MSEZ

Mangalore SEZ Limited

Your Gateway to Global & Indian Markets

TOWARDS

SUSTAINABLE DEVELOPMENT

12th ANNUAL REPORT 2017-18

www.mangaloresez.com

Presentation on functioning of MSEZ made to the Parliamentary Standing Committee on Finance who visited Mangalore on 16th July 2018.

Mangalore SEZ Limited has been awarded **India's Most Trusted Company 2017** under the category of **India's Most Trusted SEZ & Business Destination** by International Brand Consulting Corporation, USA.

Won the **National Awards for Excellence in Water 2017** under the category **Award for Industries in Water Sector** for the Mega Water Infrastructure developed by the Company.

Won the **National Awards for Excellence in Water 2017** under the category **Best Environmental Sustainability Initiative Award** for Recycling City Sewage by setting up Tertiary Treatment Plant.

CORPORATE INFORMATION

Board of Directors

Shri Shashi Shanker	:	Chairman
Shri Paritosh Kumar Gupta	:	Managing Director
Shri I.S.N Prasad	:	Independent Director
Shri Srinivas S Kamath	:	Independent Director
Shri A K Sahoo	:	Nominee Director of ONGC
Smt. Cholpady Vathika Kamath	:	Additional Director (Co-opted on 14th November 2017)
Shri Saibal Kumar De	:	Additional Director (Co-opted on 22nd December 2017)
Shri M. Venkatesh	:	Additional Director (Co-opted on 25th June 2018)
Shri Pankaj Kumar Pandey	:	Nominee Director (up to 19th August 2017)
Shri Dinesh Kumar Sarraf	:	Chairman (up to 01st October 2017)
Shri Jeevan Saldanha	:	Nominee Director of KCCI (up to 04th November 2017)
Shri Pradeep Puri	:	Nominee Director of IL&FS (up to 23rd November 2017)
Shri H Kumar	:	Nominee Director of ONGC (up to 01st June 2018)

Company Secretary	**Chief Financial Officer**
V. Phani Bhushan	Gouranga Charan Swain

Statutory Auditors	**Internal Auditors**	**Secretarial Auditor**
M/s Maharaj N R Suresh and Co., Chartered Accountants, Chennai.	M/s Chokshi&Chokshi LLP, Chartered Accountants, Mumbai.	M/s P.N. Pai & Co, Company Secretaries, Mangaluru.

Bankers			**Security Trustee**
	State Bank of India Corporate Account Group – II, Redfort Capital Parsvnath Towers, 4th & 5th Floor, Bhai Veer Singh Marg, Gole Market, New Delhi - 110 001	Corporation Bank MG Road Branch, Mangalore City Corporation Building Lalbagh, Mangalore - 575 006	SBICAP Trustee Company Ltd 202, Maker Tower E, Cuffe Parade, Mumbai – 400 005

Registered Office	**Project Site**
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.	Bajpe, Permude Village, Mangaluru – 574 509 Dakshina Kannada (Dist), Karnataka

CONTENTS

NOTICE OF 12TH ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of the Members of **MANGALORE SEZ LIMITED (MSEZL)** will be held on Friday, the 28th September, 2018 at 12:30 pm at The Ocean Pearl, Navabharath Circle, Kodialbail, Mangalore - 575 003 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, 2018, 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, 2018 and the report of the Auditors thereon.
2. To appoint a Director in place of Shri A.K. Sahoo (DIN: 07355933) who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint the 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, 141 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) approval of the members be and is hereby accorded for the appointment of M/s Ray & Ray, Chartered Accountants, bearing Registration No.301072E, as the Statutory Auditors of the Company for a period of 5 years from the conclusion of 12th Annual General Meeting till the conclusion of 17th Annual General Meeting at such remuneration as may be decided by the Audit Committee / Board of Directors thereon".

   FURTHER RESOLVED THAT the Board of Directors (which term includes a duly constituted Audit Committee of the Board of Directors) be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this Resolution and / or otherwise considered by them to be in the best interest of the Company."

SPECIAL BUSINESS:

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

   "RESOLVED THAT pursuant to Section 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 (Act) read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 (the Rules), including any statutory modification(s) or re-enactments thereof for the time being in force, and in accordance with the Articles of Association of the Company, **Shri Shashi Shanker (DIN: 06447938)**, who was appointed as an Additional Director of the Company with effect from October 16, 2017, pursuant to Section 161 of the Act and the Articles of Association of the Company, and who holds office up to the date of this Annual General Meeting of the Company, who being eligible, offers himself for appointment and in respect of whom a notice in writing under Section 160 of the Act has been received from a member proposing his candidature for the office of Director, be and is, hereby appointed as Director (Nominee of ONGC) of the Company, liable to retire by rotation."

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

   "RESOLVED THAT pursuant to Section 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 (Act) read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 (the Rules), including any statutory modification(s) or re-enactments thereof for the time being in force, and in accordance with the Articles of Association of the Company, **Smt. Cholpady Vathika Kamath (DIN: 05351602)**, who was appointed as an Additional Director of the Company with effect from November 14, 2017, pursuant to Section 161 of the Act and the Articles of Association of the Company, and who holds office up to the date of this Annual General Meeting of the Company, who being eligible, offers herself for appointment and in respect of whom a notice in writing under Section 160 of the Act has been received from a member proposing her candidature for the office of Director, be and is, hereby appointed as Director (Nominee of KCCI) of the Company, 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 pursuant to Section 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 (Act) read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 (the Rules), including any statutory modification(s) or re-enactments thereof for the time being in force, and in accordance with the Articles of Association of the Company, **Shri Saibal Kumar De (DIN: 00498241),** who was appointed as an Additional Director of the Company with effect from December 22, 2017, pursuant to Section 161 of the Act and the Articles of Association of the Company, and who holds office up to the date of this Annual General Meeting of the Company, who being eligible, offers himself for appointment and in respect of whom a notice in writing under Section 160 of the Act has been received from a member proposing his candidature for the office of Director, be and is, hereby appointed as Director (Nominee of IL&FS) of the Company, liable to retire by rotation."

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

   "RESOLVED THAT pursuant to Section 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 (Act) read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 (the Rules), including any statutory modification(s) or re-enactments thereof for the time being in force, and in accordance with the Articles of Association of the Company, **Shri Venkatesh Madhava Rao (DIN 07025342),** who was appointed as an Additional Director of the Company with effect from June 25, 2018, pursuant to Section 161 of the Act and the Articles of Association of the Company, and who holds office up to the date of this Annual General Meeting of the Company, who being eligible, offers himself for appointment and in respect of whom a notice in writing under Section 160 of the Act has been received from a member proposing his candidature for the office of Director, be and is, hereby appointed as Director (Nominee of ONGC) of the Company, liable to retire by rotation."

8. 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, 2018, 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 as 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 A of Section II of Part II of Schedule V,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 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

Place: New Delhi — **Phani Bhushan V.**
Date : 05th September, 2018 — **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 **4 to 8** 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 12th AGM is annexed.

ANNEXURE TO THE NOTICE

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

Item No.4:

Oil and Natural Gas Corporation Limited (ONGC), has vide their letter Ref. No. ONGC/CS/Sub&JV/2017, dated 10th October 2017 has nominated Shri Shashi Shanker, (DIN 06447938) Chairman & Managing Director of ONGC as Director and Chairman on the Board of MSEZL, consequent on superannuation of Shri D.K. Sarraf.

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 Shashi Shanker as an Additional Director (Nominee of ONGC) and as Chairman of the Company with effect from October 16, 2017.

Shri Shashi Shanker 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 proposing the candidature of Shri Shashi Shanker for the office of Director.

Copy of the notice received under Section 160 of the Companies Act, 2013 is available for inspection by the members at the Registered Office of the Company during the business hours on all working days at the registered office of the Company up to the date of the meeting.

Shri Shashi Shanker is a Petroleum Engineer from Indian School of Mines (ISM), Dhanbad. He also holds an MBA degree with specialization in Finance. He has also received executive education from prestigious Indian Institute of Management, Lucknow and Indian School of Business, Hyderabad.

Shri Shashi Shanker is an industry veteran with over 30 years of experience in diverse E&P activities. Prior to his appointment as Director (T&FS) of ONGC in 2012, he has progressed through senior management roles in various work-centers including Institute of Drilling Technology, Dehradun; West Bengal Project; Assam Project and Deep-Water group at Mumbai. He was acclaimed for his performance in spearheading the deep / ultra-deep-water campaign of ONGC which was christened 'Sagar Samriddhhi'.

Under his leadership, ONGC drilled the deepest deep-water well covering a water depth of 3174 metres, a world record. He also led the team to one of the finest Drilling performance in FY'17 when ONGC set a new record of drilling over 500 wells in 2016-17. This is the first time in 23 years that ONGC has crossed the 500-well mark.

Under his guidance, ONGC has led the delivery of cutting-edge IT solutions that drive growth, streamline performance and promote efficiency. He has provided much needed support for effective use of ERP and SCADA platform for real time information. During his tenure, ONGC has conceptualized an ambitious company wide project called "DISHA" for creation of a paperless office platform, the implementation of which is now underway. His vision and dynamic attributes have helped in making numerous operational and policy initiatives and steering the company through many milestones.

Currently Shri Shashi Shanker is the Chairman and Managing Director of ONGC. The appointment of Shri Shashi Shanker, as Director was made during the third quarter of FY 2017-18, hence he has attended 2 Board meetings during the year.

Shri Shashi Shanker is not related to any of the Directors of the Board. He doesn't hold any equity shares of the Company. Accordingly, the Board of Directors of the Company recommends passing of the Ordinary Resolution set out in this item for your approval. None of the Directors, Key Managerial Personnel and their relatives except Shri Shashi Shanker is concerned or interested in this resolution. The Board recommends the resolution for your approval.

Item No.5

Kanara Chamber of Commerce and Industry (KCCI) vide its letter dated October 11, 2017 has nominated Smt. Cholpady Vathika Kamath (DIN: 05351602), 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 Smt. Cholpady Vathika Kamath as an Additional Director (Nominee of KCCI) of the Company with effect from November 14, 2017.

Smt. Cholpady Vathika Kamath 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 proposing the candidature of Smt. Cholpady Vathika Kamath for the office of Director.

Copy of the notice received under Section 160 of the Companies Act, 2013 is available for inspection by the members at the Registered Office of the Company during the business hours on all working days at the registered office of the Company up to the date of the meeting.

Smt. Cholpady Vathika Kamath holds a Master's Degree in Business Administration (MBA) from Manipal University. She has secured first rank and gold medal in MBA with finance as specialisation in the year 2011 from Manipal University. She has also secured the best outgoing student award from Manipal University. Smt. Vathika has secured first rank and gold medal in B.Com under Mangalore University in the year 2008-09. Smt. Vathika is the proprietor of M/s Vathika International Travels, a travel agency which aims at customizing tour packages of all kinds both domestic and international. Smt. Vathika has been a member of Board of Directors of KCCI for the last 6 Years and is presently the President of KCCI.

The appointment of Smt. Cholpady Vathika Kamath, as Director was made during the third quarter of FY 2017-18, hence she has attended one Board meeting during the year.

Smt. Cholpady Vathika Kamath is not related to any of the Directors on the Board. She doesn't hold any equity shares of the Company. Accordingly, the Board of Directors of the Company recommends passing of the Ordinary Resolution set out in this item for your approval. None of the Directors, Key Managerial Personnel and their relatives except Smt. Cholpady Vathika Kamath is concerned or interested in this resolution. The Board recommends the resolution for your approval.

Item No.6

Infrastructure Leasing and Financial Services Ltd (IL&FS) vide their letter dated November 09, 2017 has nominated Shri Saibal Kumar De (DIN 00498241) as Director on the Board of MSEZL.

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 Saibal Kumar De as an Additional Director (Nominee of IL&FS) of the Company with effect from December 22, 2017.

Shri Saibal Kumar De 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 proposing the candidature of Shri Saibal Kumar De for the office of Director.

Copy of the notice received under Section 160 of the Companies Act, 2013 is available for inspection by the members at the Registered Office of the Company during the business hours on all working days at the registered office of the Company up to the date of the meeting.

Shri Saibal Kumar De has done his B. Tech (Chemical) from IIT, Kharagpur and has also done short courses on Project Management and Infrastructure Finance & Project Development from IIM.

Shri Saibal Kumar De has more than 30 years of work experience spread across sectors and he has been specifically associated with the infrastructure sector for more than last 15 years. Shri Saibal Kumar De has been responsible for the conceptualization, structuring, implementation and delivery of many PPP projects across multiple sectors while working in partnership with the various State Governments. His extensive experience in infrastructure spans across maritime projects, logistics, urban infrastructure, industrial parks, SEZs etc. He has been actively involved in various forums for the policy making and sector related reforms. He has successfully steered IMICL's delivery of projects from the development to operational stage. He is presently the Whole Time Director and Chief Executive officer at IL&FS Maritime Infrastructure Company Ltd (IMICL).

The appointment of Shri Saibal Kumar De, as Director was made during the third quarter of FY 2017-18, hence he has attended 1 Board meeting during the year.

Shri Saibal Kumar De is not related to any of the Directors on the Board. He doesn't hold any equity shares of the Company. Accordingly, the Board of Directors of the Company recommends passing of the Ordinary Resolution set out in this item for your approval. None of the Directors, Key Managerial Personnel and their relatives except Shri Saibal Kumar De is concerned or interested in this resolution. The Board recommends the resolution for your approval.

Item No.7

ONGC vide its letter reference ONGC/CS-MSEZ/2018 dated June 14, 2018 has nominated Shri Venkatesh Madhava Rao (DIN 07025342), Managing Director of MRPL as Director on the Board of Mangalore SEZ Limited.

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 Venkatesh Madhava Rao as an Additional Director (Nominee of ONGC) of the Company with effect from June 25, 2018.

Shri Venkatesh Madhava Rao 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 proposing the candidature of Shri Venkatesh Madhava Rao for the office of Director.

Copy of the notice received under Section 160 of the Companies Act, 2013 is available for inspection by the members at the Registered Office of the Company during the business hours on all working days at the registered office of the Company up to the date of the meeting.

Shri Venkatesh Madhava Rao is a Chemical Engineer having over three decades of experience in Oil & Gas Sector. He is associated with Mangalore Refinery and Petrochemicals Ltd (MRPL) since 1994 and has executed all major projects.

Currently Shri Venkatesh Madhava Rao is the Managing Director of Mangalore Refinery and Petrochemicals Limited. The appointment of Shri Venkatesh Madhava Rao, as Director was made during the FY 2018-19, hence attendance at the Board meetings is not applicable.

Shri Venkatesh Madhava Rao is not related to any of the Directors on the Board. He doesn't hold any equity shares of the Company. Accordingly, the Board of Directors of the Company recommends passing of the Ordinary Resolution set out in this item for your approval. None of the Directors, Key Managerial Personnel and their relatives except Shri Venkatesh Madhava Rao is concerned or interested in this resolution. The Board recommends the resolution for your approval.

Item No.8

The Board of Directors at the 53rd meeting held on May 14, 2018 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, 2018 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.

