

b. Non Monetary items measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in the previous financial statements are recognized in the statement of profit and loss of the period.

3.14 Employee Benefits:

a) Short term employee benefits

All employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service are classified as short term employee benefits.

All short term employee benefits are recognized at the undiscounted amount in the accounting period in which they are incurred.

b) Post-employment benefits

i) Defined Contribution Plans: The provident fund scheme and the employee pension scheme are defined contribution plans. The contribution paid / payable under the schemes are recognized during the period in which the employee renders the related service.

ii) Defined Benefit plans: The employee's gratuity liability is the company's defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the term of related obligations.

Actuarial gains and losses are recognized immediately in Other Comprehensive Income (OCI).

c) Long term employee benefits

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

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

3.15 Taxes on Income:

Income tax expense represents the aggregate of Current tax and Deferred tax.

(1) Current tax:

Current tax is the amount of Income tax payable in respect of the taxable profit for a period.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

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

(ii) Deferred Tax:

Deferred tax is recognized on deductable/taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statement and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to get future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with asset will be realized.

(iii) Current and deferred tax for the year:

Current and deferred tax are recognized in the Statement of Profit and Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

3.16 Borrowing Costs:

Borrowing costs specifically identified in the acquisition or construction of qualifying assets is capitalized as part of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Statement of Profit and Loss applying the "effective interest method" as described in Ind AS 109, *Financial Instruments.*

Borrowing Cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

3.17 Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent assets are disclosed in the Financial Statements by way of notes to accounts where an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

3.18 Financial instruments:

A Financial Instrument is a contract that gives rise to a financial asset or a financial liability or an equity instrument of another entity.

Financial assets and financial liabilities are recognized when Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Profit and Loss.

3.19 Financial assets:

Cash and cash equivalents:

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

Financial assets at amortized cost:

Financial assets are subsequently measured at amortized cost using the effective interest method if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income:

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

Financial assets at fair value through profit or loss:

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition.

Impairment of financial assets:

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

a) Lease receivables under Ind AS 17

b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

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

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

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

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

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

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

Derecognition of financial assets:

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the Statement of Profit and Loss.

3.20 Financial liabilities:

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

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and delivered financial instruments.

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

Financial liabilities at fair value through profit and loss:

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

Gains or losses on liabilities held for trading are recognized in the profit and loss.

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

Loans and borrowings:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

The category generally applies to borrowings.

Financial guarantee contracts:

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor falls to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

Derecognition:

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

Financial liabilities:

Financial liabilities are measured at amortized cost using the effective interest method.

De-recognition of financial liabilities:

The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the Statement of Profit and Loss.

3.21 Earnings per share:

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

3.22 Cash Flow Statement:

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

3.23 Operating Segments:

Operating Segments are identified based on the business activities from which they earn revenue and incur expenses and whose operating results are regularly reviewed by the entities Chief operating decision maker and for which discrete financial information is available.

3.24 First-time adoption – mandatory exceptions and optional exemptions:

(i) Overall principle:

The Company has prepared the opening balance sheet as per Ind AS as of April 1, 2015 (the transition date) by recognizing all assets and liabilities whose recognition is required by Ind AS, not recognizing items of assets or liabilities which are not permitted by Ind AS, by reclassifying certain items from Previous GAAP to Ind AS as required under the Ind AS, and applying Ind AS in the measurement of recognized assets and liabilities. However, this principle is subject to certain mandatory exceptions and certain optional exemptions availed by the Company as detailed below.

(ii) De-recognition of financial assets and financial liabilities

The Company has applied the de-recognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after April 1, 2015 (the transition date)

(iii) Classification of debt instruments

The Company has determined the classification of debt instruments in terms of whether they meet the amortized cost criteria or the fair value through other comprehensive income (FVTOCI) criteria based on the facts and circumstances that existed as of the transition date.

(iv) Impairment of financial assets

The Company has applied the impairment requirements of Ind AS 109 retrospectively; however, as permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognized in order to compare it with the credit risk at the transition date. Further, the Company has not undertaken an exhaustive search for information when determining, at the date of transition to Ind AS, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101.

(v) Deemed cost for Property, Plant and Equipment and Intangible assets

The Company has elected to continue with the carrying value of all of its Property, Plant and Equipment, and intangible assets recognized as of April 1, 2015 (transition date) measured as per the Previous GAAP and use that carrying value as its deemed cost as of the transition date.

(vi) Determining whether an arrangement contains a lease

The Company has applied Appendix C of Ind AS 17 for determining whether an arrangement contains a Lease at the transition date on the basis of facts and circumstances existing at that date.

(vii) Investments in subsidiaries

The Company has elected to carry its investments in subsidiaries at deemed cost being carrying amount under Previous GAAP on the transition date.

3.25 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Application of many of the accounting policies used in preparing the Financial Statements, MSEZ Management makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual outcomes could differ from the estimates and assumptions used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

Key source of judgments and estimation of uncertainty in the preparation of the Financial Statements which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of impairment, useful lives of Property, Plant and Equipment, retirement benefit obligations, provisions, valuation of deferred tax assets and contingent assets & liabilities.

3.26 Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (Refer note 41), that the Management have made in the process of applying the Company's accounting policies and that have the significant effect on the amounts recognized in the Financial Statements.

3.27 Key sources of estimation uncertainty

Information about estimates and assumptions that have the significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may differ from these estimates.

a) **Impairment of assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired, if any indication exists, or when annual impairment testing for an asset is required, the Company estimates that asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, when the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on investments, are recognized in the statement profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation surplus.

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

b) **Defined benefit obligation (DBO)**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Notes accompanying consolidated financial statements

Note 4: Plant, Property & Equipment

Amount in Rs.

	Gross carrying value				DEPRECIATION / AMORTISATION				Net carrying value	
	As at 01.04.2016	Additions during the year	Deductions / Adjustments	As at 31.03.2017	As at 01.04.2016	Additions during the year	Deductions / Adjustments	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Land - Leasehold	3,623,745	-	-	3,623,745	213,076	217,194	-	430,270	3,193,475	3,410,669
Building	1,066,221,489	417,775,204	2,231,874	1,481,764,819	21,486,813	23,914,980	27,419	45,374,374	1,436,390,445	1,044,734,676
Plant and equipment	3,429,762,072	265,234,421	198,411	3,694,798,082	106,301,655	114,147,231	198,411	220,250,475	3,474,547,607	3,323,460,417
Furniture and fixtures	7,522,694	349,765	-	7,872,459	1,284,660	1,469,437	-	2,754,097	5,118,362	6,238,034
Vehicle	-	19,155,739	-	19,155,739	-	1,682,687	-	1,682,687	17,473,052	-
Office equipments	5,467,548	397,729	43,100	5,822,177	1,358,820	1,361,174	18,302	2,701,692	3,120,485	4,108,728
Roads	672,527,948	26,417,192	1,685,003	697,260,137	125,876,942	144,227,376	281,755	269,822,563	427,437,574	546,651,006
Total	**5,185,125,496**	**729,330,050**	**4,158,388**	**5,910,297,158**	**256,521,966**	**287,020,079**	**525,887**	**543,016,158**	**5,367,281,000**	**4,928,603,530**
Previous Year	3,357,085,662	1,832,125,624	4,085,789	5,185,125,496		257,131,706	609,740	256,521,966	4,928,603,530	3,357,085,662

Amount in Rs.

	Gross carrying value				DEPRECIATION / AMORTISATION				Net carrying value	
	As at 01.04.2015	Additions during the year	Deductions / Adjustments	As at 31.03.2016	As at 01.04.2015	Additions during the year	Deductions / Adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land - Leasehold	3,623,745	-	-	3,623,745	-	213,076		213,076	3,410,669	3,623,745
Factory Building	678,376,028	390,492,097	2,646,636	1,066,221,489	-	21,520,628	33,815	21,486,813	1,044,734,676	678,376,028
Plant and equipment	2,196,826,578	1,233,966,730	1,031,236	3,429,762,072	-	106,483,162	181,507	106,301,655	3,323,460,417	2,196,826,578
Furniture and fixtures	5,033,431	2,489,263	-	7,522,694	-	1,284,660	-	1,284,660	6,238,034	5,033,431
Office equipments	2,823,167	3,052,298	407,917	5,467,548	-	1,753,238	394,418	1,358,820	4,108,728	2,823,167
Roads	470,402,712	202,125,236	-	672,527,948	-	125,876,942		125,876,942	546,651,006	470,402,712
Total	**3,357,085,662**	**1,832,125,624**	**4,085,789**	**5,185,125,496**	**-**	**257,131,706**	**609,740**	**256,521,966**	**4,928,603,530**	**3,357,085,662**
Previous Year	**14,981,800**	**3,470,021,462**	**157,298**	**3,484,845,964**	**-**	**127,830,751**	**70,449**	**127,760,302**	**3,357,085,662**	**14,981,800**

4(i) The company has taken borrowings from bank which carry charge over all the assets of the company (refer Note no.21 (i) Towards security and pledge).