Statement of Particulars required to be furnished as part of Schedule V of the Companies Act, 2013:

<table>
<tr><th>S.No</th><th>Particulars</th><th>Details</th></tr>
<tr><td colspan="3">I General Information</td></tr>
<tr><td>1</td><td>Nature of Industry</td><td>Development, Operation and Maintenance of Multi Product Special Economic Zone.</td></tr>
<tr><td>2</td><td>Date <s>or expected date</s> of commencement of commercial production</td><td>01st April 2015</td></tr>
<tr><td>3</td><td>In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus</td><td>Not Applicable</td></tr>
<tr><td>4</td><td>Financial performance based on given indicators</td><td>
<table>
<tr><th>Particulars</th><th>FY 2017-18 (Rs. in Cr)</th><th>FY 2016-17 (Rs. in Cr)</th><th>FY 2015-16 (Rs. in Cr)</th></tr>
<tr><td>Turnover</td><td>177.37</td><td>134.72</td><td>118.42</td></tr>
<tr><td>Expenses</td><td>166.45</td><td>125.58</td><td>117.19</td></tr>
<tr><td>Profit Before Tax</td><td>10.92</td><td>9.14</td><td>1.23</td></tr>
<tr><td>Profit After Tax</td><td>3.66</td><td>(5.98)</td><td>(12.02)</td></tr>
<tr><td>Net Comprehensive Income.</td><td>3.67</td><td>(6.13)</td><td>(12.04)</td></tr>
</table>
</td></tr>
<tr><td>5</td><td>Foreign investments or collaborations, if any.</td><td>Nil</td></tr>
</table>

II Information about the appointee		
1	Background details	Shri Paritosh Kumar Gupta, 56 years, holds a Masters Degree in Economics from Delhi School of Economics, and an MBA from IIM, Lucknow with specialization in finance and marketing. He is a business leader & strategist with over 31 years broad-based experience in leading & transforming businesses / organizations and in developing, marketing, managing & financing infrastructure projects with extensive exposure to business partnerships with Governments.
2	Past remuneration drawn in the Company	Rs 56 Lakhs per annum from May 2015 – May 2016 Rs 56 Lakhs per annum from May 2016 – May 2017 Rs 30 Lakhs per annum from May 2017 – May 2018
3	Recognition or awards	He is the recipient of the British Nehru Fellowship Award (1994) and Monbusho Fellowship Award (1996), Japan. Participated in Leadership Management programme on "Achieving Outstanding Performance Programme" held by INSEAD in Fontainebleau Cedex, France in September 2008
4	Job profile and his suitability	Out of the 31 years' experience, during the last about 14 years, Mr Paritosh Gupta has been managing infrastructure project development and financing companies and running them profitably at leadership or CEO levels. He has also been working with high quality Board members of Government, Public Sector Undertakings, Financial Institutions, Institutional Investors etc. This interaction and management have given him a very rich experience in running and managing progressive companies. Having studied in some of the finest institutions in India and abroad with proven management, leadership and institution building experience and adequate knowledge and experience in running infrastructure and financing companies profitably, Mr Paritosh Gupta is eminently suitable for the post.
5	Remuneration proposed	Rs. 30 Lakhs per annum
6	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)	Considering size of the company and profile of Mr Paritosh Gupta in terms of educational qualification, experience and proven management, leadership and institution building experience, his comparative remuneration profile with respect to the industry appears to be at a very modest level.
7	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	Nil
III Other Information		
1	Reasons of loss or inadequate profits	- Anticipated power revenues could not be met because of demand side constraints. - Delay in taking the possession of the land by 2 units resulted in non-recognition of revenues from land.

2	Steps taken or proposed to be taken for improvement	- Increase in power sales due to more units starting their commercial operations and measures taken for reducing the power purchase cost. - Marketing efforts for leasing the balance land. - Revenues will increase on account of supply of water, CETP usage etc by the upcoming units due to start of their commercial operations.
3	Expected increase in productivity and profits in measurable terms	- During the FY 2018-19, the Company anticipates for improvement in the revenues and margins.
IV Disclosures are provided in the Corporate Governance Report.		

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

Place: New Delhi | **Phani Bhushan V.**
Date : 05th September, 2018 | **Company Secretary**

Annexure to the Notice

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

Name of Director	Shri Akshaya Kumar Sahoo	Shri Shashi Shanker	Smt. Cholpady Vathika Kamath	Shri Saibal Kumar De	Shri Venkatesh Madhava Rao	Shri Paritosh Kumar Gupta
Date of Birth	04/05/1963	02/03/1961	20/10/1988	29/10/1959	11/01/1965	21/06/1962
Date of Appointment	12/02/2016	16/10/2017	14/11/2017	22/12/2017	25/06/2018	19/05/2015
Expertise in specific functional areas	He has over three decades of experience in management & finance with various State and Central PSUs. He has served in diverse sectors like Mining, Manufacturing, and Service before turning to Refining and Petrochemicals Industry in India's Oil & Gas. Shri Akshaya Kumar Sahoo worked in various capacities with various State and Central PSUs viz. Industrial Develop ment Corporation of Odisha (1992), Odisha Hydro Power Corporation (1996), Dredging Corporation of India (2002) before joining MRPL.	Shri Shashi Shanker is an industry veteran with over 30 years of experience in diverse E&P activities. Prior to his appointment as Director (T&FS) of ONGC in 2012, he has progressed through senior management roles in various work-centers including Institute of Drilling Technology, Dehradun; West Bengal Project; Assam Project and Deep-Water group at Mumbai. He was acclaimed for his performance in spearheading the deep/ultra-deep-water campaign of ONGC which was christened 'Sagar Samriddhhi'.	Smt Vathika is the proprietor of M/s Vathika International Travels, a travel agency which aims at customizing tour packages of all kinds both domestic and international. Smt Vathika has been a member of Board of Directors of KCCI for the last 6 Years and is presently the President of KCCI.	Shri Saibal Kumar De has more than 30 years of work experience spread across sectors and he has been specifically associated with the infrastructure sector for more than last 15 years. Shri Saibal Kumar De has been responsible for the conceptualization, structuring, implementation and delivery of many PPP projects across multiple sectors while working in partnership with the various State Governments. His extensive experience in infrastructure spans across maritime projects, logistics, urban infrastructure, industrial parks, SEZs etc.	Shri Venkatesh is having over three decades of experience in Oil & Gas Sector. He is associated with Mangalore Refinery and Petrochemicals Ltd (MRPL) since 1994 and has executed all major projects.	He is a business leader & strategist with over 30 years broad-based experience of leading & transforming businesses/ organizations, developing-marketing-managing & financing infrastructure projects and extensive exposure to business partnerships with governments.

Qualification	Shri A.K. Sahoo is a Fellow Member of the Institute of Cost Accountants of India. He is a Post Graduate in Analytical and Applied Economics from Utkal University, Odisha, from where he also graduated in science with a first class.	Shri Shashi Shanker is a Petroleum Engineer from Indian School of Mines (ISM), Dhanbad. He also holds an MBA degree with specialization in Finance. He has also received executive education from prestigious Indian Institute of Management, Lucknow and Indian School of Business, Hyderabad.	Smt. Cholpady Vathika Kamath holds a Master's Degree in Business Administration (MBA) from Manipal University. She has secured first rank and gold medal in MBA with finance as specialisation in the year 2011 from Manipal University. She has also secured the best outgoing student award from Manipal University. Mrs Vathika has secured first rank and gold medal in B.Com under Mangalore University in the year 2008-09.	Shri Saibal Kumar De has done his B. Tech (Chemical) from IIT, Kharagpur and has also done short courses on Project Management and Infrastructure Finance & Project Development from IIM.	Chemical Engineer	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, 2018*	1. Mangalore Refinery and Petrochemicals Limited (MRPL) 2. ONGC Mangalore Petrochemicals Limited (OMPL)	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. Kanara Chamber of Commerce and Industry	1. IL&FS Maritime Infrastructure Company Ltd 2. Balaji Infra Projects Ltd 3. IMICL Dighi Maritime Ltd 4. Porto Novo Maritime Ltd 5. IL&FS water Ltd 6. IL&FS Paradip Refinery Ltd 7. Gujarat Integrated Maritime Complex Pvt Ltd 8. Sealand Warehousing Pvt. Ltd 9. Vizag Agriport Pvt. Ltd 10. India Tourist & Heritage Village Pvt. Ltd.	Directorships held as at 25th June 2018. 1. Mangalore Refinery and Petrochemicals Ltd 2. ONGC Mangalore Petrochemicals Limited 3. Petronet MHB Limited 4. Shell MRPL Aviation Fuel and Services Limited	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. PDCOR Limited 6. Mangalore STP Limited 7. MSEZ Power Limited

Chairman / Member of the Committees of the Board of the other Companies in which he / she is a director as on March 31, 2018*	Mangalore Refinery and Petrochemicals Limited – Member of Stakeholders Relationship Committee. ONGC Mangalore Petrochemicals Limited – Member of Audit Committee.	Nil	Nil	IMICL Dighi Maritime Ltd – Member of Audit Committee.	Shell MRPL Aviation Fuel and Services Ltd – Audit Committee member.	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	Nil	500
Relationship between Directors inter-se	Nil	Nil	Nil	Nil	Nil	Nil

* Directorships and Committee memberships in Mangalore SEZ Ltd and its Committees are not included in the aforesaid disclosure. The 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.

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 12th Annual Report of the Company for the year ended 31st March, 2018.

Financial Performance:

The highlights of the financial results of the Company for the year ended 31st March, 2018 are as follows:

Rs. in Crores

	Standalone		Consolidated	
Particulars	**2017-18**	**2016-17**	**2017-18**	**2016-17**
REVENUE:				
Income from operations	174.23	128.52	174.23	128.52
Other Income	3.14	6.20	3.14	6.20
Total Revenue	**177.37**	**134.72**	**177.37**	**134.72**
EXPENSES:				
Employee Benefit Expenses	8.10	6.69	8.10	6.69
Finance Costs	50.90	53.35	50.90	53.35
Depreciation and amortization expense	41.46	29.33	41.46	29.33
Other Expenses	65.99	36.21	65.99	36.21
Total Expenses	**166.45**	**125.58**	**166.45**	**125.58**
Profit Before Exceptional items and tax from continuing operations	10.92	9.14	10.92	9.14
Profit Before Tax	**10.92**	**9.14**	**10.92**	**9.14**
Tax Expense - Current Tax	7.87	1.99	7.87	1.99
Tax Expense - Deferred Tax	(0.61)	13.14	(0.61)	13.14
Profit for the period from continuing operations	**3.66**	**(5.99)**	**3.66**	**(5.99)**
Profit/Loss & Tax from Discontinued operations	-	-	-	-
Profit / (Loss) for the period	**3.66**	**(5.99)**	**3.66**	**(5.99)**
Other Comprehensive Income	**0.01**	**(0.14)**	**0.01**	**(0.14)**
Total Comprehensive Income	**3.67**	**(6.13)**	**3.67**	**(6.13)**

Review of Performance and state of the company's affairs

During the year under review, the standalone revenues (operations) have increased by 35.56% to Rs.174.23 Cr from Rs.128.52 Cr of the previous year 2016-17, while the comprehensive income has increased to Rs.3.67 Cr compared to Rs (6.13) Cr of the previous year 2016-17.

The Company has substantially completed infrastructure development (~98%) for Phase–I of the Project. The salient features of the infrastructure development in the previous year are as under:

- Up to 31st March 2018, the Company has awarded 158 major orders cumulatively amounting to Rs.829.66 Cr towards infrastructure development within SEZ out of which 137 work orders cumulatively amounting to Rs.760.14 Cr have been satisfactorily concluded. The balance 21 orders are under various stages of execution.

- The 3.00 MLD capacity Common Effluent Treatment Plant has been completed and commissioned during the year and is receiving and treating effluent from the fish processing industries in the zone.
- Consultancy contract for proposed technical appraisal of expansion of CETP to 6.00 MLD has been awarded to NEERI, Hyderabad. The expansion activity will be undertaken upon completion of technical appraisal.
- The consultancy assignment for carrying out detailed engineering and estimation for the proposed barrage at Jakhribettu has been awarded and the construction work will be undertaken based on the DPR under preparation by the consultant.
- Detailed engineering is under way for replacement of UF membranes at the existing Tertiary Treatment Plant (TTP) and the membranes are proposed to be procured and installed through global tenders.
- The JV Company Mangalore STP Limited (MSTPL) jointly promoted by the company and Mangalore City Corporation (MCC) has successfully operated the associated wet wells and Kavoor STP from January 2014 through O&M operator GET Water Solutions, Chennai, up to 30th September 2017. M/s Pooja Construction Co, Rajkot has been selected through open bidding process to provide O&M services for a period of 3 years from 1st October 2017.
- The pipeline corridor from New Mangalore Port Trust (NMPT) to MSEZ has been 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 Road flyover across Konkan Railway Corporation Limited (KRCL) railway track near Jokatte taken up with a grant of Rs.15 Cr from Government of Karnataka (GoK) under Assistance to States for Infrastructure Development of Exports (ASIDE) scheme is completed except for the obligatory span over the railway track which is being executed by KRCL themselves. The flyover is expected to be completed in all respects and thrown open to traffic by Q3-2018.
- 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 utilizing 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. 33 KV and 11 KV 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.
- The consultancy contract awarded to M/s URS Scott Wilson India Private Limited in June 2013 ended in September 2017 and MSEZL has been carrying out the entire project management functions for infrastructure development on its own thereafter.

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 01st 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 Department, GoK, National Highways, Zilla Panchayat, Mangalore for laying ~42 kms length of River water pipeline from Netravathi river to MSEZL.

- MSEZL has taken on lease, the land required for Pipeline-cum-Road Corridor from New Mangalore Port Trust (NMPT), Kudremukh Iron Ore Company Ltd (KIOCL) and the balance land required for the corridor is acquired by the company. The Company has already entered Tripartiate agreements with MRPL, OMPL for development and utilisation of Corridor. The Company has also entered into agreements with GAIL India Ltd & Emami Agrotech Ltd for 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, 18, 9.58 & 9.88 acres at Kulai, 16 acres at Permude, 4 acres at Kalavar, 1.58 acres at Rampal, 35 acres at Bajpe, 69 acres at Thokur and 6.48 acres at Bajpe). In all, 1391 plots have already been handed over to the PDFs thus far leading to the company evacuating 1235 families out of 1253 PDFs in the acquired land. Balance 18 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 1628 eligible PDF candidates for employment, onetime compensation has been paid to 868 candidates and balance 760 are to be provided employment. Out of the 760 candidates 589 candidates have been provided employment and balance 171 are yet to be placed. Payment of Stipend & Sustenance allowance to PDF nominees, who have not opted for the ex-gratia is continuing.

- Based on the directions issued by the R&R Committee chaired by the Deputy Commissioner, Dakshina Kannada District, a limited period window of 3 months was opened to the PDFs to avail enhanced cash compensation as a one-time exit option in lieu of jobs from 01st Aug '17 to 31st Oct '17. The window was again opened for a period of 2 months from 01st Jan '18 to 28th Feb '18. 42 PDFs have availed cash compensation in lieu of jobs during the period.

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.1491 Cr as against Rs.1707 Cr towards Land, R&R, infrastructure development and proponents' share of corridor as on 31st March, 2018.
- Additional infrastructure development works viz., Construction of Common Effluent Treatment Plant and Flyover across Konkan Railway Track near Jokatte village axcepting the obligatory span over the railway track taken up with a grant of Rs.20 crores under ASIDE Scheme from the State Govt. of Karnataka are completed.

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.
- The entire stretch of ~11.45 km was handed over to OMPL during the 2016 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 metre space to GAIL, 0.65 metre space to Emami 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) The Company has approvals in place for drawal of 27 MGD of River water from Netravathi and Gurupur rivers. The Company is presently pumping the river water from sarpady to OMPL & MRPL and other units since October 2013.

(ii) During the year, the Company has signed agreement for supply of river water to the extent of 1 MGD with various units such as Ulka, Gadre Marine exports, Yeshaswi etc.

(iii) The Company has generated a revenue of Rs.103.92 Cr from supply of water during the FY 2017-18.

(iv) 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.

(v) 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

- The Company has Completed the 33 KV and 11 KV loop lines to facilitate connection up to the battery limits of the units.
- The Company has filed review petition against the ARR and Tarriff order for FY 2017-18. The Karnataka Electricity Regulatory Commission (KERC) vide its order dated 26th October 2017 has allowed the Company to carry forward the net revenue deficit of Rs.3.91 Cr into the ARR of FY 2018-19. During the year under review, your Company has filed before KERC for approval of Annual Performance Review (APR) for FY 2016-17, Annual Revenue Requirement (ARR) for FY 2018-19 and to determine retail supply tariff for FY 2018-19.

- 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. The Company has obtained KERC approval required for the transfer of the assets and is in the process of evaluating the capital structure for transfer of the power distribution activity.

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 (MoEF) and Karnataka State Polution Control Board (KSPCB) as stipulated.
- Your Company has also obtained Consent for Operation for marine outfall in August, 2014.
- The Company has taken up and Completed construction of Common Effluent Treatment Plant in SEZ and the same is operational since September 2017. The Company is in the process of augmenting from 3 MLD to 6 MLD.
- The company has installed an online ambient air quality monitoring station as mandated by MoEF & Pollution Control Board. The online monitored data is continuously uploaded to Central Pollution Control Board website.

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 has been commissioned during FY 2017-18. 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 carrying out detailed engineering for expanding the CETP from present 3.00 MLD capacity to 6.00 MLD upon completion of technical appraisal.

Green Belt Development

- As per environment clearance & amendments thereto, out of around 1620 acres land notified, MSEZ need to develop green belt excluding OMPL and ISPRL green belt requirements which are developed by respective units. MSEZL so far developed green belt in 237 acres by planting 1,00,500 saplings in processing and non-processing areas.
- Green belt development along with avenue plantation has been taken up in 30 acres during the 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 2017-18 and completed the beautification of Fire station, Road median and environmental data display board surrounding area. The remaining areas will be completed during the next FY 2018-19.
- MSEZ has created own nursery to meet the requirement of ornamental and flowering plants in side MSEZ and saplings are developed in situ.
- MSEZ has distributed More than 1500 saplings of different tree species to general public, schools and Industrial Units inside the zone.

Marketing Initiatives

- During FY 2017-18, MSEZL has participated in 19th Japan International Seafood & Technology Expo from 23rd to 25th August 2017 at Tokyo, Japan for networking with leading Seafood exporters from India and International sector for marketing the Land.
- The Company has participated at the Invest Karnataka Meet held in November 2017 at Bangalore International Exhibition Center, Bengaluru.
- To promote the leasing of the land, the company has put in place success fee of 1% to those entities who successfully markets the land to the prospective investors.
- During FY 2017-18, MSEZL has leased around 51.57 Acres of land in SEZ and Non SEZ area to the following Industries:

(a)	Syngene International Ltd	:	6.35 acres
(b)	Emami Agrotech Ltd	:	43.25 acres
(c)	Authentic Ocean Treasure	:	1.00 acres
(d)	ULKA India	:	0.97 acres

During the year under review, the Company has also signed an MOU with M/s Orient Source HK Limited, a Hong Kong based company, a global leader in Commodity Trading & Logistics, for leasing out 121.444 acres of land. The transaction will come into force after completion of due diligence of 3 months and the party has sought further time to complete its due diligence.

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 Chip manufacturer, Tankage industries, Cold Storage, Mass Housing, Food Processing Industries along with petrochemical, pharma and other allied industries.

Administrative Matters

- The Registered office of the Company is at 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, 2018 is 48.
- 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), Authentic Ocean Treasure (AOT) 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 JBF Petrochemicals Limited (JBFPL), Syngene International Ltd (Syngene) (a subsidiary of M/s Biocon Ltd), Anthea Aromatics Pvt. Ltd (Anthea), Trident Infrastructure Ltd (Trident), Ulka India (ULKA), Gadre Marine Exports Pvt. Ltd (Gadre), IMC and Yashaswi Fish Meal and Oil Company (Yashaswi).

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, 2018 and no amount has been transferred to General Reserve during the FY 2017-18.

Credit Rating

The Company had obtained domestic credit rating from

a. CARE for the term loan of Rs.706.00 Cr. CARE has assigned a rating of AA - (Double A minus) with outlook as stable on 28th August 2017. The rating was reaffirmed on 08th March, 2018.

b. ICRA Limited for the term loan of Rs.706.00 Cr. ICRA Limited has upgraded its rating from A+ (Pronounced as ICRA A+) to ICRA AA- (Pronounced as ICRA double A minus) vide letter dt 06th April 2018.

Declaration of Commercial Operation Date (COD)

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

Credit Facilities

The company has Term Loan facility of Rs.585 Cr from State Bank of India (Refinanced from consortium of 7 Banks lead by Indian Overseas Bank). The outstanding amount as at 31st March 2018 is around Rs.574.11 Cr.

The Company has achieved reduced interest rate of 8.20 % p.a on the strength of improved credit rating of AA - from CARE and annual reset of MCLR on the Credit facilities of SBI;

The Company has also tied up with Corporation Bank for the Sub project aggregating Rs.121 Cr. The Company will avail the facilities on need basis.

Financial Accounting

Your Company's financial statements for the year ended March 31, 2018 are prepared in accordance with Ind AS notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016, as applicable.

Consolidated Financial Statements

The Annual Audited Consolidated Financial Statements together with Auditors' report thereon form part of annual report. These documents will also be available for inspection during business hours at the registered office of the Company.

The Company has the following Two Subsidiaries:

1. Mangalore STP Limited (MSTPL)

Mangalore STP Limited is a Special Purpose Company registered under the Companies Act, 2013 on 24th March 2011. The main object of the Company is to undertake the O&M of the 3 sewage treatment plants and connected wet wells on Cost sharing basis in the ratio of 70:30 between the Company and MCC. The shareholding is held by Mangalore SEZ Limited (70%) and Mangalore City Corporation (MCC) (30%).

MSTPL presently operates the Kavoor STP and its associated wet wells plus wet well 6 and 7 of Bajal STP which were taken over from MCC for efficient operation & maintenance.

The Company has engaged M/s Pooja Construction Co, Rajkot as the O&M operator for a period of 3 years effective from 01st October 2017. MSTPL has been supplying STP water to MSEZ on a regular basis.

During the year under review, the revenues from operations stood at Rs.5.82 Cr as compared to Rs.3.88 Cr during the FY 2016-17. 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 all the requisite approvals for transferring the Power Distribution Business to MPL and is presently evaluating the Capital structure for transfer of the said business. 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 income of Rs.33,416 as compared to Rs.31,841 during the FY 2016-17. The comprehensive Loss for the period is Rs.16,924 compared to profit of Rs.6,185 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. The details of the meetings have been furnished in the Corporate Governance report annexed to this report as Annexure-II.

Directors and Key Managerial Personnel - changes during the financial year 2017-18:

Change in Directors (Resignations):

1. Shri Santosh Nautiyal resigned as Independent Director of the Company w.e.f 29/04/2017.
2. Shri Pankaj Kumar Pandey resigned as Director of the company w.e.f 19/08/2017
3. Shri Dinesh Kumar Sarraf resigned as Director and Chairman of the Company w.e.f 01/10/2017.
4. Shri Jeevan Saldanha resigned as Director of the Company w.e.f 04/11/2017.
5. Shri Pradeep Puri resigned as Director of the Company w.e.f 23/11/2017.

Your Directors wish to place on record their sincere appreciation for the valuable services rendered by Shri Dinesh Kumar Sarraf, Shri Santosh Nautiyal, Shri Pankaj Kumar Pandey, Shri Jeevan Saldanha and Shri Pradeep Puri during their association with the Company.

Change in Directors (Appointments)

The following persons were appointed as Directors during the year

1. Shri Paritosh Kumar Gupta was re-appointed as Managing Director of the company for a period of 1 year w.e.f 19/05/2017.
2. Shri Shashi Shanker was appointed as an Additional Director (Nominee of ONGC) and Chairman of the Company w.e.f 16/10/2017.
3. Smt. C. Vathika Kamath was appointed as an Additional Director (Nominee from KCCI) of the company w.e.f 14/11/2017.
4. Shri Saibal Kumar De was appointed as an additional Director (Nominee from IL&FS) of the company w.e.f 22/12/2017.

Proposed Appointments:

a. Re-appointments of Directors at the 12th AGM:

The following re-appointments to the Board are proposed:

Approval of the shareholders is being sought for the re-appointment of Shri A.K. Sahoo, Director of the Company, who retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer himself 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 his re- appointment.

b. Appointments of Directors at the 12th AGM:

Shri Shashi Shanker (DIN: 06447938) was inducted as an Additional Director and Chairman on the Board w.e.f October 16,2017. 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 ONGC) 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.

Smt. C. Vathika Kamath (DIN: 05351602) was inducted as an Additional Director on the Board w.e.f November 14, 2017. As per the provisions of Section 161 of the Companies Act, 2013, she holds office only up to the date of the Annual General Meeting of the Company. Approval of the Shareholders is being sought for her 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 her appointment.

Shri Saibal Kumar De (DIN: 00498241) was inducted as an Additional Director on the Board w.e.f December 22, 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 IL&FS) 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 Venkatesh Madhava Rao (DIN: 07025342) was inducted as an Additional Director on the Board w.e.f June 25, 2018. 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 ONGC) 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 12th AGM:

Based on the recommendation of the Nomination and Remuneration Committee, Shri Paritosh Kumar Gupta (DIN: 01054182) was re-appointed as Managing Director by the Board of Directors on 14th May 2018 for a period of 1 Year effective from 19th May 2018. 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, 2018 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 excepting one transaction relating to payment of administrative fees to IL&FS for providing Sponsor Support Undertaking. 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 2017-18. 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., 2014-15, 2015-16 and 2016-17 was Rs.9.19 crores; 2% of which was Rs 18.38 Lakhs.

Your Company has spent Rs.32.11 Lakhs during the FY 2017-18 which covers the CSR expenditure of FY 2017-18, 2016-17 and 2015-16 as per the following details:

a. Rs.6.35 Lakhs pertains to CSR expenditure earmarked for FY 2015-16

b. Rs.6.73 Lakhs pertains to CSR expenditure earmarked for FY of 2016-17 and

c. Rs.19.02 Lakhs pertains to CSR expenditure of 2017-18.

As against the CSR budget of Rs.18.38 Lakhs, the Company has spent an amount of Rs.19.02 Lakhs, which is in excess by Rs.0.64 Lakhs for FY 2017-18.

In addition to the above referred CSR spend, during the year,

a. the Company has also Completed the Infrastructure works for the Community Hall in Thokur at an expenditure of Rs.6.73 Lakhs, which pertains to the CSR activities of FY 2016-17.
b. the Company has also Completed the Construction of Gents & Ladies Toilet at Govt Pre University College, Siddakatte, Bantwal (Tq), Dakshina Kannada Dist, Mangalore at an expenditure of Rs.6.35 Lakhs, which pertains to the CSR activities of FY 2015-16.

A report on the CSR activities for FY 2017-18 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 12th Annual General Meeting of the Company. The firm has completed a tenure of 5 years as Statutory Auditors of the Company. Although eligible for another term of 5 years, the Board opined that as a prudent Corporate Governance practice, the statutory auditors have to be rotated after completion of their term of 5 Years.

The Board of Directors based on the recommendation of the 37th Audit Committee have recommended for appointment for M/s Ray & Ray, Chartered Accountants bearing Firm Registration No.301072E as Statutory Auditors of the Company for a period of 5 Years. subject to approval of the members at the 12th AGM.

As required under Section 139 of the Companies Act, 2013, the Company has obtained a written consent from M/s Ray & Ray, Chartered Accountants to such 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. 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 2017-18.

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 is un qualified and do not have any qualifications / emphasis matters.

Secretarial Audit

The Board has appointed M/s P.N. Pai & Co, Company Secretaries to conduct Secretarial Audit for the financial year 2017-18. The Secretarial Audit Report for the financial year ended March 31, 2018 is annexed herewith and 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 by the Directors. 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 July 21, 2017, inter-alia, to discuss the evaluation of 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 over the same.

Disclosures:

Audit Committee

Consequent to the resignation of Shri Santosh Nautiyal as Independent Director, the Board at its 49th meeting held on 11th May 2017 had re-constituted the 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 A.K. Sahoo	Member

Matters recommended by the Audit Committee and reasons for not accepting by the Board.

1. The 32nd Audit Committee recommended for Increase of Stipend and Sustenance allowance by Rs.1,000 across each category, but the 49th Board opined that increasing Sustenance allowance along with opening limited period window for enhanced exit option may make the exit option unviable.
2. The 32nd Audit Committee has recommended for not charging interest on the outstanding payments till 31st March 2018 as per the proposal made by the JBF vide letter dt 26th April 2017 for settlement of water dues, but the 49th Board has approved for charging interest as per the terms of the water agreement.
3. The 33rd Audit Committee has recommended the proposal made by the JBF vide letter dt 12th June 2017 for settlement of water dues and the 50th Board has approved the said proposal excepting that the Interest shall be levied as per the water agreement on the 25 instalments proposed by JBF. However, if the JBF pays all the 25 instalments without default, then the additional interest levied will be adjusted or reduced in the tail end Instalment amounts.

Corporate Social Responsibility Committee

Consequent to the resignation of Shri Santosh Nautiyal as Independent Director, the Board at its 49th meeting held on 11th May 2017 had re-constituted the 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 Srinivas S Kamath	Chairman and Independent Director
Shri Paritosh Kumar Gupta	Member
Shri A.K. Sahoo	Member

Nomination and Remuneration Committee

Consequent to the resignation of Shri Santosh Nautiyal as Independent Director and Shri Pradeep Puri as Director, the Board at its 49th meeting held on 11th May 2017 and 52nd Board meeting held on 05th March 2018 had re-constituted the 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 Srinivas S Kamath	Chairman and Independent Director
Shri ISN Prasad	Member and Independent Director
Shri H Kumar	Member
Shri Saibal Kumar De	Member

Internal Complaints Committee (ICC):

The Company in compliance of instruction of Department of Woman and Child development read with the guidelines issued by the Honourable 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. As the Term of few members was completed, the ICC was re-Constituted during the year. The following are the members of the present ICC, Mrs Ashwini Hegde (Presiding officer), Mrs Kavya Akshay, Mrs Veena Shetty, Mr. Sudarshan Nayak and Mr. V. Phani Bhushan. During the financial year ended 31st March, 2018, 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	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.
ii) the steps taken by the company for utilising alternate sources of energy	
iii) the capital investment on energy conservation equipments;	
(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)	Not applicable since 5 years period is over.
(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	
(iv) the expenditure incurred on Research and Development.	Nil

Foreign Exchange Earnings and Outgo	**2017-18**	**2016-17**
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo	Nil	Rs 2,43,880

Extract of Annual Return

The extract of the annual return in Form MGT-9 in terms of Section 92(3) of the Companies Act, 2013 for the financial year under review has been provided as Annexure-V which forms part of the Directors' 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 shall be made available to any shareholder on a specific request made by him in writing before or after the date of such Annual General Meeting.

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. It has installed an online ambient air quality monitoring station as mandated by MoEF & Pollution Control Board. The online monitored data is continuously uploaded to Central Pollution Control Board website.

Awards and Recognitions:

During the year, the Company has been awarded

a. "India's Most Trusted Company 2017" under the category of "India's Most Trusted SEZ & Business Destination" by International Brand Consulting Corporation, USA. The award was presented to the company on 24th Sept 2017 at The Leela Hotel in Mumbai.

b. National Awards for Excellence in water - 2017 under the category "Best Environmental Sustainability Initiative Award" for Recycling City Sewage by setting up Tertiary Treatment Plant under Joint Venture with Mangalore City Corporation by World CSR day, a for purpose organisation. The award was presented to the company on 20th September, 2017 at Vivanta by Taj - Yeshwantpur, Bangalore.

c. National Awards for Excellence in water 2017 under the category Award for Industries in Water Sector for the Mega water Infrastructure developed by the company in the Zone by The World CSR Day. The award was presented to the company on 20th September, 2017 at Vivanta by Taj - Yeshwantpur, Bangalore.

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

Place: New Delhi	**Paritosh Kumar Gupta**	**Srinivas S Kamath**
Dated: 05th September, 2018	Managing Director	Director
	DIN: 01054182	DIN: 1079043

ANNEXURE I TO DIRECTORS REPORT

FORM NO. MR - 3

SECRETARIAL AUDIT REPORT

(FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2018)

[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

We 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 2018 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 2018 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 19.08.2017;

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 if any;

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.