4(ii) Refer Note No.44(b) for disclosure of contractual commitments for acquistion of Plant, Property & Equipment

Notes accompanying consolidated financial statements

Note 5 : Capital work in progress

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Capital work in progress			
Development of Land	990,377,223	939,587,206	1,273,161,227
Infrastructrure Development	3,519,720,170	3,499,288,670	3,653,942,398
Total	**4,510,097,393**	**4,438,875,876**	**4,927,103,625**

5(i) Capital work in Progress includes interest capitalized during the year Rs.110,321,219 (Previous Year Rs.184,942,880)

5(ii) Capital work in progress includes Rs.990,377,223 as on 31.03.2017 (includes PDE allocation as at 31.03.2017) (previous year Rs.938,517,987), mandatory and unavoidable expenditure incurred on creation of infrastructure at R&R colony, pursuant to the Government of Karnataka ORder No.KE 309 REH, 2006, Bangalore dated 20.06.2007. The expenditure will be transferred to the cost of land in the year in which the obligation is completed.

5(iii)The Company has an obligation vide Government Order no. RD 309 REH 2006 dated 20.06.2007 to provide various compensations to the Project Displaced Families (PDFs) including one job per family and sites for construction. The PDFs can opt for cash in lieu of site and cash in lieu of job. The estimated provision in respect of various compensations is as under which has been included in development of land.

Amount in Rs.

Particulars		As at 31.03.2017	As at 31.03.2016
Rehabilitation Compensation including training		11,211,961	45,139,716
Rehabilitation Colony Development Cost		75,163,040	77,054,539
Total		**86,375,001**	**122,194,255**

The Company has made the above provision based on present obligation as a result of past event.

Further, the said R&R package has been amended vide G.O. no. RD 116 REH 2011 dated 02.12.2011 by including the following:

a) Exit Option - the PDF's can opt for an ex-gratia cash in lieu of employment, in addition to the one time cash compensation payable as per earlier G.O.

b) Payment of stipend/sustenance allowance to PDF/nominees who do not opt for the ex-gratia as mentioned in option (a) above.

5 (iv) The company has taken borrowings from bank which carry charge over all the assets of the company (refer Note no. 21 (i) Towards security and pledge).

5(v) Refer Note No.44(b) for disclosure of contractual commitments for acquistion of Plant, Property & Equipment

Note 6: Investment Property

Amount in Rs.

	Gross carrying value				AMORTISATION			Net Carrying value		
	As at 01.04.2016	Additions during the year	Deductions/Adjustments	As at 31.03.2017	As at 01.04.2016	Additions during the year	Deductions/Adjustments	As at 31.03.2017	As At 31.03.2016	As At 01.04.2015
Land - Leasehold	4,398,886,563	50,363,250	12,824,662	4,436,425,151	-	-	-	**4,436,425,151**	**4,398,886,563**	**4,313,946,854**
Previous Year	4,313,946,855	129,205,294	44,265,586	4,398,886,563				**4,398,886,563**	**4,313,946,854**	-

6(i) Land lease :
Execution of lease cum sale agreement

Total Area	Agreement date	Lease Commencement date	Area Registered as on 31.03.2017	Land surrendered to KIADB	Balance not registered as on 31.03.2017	Total Area as on 31.03.2016	Area Registered as on 31.03.2016	Balance Not registered as on 31.03.2016
(Acres)			(Acres)	(Acres)	(Acres)	(Acres)	(Acres)	(Acres)
as on 31.03.2017								(after surrender to KIADB)
	28.12.2010*	27.01.2010						
1985.15	29.06.2011#	27.12.2010	1543.21		441.94	1985.15	1543.21	441.94
2.47	07.12.2011	28.10.2011	2.47		-	2.47	2.47	
86.5242	03.11.2014	25.07.2012	86.5242		-	86.5242	86.5242	
274.36			-	251.23	23.13	274.36		23.13
7.35					7.35	7.35		7.35
2355.85			**1632.20**	**251.23**	**472.42**	**2355.85**	**1632.20**	**^472.42**

* For 1533.22 acres
# For 9.99 acres
^ Includes 152.153 Acres allocated to project displaced families

Amount in Rs.

6(ii) Amount recognised in Profit & Loss Account for investment property	For the Year 31.03.17	For the Year 31.03.16
Rental Income	172,856,562	144,639,463
Direct Operating Expenses from property that generate direct rental income	29,192,713	28,165,828
Direct Operating Expenses from property that did not generate direct rental income		
Profit from investment property before depreciation	143,663,849	116,473,635
Depreciation		
Profit from investment property	143,663,849	116,473,635

6(iii) No fair value has been obtained for investment property
6(iv) The lenders (banks) have right to assign the lease rental in favour of banks in the event of default in payment of installments.
6(v) Refer Note No.44(b) for discloure of contraucal obligation to purchase, construct or develop investment property or for its repairs, maintenance or enhancement

Notes accompanying consolidated financial statements

Note 7: Other Intangible Assets

Amount in Rs.

	Gross carrying value				AMORTISATION				Net carrying value	
	As at 01.04.2016	Additions during the year	Deductions / Adjustments	As at 31.03.2017	As at 01.04.2016	Additions during the year	Deductions / Adjustments	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Intangible Assets										
Specialised Software	5	165,000	-	165,005	-	17,901	-	17,901	147,104	5
Barrage usage rights	158,448,580	-	-	158,448,580	6,602,024	6,602,024	-	13,204,048	145,244,532	151,846,556
Total	**158,448,585**	**165,000**	-	**158,613,585**	**6,602,024**	**6,619,925**	-	**13,221,949**	**145,391,636**	**151,846,561**
Previous Year	158,448,585	-	-	158,448,585	-	6,602,024		6,602,024	151,846,561	158,448,585

Amount in Rs.

	Gross carrying value				AMORTISATION				Net carrying value	
	As at 01.04.2015	Additions during the	Deductions / Adjustments	As at 31.03.2016	As at 01.04.2015	Additions during the	Deductions / Adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Intangible Assets										
Specialised Software	5	-		5	-	-	-	-	5	5
Barrage usage rights	158,448,580	-		158,448,580	-	6,602,024	-	6,602,024	151,846,556	158,448,580
Total	**158,448,585**	-	-	**158,448,585**	-	**6,602,024**	-	**6,602,024**	**151,846,561**	**158,448,585**
Previous Year	39,647	165,050,604		165,090,251	-	6,641,666	-	6,641,666	158,448,585	39,647

Notes accompanying consolidated financial statements

Note 8: Trade Receivable

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Receivables form related parties			-
Receivables from others	219,827,434	-	-
Total	**219,827,434**	-	-

Break-up for Security Details

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Secured, Considered good	-	-	-
Unsecured, considerd good	219,827,434	-	-
Doubtful	-	-	-
	219,827,434	-	-
Unsecured, considered good			
Impairment Allowance (allowance for bad and doubtful debts)	-	-	-
Total Trade Receivables	**219,827,434**	-	-

No Trade or other receivable are due from directors or other officers of the company either severally or jointly with any other persons nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner or a director or a member

Note 9: Loans & advances

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Security Deposit	57,877,889	57,143,822	78,845,499
Total	**57,877,889**	**57,143,822**	**78,845,499**

Break-up for Security Details

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Secured, Considered good	-	-	-
Unsecured, considerd good	57,877,889	57,143,822	78,845,499
Doubtful		-	-
Total	57,877,889	57,143,822	78,845,499

Note 10: Others

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Deposits with banks (more than 12 months)	25,000	25,000	25,000
Total	**25,000**	**25,000**	**25,000**

Notes accompanying consolidated financial statements

Note 11: Other Non current Assets

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Capital Advance:			
Related Party	34,161,952	26,800,402	49,952,902
Others	50,732,933	96,260,940	81,358,948
Others:			
Income Tax (Net of Provision)	186,532,220	25,489,075	24,205,948
Total	**271,427,105**	**148,550,417**	**155,517,798**

11 (i) Capital Advances to related party represents an advance of Rs.34,161,952 (previous year Rs.26,800,402) paid to Karnataka Industrial Area Development Board (KIADB) towards acquistion of Land.

Note 12: Trade Receivables

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Receivables form related parties	129,728,445	48,228,894	116,343,471
Receivables from others	358,359,612	208,913,591	117,441,829
Total	**488,088,057**	**257,142,485**	**233,785,300**

Break-up for Security Details

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Secured, Considered good	-	-	-
Unsecured, considerd good	535,944,257	291,861,412	233,785,300
Doubtful	62,609,952	77,730,323	7,304,616
	598,554,209	**369,591,734**	**241,089,915**

Unsecured, considered good

Impairment Allowance (allowance for bad and doubtful debts)	(110,466,152)	(112,449,250)	(7,304,616)
Total	**488,088,057**	**257,142,485**	**233,785,300**

No Trade or other receivable are due from directors or other officers of the company either severally or jointly with any other persons nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner or a director or a member

Note 13: Cash & cash Equivalents

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Balances with banks:			
-Current accounts	68,680,581	43,505,344	28,007,469
- Deposits with original maturity of less than three months	362,785,883	693,740,944	700,000,000
Cash on hand	6,616	16,120	17,740
Investments in Mutual Funds:			
179239.058 units of Rs.1019.4457 each (Previous Year 228658.066 units of Rs.1019.4457 each) UTI Liquid cash plan daily dividend reinvestment option	182,724,487	233,104,482	80,026,131
Total	**614,197,567**	**970,366,890**	**808,051,340**

Note 14: Bank Balances other than above

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Balances with banks:			
Deposits with original maturity of more than three months	128,522,597	478,637	
Total	**128,522,597**	**478,637**	-

Note 15: Loans

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Security Deposits	1,173,296	1,173,296	1,173,296
Total	**1,173,296**	**1,173,296**	**1,173,296**