Place: Mangaluru
Date: 09.08.2018

CS Narasimha Pai P.
FCS No.9543, CP No: 11629

ANNEXURE II TO DIRECTORS REPORT

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2017-18

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

As on March 31, 2018, the Company's Board of Directors comprised of Eight Directors consisting of one Executive Director and Five Non-Executive Directors and Two Non-Executive and Independent Directors. The Details of the Directors are as under :

Name of Director	Designation	Category of Directorship
Shri Shashi Shanker	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 H. Kumar	Nominee Director from ONGC	Non-Executive Director
Shri A.K. Sahoo	Nominee Director from ONGC	Non-Executive Director
Shri Saibal Kumar De	Additional Director (Nominee from IL&FS)	Non-Executive Director
Smt. Cholpady Vathika Kamath	Additional Director (Nominee from KCCI)	Non-Executive Director

Changes during the financial year 2017-18:

Name of the Director	Date of Resignation	Remarks
Shri Santosh Nautiyal	29/04/2017	Resigned as Independent Director of the Company.
Shri Pankaj Kumar Pandey	19/08/2017	He has been transferred as Secretary to Food & Civil Supplies Department vide Government of Karnataka (GoK) Notification No. DPAR 382 SAS 2017 dated July 27, 2017.
Shri Dinesh Kumar Sarraf	01/10/2017	Consequent upon superannuation from the services of ONGC as Chairman and Managing Director, Shri D.K. Sarraf has resigned as the Chairman / Director on the Board of Company.
Shri Jeevan Saldanha	04/11/2017	Consequent upon completion of his tenure as President of KCCI, Shri Jeevan Saldanha resigned as Director of the Company.
Shri Pradeep Puri	23/11/2017	Resigned as Director of the Company.

Name of the Director	Date of Appointment	Remarks
Shri Shashi Shanker	16/10/2017	Nominee of ONGC
Shri Saibal Kumar De	22/12/2017	Nominee of IL&FS
Smt. Cholpady Vathika Kamath	14/11/2017	Nominee of KCCI
Shri Paritosh Kumar Gupta	11/05/2017	Re-appointed as Managing Director

Changes in the Board of Directors after 31st March 2018.

1. Shri H. Kumar has resigned as Director of the Company effective from 1st June, 2018, consequent upon superannuation from the services of Mangalore Refinery and Petrochemicals Ltd (MRPL) as Managing Director.
2. Shri Venkatesh Madhava Rao, Managing Director, MRPL was appointed as an Additional Director (Nominee of ONGC) of the Company effective from 25th June 2018, pursuant to the nomination made by Oil and Natural Gas Corporation Limited (ONGC) vide their letter Ref. No. ONGC/CS-MSEZ/2018 dated 14th June 2018.

The Board places on record its appreciation for the valuable services rendered by the outgoing Directors during their respective tenure.

Directors Appointments / Re-appointments

In terms of Section 152 of the Companies Act, 2013, Shri A.K. Sahoo (DIN: 07355933) Director will retire by rotation at the Annual General Meeting and being eligible, offer himself for re-appointment. The Board of Directors of the Company recommend his re-appointment.

In terms of Section 160 of the Companies Act, 2013, Shri Shashi Shanker (DIN: 06447938) who was appointed as additional director by the Board on 16th October 2017 is proposed to be appointed as Director at the ensuing Annual General Meeting. The Board of Directors of the Company recommends his appointment.

In terms of Section 160 of the Companies Act, 2013, Smt. Cholpady Vathika Kamath (DIN: 05351602) who was appointed as additional director by the Board on 14th November 2017 is proposed to be appointed as Director at the ensuring Annual General Meeting. The Board of Directors of the Company recommends her appointment.

In terms of Section 160 of the Companies Act, 2013, Shri Saibal Kumar De (DIN: 00498241) who was appointed as additional director by the Board on 22nd December 2017 is proposed to be appointed as Director at the ensuing Annual General Meeting. The Board of Directors of the Company recommends his appointment.

In terms of Section 160 of the Companies Act, 2013, Shri Venkatesh Madhava Rao (DIN: 07025342) who was appointed as additional director by the Board on 25th June 2018 is proposed to be appointed as Director at the ensuing Annual General Meeting. The Board of Directors of the Company recommends his appointment.

The Board of Directors at the 53rd meeting held on May 14, 2018 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, 2018 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 2017-18

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

Number of the Meeting	Date of Meeting	Place of Meeting
49th	11th May, 2017	New Delhi
50th	21st July, 2017	New Delhi
51st	14th November, 2017	New Delhi
52nd	05th March, 2018	New Delhi

Attendance of Directors as on March 31, 2018 at the Board meetings held during the financial year 2017-18 and attendance at the 11th AGM and directorships / Committee positions held in other companies were as under:

Name of Director	No. of Board meetings held during the year	No. of Board Meetings attended	Attendance at the 11th AGM	Directorships in other companies*	No. of outside committee #	
					Member	Chairman
Shri Shashi Shanker (w.e.f 16/10/2017)	4	2	NA	7	-	-
Shri Paritosh Kumar Gupta	4	4	Present	8	2	-
Shri I.S.N Prasad	4	3	Absent	9	-	-
Shri Srinivas S Kamath	4	4	Present	-	-	-
Shri H Kumar**	4	4	Present	4	-	-
Shri A.K. Sahoo	4	3	Present	2	2	-
Shri Saibal Kumar De (w.e.f 22/12/2017)	4	1	NA	10	1	-
Smt C. Vathika Kamath (w.e.f 14/11/2017)	4	1	NA	1	-	-

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 01/06/2018.

Details of attendance of Directors (resigned during the year) at the Board meetings held during the financial year 2017-18 and attendance at the 11th AGM and directorships / Committee positions held in other companies

Name of Director	No. of Board meetings held during the year	No. of Board Meetings attended	Attendance at the 11th AGM	Directorships in other companies*	No. of outside committee #	
					Member	Chairman
Shri Dinesh Kumar Sarraf	4	2	Present	7	1	-
Shri Jeevan Saldanha	4	2	Present	2	-	-
Shri Santosh Nautiyal	4	0	NA	2	-	-
Shri Pradeep Puri	4	1	Absent	9	4	1
Pankaj Kumar Pandey	4	0	Absent	6	-	-

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

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 as at 31st March, 2018.

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

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, 2013. 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.

Four Meetings of the Audit Committee were held during the financial year 2017-18;

Number of the meeting	Date of Meeting	Place of meeting
32nd	11th May, 2017	New Delhi
33rd	21st July, 2017	New Delhi
34th	10th November, 2017	Mangalore
35th	28th February, 2018	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	4	4
Shri ISN Prasad	Member & Independent Director	4	4
Shri A.K. Sahoo	Member	4	1
Shri Paritosh Kumar Gupta*	Member	4	1
Shri Santosh Nautiyal**	Member & Independent Director	4	-

*ceased to be a members w.e.f 11th May 2017.

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

The Statutory Auditors and Internal Auditors of the Company were invited to attend the Audit Committee meetings 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, monitors the CSR activities & CSR spending of the company as per the guidelines of Companies Act, 2013.

Two Meetings of the Corporate Social Responsibility Committee was held during the financial year 2017-18;

Number of the meeting	Date of Meeting	Place of meeting
5th	21st July 2018	New Delhi
6th	31st March 2018	Mangalore

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	2	2
Shri Paritosh Kumar Gupta	Member	2	2
Shri A.K. Sahoo	Member	2	1
Shri Santosh Nautiyal*	Chairman and Independent Director	2	-

*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).

One meeting of the Nomination and Remuneration Committee was held during the financial year 2017-18;

Number of the meeting	Date of Meeting	Place of meeting
6th	11th May 2017	New Delhi

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 Srinivas S Kamath (w.e.f 11/05/2017)	Chairman & Independent Director	1	-
Shri ISN Prasad	Member & Independent Director	1	1
Shri H Kumar	Member	1	1
Shri Saibal Kumar De (w.e.f 05/03/2018)	Member	1	-
Shri Pradeep Puri**	Member	1	1
Shri Santosh Nautiyal*	Chairman & Independent Director	1	-

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

** Resigned as Director w.e.f 23rd November 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: Award of contracts on open tender basis from Rs.10 Crore to Rs.200 Crore, limited tender basis from Rs.7.5 Crore to Rs.150 Crore and single tender basis from Rs.2.50 to Rs.50 Crore.

2. To approve appointment of consultants ranging form Rs.50 Lakhs to Rs.1 Crore.

3. To approve variation proposals where value of variation is between Rs.5 Crore to Rs.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 S.No.1 above to waive compensation for loss and/or liquidated damage / price reduction already claimed / levied due to failure of contractors / suppliers.

COD Meetings held during the financial year 2017-18 - Nil

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	Nil	- NA -
Shri Pradeep Puri*	Member	Nil	- NA -
Shri A.K. Sahoo	Member	Nil	- NA -
Shri Saibal Kumar De (w.e.f 05/03/2018)	Member	Nil	- NA -

* Resigned as Director w.e.f 23rd November 2017.

HRM Committee

The HRM Committee was reconstituted by the Board on 11th May, 2017. HRM Committee has not met during the financial year 2017-18;

The composition of the Committee during the year ended 31st March 2018 is as under:

Name of Director	Designation
Shri Srinivas S Kamath	Member
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 11th May, 2017. No Meetings of the Business Committee were held during the financial year 2017-18;

The composition of the Committee during the year ended 31st March 2018 is as under:

Name of Director	Designation
Shri Srinivas S Kamath	Member
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 2017-18 are provided hereunder

Name of Director	Amount in Rs
Shri ISN Prasad	1,75,000
Shri S.S. Kamath	2,00,000
Shri Santosh Nautiyal	-

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, 2017 to March 31, 2018 was Rs.33,42,473/-.

Other Disclosures as required under Schedule V part II of Section II:

S.No	Particulars	Details
I	All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc., of all the directors;	The Managing Director is paid the fixed Remuneration. Sitting fees is paid to Independent Directors for attending the Board and Audit Committee meetings.
ii	Details of fixed component and performance linked incentives along with the performance criteria;	NA
iii	Service contracts, notice period, severance fees; and	Nil
iv	Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.	NA

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 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.
31st March 2017	19th August 2017	9.30 Hrs	3rd Floor, MUDA Building, Urwa Stores, Ashok Nagar, Mangalore - 575 006	a. Appointment of Shri Paritosh Kumar Gupta as Managing Director

Extra-ordinary General Meeting

During the year under review, the company has not conducted any Extra-Ordinary General Meeting.

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 March 31, 2018.

CEO and CFO Certification

Certificate on the financial statement and internal controls relating to financial reporting from Managing Director and Chief Financial Officer of the Company for the year ended 31st March, 2018 was submitted to the Board at its meeting held on 14th May, 2018.

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 September 28, 2018.

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 services: 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 2018:

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.

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

Place: New Delhi	**Paritosh Kumar Gupta**	**Srinivas S Kamath**
Dated: 05th September, 2018	Managing Director	Director
	DIN: 01054182	DIN: 1079043

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	Infrastructure Leasing and Financial Services Limited (IL&FS) – Associate.
b)	Nature of ~~contracts / arrangements~~ / transaction	Payment of Administrative fees of Rs.20 Lakhs plus taxes for issue of Sponsor Support undertaking to the Lenders on behalf of the Company.
c)	Duration of the contracts / arrangements / transaction	One-time payment of administrative fees.
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Rs.20 Lakhs plus applicable GST.
e)	Justification for entering into such contracts or arrangements or transactions	The Company has refinanced the then existing Term Loan of Rs.585 Cr with State Bank of India and also tied up with Corporation Bank for the balance Term Loan of Rs.121 Cr. The Terms of the Sanction of the SBI and Corporation Bank seeks for furnishing the Sponsor undertaking from the sponsors viz Oil and Natural Gas Corporation (ONGC), Infrastructure Leasing & Financial Services Limited (IL&FS) and Karnataka Industrial Areas Development Board (KIADB) for securing the Term Loan facilities sanctioned to the Company. The Sponsors have undertaken for the following conditions till the Final Settlement Date: (a) they shall contribute / infuse / arrange for such funds as part of the Equity Contribution to fund Cost Overrun (if any) and maintain the Debt to Equity Contribution Ratio not more than Agreed Debt Equity Contribution Ratio at all times (b) In the event the Equity Contribution towards the Project is brought in any form other than equity shares, then the servicing / repayment/ redemption of such Equity Contribution (other than equity shares) shall be subordinated to the servicing of the Facility. (c) they shall arrange funds for financing any shortfall in projected internal accruals in a manner acceptable to the Lenders (d) The Sponsors shall jointly hold at least 26% (twenty six percent) of the shareholding.
f)	Date of approval by the Board	05th March 2018
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	Not Applicable

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	Associate	Associate	Associate	ONGC-Ultimate holding company	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	As mentioned in Sl. No. (d) below
c	Duration of the contracts / arrangements / transaction	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018
d	Salient terms of the contracts or arrangements or transaction including the value, if any	Nil	a) Service received – Deputation of MD b) Service received -Renting	a) Acquisition of Land/R&R colony. b) Services received – Annual lease rent c) Services received-ROW charges d) Towards acquisition of land	a) Supply of services-Corridor ROW b) Supply of services-Annual lease rental c) Sale of products d) Supply of services e) Interest payable on security deposit (Power)	a) Supply of services- 'By pass road' charges b) Sale of products c) Supply of services d) Supply of services - Corridor ROW	a) Service received-Deputation of Advisor b) Supply of services-Rent
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)11/05/17 b) Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
g	Amount incurred during the year (Rs in lakhs)	Nil	a) 33.42 b) 0.02	a) Nil b) 5.17 c) Nil d) 176.48	a) Nil b) 233.96 c) 2783.82 d) 1004.55 e) 9.70	a) Nil b) 2541.55 c) 2890.49 d) Nil	a) Nil b) 1.36

S.No	Name (s) of the related party	IL&FS Energy Development Company Ltd	Mangalore STP Ltd	MSEZ Power Ltd	Key Managerial Personnel	Key Managerial Personnel	Key Managerial Personnel
a	Nature of Relationship	Subsidiary of IL&FS	Subsidiary Company	Subsidiary company	Chief Operating Offer	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	Remuneration	Remuneration	Remuneration
c	Duration of the contracts / arrangements / transaction	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018	01.04.2017 to 31.03.2018
d	Salient terms of the contracts or arrangements or transaction including the value, if any	Services received - Consultancy	a) Supply of goods	a) Supply of services	Chief Operating Offer	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	15th October 2016	29th August 2014	12th May 2016
g	Amount incurred during the year (₹ In lakhs)	Nil	322.76	0.26	57.25	61.70	21.23

On Behalf of the Board
For Mangalore SEZ Limited

Place: New Delhi
Dated: 05th September, 2018

Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Srinivas S Kamath
Director
DIN: 1079043

ANNEXURE IV TO DIRECTORS REPORT

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2017-18

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: Promoting 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 the budget for CSR activities for the FY 2017-18. The CSR Policy is available at companies Website viz www.mangaloresez.com under policies.
2. Composition of CSR Committee	Shri S.S. Kamath – Chairman (w.e.f 11th May 2017) Shri Paritosh Kumar Gupta – Member Shri A.K. Sahoo – Member
3. Average net profit (PBT) of the Company for last three financial years	Rs.9.19 Cr
4. Prescribed CSR expenditure (two percent of the amount mentioned in item 3 above)	Rs.18.38 Lakhs
5. Details of CSR spent during the financial year:	Rs.19.02 Lakhs (excludes CSR spend of previous years)
Total amount to be spent for the financial year	Rs.18.38 Lakhs
Amount unspent, if any	Nil
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.	Not Applicable
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 2017-18

(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 implement-ing 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 of the Act – Promoting education, Livelihood enhancement and Rural Development projects	Distribution of text and academic books, School bags, Computers, Display Boards, LED lights and repair works to school buildings at various villages majority falling under Local area viz Kodical, Bajpe, Jokatte, Katipalla, Bantwal, Kolambe, Urwa market, Panaje, Uppinangady, Dakshina Kannada (Dist), Karnataka,	Rs.25,00,000 (for 3 years)	Rs.11,44,220 (Direct & no overheads)	Rs.11,44,220	Direct
2	Providing Health Care, sanitation and other allied activities	Under clause (i) of Schedule VII of the Act – Promoting Health Care including preventing Health Care, Making available safe drinking water, Eradicating Hunger,Poverty and Malnutrition	Distribution of food, Rice bags, providing water purifiers and advertising for anti malaria Campaign, conducting dental camp and providing water heater at Shakthi Nagar, Mangalore, Bantwal, Urwa Market, Jokatte,Kotekar, Dakshina Kannada Dist, Karnataka.	Rs.15,00,000 (for 3 Years)	Rs.6,39,333 (Direct & no overheads)	Rs.6,39,333	Direct

3	Protection of National Heritage, arts and Culture, Promotion and development of arts and Handicrafts	Clause (v) of Schedule VII of the Act – Promoting and Protection of Arts, Public libraries and National Heritage.	Promoting traditional art called Yakshagana, Yoga and other arts at Katipalla, mangalore, Dakshina Kannada, Karnataka.	Rs.5,00,000 (for 3 years)	Rs.64,900 (Direct & no overheads)	Rs.64,900	Direct
4	Conservation of environment by way Green nurturing programme in Schools	Clause (iv) of Schedule VII of the Companies Act – ensuring environmental sustainability and ecological balance and protection of environment	To create awareness on plastics, Distribution of plants and protection of flora and fauna at Bantwal, and Mangalore, Dakshina Kannada Dist, Karnataka.	Rs.5,00,000 (for 3 years)	Rs.54,420 (Direct & no overheads)	Rs.54,420	Direct
5	Any other CSR activity	Schedule VII of the Act		Rs.25,00,000 (for 3 years)	-	-	-
6	**Total**					**Rs.19,02,873**	

On Behalf of the Board
For Mangalore SEZ Limited

Place: New Delhi
Dated: 05th September, 2018

Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Srinivas S Kamath
Director
DIN: 1079043

Annexure V TO DIRECTORS REPORT

Form No. MGT-9

EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31.03.2018

[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 - 575 006, Karnataka Tel: 0824-2452760 Fax: 0824–2452749
vi	Whether listed company	No
vii	Name, Address & contact details Of the Registrar & Transfer Agent, if any.	Not Applicable

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*	% tototal turn over of the company#
1	Development of Special Economic Zones (Lease Premium & Rent)	431: Demolition and site preparation*	10.00%
2	Water supply	360: Water collection, treatment and supply	60.00%
3	Sale of Power	351: Collection and distribution of electric energy	17.00%

* As per National Industrial Classification – 2008 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-575006	U90009KA2011PLC057826	Subsidiary	70	2(87)(ii)
2	MSEZ Power Limited 3rd Floor, MUDA Building, Urwa Stores, Mangalore-575006	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										
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 shareholders 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 V. Suryanarayana	100	0.0002	0	100	0.0002	0	0
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 Diwakar Sinha	100	0.0002	0	100	0.0002	0	0
	Total	**5,00,01,200**	**100**	**0**	**5,00,01,200**	**100**	**0**	**0**

(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 Share holding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Shri Shashi Shanker, Chairman At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 Nil Nil	 Nil Nil
2	Shri Paritosh Kumar Gupta, Managing Director At the beginning of the year Date wise Increase / Decrease in Shareholding 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	 500 500	 0.0010 0.0010
3	Shri I S N Prasad, Director At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 Nil Nil	 Nil Nil
4	Shri Saibal Kumar De, Director At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 Nil Nil	 Nil Nil
5	Shri Srinivas Santhayya Kamath, Director At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 Nil Nil	 Nil Nil
6	Smt C. Vathika Kamath, Director At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 Nil Nil	 Nil Nil
7	Shri H. Kumar, Director At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 Nil Nil	 Nil Nil
8	Shri A.K. Sahoo, Director At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 Nil Nil	 Nil Nil
9	Shri Gouranga Charan Swain, Chief Financial Officer At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 Nil Nil	 Nil Nil
10	Shri V. Phani Bhushan, Company Secretary At the beginning of the year At the end of the year	 Nil Nil	 Nil Nil	 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	57,910.51 - -	- - -	- - -	57,910.51 - -
Total (i+ii+iii)	**57,910.51**	**-**	**-**	**57,910.51**
Change in Indebtedness during the financial year • Addition • Reduction	- 629.80	-	-	- 629.80
Net Change	**629.80**	**-**	**-**	**629.80**
Indebtedness at the end of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	57,280.71 - -	-	-	57,280.71 - -
Total (i+ii+iii)	**57,280.71**	**-**	**-**	**57,280.71**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Rs. in lakhs)

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	33.42 - -	33.42 - -
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission - as % of profit - others, specify	- -	- -
5.	Others, please specify	-	-
	Total (A)	**33.42**	**33.42**

B. Remuneration to other directors:

(Rs. in lakhs)

Sl. No	Particulars of Remuneration	Name of Directors		Total Amount
		Shri ISN Prasad	Shri S.S. Kamath	
1.	Independent Director • Fees for attending board, Audit committee meetings • Commission • Others, please specify	1.75 - -	2.00 - -	3.75 - -
	Total (1)	**1.75**	**2.00**	**3.75**
2.	Other Non-Executive Directors	Shri Shashi Shanker, Shri H. Kumar, Shri A.K. Sahoo, Shri Saibal Kumar De and Smt. C. Vathika Kamath		Nil
	Other Non-Executive Directors • Fees for attending board, committee meetings • Commission • Others, please specify	Nil		Nil
3.	**Total (2)**	**0**		**-**
4.	**Total (B) (1)+(2)**	**1.75**	**2.00**	**3.75**
5.	Total Managerial Remuneration (A+B)			37.17
6.	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	61.70 - -	21.23 - -	82.93 - -
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others, specify	- -	- -	- -
5.	Others, please specify	-	-	-
	Total	**61.70**	**21.23**	**82.93**

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 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

Place: New Delhi
Dated: 05th September, 2018

Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Srinivas S Kamath
Director
DIN: 1079043

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	(1,12,395)
5	Total Assets	58,33,436	5,77,445
6	Total Liabilities	58,33,436	5,77,445
7	Investment other than investment in Subsidiary	0	0
8	Turnover*	5,82,81,726	0
9	Profit / (Loss) before Tax	0	(16,924)
10	Provision for Taxation	0	0
11	Profit / (Loss) after taxation	0	(16,924)
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

Place: New Delhi
Dated: 05th September, 2018

Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Srinivas S Kamath
Director
DIN: 1079043

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 2018, the Statement of Profit and Loss (including Other Comprehensive income), 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 Ind AS 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 including Other Comprehensive Income, cash flows and the statement of changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) specified under under Section 133 of the Act read with companies (Indian Accounting Standard) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 standalone Ind AS 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. In conducting 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 and the Order issued under section 143(11) of the Act. We conducted our audit of the standalone Ind AS Financial Statements 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 standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 standalone Ind AS 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 Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its Profit, total comprehensive Income, its cash flows and the changes in equity for the year ended on that date.

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 including other comprehensive income, 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.
   (e) On the basis of the written representations received from the directors as on 31st March, 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the company's internal financial control over financial reporting.
   (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 Standalone Ind AS financial statements - Refer Note No. 46(b) 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.
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/-
N R Suresh
Partner
M.No: 021661

Place: New Delhi
Date: 14.05.2018

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, 2018 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 standalone Ind AS 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 standalone Ind AS 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, 2018, 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 31.03.2018.

(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, Goods and Services 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, Sales Tax and Goods and Services Tax were in arrears as at 31st March 2018 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

Sd/-
N R Suresh
Partner
M.No: 021661

Place: New Delhi
Date: 14.05.2018

Balance Sheet as at 31st March, 2018

Amount in Rs.

		Notes	As at 31.03.2018	As at 31.03.2017
	ASSETS			
(1)	**Non-current Assets**			
	(a) Property, plant and equipment	3	8,23,30,87,352	5,36,72,81,001
	(b) Capital work in progress	4	1,70,57,29,852	4,50,84,97,393
	(c) Investment Property	5	4,49,88,53,447	4,43,64,25,151
	(d) Other Intangible Assets	6	13,87,56,612	14,53,91,636
	(e) Financial Assets			
	(i) Investments	7	8,50,000	8,50,000
	(ii) Trade Receivables	8	50,00,000	21,98,27,434
	(iii) Loans	9	5,20,68,796	5,86,84,895
	(iv) Others	10	25,000	25,000
	(f) Other non-current assets	11	26,64,53,309	22,78,42,795
			14,90,08,24,368	**14,96,48,25,305**
(2)	**Current Assets**			
	(a) Financial Assets			
	(i) Investments	12	54,86,69,727	18,27,24,487
	(ii) Trade receivables	13	1,69,78,86,616	51,80,80,513
	(iii) Cash and cash equivalents	14	8,11,89,585	42,83,30,572
	(iv) Bank Balances other than (iii) above	15	16,19,96,375	13,04,21,495
	(v) Loans	16	90,000	90,000
	(vi) Others	17	96,70,530	42,86,355
	(b) Current tax asset (Net)	18	78,93,925	4,51,84,155
	(c) Other current assets	19	3,54,35,245	2,08,55,847
			2,54,28,32,004	**1,32,99,73,425**
	Total Assets		**17,44,36,56,372**	**16,29,47,98,730**
	EQUITY AND LIABILITIES			
(1)	**EQUITY**			
	(a) Equity Share capital	20	50,00,12,000	50,00,12,000
	(b) Other equity	21	20,82,21,036	17,15,06,388
			70,82,33,036	**67,15,18,388**
	LIABILITIES			
(2)	**Non-current Liabilities**			
	(a) Financial Liabilities			
	(i) Borrowings	22	5,62,92,06,409	5,72,49,45,643
	(ii) Other financial liabilities	23	29,69,062	1,78,94,407
	(b) Provisions	24	1,49,99,448	1,32,24,441
	(c) Deferred tax liabilities (Net)	25	40,73,71,090	35,49,38,091
	(d) Other Non Current Liabilities	26	9,31,66,46,351	8,31,17,75,892
			15,37,11,92,360	**14,42,27,78,474**
(3)	**Current Liabilities**			
	(a) Financial Liabilities			
	(i) Trade payables	27	19,59,80,054	13,85,76,183
	(ii) Other financial liabilities	28	83,49,63,185	82,53,17,458
	(b) Other current liabilities	29	25,25,97,331	14,90,50,716
	(c) Provisions	30	8,06,90,407	8,75,57,511
			1,36,42,30,976	**1,20,05,01,868**
	Total Liabilities		**16,73,54,23,336**	**15,62,32,80,342**
	Total Equity and Liabilities		**17,44,36,56,372**	**16,29,47,98,730**

The accompanying notes are an integral part of these financial statements 1 to 47

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

Sd/-
N R Suresh
Partner
Membership No. 021661

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Sd/-
Akshaya Kumar Sahoo
Director
DIN: 07355933

Sd/-
Gouranga Charan Swain
Chief Financial Officer

Sd/-
V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 14/05/2018

Place: New Delhi
Date: 14/05/2018

Statement of Profit and Loss for the year ended 31st March, 2018

Amount in Rs.

	Particulars	Notes	Year 2017-18	Year 2016-17
I	Revenue from Operations	31	1,74,23,05,353	1,28,52,36,171
II	Other Income	32	3,14,10,362	6,20,10,928
III	**Total Income (I+II)**		**1,77,37,15,715**	**1,34,72,47,099**
IV	**EXPENSES**			
	Cost of Purchased Power	33	25,54,54,650	10,53,76,965
	Employee benefit expense	34	8,10,11,267	6,69,13,202
	Finance costs	35	50,90,28,931	53,34,80,331
	Depreciation and amortisation Expense	36	41,46,02,971	29,33,30,830
	Other expenses	37	40,44,33,248	25,67,22,037
	Total Expense (IV)		**1,66,45,31,067**	**1,25,58,23,365**
V	**Profit / (loss) before exceptional items and tax (III - IV)**		**10,91,84,648**	**9,14,23,734**
VI	Exceptional items		-	-
VII	**Profit / (loss) before tax (V - VI)**		**10,91,84,648**	**9,14,23,734**
VIII	**Tax expense**	38		
	(1) Current tax		7,87,35,681	1,99,36,193
	(2) Deferred tax		(61,39,396)	13,13,46,605
	Total Tax expense		**7,25,96,285**	**15,12,82,798**
IX	**Profit / (loss) for the period from continuing operations (VII - VIII)**		**3,65,88,364**	**(5,98,59,063)**
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)**		**3,65,88,364**	**(5,98,59,063)**
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)		1,26,284	(14,41,879)
	(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		-	-
			1,26,284	(14,41,879)
XV	**Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)**		**3,67,14,648**	**(6,13,00,942)**
XVI	**Earnings per equity share:**			
	(1) Basic		0.73	(1.20)
	(2) Diluted			

The accompanying notes are an integral part of these financial statements 1 to 47

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

Sd/-
N R Suresh
Partner
Membership No. 021661

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Sd/-
Akshaya Kumar Sahoo
Director
DIN: 07355933

Sd/-
Gouranga Charan Swain
Chief Financial Officer

Sd/-
V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 14/05/2018

Place: New Delhi
Date: 14/05/2018

Statement of Changes in Equity for the year ended March 31, 2018

(A) Equity Share Capital

Amount in Rs.

Balance at the beginning of the reporting period April 01, 2017	**50,00,12,000**
Changes in equity share capital during the year	-
Balance at the end of the reporting period March 31, 2018	**50,00,12,000**

(B) Other Equity

Amount in Rs.

	Reserves and Surplus	TOTAL
	Retained Earnings	
Balance at the beginning of the reporting period April 01, 2017 - (A)	17,15,06,388	**17,15,06,388**
Additions during the year:		
Profit / (Loss) for the year	3,65,88,364	**3,65,88,364**
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	1,26,284	**1,26,284**
Total Comprehensive Income for the year 2017-18 - (B)	3,67,14,648	**3,67,14,648**
Reductions during the year:		
Dividends	-	-
Income tax on dividends		
Transfer to general reserves	-	-
Total (C)	-	-
Balance at the end of the reporting period March 31, 2018 (A+B-C)	20,82,21,036	**20,82,21,036**

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

Sd/-
N R Suresh
Partner
Membership No. 021661

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Sd/-
Akshaya Kumar Sahoo
Director
DIN: 07355933

Sd/-
Gouranga Charan Swain
Chief Financial Officer

Sd/-
V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 14/05/2018

Place: New Delhi
Date: 14/05/2018

Cash Flow Statement for the year ended 31st March, 2018

Amount in Rs.