Break-up for Security Details

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Secured, Considered good	-	-	-
Unsecured, considerd good	1,173,296	1,173,296	1,173,296
Doubtful	-	-	-
Total	1,173,296	1,173,296	1,173,296

Note 16: Others

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Due from Related Parties	31,530,852	41,691,067	107,137,951
Due from Others	102,405		
Unbilled Revenue	-	120,753,867	-
Total	**31,633,257**	**162,444,934**	**107,137,951**

Note 17: Current tax asset (net)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Income tax (Net of provisions)	45,186,072	185,581,206	
TOTAL	**45,186,072**	**185,581,206**	-

Note 18: Other current assets

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Advance to Suppliers	3,269,060	28,714,386	69,341,281
Interest accrued but not due	3,763,363	5,274,819	7,240,593
Prepaid Expenses	2,560,023	9,694,588	6,927,112
Service Tax	2,403,134	4,590,065	3,717,763
VAT	12,681,197	36,562,844	49,636,634
Others	407,221		26,341,427
TOTAL	**25,083,998**	**84,836,702**	**163,204,810**

Notes accompanying consolidated financial statements

Note 19. Equity Share Capital and Other Equity

(a) Equity Share Capital

Details of Authorised, Issued, Subscribed and Paid up Share Capital

Description	Number	As at 31st March 2017 - Amount in Rs.	Number	As at 31st March 2016 - Amount in Rs.	Number	As at 01st April 2015 - Amount in Rs.
Authorised :						
425000000 Equity Shares of Rs. 10 each	425,000,000	4,250,000,000	425,000,000	4,250,000,000	425,000,000	4,250,000,000
(Previous Year 425000000 Equity Shares of Rs. 10 each)						
Issued						
100000000 Equity Shares of Rs. 10 each fully paid up	100,000,000	1,000,000,000	100,000,000	1,000,000,000	100,000,000	1,000,000,000
(Previous Year 100000000 Equity Shares of Rs. 10 each)						
Subscribed and fully Paid up						
50001200 Equity Shares of Rs. 10 each fully paid up	50,001,200	500,012,000	50,001,200	500,012,000	50,001,200	500,012,000
(Previous Year 50001200 Equity Shares of Rs. 10 each)						
	50,001,200	**500,012,000**	**50,001,200**	**500,012,000**	**50,001,200**	**500,012,000**

Attributable to non-controlling Interests		150,000		150,000		150,000
		150,000		**150,000**		**150,000**

Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period:

Particulars	No. of Shares	Amount in Rs.
Balance as at April 1, 2015	**50,001,200**	**500,012,000**
Changes during the year	-	-
Balance as at March 31, 2016	**50,001,200**	**500,012,000**
Chnages during the year	-	-
Balance as at March 31, 2017	**50,001,200**	**500,012,000**

Terms / rights attached to equity shares:

(i) The Company has issued only one class of equity shares and no securities have been issued with the right / option to convert the same into equity shares at a later date.

(ii) No shares have been reserved for issue under options and contracts / commitments for the sale of shares / disinvestment.

(iii) The shares issued and subscribed carry equal rights and voting power.

(iv) All the shares issued and subscribed carry equal right of dividend declared by the Company and no restrictions are attached to any specific shareholder.

Details of Shareholders holding more than 5% of equity shares in the Company are as under:

Name of Equity Shareholders	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Infrastructure Leasing and Financial Services Ltd	25,000,000	50%	25,000,000	50%	25,000,000	50%
Oil and Natural Gas Corporation Ltd	13,000,000	26%	13,000,000	26%	13,000,000	26%
Karnataka Industrial Area Development Board	11,500,000	23%	11,500,000	23%	11,500,000	23%

Notes accompanying consolidated financial statements

Note 20: Equity Share Capital and Other Equity

(b) Other Equity

Retained Earnings

Amount in Rs.

Particulars	Retained Earnings	Total
Balance at April 1, 2015	353,249,825	353,249,825
Total Comprehensive Income for the year	(120,544,152)	(120,544,152)
Income tax provision for, previous year	-	-
Balance at March 31, 2016	**232,705,674**	**232,705,674**

Amount in Rs.

Particulars	Retained Earnings	Total
Balance at April 1, 2016	232;705,674	232,705,674
Total Comprehensive Income for the year	(61,294,758)	(61,294,758)
Income tax provision for, previous year	-	-
Balance at March 31, 2017	**171,410,916**	**171,410,916**

Note 21: Borrowings

Amount in Rs.

Particulars	Effective interest rate	As at March 31, 2017	Effective interest rate	As at March 31, 2016	Effective interest rate	As at April 01, 2015
Term Loan						
Secured Loan from Bank	9.35%	5,725,713,299	10.75%	4,684,254,661	10.75%	5,375,852,435
Total		**5,725,713,299**		**4,684,254,661**		**5,375,852,435**

21(i). Secured by mortagage of the land and structure/lease hold rights, of the entire immovable assets of the borrower both present and future, excluding land & structure pertaining to the rehabiltation and resettlement of the colony and lands for which lease agreements with tenants of the SEZ project already in place. First charge on the entire assets of the borrower present and future both movable and immovable. First charge on all revenues/receivable accruing to the project.

21(ii). During the year the company has availed fresh loan from State Bank of India for Rs.5850 Million and preclosed the earlier loan due to IOB led consortium bankers.

21(iii). The new Term loan is Repayable in 62 unequal quarterly instalments commencing from 31st December 2016.

21(iv) Interest on the loan paid is at 0.4% above 1 year MCLR rate of the lender.

21(v) There has been no default in payment of principle/interest during the year

21(vi) Out of the total sanction of Rs. 5850 million , the Company has availed ng to Rs.5840 million as at 31.03.17 out of which company has repaid Rs.32.76 Million.

21(vii) Term of repayment is given below in Rupees millions

Financial Year	QTR	QTRLY Installment	Yearly
2016 - 17	1 to 2	16.38	32.76
2017 - 18	3 to 6	16.38	65.52
2018 - 19	7 to 10	24.62	98.48
2019 - 20	11 to 14	32.86	131.44
2020 - 21	15 to 18	41.10	164.40
2021 - 22	19 to 22	57.58	230.32
2022 - 23	23 to 26	74.05	296.20
2023 - 24	27 to 30	90.53	362.12
2024 - 25	31 to 34	107.01	428.04
2025 - 26	35 to 38	115.25	461.00
2026 - 27	39 to 42	123.49	493.96
2027 - 28	43 to 46	139.97	559.88
2028 - 29	47 to 50	148.21	592.84
2029 - 30	51 to 54	156.45	625.80
2030 - 31	55 to 58	160.57	642.28
2031 - 32	59 to 62	164.69	654.96
			5,840

Notes accompanying consolidated financial statements

Note 22: Other financial liabilites

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Security Deposit	1,840,276	1,727,037	1,727,037
Retention Money Payable		-	339,757
Total	**1,840,276**	**1,727,037**	**2,066,794**

Note 23: Provisions

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Provision for employee benefits			
Gratuity	6,742,116	4,454,116	3,423,223
Compensated Absence	6,482,325	4,173,388	3,650,236
Total	**13,224,441**	**8,627,504**	**7,073,459**

Note 24: Deferred tax liabilities

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Deferred tax assets		-	-
Deferred tax liabilities	354,938,090	223,591,487	104,030,932
Deferred tax (net)	**(354,938,090)**	**(223,591,487)**	**(104,030,932)**

	Opening balance	Recognised in Profit and Loss Account	Closing balance
Deferred tax (liabilities)/assets in relation to: **Deferred Tax Assets**			
Provision for Non Moving Inventories	-	-	-
Provision for Doubtful debts/Advances/Claims/Interest	-	-	-
Expenses Disallowed Under Income Tax	-	-	-
FVTPL financial Assets	-	-	-
Financial Assets at FVTOCI	-	-	-
Defined benefit obligation	-	-	-
Others (describe)			-
Total Assets	-	-	-
Deferred Tax Liabilities			
Property, plant and equipment	205,358,758	121,166,701	326,525,458
Intangible assets	18,232,728	5,177,393	23,410,121
FVTPL financial laibilities	-	5,002,511	5,002,511
Total Liabilities	**223,591,486**	**131,346,605**	**354,938,090**
Net Deferred Tax Liabilites	**223,591,486**	**131,346,605**	**354,938,090**

Note: The company avails 80IAB exemption under income tax Act, 1965. Hence most of the differences in deferred taxed are permanent in nature.