	Particulars	Year 2017-18		Year 2016-17	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Profit before tax	**10,91,84,648**		**9,14,23,734**	
	Adjustments for:				
	- Depreciation, Depletion, Amortisation & Impairment	41,46,02,971		29,33,30,830	
	- Impairment	7,09,24,536		1,31,37,275	
	- Interest on Borrowings	49,84,20,778		49,27,82,572	
	- Interest on security deposits measured at fair value	6,20,401		-	
	- Provision for Gratuity	23,22,202		26,51,493	
	- Provision for Leave Encashment	22,99,565		36,95,938	
	- Provision for other Employee benefits	84,30,000		35,16,782	
	- Interest Income	(1,32,17,074)		(1,97,89,609)	
	- Interest from security deposits measured at fair value	(8,11,781)		-	
	- Dividend Income	(1,40,70,240)		(96,20,005)	
	- Deferred Government Grant	(8,25,000)		-	
	- Other (describe) - (Profit) / Loss on sale of asset & Loss on sale of asset	1,889		22,598	
	Operating Profit before Working Capital Changes	**1,07,78,82,895**		**87,11,51,608**	
	Adjustments for:-				
	- (Increase) / decrease in Trade and other receivables	(1,03,59,03,205)		(49,43,57,384)	
	- (Increase) / decrease in Other assets	(10,33,89,743)		23,20,23,624	
	- Increase / (Decrease) in Trade payable and other liabilities	1,08,60,60,380		48,31,04,987	
	Increase / (Decrease) in provisions	(51,04,799)		(49,51,885)	
	Cash generated from Operating activities	**1,01,95,45,528**		**1,08,69,70,951**	
	Income Tax Paid (Net of refund)	2,34,69,924		4,05,81,487	
	Net Cash generated from Operating activities		**99,60,75,604**		**1,04,63,89,464**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Payments for Property, plant and equipment	(44,82,48,898)		(68,56,25,833)	
	Payments for investment property	(6,24,28,296)		(3,75,38,588)	
	Payments for intangible assets	-		(1,65,000)	
	Proceeds from sale of Property, plant and equipment	5,000		2,200	
	Receipt of government grants	2,97,00,000		2,97,00,000	
	Dividend received from Others	1,40,70,240		96,20,005	
	Interest received	1,36,03,982		2,13,24,989	
	Net Cash used in Investing activities		**(45,32,97,975)**		**(66,26,82,229)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES:**				
	Proceeds from non-current borrowings	-		6,37,42,71,086	
	Repayment of non-current borrowings	(6,61,05,000)		(6,44,97,28,408)	
	Finance Cost paid	(51,78,68,376)		(60,40,95,929)	
	Other (describe) - Net Transaction Cost of Refinanced Loan				
	Net Cash used in Financing activities		**(58,39,73,376)**		**(67,95,53,251)**
D.	**Net increase / (decrease) in cash and cash Equivalents (A+B+C):**		**(4,11,95,747)**		**(29,58,46,016)**
	Add: Cash and Cash Equivalents as at 1st April		67,10,55,059		96,69,01,074
	Cash and Cash Equivalents as at 31st March		**62,98,59,312**		**67,10,55,059**

Notes:

i 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.

ii Payments for property, plant and equipment includes movement of Capital Work-in-progres during the year.

iii Brackets indicate cash outflow / deduction.

Amount in Rs.

iv	Cash and cash Equivalents as per above comprises of:	As at March 31, 2018	As at March 31, 2017
	Balances with Banks:		
	Current account	4,08,21,108	6,78,86,971
	Deposits with original maturity of less than three months	4,03,60,392	36,04,36,985
	Deposits with original maturity of more than three months	-	6,00,00,000
	Cash on hand	8,085	6,616
	Add: Investment in liquid mutual funds	54,86,69,727	18,27,24,487
	Cash and Cash equivalents in Cash Flow Statement	**62,98,59,312**	**67,10,55,059**

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

Sd/-
N R Suresh
Partner
Membership No.021661

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Sd/-
Akshaya Kumar Sahoo
Director
DIN: 07355933

Sd/-
Gouranga Charan Swain
Chief Financial Officer

Sd/-
V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 14/05/2018

Place: New Delhi
Date: 14/05/2018

Notes accompanying financial statements

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 - 575 006.

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.

2. Significant accounting policies

2.1 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.

2.2 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.

2.3 Investments in subsidiaries

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

2.4 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.

2.5 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.

2.6 Tangible Assets – Property, Plant 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. However, 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
Corridor	30
Common Effluent Treatment Plant	15

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

Buildings and pipelines related to River Water System, Tertiary Treatment Plant and Water Treatment Plant are depreciated on Units of Production Method.

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.

2.7 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.

2.8 Intangible Assets

(i) 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.

(ii) 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.

2.9 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.

2.10 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.

2.11 Ind AS 115 - Revenue from Contracts with Customers

The standard is notified on 28.03.2018 and it is applicable for the accounting periods commencing on or after 01.04.2018. Accordingly, this standard is not applicable for preparation of the financial statement for the year ended 31.03.2018. However, application of this standard from 01.04.2018 does not have any impact in the revenue recognition and measurement for the company.

2.12 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.
3. Corridor 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.

2.13 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

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (Refer note 47), 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.

2.27 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, an 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.

Note 3: Property, plant & equipment

Amount in Rs.

	Gross carrying amount				Depreciation /Amortisation				Net carrying amount	
	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Land - Leasehold	36,23,745	-	-	**36,23,745**	4,30,270	2,17,194	-	**6,47,464**	**29,76,281**	31,93,475
Buildings	1,48,17,64,819	2,84,38,21,674		**4,32,55,86,493**	4,53,74,374	11,78,36,051	-	**16,32,10,425**	**4,16,23,76,068**	1,43,63,90,445
Plant and equipment	3,69,47,98,082	31,72,48,691	-	**4,01,20,46,773**	22,02,50,474	12,62,59,693	-	**34,65,10,167**	**3,66,55,36,606**	3,47,45,47,608
Furniture and fixtures	78,72,460	6,76,354	-	**85,48,814**	27,54,097	10,76,213	-	**38,30,310**	**47,18,504**	51,18,363
Vehicles	1,91,55,739	-	-	**1,91,55,739**	16,82,687	22,74,744	-	**39,57,431**	**1,51,98,308**	1,74,73,052
Office equipment	58,22,177	4,54,686	38,692	**62,38,171**	27,01,692	12,95,478	31,803	**39,65,367**	**22,72,804**	31,20,485
Roads	69,72,60,137	11,15,79,781	-	**80,88,39,918**	26,98,22,563	15,90,08,574	-	**42,88,31,137**	**38,00,08,781**	42,74,37,574
Total	**5,91,02,97,159**	**3,27,37,81,186**	**38,692**	**9,18,40,39,653**	**54,30,16,157**	**40,79,67,947**	**31,803**	**95,09,52,301**	**8,23,30,87,352**	**5,36,72,81,001**
Previous Year	**5,18,51,25,497**	**72,93,30,050**	**41,58,388**	**5,91,02,97,159**	**25,65,21,966**	**28,70,20,078**	**5,25,887**	**54,30,16,157**	**5,36,72,81,002**	**4,92,86,03,531**

3(i) Interest capitalized during the year Rs. 2,25,73,364 (previous year - NIL)

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

3(iii) Refer Note No.46 (a) for disclosure of contractual commitments for acquisition of Property, Plant & Equipment

3(iv) **Corridor Asset:**

In the development of the Special Economic Zone (SEZ), the Company has set up a Pipeline-cum-Road Corridor Project from New Mangalore Port Trust (NMPT) to Mangalore SEZ (MSEZ). The project has been developed on a self-sustainable, cost and revenue model under an agreement with two customers viz., MRPL and OMPL.

In terms of the agreement:

(i) All the three parties have contributed in equal shares towards cost of the project;

(ii) The title, ownership, possession and maintenance of the assets vests with MSEZ only;

(iii) OMPL and MRPL have been given perpetual rights to use the corridor for specified width leaving substantial width of the corridor for commercial exploitation by MSEZL

(iv) The 'usership fee' relating to the width allocated to OMPL and MRPL on 'cost basis' is adjusted against the contribution and the balance is also treated as 'user fee' but reckoned for 'residual contribution'.

(v) The revenue on the corridor project from third party customers accrue to the three parties in the ratio of their 'residual contributions'.

Note 4: Capital work in progress

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Capital work in progress		
Development of Land	1,02,73,01,082	99,03,77,223
Infrastructure Development	67,84,28,770	3,51,81,20,170
Total	**1,70,57,29,852**	**4,50,84,97,393**

4(i) Capital work in progress includes interest capitalized during the year NIL (March 31, 2017 Rs.11,03,21,219/-)

4(ii) Capital work in progress includes Rs.1,02,33,74,602 as at March 31, 2018 (Rs.99,03,77,223 as at March 31, 2017) 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.

4(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 31.03.2018	As at 31.03.2017
Rehabilitation Compensation including training	61,97,591	1,12,11,961
Rehabilitation Colony Development Cost	7,22,44,681	7,51,63,040
Total	**7,84,42,272**	**8,63,75,001**

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.

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

4(v) Refer Note No.46 (a) for disclosure of contractual commitments for acquisition of Plant, Property & Equipment.

Note 5: Investment Property

Amount in Rs.

	Gross carrying amount				Amortisation				Net carrying amount	
	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Land - Lease cum Sale	4,43,64,25,151	6,24,28,296	-	**4,49,88,53,447**	-	-	-	-	**4,49,88,53,447**	4,43,64,25,151
Previous Year	**4,39,88,86,563**	**5,03,63,250**	**1,28,24,662**	**4,43,64,25,151**	**-**	**-**	**-**	**-**	**4,43,64,25,151**	**4,39,88,86,563**

5(i) Refer note 45 on 'amounts recognised in statement of profit & loss account'.

5(ii) No fair value has been obtained for investment property.

5(iii) Refer Note No.46 (a) for discloure of contractual obligation to purchase, construct or develop investment property or for its repairs, maintenance or enhancement.

5(iv) Refer Note 39(i) on Finance lease.

Note 6: Other Intangible Assets

Amount in Rs.

	Gross carrying amount				Amortisation				Net carrying amount	
	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Intangible Assets										
Specialised Software	1,65,005	-	-	**1,65,005**	17,901	33,000	-	**50,901**	**1,14,104**	1,47,104
Barrage usage rights	15,84,48,580	-	-	**15,84,48,580**	1,32,04,048	66,02,024	-	**1,98,06,072**	**13,86,42,508**	14,52,44,532
Total	**15,86,13,585**	**-**	**-**	**15,86,13,585**	**1,32,21,949**	**66,35,024**	**-**	**1,98,56,973**	**13,87,56,612**	**14,53,91,636**
Previous Year	**15,84,48,585**	**1,65,000**	**-**	**15,86,13,585**	**66,02,024**	**66,19,925**	**-**	**1,32,21,949**	**14,53,91,636**	**15,18,46,561**

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

Note 7: Investments

Amount in Rs.

Particulars	No.of shares	Face value (Rs.)	As at 31.03.2018	As at 31.03.2017
Investments in Equity Instruments				
Unquoted Equity Shares				
(i) Subsidiaries (measured at cost)				
a) MSEZ Power Limited, Mangalore (Wholly owned subsidiary)	50,000	10	5,00,000	5,00,000
50,000 shares as on March 31, 2018; 50,000 shares as on March 31, 2017				
b) Mangalore STP Limited, Mangalore (Partly owned subsidiary)	35,000	10	3,50,000	3,50,000
35,000 shares as on March 31, 2018; 35,000 shares as on March 31, 2017				
Total			**8,50,000**	**8,50,000**
Aggregate amount of unquoted investments - At Cost			**8,50,000**	**8,50,000**

Note 8: Trade Receivables

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Trade receivables		
(a) Secured, considered good	-	-
(b) Unsecured, considered good	50,00,000	21,98,27,434
(c) Unsecured, considered doubtful debts	-	-
Less: Allowance for doubtful debts	-	-
Total	**50,00,000**	**21,98,27,434**

Note 9: Loans

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Security Deposit	5,20,68,796	5,86,84,895
Total	**5,20,68,796**	**5,86,84,895**

Break-up for Security Details

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Secured, Considered good	-	-
Unsecured, considerd good	5,20,68,796	5,86,84,895
Unsecured, considered doubtful	-	-
Total	**5,20,68,796**	**5,86,84,895**

Note 10: Other Financial Assets

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Balance with banks (more than 12 months)	25,000	25,000
Total	**25,000**	**25,000**

Note 11: Other Non current Assets

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Capital Advances:	3,35,20,822	4,13,10,575
Others		
- Security deposits	58,70,234	-
- Income Tax (Net of Provision)	22,70,62,253	18,65,32,220
Total	**26,64,53,309**	**22,78,42,795**

Note 12: Investments

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Investments in Mutual Funds - Quoted		
(i) UTI Liquid cash plan - Institutional - Direct Plan - Daily dividend reinvestment		
1,47,641.072 units of face value Rs.1019.4457 each (Previous year 1,79,239.058 units of face value Rs.1019.4457)	15,05,12,056	18,27,24,487
(ii) SBI Magnum Insta Cash Fund - Direct Plan - Daily Dividend		
2,37,701.815 units of face value Rs.1675.03 each	39,81,57,671	-
Total	**54,86,69,727**	**18,27,24,487**
Aggregate amount of quoted investments - At market value	**54,86,69,727**	**18,27,24,487**

Note 13: Trade Receivables

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Trade receivables		
(a) Secured, considered good	-	-
(b) Unsecured, considered good	1,69,78,86,616	51,80,80,513
(c) Unsecured, considered doubtful debts	18,13,90,689	11,04,66,153
	1,87,92,77,305	**62,85,46,666**
Less: Allowance for doubtful debts	18,13,90,689	11,04,66,153
Total	**1,69,78,86,616**	**51,80,80,513**

The trade receivables includes Rs. 85.58 crore due from a customer for more than a year which in the opinion of the management does not require an impairment provision as dues have been confirmed by the customer by their letter dated April 16, 2018.

Note 14: Cash and Bank Balances

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
(A) Cash and Cash Equivalents		
(a) Balances with banks:		
Current accounts	4,08,21,108	6,78,86,971
(b) Cash on hand	8,085	6,616
Total (A)	**4,08,29,193**	**6,78,93,587**
(B) Other balances with banks		
Term deposits with original maturity of less than three months	4,03,60,392	36,04,36,985
Total (B)	**4,03,60,392**	**36,04,36,985**
Total (A+B)	**8,11,89,585**	**42,83,30,572**

Note 15: Bank Balances other than above

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Other Balances with banks		
Term Deposits with original maturity of more than three months but less than 12 months	-	6,00,00,000
Term deposits held as margin money	16,19,96,375	7,04,21,495
Total	**16,19,96,375**	**13,04,21,495**

Note 16: Loans

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Security Deposit	90,000	90,000
Total	**90,000**	**90,000**

Note 17: Others

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Due from related parties	1,43,240	1,16,500
Due from others	61,74,759	4,30,416
Interest accrued on deposits	33,52,531	37,39,439
Total	**96,70,530**	**42,86,355**

Note 18: Current tax asset (net)

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Income tax (Net of provisions)	78,93,925	4,51,84,155
Total	**78,93,925**	**4,51,84,155**

Note 19: Other current assets

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Advances other than capital advances:		
(i) Advances to Suppliers	3,00,000	28,04,272
(ii) Balances with government authourities		
Goods and Service Tax Input	60,92,690	-
Service Tax	16,87,404	24,03,134
VAT	74,58,337	1,26,81,197
Prepaid expenses	1,98,96,814	25,60,023
Other Receivables	-	4,07,221
Total	**3,54,35,245**	**2,08,55,847**

Note 20: Equity Share Capital

Authourised, Issued, Subscribed and Paid up Share Capital

Amount in Rs.

	As at 31.03.2018	As at 31.03.2017
Authorised:		
425000000 Equity Shares of Rs.10 each	4,25,00,00,000	4,25,00,00,000
Issued:		
100000000 Equity Shares of Rs.10 each fully paid up	1,00,00,00,000	1,00,00,00,000
Subscribed and fully Paid up capital:		
50001200 Equity Shares of Rs.10 each fully paid up	50,00,12,000	50,00,12,000
	50,00,12,000	**50,00,12,000**

a) Reconciliation of equity shares outstanding at the beginning and at the end of year:

Fully paid Equity shares	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	Amount in Rs.	No. of Shares	Amount in Rs.
At the beginning of the year	5,00,01,200	50,00,12,000	5,00,01,200	50,00,12,000
Add: Issued during the year	-	-	-	-
At the end of the year	**5,00,01,200**	**50,00,12,000**	**5,00,01,200**	**50,00,12,000**

b) 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.