Notes accompanying consolidated financial statements

Note 25. Other non current liabilities

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Lease Premium received in advance (Refer Note No.25(ii) below			
Related Parties	2,349,235,124	2,292,736,468	2,346,169,659
Others	2,791,253,874	2,197,443,252	2,248,711,320
Advance Related Parties (Refer note No.25(i) below)	1,967,240,084	1,815,806,751	1,261,065,951
Usage charges for marine assets received in advance (Refer Note Note 25(iii) below)	335,672,936	348,105,266	-
Advance Others	682,753,500	610,300,854	86,842,585
Deferred government grant	160,000,000	130,000,000	-
Total	**8,286,155,518**	**7,394,392,591**	**5,942,789,515**

25(i)

Name of Party	Nature of transctions	As at 31st March 2017	As at 31st March 2016	As at April 01, 2015
Mangalore Refinery and Petrochemicals Limited	Lease of land for constuction of PP- Petcoke evacuation road	109,931,847	-	
ONGC Mangalore Petrochemicals Limited	Lease Premium	2,239,303,277	2,292,736,468	2,346,169,659
Total		**2,349,235,124**	**2,292,736,468**	**2,346,169,659**
Mangalore Refinery and Petrochemicals Limited	Advance towards corridor cost	975,733,333	900,000,000	800,000,000
ONGC Mangalore Petrochemicals Limited	Advance towards corridor cost	975,700,000	900,000,000	80,000,000
ONGC Mangalore Petrochemicals Limited	Advance Operation & Maintenance charges	3,127,164	3,127,164	5,265,951
Mangalore Refinery and Petrochemicals Limited	Advance Operation & Maintenance charges-Marine outfall	622,209	622,209	
Mangalore Refinery and Petrochemicals Limited	Advance Operation & Maintenance charges-River water	7,484,710	7,484,710	
Mangalore Refinery and Petrochemicals Limited	Advance Operation & Maintenance charges-Marine outfall-TTP water	4,572,668	4,572,668	
ONGC Mangalore Petrochemicals Limited	Advance towards marine outfall infrastructure			107,400,000
Mangalore Refinery and Petrochemicals Limited	Advance towards marine outfall infrastructure			268,400,000
Total		**1,967,240,084**	**1,815,806,751**	**1,261,065,951**

25(ii) Lease premium received represent unamortised portion of lease premium received from customers as per agreement to be recognised as income over the primary lease period on time proportion basis.

25(iii) Usage charges for marine assets received in advance from ONGC Mangalore Petrochemicals Limited (OMPL) & Mangalore Refinery and Petrochemicals Limited MRPL represents unamortized portion of usage charges received from customers as per agreement to be recongised as income over the useful life of assets on proportionate basis.

Notes accompanying consolidated financial statements

Note 26: Trade Payables

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Trade Payables	50,375,133	35,978,933	18,797,948
Total	**50,375,133**	**35,978,933**	**18,797,948**

26(i)The classification of the suppliers under Micro, Small and Medium Enterprises Development Act, 2006 is made on the basis of information made available to the Company.

26(ii)Disclosure requirement as required under Micro, Small, & Medium Enterprises Development Act, 2006 is as follows

Particulars	2016-17	2015-16
i) Principal amount remaining unpaid but not due as at year end to micro, small and medium enterprises	Nil	Nil
ii) Interest due thereon as at year end	Nil	Nil
iii) Interest paid by the Company in terms of section 16 of Micro, Small and Medium Enterprises Development Act, 2006	Nil	Nil
iv) Interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
v) Interest accrued and remaining unpaid as at year end	Nil	Nil
vi) Further interest remaining due and payable even in the succeeding periods, until such date when the interest dues as above are actually paid to the small enterprise	Nil	Nil

Note 27: Other financial liabilities

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Current maturity of long term debt at amortized cost	65,337,344	1,182,253,304	552,303,190
Interest accrued but not due on borrowings	-	604,499	1,029,340
Retention Money	229,229,818	407,223,552	477,596,536
Security Deposits			
Related Party	15,400,000	20,891,328	27,114,856
Others	22,043,767	21,794,480	20,600,000
Vendors	236,866	271,278	346,268
Earnest Money Deposit	4,892,050	5,202,050	6,589,500
Others			
- Liability for Related Party (Refer Note 27(i) below)	381,771,173	393,723,437	403,147,410
- Liability for others	103,090,795	112,701,366	78,574,894
- Liability for capital goods	134,750,937	260,774,431	176,036,116
Total	**956,752,750**	**2,405,439,725**	**1,743,338,110**

27(i) Include due to related parties Rs.381,771,173/- (Previous year Rs.393,723,437/-) payable to Karnataka Industrial Area Development Board (KIADB) towards land taken on lease cum sale basis and the same is subject to confirmation. Payable to Infrastrcuture Leasing & Financial Services towards expense Rs.551,722/- (Previous year Rs.457,341/-)

Notes accompanying consolidated financial statements

Note 28: Other current liabilties

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Lease premium received in advance			
a) Related Party	56,061,044	53,433,191	53,433,191
b) Others	68,987,578	51,268,068	51,268,068
Marine Outfall Usage charges received in advance			
-Related parties	12,432,330	12,432,330	-
Advance Received towards infrastructure facility	44,973,157	47,652,300	-
Other liabilities :			
Statutory payments	11,653,409	11,416,400	21,159,905
Total	**194,107,518**	**176,202,289**	**125,861,164**

Note 29: Provisions

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Provision for employee benefits			
Gratuity	551,946	241,373	92,869
Compensated Absence	630,564	438,391	2,336,903
Rehabilitation & Resettlement cost (refer note 5 (iii))	86,375,001	122,194,255	128,520,742
Total	**87,557,511**	**122,874,019**	**130,950,514**

Note 30: Current tax liabilities (Net)

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Current tax liabilities (Net)			153,024
Total	-	-	**153,024**

Note 31: Revenue from operations

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Sale of Products		
River water charges	522,192,499	423,917,255
TTP water charges	113,314,940	118,231,548
Sale of power -Licensed activity	171,264,873	116,461,333
Sale of Services		
Lease Premium	114,331,364	104,701,259
Lease Rental	58,525,198	39,938,204
O&M Charges - River water, TTP Water, Marine outfall & Zone	293,174,967	284,651,488
Marine Outfall Right of Usage charges	12,432,330	12,432,330
Total	**1,285,236,171**	**1,100,333,417**

Note 32: Other Income

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Interest Income on short term deposits with banks and other interest	23,645,460	25,275,813
Dividend Income	9,620,005	14,578,351
Other Non operating income	27,641,130	42,538,691
Miscellaneous Income	1,138,174	1,523,452
Total	**62,044,769**	**83,916,307**

Notes accompanying consolidated financial statements

Note 33: Cost of Purchased Power

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Purchase of Power	105,376,965	73,355,110
Total	**105,376,965**	**73,355,110**

Note 34: Employee Benefit Expenses

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Salaries, wages and bonus	63,188,585	53,030,988
Contribution to provident and other Funds	1,142,513	839,934
Staff welfare expenses	3,782,752	2,722,046
Total	**68,113,850**	**56,592,968**

Note 35: Finance costs

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Interest on debt	492,782,572	452,731,392
Other borrowing cost	37,800,261	3,886,892
Interest on financial liability not under fair value through profit or loss	2,897,498	3,806,829
Total finance costs	**533,480,331**	**460,425,113**

Note 36: Depreciation and Amortisation Expense

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Depreciation on Tangible assets	286,493,711	256,851,250
Amortisation of Intangible assets	6,837,119	6,815,100
Total	**293,330,830**	**263,666,350**

Note 37: Other Expenses

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Rent	4,438,011	3,916,202
Rates and taxes	234,440	313,558
Repair and Maintenance	159,882,741	149,376,543
Insurance	5,643,832	3,475,946
Advertising and publicity	2,119,948	2,021,023
Travelling expenses	14,932,858	12,479,296
Professional & consultancy charges	38,903,127	24,010,518
Impairment allowance (Provision for bad & doubful debts)	13,137,275	105,144,634
Auditors Remuneration:		
Audit Fees	325,000	280,000
Taxation matter	62,500	62,500
Other Services	125,000	125,000
Out of pocket expenses	319,360	396,959
Miscellaneous Expenses	15,423,498	16,365,340
Total	**255,547,589**	**317,967,519**

Notes accompanying consolidated financial statements

Note 38: Income tax expense

Amount in Rs.

Particulars	For the YE March 31, 2017	For the YE March 31, 2016
Current tax:		
Current tax on profits for the year	19,922,382	13,508,958
Adjustments for current tax of prior periods	15,267	(501,672)
Total current tax expense	19,937,649	13,007,286
Deferred tax:		
Relating to originating and reversal of temporary timing difference	131,346,605	119,560,555
Income Tax expense	**151,284,254**	**132,567,841**

38(i) Reconciliation of tax expense and the accounting profit multiplied by Indian domestic rate for 31 March 2017 and 31 March 2016		
	31-Mar-17	**31-Mar-16**
Accounting Profit	91,431,375	80,834,947
Profit/(Loss) before tax from a discontined operations	-	-
Accounting Profit before Income tax	**91,431,375**	**80,834,947**
At Indian Statutory domestic rate of 20.3885% (31 March 2016 20.3885%) - (Refer Note 38(ii))	18,641,486	16,481,033
Dividend income exempt from tax	1,535,735	2,972,307
Non deductable expenses for the tax purposes:	2,678,391	
One time IND AS transition effects	137,808	
At effective income tax rate 21.78% (31 March 16.71%)	19,922,382	13,508,958

38(ii) The Company has recognised Minimum Alternate Tax on the Book Profits as required under section 115JB of the Income Tax Act, since the Company is eligible for tax holiday for a period of 10 years from the FY 2011-12 in respect of income relatable to SEZ activities in accordance with section 80I(AB) of the Income Tax Act.

Note 39:

" Dues from" and "due to" related parties are based on the books of account of the company and confirmation of balance have not been obtained.

Notes accompanying consolidated financial statements

Note : 40 Effect of IND AS adoption on the Combined Balance Sheet as at 1 April 2015
(date of IND AS transition)

	Particulars	As at March 31,2015 end of last period presented under previous GAAP	Effect of Transition to Ind AS	As at April 1,2015
	ASSETS			
(1)	**Non-current assets**			
	(a) Property, plant and equipment	7,671,032,517	(4,313,946,855)	3,357,085,662
	(b) Capital work in progress	4,927,103,625	-	4,927,103,625
	(c) Investment Property	-	4,313,946,855	4,313,946,855
	(d) Other Intangible Assets	158,448,585	-	158,448,585
	(e) Financial Assets			
	(iii) Loans & advances	-	78,845,499	78,845,499
	(iv) Others		25,000	25,000
	(f) Other non-current assets	234,388,297	(78,870,499)	155,517,798
	Total Non Current Asset	**12,990,973,024**	**0**	**12,990,973,023**
(2)	**Current assets**			
	(a) Inventories	-	-	-
	(b) Financial Assets			
	(i) Trade receivables	241,089,915	(7,304,616)	233,785,300
	(ii) Cash and cash equivalents	808,051,340	-	808,051,340
	(iii) Bank Balances other than (ii) above	-	-	-
	(iv) Loans & Advances	-	1,173,296	1,173,296
	(iv) Others	-	107,137,951	107,137,951
	(vi) Current tax asset (Net)	-	-	-
	(c) Other current assets	271,516,057	(108,311,247)	163,204,810
	Total Current Assets	**1,320,657,312**	**(7,304,616)**	**1,313,352,697**
	Total assets	**14,311,630,336**	**(7,304,616)**	**14,304,325,720**
	EQUITY AND LIABILITIES			
(1)	**Equity**			
	(a) Equity Share capital	500,012,000	-	500,012,000
	(b) Other equity	278,631,995	74,617,830	353,249,825
	Equity attributable to non-controlling interests			
	(a) Equity Share capital		150,000	150,000
	(b) Other equity			
	Total Equity	**778,643,995**	**74,767,830**	**853,411,825**
	Minority Interest	**150,000**	(150,000)	
(2)	**Non-current liabilities**			
	(a) Financial Liabilities			
	(i) Borrowings	5,447,849,407	(71,996,972)	5,375,852,435
	(ii) Other financial liabilities	-	2,066,794	2,066,794
	(b) Provisions	7,073,459	-	7,073,459
	(c) Deferred tax liabilities (Net)	106,559,596	(2,528,664)	104,030,932
	(d) Other Non Current Liabilities	5,973,656,309	(30,866,794)	5,942,789,515
	Total non-current liabilities	**11,535,138,771**	**(103,325,636)**	**11,431,813,135**
(3)	**Current liabilities**			
	(a) Financial Liabilities			
	(ii) Trade payables	15,670,856	3,127,092	18,797,948
	(iii) Other financial liabilities	-	1,743,338,110	1,743,338,110
	(b) Other current liabilities	1,850,923,094	(1,725,061,930)	125,861,164
	(c) Provisions	131,103,619	(153,105)	130,950,514
	(d) Current tax liabilities (net)			153,024
	Total current liabilities	**1,997,697,569**	**21,403,190**	**2,019,100,760**
	Total liabilities	**13,532,836,340**	**(81,922,446)**	**13,450,913,895**
	Total equity and liabilities	**14,311,630,335**	**(7,304,616)**	**14,304,325,720**

(Note 40 Contd.)

Notes accompanying consolidated financial statements

Effect of IND AS adoption on the Balance Sheet as at 31 March 2016

	Particulars	As at March 31,2016 end of last period presented under previous GAAP	Effect of Transition to Ind AS	As at March 31, 2016
	ASSETS			
(1)	**Non-current assets**			
	(a) Property, plant and equipment	9,244,397,688	(4,315,794,157)	4,928,603,531
	(b) Capital work in progress	4,438,875,876	-	4,438,875,876
	(c) Investment Property	-	4,398,886,563	4,398,886,563
	(d) Other Intangible Assets	151,846,561	-	151,846,561
	(e) Financial Assets			
	(iii) Loans & advances	-	57,143,822	57,143,822
	(iv) Others	-	25,000	25,000
	(f) Other non-current assets	205,719,239	(57,168,822)	148,550,417
	Total Non Current Asset	**14,040,839,364**	**83,092,406**	**14,123,931,770**
(2)	**Current assets**			
	(a) Inventories	464,251	(464,251)	-
	(b) Financial Assets			
	(i) Trade receivables	369,137,087	(111,994,603)	257,142,485
	(ii) Cash and cash equivalents	970,845,527	(478,637)	970,366,890
	(iii) Bank Balances other than (ii) above		478,637	478,637
	(iv) Loans & Advances		1,173,296	1,173,296
	(iv) Others	-	162,444,934	162,444,934
	(vi) Current tax asset (Net)		185,581,206	185,581,206
	(c) Other current assets	434,494,766	(349,658,064)	84,836,702
	Total Current Assets	**1,774,941,631**	**(112,917,481)**	**1,662,024,150**
	Total assets	**15,815,780,995**	**(29,825,075)**	**15,785,955,920**
	EQUITY AND LIABILITIES			
(1)	**Equity**			
	(a) Equity Share capital	500,012,000	-	500,012,000
	(b) Other equity	239,875,145	(7,169,471)	232,705,674
	Equity attributable to non-controlling interests			
	(a) Equity Share capital		150,000	150,000
	(b) Other equity			
	Total Equity	**739,887,145**	**(7,019,471)**	**732,867,674**
	Minority Interest	**150,000**	(150,000)	
(2)	**Non-current liabilities**			
	(a) Financial Liabilities			
	(i) Long Term Borrowings	4,712,570,881	(28,316,220)	4,684,254,661
	(ii) Other financial liabilities	-	1,727,037	1,727,037
	(b) Provisions	8,627,504	-	8,627,504
	(c) Deferred tax liabilities (Net)	213,042,451	10,549,036	223,591,487
	(d) Other Non Current Liabilities	7,303,199,628	91,192,963	7,394,392,591
	Total non-current liabilities	**12,237,440,464**	**75,152,817**	**12,312,593,280**
(3)	**Current liabilities**			
	(a) Financial Liabilities			
	(ii) Trade payables	33,801,090	2,177,843	35,978,933
	(iii) Other financial liabilities	-	2,405,439,725	2,405,439,725
	(b) Other current liabilities	2,681,624,295	(2,505,422,006)	176,202,289
	(c) Provisions	122,878,001	(3,982)	122,874,019
	(d) Current tax liabilities (net)			
	Total current liabilities	**2,838,303,386**	**(97,808,420)**	**2,740,494,966**
	Total liabilities	15,075,743,850	**(22,655,604)**	15,053,088,246
	Total equity and liabilities	15,815,780,995	**(29,825,075)**	15,785,955,920

(Note 40 Contd.)

Notes accompanying consolidated financial statements

Effect of Ind AS adoption on the Combined Statement of Profit and Loss for the year ended 31st March, 2016

Amount in Rs.

	Particulars	IGAAP 31-Mar-16	Ind AS Adjustments	IND AS 31-Mar-16
	Continuing operations			
I	Revenue from Operations	1,100,914,272	(580,855)	1,100,333,417
II	Other income	43,144,071	40,772,236	83,916,307
III	**Total Revenue**	**1,144,058,343**	**40,191,381**	**1,184,249,724**
IV	**Expenses**			
	Cost of Purchased Power	73,355,110	-	73,355,110
	Employee Benefit Expenses	54,401,135	2,191,833	56,592,968
	Finance costs	416,494,247	43,930,866	460,425,113
	Depreciation, Amortisation and Impairment	305,296,766	(41,630,416)	263,666,350
	Other expenses	213,777,794	104,189,725	317,967,519
	Total Expense	**1,063,325,052**	**108,682,008**	**1,172,007,060**
V	**Profit/(loss) before exceptional items and tax from continuing operations (III - IV)**	**80,733,291**	**(68,490,627)**	**12,242,664**
VI	Exceptional items	-	-	-
VII	**Profit/(loss) before tax (V-VI)**	**80,733,291**	**(68,490,627)**	**12,242,664**
VIII	Tax expense:			
	(1) Current tax	13,508,958	(501,672)	13,007,286
	(2) Deferred tax	106,482,855	13,077,699	119,560,554
		119,991,813	12,576,027	132,567,840
IX	**Profit/(loss) for the period from continuing operations (VII-VIII)**	**(39,258,522)**	**(81,066,655)**	**(120,325,177)**
X	Profit/(loss) from discontinued operations	-	-	-
XI	Tax expense of discontinued operations	-	-	-
XII	Profit/(loss) from Discontinued operations (after tax) (X-XI)	-	-	-
XIII	**Profit/(loss) for the period (IX+XII)**	**(39,258,522)**	**(81,066,655)**	**(120,325,177)**
XIV	**Other Comprehensive Income ***			
	A (i) Items that will not be reclassified to profit or loss			
	(a) Remeasurement of the defined benefit plans (net of tax)	-	(218,975)	(218,975)
	(a) Equity instruments through other comprehensive income	-	-	-
	(ii) Income tax relating to items that will not be reclassified to profit or loss	-	-	-
	B (i) Items that will be reclassified to profit or loss	-	-	-
	(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-
		-	(218,975)	(218,975)
XV	Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)	**(39,258,522)**	**(81,285,630)**	**(120,544,152)**
XVI	Earnings per equity share (for continuing operation):			
	(1) Basic	(0.77)	-	(2.41)
	(2) Diluted	(0.77)	-	(2.41)
XVII	Earnings per equity share (for discontinued operation):			
	(1) Basic	-	-	-
	(2) Diluted	-	-	-
XVIII	Earnings per equity share (for discontinued and continuing operations):			
	(1) Basic	(0.77)	-	(2.41)
	(2) Diluted	(0.77)	-	(2.41)

* Under the Previous GAAP, there was no concept of Other Comprehensive Income. Under Ind AS, specified items of income,expense, gains or losses are required to be presented in Other Comprehensive Income

(Note 40 Contd.)