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

Name of the Shareholders	As at 31.03.2018		As at 31.03.2017	
	No. of Equity Shares	Percentage of Holding	No. of Equity Shares	Percentage of Holding
Fully paid Equity Shares of Rs.10 each held by:				
Infrastructure Leasing and Financial Services Limited (Associate)	2,50,00,000	50%	2,50,00,000	50%
Oil and Natural Gas Corporation Limited (Associate)	1,30,00,000	26%	1,30,00,000	26%
Karnataka Industrial Area Development Board (Associate)	1,15,00,000	23%	1,15,00,000	23%

Note 21: Other Equity

Amount in Rs.

Particulars	Reserves and Surplus	
	Retained Earnings	Total
Balance at the beginning of the reporting period April 01, 2017 - (A)	**17,15,06,388**	**17,15,06,388**
Additions during the year:		
Profit / (Loss) for the year	3,65,88,364	3,65,88,364
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	1,26,284	1,26,284
Total Comprehensive Income for the year 2017-18 - (B)	**3,67,14,648**	**3,67,14,648**
Reductions during the year:		
Dividends	-	-
Income tax on dividends	-	-
Transfer to general reserves	-	-
Any other change -	-	-
Total (C)	-	-
Balance at the end of the reporting period March 31, 2018 (A+B-C)	**20,82,21,036**	**20,82,21,036**

Note 22: Borrowings

Amount in Rs.

Particulars	Maturity date	Terms of repayment	Effective interest rate	As at 31.03.2018	As at 31.03.2017
Secured					
Rupee Term Loans	March 2032	Sixty two unequal quarterly installments	8.24% (9.35%)*	5,72,80,71,409	5,79,10,50,643
Total non-current borrowings				**5,72,80,71,409**	**5,79,10,50,643**
Less: Amount included under the head "Other financial liabilities" - 'Current maturities of long-term debt' (Refer note 28)				(9,88,65,000)	(6,61,05,000)
Total				**5,62,92,06,409**	**5,72,49,45,643**

* Indicates the EIR as at 31.03.2017

(i) Term loan from banks including current maturities is 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/receivables accuring to the project.

(ii) There has been no default in payment of principal and interest during the year.

(iii) During the year the company has received sanction from Corporation bank, Mangaluru for Rs.121 Crore and has executed the term loan agreement on March 15, 2018. The modification charge has been created with the same conditions of that of Lead bank (State Bank of India). However, the company has not availed the said loan before March 31, 2018.

Note 23: Other financial liabilities

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Trade Deposits	29,69,062	1,78,94,407
Total	**29,69,062**	**1,78,94,407**

Note 24: Provisions

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Provision for employee benefits:		
Provision for Gratuity	82,75,655	67,42,116
Provision for Compensated absences	67,23,793	64,82,325
Total	**1,49,99,448**	**1,32,24,441**

Note 25: Deferred tax

The major components of deferred tax (liabilities) / assets arising on account of timing differences are as follows:

As at 31st March, 2018

Amount in Rs.

Particulars	Balance Sheet	Profit and Loss	OCI	Balance Sheet
	01.04.2017	**2017-18**	**2017-18**	**31.03.2018**
Difference between written down value/capital work in progress of fixed assets (including Investment Property) as per the books of accounts and Income Tax Act, 1961	32,65,25,458	15,08,33,768	-	47,73,59,226
Difference between written down value of Intangible assets as per the books of accounts and Income Tax Act, 1961	2,34,10,122	65,37,416	-	2,99,47,538
Expense claimed for tax purposes on payment basis	-	-	-	-
Provision for expense allowed for tax purpose on payment basis	-	(89,53,332)	-	(89,53,332)
Remeasurment benefit of the defined benefit plans through OCI	-	-	66,834	66,834
DTA on non refundable one time user fee considered as income for Income Tax, while the same is amortized over the period of agreement under IND AS		(9,52,88,451)		(9,52,88,451)
Difference in carrying value and tax base of unwinding of security deposit	-	66,233	-	66,233
Difference in carrying value and tax base of term loan measuerd at amortized cost	50,02,510	(4,81,464)	-	45,21,046
Deferred tax expense / (asset) - (i)		**5,27,14,169**	**66,834**	
Deferred tax Asset (MAT entitlement) not recognised in earlier years (ii)		(5,88,53,565)	-	
Deferred tax expense / (asset) - [(i)-(ii)]		**(61,39,396)**		
Net Deferred tax liabilities (Total A)	**35,49,38,091**			**40,77,19,095**

Movement in MAT Credit Entitlement:

Amount in Rs.

Details	As at 31.03.2018
MAT Credit Entitlement	(5,88,53,565)
MAT Credit Utilized	5,85,05,560
Balance MAT credit available (Total B)	**(3,48,005)**

Total deferred tax liability (Total A + Total B)	**40,73,71,090**

Note 26: Other non Current Liabilities

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Advances from customers	9,32,65,34,704	8,29,08,56,844
Less: Amount included under the head 'Other Current liabilities' - Advances from customers (refer note 29)	(20,76,14,728)	(13,74,80,952)
Total (A)	**9,11,89,19,976**	**8,15,33,75,892**
Government grant (refer note 43)	18,72,75,000	15,84,00,000
Deferred income	1,43,15,164	-
Less: Amount included the head 'Other Current Liabilities' - 'Deferred income' (refer note 29)	(38,63,788)	-
Total (B)	**19,77,26,376**	**15,84,00,000**
Total (A+B)	**9,31,66,46,351**	**8,31,17,75,892**

Note 27: Trade Payables

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Outstanding dues to Micro and Small Enterprises	-	-
Outstanding dues of creditors other than Micro and Small Enterprises	19,59,80,054	13,85,76,183
Total	**19,59,80,054**	**13,85,76,183**

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.

Disclosure requirement as required under Micro, Small, & Medium Enterprises Development Act, 2006 is as follows:

Particulars	31-Mar-18	31-Mar-17
a. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year.	Nil	Nil
b. The amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
c. The amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid).	Nil	Nil
d. The amount of interest accrued and remaining unpaid at the end of the accounting year and	Nil	Nil
e. The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	Nil	Nil

Note 28: Other Financial Liabilities

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Current maturity of long term debt (refer note 22)	9,88,65,000	6,61,05,000
Retention monies relating to capital expenditure / projects	14,94,26,316	22,92,19,304
Security Deposits	4,28,46,339	4,00,43,530
Earnest Money Deposit	28,34,750	48,92,050
Payable towards capital / project related expenditure / works	53,25,60,780	48,15,40,792
Payable to employees	84,30,000	35,16,782
Total	**83,49,63,185**	**82,53,17,458**

Payable to contractors towards project related EMD accepted by company and retention monies to contractors, are non-interest bearing.

Note 29: Other Current Liabilties

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Advances from customers (refer note 26)	20,76,14,728	13,74,80,952
Deferred income (refer note 26)	38,63,788	-
Others:		
Payable towards WCT under VAT	-	3,92,349
Payable towards Service tax	-	52,26,102
Payable towards Goods & Service tax	3,50,00,361	-
Payable towards TDS under Income Tax	60,07,296	58,54,873
Payable towards Providend fund, Profession Tax and ESIC	1,11,157	96,440
Total	**25,25,97,331**	**14,90,50,716**

Note 30: Provisions

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Provision for Employee Benefits:		
Provision for Gratuity	9,33,378	5,51,946
Provision for Compensated absences	13,14,757	6,30,564
Provision towards Rehabilitation & Resettlement cost (refer note 4 (iii))	7,84,42,272	8,63,75,001
Total	**8,06,90,407**	**8,75,57,511**

Movement for Rehabilitation & Resettlement Provision

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Opening provision	8,63,75,001	12,21,94,255
Addition during the year	86,87,000	41,19,677
Utilized during the year	1,66,19,729	3,99,38,931
Closing provision	**7,84,42,272**	**8,63,75,001**

Note 31: Revenue from Operations

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Sale of Products		
River water and Tertiary treated water	76,08,14,303	63,55,07,439
Power	29,72,46,579	17,12,64,873
Sale of Services		
Land Lease Premium	13,07,19,223	11,43,31,364
Land Lease Rental	4,63,73,020	5,85,25,198
Operation and Maintenance Charges	40,59,51,895	29,31,74,967
Other Operating revenues		
Usuage charges towards infrastructure facilities	10,12,00,333	1,24,32,330
Total	**1,74,23,05,353**	**1,28,52,36,171**

Note 32: Other Income

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Interest Income:		
(i) On financial assets measured at amoritzed cost	1,32,17,074	1,97,89,609
(ii) On security deposits measured at amortized cost	8,11,781	-
Dividends from mutual fund investments measure at FVTPL	1,40,70,240	96,20,005
Government grant	8,25,000	-
Other Non operating income	24,86,267	3,26,01,314
Total	**3,14,10,362**	**6,20,10,928**

Note 33: Cost of Purchased Power

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Purchase of Power	25,54,54,650	10,53,76,965
Total	**25,54,54,650**	**10,53,76,965**

Note 34: Employee Benefit Expense

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Salaries and wages	7,00,01,636	5,70,54,345
Contribution to provident and other funds	60,29,473	60,76,105
Staff welfare expenses	49,80,158	37,82,752
Total	**8,10,11,267**	**6,69,13,202**

Note 35: Finance Costs

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Interest on financial liabilities measured at amortized cost		
- Interest on bank borrowings	49,84,20,778	49,27,82,572
- Interest on security deposit	26,09,091	28,97,498
Interest on security deposits measured at fair value	6,20,401	-
Other borrowing cost	73,78,661	3,78,00,261
Total	**50,90,28,931**	**53,34,80,331**

Note 36: Depreciation and Amortisation Expense

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Depreciation of Property, plant and equipment (Refer Note 3)	40,79,67,947	28,64,93,711
Amortisation of Intangible assets (Refer Note 6)	66,35,024	68,37,119
Total	**41,46,02,971**	**29,33,30,830**

Note 37: Other Expenses

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Rent	1,73,20,809	44,38,011
Rates & taxes	41,14,498	2,27,750
Repair and Maintenance	23,76,54,401	15,70,36,808
Insurance	51,07,986	56,43,832
Advertising and publicity	25,58,249	21,19,948
Travelling expenses	1,28,27,989	1,52,21,010
Professional & consultancy charges	1,09,33,747	3,84,83,125
Allowance for doubtful debts	7,09,24,536	1,31,37,275
Payment to auditors (Refer Note 37(a))	6,97,713	5,43,708
Corporate social responsibility (Refer Note 37(b))	32,11,549	25,63,225
Miscellaneous Expenses	3,90,81,771	1,73,07,346
Total	**40,44,33,248**	**25,67,22,037**

Note 37(a): Payment to Auditors

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Audit fee	3,75,000	3,25,000
Tax Audit fee	62,500	62,500
Certification fees	1,87,500	1,25,000
Re-imbursement of expenses	72,713	31,208
Total payment to auditors	**6,97,713**	**5,43,708**

Note 37(b): Corporate Social Responsibility Expenses

Amount in Rs.

	Year 2017-18	Year 2016-17
A. Gross amount required to be spent by the Company	18,38,000	24,14,000
B. Amount spent during the year on:		
i. Construction / Acquisition of any assets	25,40,479	18,52,585
ii. Purposes other than (i) above	6,71,070	7,10,640
	32,11,549	**25,63,225**
Amount spent against current year budget	19,02,873	17,40,635
Amount spent against previous years shortfall:		
FY 2015-16	6,35,311	8,22,590
FY 2016-17	6,73,365	
C. Total	**32,11,549**	**25,63,225**

Note 38: Income Tax Expense

A. The major components of income tax expense for the year are as under:

(i) Income tax recognised / reported in the Statement of Profit and Loss.

Amount in Rs.

	31-Mar-18	31-Mar-17
Current tax:		
Current tax on profits for the year	7,87,35,681	1,99,20,926
Adjustments for current tax of prior periods	-	15,267
Total current tax expense	**7,87,35,681**	**1,99,36,193**
Deferred tax:		
(i) Increase / (Decrease) in deferred tax	5,27,14,169	13,13,46,605
(ii) Deferred tax Asset (MAT entitlement) not recognised in earlier years	(5,88,53,565)	
Total deferred tax expense / (benefit)	**(61,39,396)**	**13,13,46,605**
Income tax expense	**7,25,96,285**	**15,12,82,798**
Income tax expense is attributable to:		
Profit from continuing operations	**7,25,96,285**	**15,12,82,798**

B. Reconciliation of tax expense and the accounting profit multiplied by Indian tax rate for the year is as under:

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Profit before tax	10,91,84,648	9,14,23,734
Income tax expense calcualted at Company's domestic tax rate at 34.608% (previous year 33.063%)	3,77,86,623	3,02,27,429
Tax Effect of:		
- Deduction u/s.80IAB	(41,28,59,061)	(17,68,22,928)
- Tax effect of unabsorbed depreciation	(7,19,24,827)	
- Tax effect of non-deductable expenses	1,18,76,843	4,01,64,383
- Effect of income exempted from tax	(68,74,049)	(31,80,662)
- Effect of receipts which is offered for tax	58,89,40,424	25,35,41,678
- Effect of tax under MAT	-	72,41,788
- MAT Credit	(5,88,53,565)	-
- Others	(1,54,96,103)	95,843
- Total	**7,25,96,285**	**15,12,67,531**
- Adjustments for current tax of prior periods	-	15,267
- Tax expense as per Statement of Profit and Loss	**7,25,96,285**	**15,12,82,798**

Note: The tax rate used for reconciliation above is the corporate tax rate of 34.608% payable by Corporate entities in India on taxable profits under Indian tax law.

Note 39: Lease of Land

(i) Finance Lease:

The Company has obtained on a lease-cum-sale basis from Karnataka Industrial Area Development Board (KIABD) vide lease-cum-sale agreement dated 28.12.2010. The lease is for a period of 50 years. The lease agreement with KIADB stipulates various conditions related to lease, including in relation to the manner in which the Company will obtain freehold title of land. The Company is reasonably certain to obtain freehold title, since the terms and conditions for conversion to freehold land has been fulfilled and have already applied to KIADB for absolute sale deed in favour of the Company. Since, reasonable certainity exists that ownership of the asset - land the economic ownership of the land ab initio would eventually pass on to the Company the land is accounted as a tangible asset of the Company e.g. Leasehold land convertible into freehold. Thus in substantive terms, the Company has acquired a tangible asset - only in legal terms the conversion into freehold status is pending.

The Company paid leasehold premium upfront and same has been capitalized.

The details of land lease period and execution of lease cum sale agreement is as under:

Area Details - in Acres

Total Area as on 31.03.2018	Agreement date	Lease Commence-ment date	Area Registered as on 31.03.2018	Land surrendered to KIADB	Balance not registered as on 31.03.2018	Total Area as on 31.03.2017	Area Registered as on 31.03.2017	Balance Not registered as on 31.03.2017 (after surrender to KIADB)
1972.2	28.12.2010*	27.01.2010	1543.21		428.99	1985.15	1543.21	441.94
	29.06.2011#	27.12.2010						
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
9.7667					9.7667	7.35		7.35
2345.32			1632.20	251.23	461.89	2355.85	1632.20	^472.42

* For 1533.22 acres

For 9.99 acres

^ Includes 152.1531 Acres allocated to project displaced families

(ii) Operating Lease

The Company has sub leased land inside MSEZ (lease-cum-sale land acquired from KIADB) on operating lease to various units. The sub-lease are long term in nature and the period of sub-lease with the units is co-terminous with that of the lease period entered into by the company with KIADB i.e.until 26th January 2060. The sub-lease are non-cancellable and does not include contingent rent. The subleases are renewable for a further period on substantial terms as specified in the lease agreements.

The total future minimum lease premiums / rentals receivable as at March 31, 2018 (based on the agreements concluded with the units) is as under:

Amount in Rs.

	As at 31.03.2018	As at 31.03.2017
Not later than one year	65,80,29,474	37,41,17,157
Later than one year and not later than five years	24,66,91,727	39,86,32,177
Later than five years	2,10,48,29,079	1,93,09,34,623

Note 40 (A): Category-wise Classification of Financial instruments

Amount in Rs.