Notes accompanying consolidated financial statements

Statement showing Reconciliation of Other Equity Between IND-AS and Previous Indian GAAP

Sl. No.	Particulars	Note Ref.	Amount in Rs	Amount in Rs.
1	**Other Equity reported under IGAAP - as at 01 April 2015 (IND AS Transition Date)**			**278,631,995**
2	Impairment Provision & Life Time Expected Credit Loss provided for Financial Assets (Trade Receivables)	5	(7,304,616)	
3	Deferred tax liabilities	4	2,528,664	
4	Fair Value for Financial Liabilities - Amortized cost of Debt	5	79,393,782	
				74,617,830
	Other Equity as per IND AS - as at 01 April 2015 (IND AS Transition Date) - A			**353,249,825**

Statement showing Reconciliation of Profit Betweeen IND-AS and Previous Indian GAAP for Year Ended 31-March-2016			
Sl.No.	Nature of Adjustments	Note Ref.	Profit Reconciliation for Year Ended 31-March-2016
	Net Profit/(Loss) as per Previous Indian GAAP		**(39,258,522)**
1	Incidental Income not necessary for intended use of Plant, Property & Equipment	1	40,772,236
2	Impairment Provision & Life Time Expected Credit Loss provided for Financial Assets (Trade Receivables)	5	(105,144,634)
3	Change in accounting Policy for assets used River Water & Tertiary Treatment Plant Assets from Useful life method (SLM basis) to Unit of Production Method	2	41,630,416
4	Fair Value for Financial Liabilities - Amortized cost of Debt	5	(43,930,866)
5	Deferred tax liabilities	4	(13,077,700)
7	Spares classified as Plant, Property & Equipment	3	225,504
6	Others	5	(2,043,283)
7	Adjustments for current tax of prior periods		501,672
8	Remeasurement of the defined benefit plans	5	(218,975)
	Net Profit as per IND AS		**(120,544,152)**

1 In the FS prepared under I – GAPP , income from sale of rocks was deducted from cost of land . However under IND AS in accordance with paragraph 21 of IND AS16 PPE is recognized as " othernon-operativeIncome ".

2 In the FS prepared under I – GAPP, depreciationon Water Treatment Plant assets(River water and Territory treatment plant Assets) was charged on straight line method. On transition to Ind AS, the company elected tocharge depreciationadopting units of production in respect of above assets as permitted under paragraph 63 of IND As 16 –PPE . This has resulted in

a) decrease of depreciation/amortization expense to the extent of Rs.4.16 Crores which is recognised in statement of profit and loss and increase in carrying cost of PPE

(Note 40 Contd.)

Notes accompanying consolidated financial statements

3 Cost of spares which are held for use in production for more than one period is considered as part of Plant, Property and equipment as per IND As 16 which hitherto was treated as Inventories under I GAPP. This change has affected equity and profit after tax for the period by Rs.0.02 Crores.

4 Deferred Tax –In the FS prepared under IGAAP, deferred tax was accounted as per Income approach which required creation of Deferred tax liability/ assets on timing differences between taxable profit and accounting profit. Under IND AS Deferred tax is accounted as per balance Sheet approach which requires creation of DTL/DTA on temporary differences between carrying amount of assets and liabilities in the Balance Sheet and its corresponding tax base.The impact of the above and transition adjustments together with IND AS mandate of using Balance Sheet approach, for computation of deferred taxes has resulted in increase in deferred tax expense by Rs.1.30 Crores in the statement of Profit and Loss.

5 **Fair valuation of financial assets :**

The Company has measured financial assets and financial liabilities (other than Loanliabilities which are measured at amortized cost and investment in subsidiaries which the company has elected to carry at cost), at fair value. Impact of fair value changes as on 31st March 2016 Rs.10.51 Crores is recognized in the Statement of Profit and loss .

In the FS prepared under I – GAPP ,loan liabilities were carried at the transaction value. Under IND AS 109, loan liabilities are to be carried at amortized cost. Transaction cost including processing fees are adjusted against the loan availed ,which was added to the cost of the asset / charged to P& l under I GAPP. This has resulted in credit to the balance in the statement of Profit and loss on the transition date Rs.7.94 Crores and increase in equity and debit to statement of Profit and loss for the year ended 31st march 2016 Rs.4.39 Crores.

In the FS prepared under I – GAPP , remeasurement of defined benefit plans including, changes due to actuarial assumptions was recognized as employee benefits expense in the Statement Of Profit and Loss . Under Ind As 19 – Employee Benefits, such remeasurement adjustments relating to defined benefit plans is recognized in OCI. Consequently, the related tax effect of the same is also recognized in OCI.

For the year ended 31st March 2016, re-measurement resulted in reduction of employee benefits expense by Rs.0.02 Crores and charge to OCI by an equal amount.This does not affect Equity as on the date of Transition and as at 31st March 2016.

Note 41: I. RECOGNITION OF REVENUE

(a) The Company has recognized revenues amounting to Rs.11.64 Crores towards Zone Operation and Maintenance charges (O & M). The agreements for Zone O & M charges are under finalization. Pending finalization of agreements, O & M charges are recognized at cost plus markup. Adjustments for increase / decrease will be given effect in the year in which agreements are finalized.

(b) The Company's power distribution business is rate/tariff regulated by Karnataka Electricity Regulatory Commission (KERC). Hence, the Company files Annual Revenue Requirement/tariff application before KEFC. The KERC passes tariff order determining and notifies the retail supply tariff to be charged from Consumers. In respect of FY 2016-17, the revenue is recognized based on the KERC tariff order dated 30th March 2016 applicable w.e.f. 01st April 2016. The Company upon submission of Annual audited accounts (pertaining to power distribution business) the KERC appraises the accounts and finalizes the revenue requirement. Thus, on final determination of the revenue requirement/ by KERC, the effect will be given for the difference, if any accordingly.

Notes accompanying consolidated financial statements

II. RECOGNITION OF BORROWING COST

Borrowing costs are charged to the Statement of Profit & Loss applying the effective interest method. The interest charged on the loan is 40 basis point plus one year Maximum Commercial Lending Rate (MCLR) rate of the Lender. If the Lender changes the MCLR rate, the effective rate of interest will also change resulting in reduction or increase in interest cost.

III. ESTIMATED USEFUL LIFE OF TANGIBLE AND INTANGIBLE ASSETS

(a) The Company has estimated the useful life of certain assets based technical evaluation and that of certain assets based on useful life as specified in Schedule-II to the Companies Act, 2013. The Management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. The estimated useful life and residual values are reviewed at the end of each financial year and if necessary, changes in estimates are accounted. The Company has adopted unit of production method for charging depreciation in respect of River Water Assets and Tertiary Treatment Plant assets (both excluding Electrical Installations and Equipment) Under unit of production method, the Management estimates the production likely to be achieved in future years. The actual productions are reviewed at the end of each financial year and if necessary, changes in estimation are accounted.

(b) The Company amortize the cost of barrage useful usage rights on a straight-line basis over the lease period / life of the underlying assets whichever is less.

IV. IMPAIRMENT OF TRADE RECEIVABLE

The impairment provision for financial assets is based on the assumption about risk of default and expected loss rates. The Company uses judgements in making these assumptions and selecting the input impairment calculation based on the Company past history as well as forward looking assumptions at the end of each reporting period.

Note 42: Earnings Per Share (EPS)

Basic EPS amounts are included by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year

Particulars	FY 2016-17	FY 2015-16
Profit after tax (Rs.)	(61,300,942)	(120,442,496)
Number of equity shares	50001200	50001200
Basic & diluted earnings per share (Rs.)	(1.23)	(2.41)

Note 43 : Disclosure pursuant to IND AS 19 is given below:

(A) Brief description: A general description of the type of Defined Benefit Plans and Long Term Employee Benefits is as follows:

(i) Compensated absences - Earned leave eligibility is 25 days per annum and sick leave 12 days per annum. Encashment permitted up to a maximum of 300 days per employee.

(ii)Gratuity: As per the Payment of Gratuity Act, 1972

(iii) Liabilities for compensated absentees and gratuity is unfunded

(iv) The amount recognised in the Balance Sheet for post-employment benefit plan in respect of gratuity is as under:

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Present value of funded	-	-
2	Fair value of plan assets	-	-
3	Present value of unfunded	7,294,062	4,695,489
4	Unrecognised past service cost	-	-
5	Net Liability		
	Current	551,946	241,373
	Non-current	6,742,116	4,454,116
	Total	**7,294,062**	**4,695,489**

Notes accompanying consolidated financial statements

(B) Reconciliation showing the movements during the year in the net liability recognised in the balance sheet:

Amount in Rs.

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Opening defined benefit	4,695,489	3,516,092
2	Service Cost	834,444	797,060
3	Interest Cost	375,170	280,584
4	Actuarial losses (gains)	1,411,879	218,975
5	Exchange differences on foreign plans	-	-
6	Liability transfer in	-	-
7	Benefits paid	(52,920)	(117,222)
8	Closing defined benefit obligation	**7,264,062**	**4,695,489**

(C) The total expenses recognised in the statement of statement of Profit and Loss are as follows:

Amount in Rs.

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Current Service Cost	834,444	797,060
2	Net Interest cost	375,170	280,584
3	Past Service Cost	-	-
4	Expected Contributions by the Employees		
5	(Gains)/Losses on Curtailments and Settlements	-	-
6	Net Effect on Changes in Foreing Exchange Rates	-	-
7	Expenses Recognised	**1,209,614**	**1,077,644**

(D) The total expenses recognised in the Other Comprehensive Income (OCI) for the Current Period

Amount in Rs.

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Actuarial (Gains)/Losses on Obligation For the period	1,441,879	218,975
2	Return on Plan Assets, Excluding Interest Income		
3	Change in Asset Ceiling.	-	-
4	Net (Income)/Expense For the Period Recognised in OCI	**1,441,879**	**218,975**

Notes accompanying consolidated financial statements

(E) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

Amount in Rs.

Sl. No	Particulars	As at 31st March 2017	As at 31st March 2016
1	Discount Rate	7.26%	7.99%
2	Retirement Age	60	60
3	Attrition Rate	5%	5%
4	Expected return on plan assets previous	-	-
5	Expected return on plan assets current	-	-
6	Annual increase in Salary	9%	7%

Note 44: Commitments and contingencies

a Leases

Operating Lease Commitments- The Company has taken office premises under cancellable operating lease. The agreements are renewed on expiry. The Company has paid Rs. 40,03,548 (previous years Rs.40,37,005) during the year.

b Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for

Amount in Rs.

Particulars	As at 31st March 2017	As at 31st March 2016
Plant, Property & Equipment	459,765,011	1,115,047,573
Investment Property.	8,408,468	16,916,816
Intangible Assets	-	
Total	**468,173,479**	**1,131,964,389**

Notes accompanying consolidated financial statements

c Contigent liabilities

The Claims against the company not acknowledged as debt is Rs.247.01 millions (previous year Rs. 614.51 millions). The details are as under

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs.	Indication of the uncertanities relating to the amount or timing of any outflow
1	BSNL	20 pairs JF cable (telephone cable) belonging to BSNL which is serving Thokur Railway Station and surrounding areas was cut and fully damaged to the length of one Km. The full length of cable was missing affecting communication of the whole area.	1,576,000	MSEZL has not got done any work of laying water pipeline at Thokur. In Thokur MSEZL has not entrusted any work to Koya & Company. In Thokur Village there is R&R rehabilitation colony floated by MSEZL. The R&R colony work was entrusted to Fiza Developers, & the work was done in 2009. thus the grirevance attriuted to MSEZL is wholly unfounded.
		Petitioner is claiming that MSEZL through his men & material while laying river water pipeline, the optical fiber cables were damaged in and between Bantwal - Moodbidri routes which carried the broad band network and 12F and 24F optical fiber between various Telephone exchanges. BSNL is claiming compensation of Rs. 9 Lakh.		MSEZL has granted the laying of river water pipeline works to Koya & Co. (2nd Defendant). The Contractor has to carry out the work efficiently. The liability to pay for any damage, if caused, would be on the person who might have caused the damage.
		Petitioner is claiming that MSEZL through his men & material while laying river water pipeline, the optical fiber cables were damaged in and between Bantwal - Moodbidri routes which carried the broad band network and 12F and 24F optical fiber between various Telephone exchanges. BSNL is claiming compensation of Rs. 6 Lakh.		MSEZL has granted the laying of river water pipeline works to Koya & Co. (2nd Defendant). The Contractor has to carry out the work efficiently. The liability to pay for any damage, if caused, would be on the person who might have caused the damage.
2	Mr. Ravindranath Bajpe	MSEZL has laid the water pipeline by the side of Mangalore-Bajpe Old Airport PWD Road abutting the schedule properties and other properties on the same line commencing from Nethravathi River Bank at sarapady to MSEZ Industrial area. While carrying out works near the plaintiffs (Ravindranath Bajpe) property, he had contended that MSEZL officials & Contractors have tresspassed his property and demolished the stone compound wal of 7 feet height, foundation of 3 feet height beneath the ground & 2 feet wide to the extent of about 500 meters and also cut & destroyed about 101 valuable trees and laid pipeline beneath the schedule properties about to extent of 500 meters. Therefore, Ravindranath Bajpe has filed an Original Suit before the civil court directing the defendants jointly and severally to apy a sum of Rs 47,90, 500/-	4,790,500	Ravindranath Bajpe is neither absolute owner nor is in possession of the plaint schedule Property or any part thereof. The assertion of the occupancy right contradicts the claim of absolute ownership. The Plaintiff (Ravindranath Bajpe) and other members of his family are having litigation in local court with regard to his claims on occupancy holding. Therefore, we maintain that the Plaintiff is not entitled to claim the alleged loss or any other claim
		Petitioner (Ravindranath Bajpe) has filed this Special Leave Petition contending whether The High Court & Session Court quashed the process issued by the learned trial court without appreciating the allegations in the Compalint and also as to whether the High Court & Session Court were expected to see the letter accompanying the Compalint which was written by Respondent No. 4 (Eta Sreenivasulu) on behalf of MSEZL to the Petitioner.		To establish a criminal offence, oral and documentary evidence needs to be furnished so as to substantiate any of the alleged offences. The letter written by Respondent No. 4 merely refers to compensate the complainant for the losses if any incurred by him, which need to be determined separately in a civil proceeding, or otherwise, as deemed fit by the persons responsible for the damage. The complainant cannot allege a criminal flavor to the proceedings on the basis of the said letter.

Notes accompanying consolidated financial statements

3	Cherian Varkey Construction Company	The petitioner was awarded the Reach IV contract forming part of Pipeline cum Road Corridor on August 2011. The petitioner had failed to complete the awarded contract as per milestones. Due to which the contract was extended. The petitioner has also stopped the work in an authourized manner on multiple occasions. Due to non-handing over of the front for executing work on Part A of the contract within the original contract period, the petitioner was seeking increase in rates for items covered under BOQ. The contract entered between MSEZL and petitioner being a fixed price contract did not provide for esclation of rates and compensation events to deal with instances of delay in handing over fronts.The intransigence on part of the petitioner lead to delay in works. Hence, the contract was terminated with immediated effect on 06.11.2013 and all Bank Guarantees furnished by the petitioner was invoked. The petitioner approached the Hon'ble District Court in Mangalore and secured a temporary injunction restraining MSEZL form encashing the BG. After the matter came up for argument in the COurt and several adjournments, the case filed by petitioner as dismissed by Hon'ble on 05th April 2014. The petitioner has also initiated proceedings in the matter. In order to settle the dispute out of court/arbitration an opportunity for redressal through an independent committee MSEZL sought consent for constituitng an Outside Expert Committee (OEC) which was accepted by petitioner. The arbitration proceedings was put on hold while OEC took over the dispute resolution. The OEC has recommeded MSEZL to pay Rs.9.39 Cr to petitioner. However, the petitioner did not accept the the recommendations of the OEC and choose to pursue the Arbitration proceedings. The Arbitral Tribubal had passed the award on 24.09.2016 stating that the performance and completion of works under the contract was on account of breaches/defaults committed by MSEZL and termination of contract was unlawful. MSEZL was directed to pay to Rs.19,23,53,085	69,009,159	MSEZL has file for modification of the order befoe the Tribunal. MSEZL has filed a petition contesting the Arbitration Award before the 1st Additional District Session Judge, Mangaluru on 28.01.2017 and the hearing is scheduled on 08.06.2017. In the mean time the petitioner has also filed the petition to set aside the award in the same court
4	M/s Nityanand Infrastructure Limited	The claimant has made several claims amounting to Rs 16.95 cr including claims towards loss from unrecovered overheads, under utilisation of plants & equipments, idle charges of piling rig, loss of profit on deleted scope of work, increase in cost of material due to prolongation of contract, interest due to delay in releasing .retention money etc.	164,938,819	The delays are attributable to the Contractor
5	MSEZL	The KERC has passed tariff orders for FY 2017-18 and while approving the APR for FY 2015-16 has revised the power purchase cost for FY 2015-16 and directed us to pay to MESCOM Rs.67 lakhs. However, it has allowed only Rs.34 lakhs to be recovered from consumers through a tariff increase.	6,700,000	MSEZL is filing tariff review petition before KERC
		TOTAL	**247,014,478**	

Notes accompanying consolidated financial statements

d

(i) List of related parties with whom the Company had transactions during the year

Name of the Party	Relationship
Oil and Natural Gas Corporation Limited (ONGC)	Investing Company (Controlling Enterprise)
Infrastructure Leasing and Financing Services Ltd (ILFS)	Investing Company (Controlling Enterprise)
Karnataka Industrial Area Development Board (KIADB)	Investing Company
ONGC Mangalore Petrochemicals Ltd (OMPL)	Controlled by ONGC
Mangalore STP Ltd	Subsidiary Company
Mangalore Refineries and Petrochemicals Ltd (MRPL)	Subsidiary of ONGC
IIDC Ltd	Subsidiary of ILFS
IL&FS Financial Services Ltd	Subsidiary of ILFS
IL&FS Cluster Development Initiative Ltd	Subsidiary of ILFS
IL&FS Energy Development Company Ltd	Subsidiary of ILFS
MSEZ Power Ltd	Subsidiary Company
Petronet MHB Ltd (PMHBL)	Joint Venture of ONGC
Key Managerial Personnel	
Mr. Paritosh Kumar Gupta (appointed w.e.f. 19.05.2015)	Managing Director (MD)
Mr. Gouranga Charan Swain	Chief Financial Officer
Mr. Phani Bhushan (Appointed w.e.f. 15.04.2016)	Company Secretary

(ii) No amounts due from/due to relating to the related parties have been written off or written back during the year

(iii) Transactions with and due to / due from related parties:

No.	Name	Nature of Transaction	Amount of Transactions	Amount payable as at 31st March 2017	Amount receivable as at 31st March 2017
			Amount in Rs	Amount in Rs	Amount in Rs
1	ONGC	Reimbursement of expenses	Nil (288,780)		
2	IL&FS	Charges for deputation of MD & CEO	5,616,429 (4,862,369)	420,000 (457,341)	
		Security deposit -Directorship	Nil (100,000)	Nil (Nil)	
		Expenses Incurred	1,104,071 (548,587)	131,722 (Nil)	
3	KIADB	Cost of Acquisition of Land	11,278,050 (12,997,644)	381,771,173 (393,723,437)	
		Annual Lease rent	589,921 (504,306)	37,696 (182,255)	
		Security deposit	Nil (Nil)		1,160,000 (1,160,000)
		Right of way charges & Others	2,368,700 (419,375)	Nil (Nil)	
		Advance towards Corridor land	Nil (802,341)		17,295,600 (17,295,600)
		Expenses incurred on behalf of KIADB	Nil (Nil)		130,773 (130,773)
		Advance towards land	7,361,550 (1,029,182)		16,866,352 (9,504,802)
4	OMPL	Lease rental income	23,396,214 (23,396,214)		
		Advance received towards Infrastructure development	75,700,000 (100,000,000)	975,700,000 (900,000,000)	
		Expenses incurred on behalf of OMPL (Sustenance & Stipend)	70,611 (1,314,132)		1,548,246 (17,314,047)

Notes accompanying consolidated financial statements

	OMPL	Supply & Operation & Maintenance of Water, Effulent Discharge, Tarriff revenue from licensed activity & Zone O&M	221,502,244 (115,551,509)		90,573,638 (12,511,693)
		Security deposit	Nil (Nil)	15,400,000 (20,891,328)	
		Advance towards O & M water	Nil (3,127,164)	3,127,164 (3,127,164)	
		Interest on security deposit (Power)	1,193,500 (1,972,842)	1,074,150 (1,775,558)	
		Lease premium income	53,433,191 (53,433,191)		
5	MRPL	Advance / Adjustment towards land	Nil (Nil)		17,438,138 (17,438,138)
		Expenses incurred on behalf of the MRPL	52,27,000 (70,850,085)		5,858,167 (631,167)
		Supply & Operation & Maintenance of Water	571,218,472 (428,900,313)		65,680,487 (70,779,422)
		Advance towards O & M River water	Nil (2,218,759)	7,484,710 (7,484,710)	
		Advance towards Marine outfall	Nil (622,209)	622,209 (622,209)	
		Advance towards O & M TTP water	Nil (4,572,668)	4,572,668 (4,572,668)	
		Non-operational Lease rental from lease of land	Nil (Nil)		760,450 (760,450)
		Security deposit towards usage of premises	Nil (Nil)		13,296 (13296)
		Lease rent on immovable property	32,778 (31,368)	Nil (Nil)	
		Expenses incurred on behalf of MRPL (Sustenance & Stipend)	378,586 (Nil)		5,925,851 (5,547,265)
		Advance towards Corridor	75,733,333 (820,000,000)	975,733,333 (900,000,000)	
6	IIDC Ltd	Deputation salary	1,650,000 (2,998,999)	Nil (226,923)	
7	IL&FS Cluster Development Initiative Ltd	Professional charges	Nil (250,000)	Nil (Nil)	
8	IL&FS Energy Development Company Ltd	Professional charges	300,000 (Nil)	Nil (Nil)	
9	Key Managerial Personnel	Chief Financial Officer	4,701,800 (4,019,200)		
10	Key Managerial Personnel	Company Secretary	1,511,727 (1,400,657)		

- Figures in brackets represent previous year.
- All the amounts are exclusive of refundable service tax.

Notes accompanying consolidated financial statements

Note 45: The details of Specified Bank Notes (SBN) and other currency notes held and transacted during the period from 8th November, 2016 to 30th December, 2016 are provided in the table below:-

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	Nil	14,895	14,895
(+) Permitted receipts	Nil	30,656	30,656
(-) Permitted payments	Nil	39,050	39,050
(-) Amount deposited in Banks	Nil	0	0
Closing cash in hand as on 30.12.2016	Nil	6,501	6,501

Note 46: The Company is covered under section 135 of the Companies Act on Corporate Social Responsibility (CSR) for the FY 2016-17 and the company has incurred CSR expenditure towards approved CSR budget of FY 2016-17 and unspent budget of FY 2015-16 during the year on following:

Particulars	2016-17	2015-16
Gross amount expected to be spent	2,414,000	1,738,000
Amount spent during the year	1,740,635	822,590
	673,365	915,410

As per our report attached
For Maharaj N R Suresh and Co
Chartered Accountants
(Firm's Registration No. 001931S)

For and on behalf of the Board

K V Srinivasan
Partner
Membership No. 0204368

Paritosh Kumar Gupta
Managing Director
DIN : 01054182

Akshaya Kumar Sahoo
Director
DIN : 07355933

Gouranga Charan Swain
Chief Financial Officer

V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 11.05.2017

Place: New Delhi
Date: 11.05.2017

Mangalore SEZ Limited

Regd Off : 3rd Floor, MUDA Building, Urwa Stores, Ashok Nagar, Mangaluru, Karnataka- 575 006, India,
Phone: +91-0824-2452760 Fax: +91-0824-2452749, Email: info@msezl.com;
Website:www.mangaloresez.com; CIN: U45209KA2006PLC038590

ATTENDANCE SLIP

11th Annual General Meeting - 19th August, 2017

PLEASE FILL THIS ATTENDANCE SLIP AND HAND IT OVER
AT THE ENTRANCE OF THE MEETING HALL

Folio No No.of Shares held

I Certify that I am member /Proxy for the member of the company, I hereby record my presence at the 11th Annual General Meeting of the Company to be held on Saturday, the 19th August 2017 at 9.30 A.M at 3rd Floor, MUDA Building, Urwa Stores, Ashoknagar, Mangaluru - 575 006

(Signature of Member / Proxy)

Note : Please fill in the attendance slip and hand it over at the entrance of the meeting .

Mangalore SEZ Limited

Regd Off : 3rd Floor, MUDA Building, Urwa Stores, Ashok Nagar, Mangaluru, Karnataka- 575 006, India,
Phone: +91-0824-2452760 Fax: +91-0824-2452749, Email: info@msezl.com;
Website:www.mangaloresez.com; CIN: U45209KA2006PLC038590

Proxy Form

[Pursuant to Section 105 (6) of the Companies Act, 2013 read with Rule (3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s):

Registered address:

E-mail Id:

Folio No. / Client ID:

DP ID:

I/ We being the member(s) of ______________________________shares of the above named Company hereby appoint:

(1) Name:______________________________

Address:______________________________

E-mail Id:______________________________or failing him;

(2) Name:______________________________

Address:______________________________

E-mail Id: ______________________________or failing him;

(3) Name:______________________________

Address:______________________________

E-mail Id:______________________________or failing him;

as my/ our proxy to attend and vote (on a poll) for me/ us and on my/ behalf at the 11th Annual General Meeting of the Company to be held on Saturday, the 19th August 2017 at 9.30 A.M at 3rd Floor, MUDA Building, Urwa Stores, Ashoknagar, Mangaluru - 575 006 and at any adjournment thereof in respect of such resolutions as are indicated below:

S.No	Particulars	For	Against
	Ordinary Business		
1	a. To receive, consider and adopt the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2017, the Report of the Board of Directors and the Report of the Auditors thereon; and		
	b. the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2017 and the Report of the Auditors thereon.		
2	To appoint a director in place of Shri Dinesh Kumar Sarraf (DIN 00147870), who retires by rotation and being eligible offers himself for re-appointment		
3	To appoint a director in place of Shri Pradeep Puri (DIN 00051987), who retires by rotation and being eligible offers himself for re-appointment		
4	To ratify the re-appointment of M/s Maharaj N R Suresh & Co., Chartered Accountants, bearing Registration No. FRN 001931S as the Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the 12th Annual General Meeting.		
	Special Business		
5	*To appoint Shri* Pankaj Kumar Pandey (DIN: 03376149) as Director of the company		
6	*To appoint Shri Jeevan Saldanha* (DIN: 02424388) as Director of the company		
7	*To* appoint Shri Paritosh Kumar Gupta (DIN: 01054182), as Managing Director of the company.		

Signed this ______________________________day of ____________________2017

Affix
Revenue
Stamp

Signature of the Shareholder____

_________________________________ _________ __________________ ____________________________

Signature of first proxy holder Signature of second proxy holder Signature of third proxy holder

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.