Financial assets measured at fair value through profit or loss (FVTPL)	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Investments in quoted mutual funds	12	-	-	54,86,69,727	18,27,24,487
		-	**-**	**54,86,69,727**	**18,27,24,487**

Amount in Rs.

Financial assets measured at fair value through other comprehensive income (FVTOCI)	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Investment in unquoted equity shares (*)	7	8,50,000	8,50,000	-	-
		8,50,000	**8,50,000**	**-**	**-**

Amount in Rs.

Financial assets measured at amortised cost	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Trade Receivables	8, 13	50,00,000	21,98,27,434	1,69,78,86,616	51,80,80,513
Cash and cash equivalents	14	-	-	8,11,89,585	42,83,30,572
Term Deposits with original maturity of more than three months but less than 12 months	15	-	-	-	6,00,00,000
Term deposits with original maturity of more than 12 months	10	25,000	25,000	-	-
Term deposits held as margin money	15	-	-	16,19,96,375	7,04,21,495
Security deposit	9, 16	5,20,68,796	5,86,84,895	90,000	90,000
Other Receivables	17	-	-	96,70,530	42,86,355
		5,70,93,796	**27,85,37,329**	**1,95,08,33,107**	**1,08,12,08,935**

Financial liabilities measured at fair value through profit or loss	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
		-	-	-	-

Amount in Rs.

Financial liabilities measured at fair value through amortized cost	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Term loan from bank	22	5,62,92,06,409	5,72,49,45,643	9,88,65,000	6,61,05,000
Trade deposits	23	29,69,062	1,78,94,407	-	-
Trade payables	27	-	-	19,59,80,054	13,85,76,183
Retention monies relating to capital expenditure / projects	28	-	-	14,94,26,316	22,92,19,304
Security Deposits	28	-	-	4,28,46,339	4,00,43,530
Payable to contractors towards project related Earnest Money Deposit	28	-	-	28,34,750	48,92,050
Payable towards capital / project related expenditure/ works	28	-	-	53,25,60,780	48,15,40,792
Payable to employees	28	-	-	84,30,000	35,16,782
		5,63,21,75,471	**5,74,28,40,050**	**1,03,09,43,239**	**96,38,93,641**

(*) Investments in the equity shares represents the investment is subsidiary companies and the shares are not held for trading. The Company has chosen to measure these investments in equity instruments at FVTOCI irrevocably as the management believes that presenting fair value gains and losses relating to these investments is the Statement of Profit and Loss may not be indicative of the performance of the Company.

Note 40 (B): Fair value Measurments

(i) **The following table provides the fair value measurment hirearchy of the Company's financial assets and liabilities:**

As at 31st March, 2018

Amount in Rs.

Financial assets	Refer Note	Fair value as at 31.03.2018	Fair Value hierarchy		
			Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value through profit or loss (FVTPL)					
Investments in quoted mutual funds	12	54,86,69,727	54,86,69,727		
Financial assets measured at fair value through other comprehensive income (FVTOCI)					
Investment in unquoted equity shares	7	8,50,000			8,50,000

As at 31st March, 2017

Amount in Rs.

Financial assets	Refer Note	Fair value as at 31.03.2017	Fair Value hierarchy		
			Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value through profit or loss (FVTPL)					
Investments in quoted mutual funds	12	18,27,24,487	18,27,24,487		
Financial assets measured at fair value through other comprehensive income (FVTOCI)					
Investment in unquoted equity shares	7	8,50,000			8,50,000

(ii) **Valuation technique used to determine fair value**

Financial instruments measured at fair value

The valuation technique used to value financial instruments at fair value is based on the quoted market prices of mutual funds recognised at their closing NAV per unit.

Note 40 (C): Financial Risk Management - Objectives and Policies

The Company's financial liabilities comprises mainly of viz., term loan borrowings, trade payables and other payables. The Company's financial assets comprises mainly of cash and cash equivalents, trade receivables, investments in mutual funds and other receivables.

The Company has financial risk exposure in the form of viz., market risk, credit risk and liquidity risk. The Risk Management Committee under the Board of Directors oversees the risk to which the Company is exposed and operates.

The present disclosures made by the Company summarizes the exposure to the financial risks.

1) **Market Risk:**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price comprises three types of risk: currency risk, interest rate risk and other price risk. The financial instruments affected by market risk includes rupee term loan and loans & advance.

a) **Interest Rate Risk exposure**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has availed significant rupee term loans at floating (reset every year) interest rates from State Bank of India, New Delhi. The interest rate is at 0.25% (spread) plus MCLR rate of SBI and the interest rate is reset once every year, as per the loan facility agreement. The Company has not entered into any of the interest rate swaps and hence, the Company is exposed to interest rate risk.

The exposure of the company's borrowing to interest rate changes at the end of the reporting period are as follows:

	31-Mar-18	**31-Mar-17**
Variable rate borrowings	5,74,11,35,000	5,80,72,40,000
Fixed rate borrowings	-	-
	5,74,11,35,000	**5,80,72,40,000**

As at the end of the reporting period, the company had the following variable rate borrowings outstanding

	31-Mar-18			**31-Mar-17**			
	Weighted average interest rate	**Balance**	**% of total loans**		**Weighted average interest rate**	**Balance**	**% of total loans**
Rupee term loan	8.97%	5,74,11,35,000	100%	Rupee term loan	10.32%	5,80,72,40,000	100%
Exposure to cash flow interest rate risk		**5,74,11,35,000**		**Exposure to cash flow interest rate risk**		**5,80,72,40,000**	

Interest Rate Senstivity analysis

The Company considering the economic enviornment in which it operates has determined the interest rate sensitivity analysis (interest exposure) at the end of the reporting period. The interest rate for the Company are floating rates and hence, the analysis is prepared assuming the amount of the borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point +/- fluctuation in the interest rate is used for disclosing the sensitivity analysis.

Amount in Rs. Crores

	Impact on Profit before tax	
	31-Mar-18	**31-Mar-17**
Interest rates - increase by 50 basis points	2.89	2.93
Interest rates - decrease by 50 basis points	(2.89)	(2.93)

The interest rate senstivity analysis is done holding on the assumption that all other variables remains constant.
The increase / decrease in interest expense is cheifly attributable to the Company's exposure to interest rates on its variable rate of borrowigs.

b) Foreign currency risk exposure

Foreing currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreing exchange rates. The Company undertakes transactions in Indian Rupees and its borrowings/ loans payable & trade receivables are also denominated in Indian Rupees and hence, there is no exposure of the Company's operations to foreign exchange rate fluctuations does not arise.

Foreign currency rate senstivity analysis
Since, there is no foreign currency risk, senstivity analysis for the same does not arise

c) Other price risk

Other price risk is the risk that the fair value of a financial instruments will fluctutate due to changes in market traded prices. The Companys investment in liquid cash divident reinvestment plan the NAV is fixed and hence, there is no risk price movement arising to the Company. The Company's equity investment in its subsidiary is not held for trading and hence, not subjected to price movement and thus, there is no risk.

2) Credit Risk

The Credit risk refers to risk that a counterparty will default on its contratual obligations resulting in financial loss to the Company. Credit risk arises primarily from financial assets such as trade receivables, investment in mutual funds, Bank balances and other receivables.

The Company primarily deals with the units/consumers operating inside the Mangalore Special Economic Zone (MSEZ). The units/consumers are the industries who have invested in MSEZ for setting up their industry. The Company enters into MOU / Lease deed for lease of land and receives on-time lease premium (as per agreed milestones) and also collects annual lease rentals. The Company makes sale of products (water; power) and supply of services to units / consumers are through pre-determined contracts and agreed rates. In so far as supply of power is concerned the Company charges tariff based on the approved tariff by regulatory commission. The Company's exposure are continuously monitored and the aggregate value of transactions is reasonably spread amongst the units. Further, the Company has balance leaseable land area of 288 Acres (out of 1075 Acres of leaseable land) as on 31st March, 2018. The Company upon entering into MOU / lease agreement with the prospective units / consumer would receive one-time lease premium and annual rentals and concurrently, would also receive steady operating cash flows through sale of products and supply of services.

The credit risk arising from the exposure of investing in mutual funds and bank balances is limited and there is no collateral held against these because the counterparties are the recognised financial institutions and public sector banks, which are creditworthy.

The credit period in majority of the trade receivables range from 7 days-15 days and average credit period is less than 30 days. Credit risk arising from trade receivables is managed in accordance with the Company's establised policy, procedures and control relating to customer credit risk management. The concentration of the credit risk is limited due to fact that the area of operation of the Company is confined to one geography (MSEZ) and the number of units / consumers are also limited, wherein again the credit risk mitigated through pre-existing contract obligations.

For trade receivables, as a practical expedient, the Company computes the credit loss allowance if there is life-time expected credit losses.

Movement in expected credit loss allowance on trade receivables

Amount in Rs.

Particulars	**31.03.2018**	**31.03.2017**
Balance at the beginning of the year	11,04,66,153	11,24,49,250
Loss allowance measured at life time expected credit losses	-	-
Impairment allowance	7,09,24,537	-
Impairment written-off	-	(1,51,20,371)
Fair value losses provided	-	1,31,37,275
Balance at the end of the year	**18,13,90,690**	**11,04,66,153**

3) Liquidity risk

Liquidity risk is the risk that the Compnay will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquity risk may result from an inability to sell a financial asset quickly to meet obligations when due. The Company's exposure to liquity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company manages the liquidty risk by (i) maintaining adequate and sufficient cash and cash equivalents including investments in mutual funds (ii) making avaliable the funds from realising timely maturities of financial assets to meet the obligations when due. The management monitors rolling forecast of the Companys liquity position and cash and cash equivalents on the basis of expected cash flows. Also, the Company manages the liquidity risk by projecting cash flows considering the level of liquid assets necessary to meet the obligations by matching the maturity profiles of financial assets and financial liablities and monitoring balance sheet liquidity ratios. Further, the liquidity risk management involves matching the maturity profiles of financial assets and financial liabilities.

(i) Financial Arrangements

The Company has access to the following undrawn borrowing facilities at the end of the reporting period:

Amount in Rs.

	31-Mar-18	31-Mar-17
Expiring within one year	1,21,00,00,000	-
Expiring beyond one year	-	1,00,00,000
	1,21,00,00,000	**1,00,00,000**

The company makes an annual / long term financial plan so as to ensure there are no maturity mismatches in settlement of liabilities

Note 40(D): Capital Management

The Company's objective when managing capital are to:

a) Safeguard the Company's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

b) Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may vary the distribution of dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at 31st March, 2018, the Company has only one class of equity share and rupee term loan. Consequent to such capital structure, there are no externally imposed capital requirements.

The capital structure of the Company consists of debt (borrowings as detailed in **notes 22 and 28**) and total equity including advances received from units towards lease of land and use of infrastructure facilities of the Company and monitors capital, based on this capital structure's gearing ratio.

The gearing ratio at the end of the reporting period is computed as follows:

Amount in Rs.

	As at 31.03.2018	As at 31.03.2017
i) Debt	**5,72,80,71,409**	**5,79,10,50,643**
ii) Equity share capital	50,00,12,000	50,00,12,000
iii) Other equity	20,82,21,036	17,15,06,388
iv) One time non-refundable amounts from customers	9,32,65,34,704	8,29,08,56,844
v) Total equity [(ii)+(iii)+(iv)]	**10,03,47,67,740**	**8,96,23,75,232**
vii) Net Debt to equity ratio (times)	0.6	0.6

Note 41: Related Party Disclosures

A Name of related parties and description of relationship:

i Parent entities

Name of the Company	Type	Place of incorporation	Ownership interest	
			31-Mar-18	31-Mar-17
Infrastructure Leasing and Financing Services Limited (IL&FS)	Associate	India	50%	50%
Oil and Natural Gas Corporation Limited (ONGC)	Associate	India	26%	26%
Karnataka Indutrial Area Development Board (KIADB)	Associate	India	23%	23%

ii Subsidiaries: (where control exists)

Name of the Company	Type	Place of Incorporation	Ownership interest	
			31-Mar-18	31-Mar-17
Mangalore STP Limited	Subsidiary	India	70%	70%
MSEZ Power Limited	Wholly owned subsidiary	India	100%	100%

B Key Management Personnel

(i)

Name	Designation
Shri Shashi Shanker	Chairman
Shri Paritosh Kumar Gupta	Managing Director
Shri Srinivas Santhayya Kamath	Independent Director
Shri Inturi Srinivas Nagesh Prasad	Independent Director
Shri Saibal Kumar De	Nominee Director of IL&FS
Shri Kumar Hariharan	Nominee Director of ONGC
Shri Akshaya Kumar Sahoo	Nominee Director of ONGC
Smt. C. Vathika Kamath	Nominee Director of KCCI

(ii) Shri Velnati Suryanarayana — Chief Operating Officer

(iii) Shri Gouranga Charan Swain — Chief Financial Officer

(iv) Shri Phani Bhushan — Company Secretary

C List of related parties

Name of the Company	Relationship
ONGC Mangalore Petrochemicals Limited	ONGC - Ultimate holding company
Mangalore Refineries and Petrochemicals Limited	Subsidiary of ONGC
IIDC Limited	Subsidiary of IL&FS
IL&FS Energy Development Company Limited	Subsidiary of IL&FS
Karnataka Indutrial Area Development Board	A statutory body of Government of Karnataka

D **Details of transactions:**

(i) Transactions with related parties

Amount in Rs.

Name of related Party	Nature of Transaction	For the year ended March 31, 2018	For the year ended March 31, 2017
ONGC Mangalore Petrochemicals Limited	Supply of services - Corridor ROW	-	7,57,00,000
	Supply of services - Annual lease rental	2,33,96,214	2,33,96,214
	Sale of products	27,83,82,460	13,09,87,014
	Supply of services	10,04,55,932	9,05,85,841
	Interest payable on security deposit (Power)	9,70,092	11,93,500
Mangalore Refinery and Petrochemicals Limited	Supply of services - 'By pass road' charges	-	52,27,000
	Sale of products	25,41,55,693	26,07,68,811
	Supply of services	28,90,49,753	31,08,61,025
	Supply of services - Corridor ROW	-	7,57,33,333
Infrastructure Leasing & Financial Services Limited	Service received - Deputation of MD	33,42,473	56,16,429
	Service received - Renting	2,072	11,04,071
Karnataka Indutrial Area Development Board	Acquisition of land / R&R colony	-	1,12,78,050
	Services received - Annual Lease rent	5,17,621	5,89,921
	Services received - ROW charges	-	23,68,700
	Towards acquisition of land	1,76,48,000	73,61,550
IIDC Limited	Service received - Deputation of Advisor	-	16,50,000
	Supply of services - Rent	1,36,422	-
IL&FS Energy Development Company Limited	Service received - Consultancy	-	3,00,000
Mangalore STP Limited	Supply of goods	3,22,76,403	2,54,62,778
MSEZ Power Limited	Supply of services	26,740	3,200

(ii) Outstanding balances with related parties

Amount in Rs.

Name of related Party	Nature of Transaction	For the year ended March 31, 2018	For the year ended March 31, 2017
a. Amount payable:			
Infrastructure Leasing and Financing Services Limited (IL&FS)	Trade payable	4,50,000	5,51,722
Karnataka Indutrial Area Development Board	Towards acquisition of land	35,71,91,858	38,17,71,173
	Trade payable	-	37,696
ONGC Mangalore Petrochemicals Limited	Other payable	1,11,01,567	10,74,150
Mangalore STP Limited	Supply of goods	25,35,530	11,29,104
Mangalore Refinery and Petrochemicals Limited	Other payable	42,87,970	-
b. Amount Receivable:			
Karnataka Indutrial Area Development Board	Other receivable	1,30,773	1,30,773
ONGC Mangalore Petrochemicals Limited	Other receivable	24,084	15,48,246
	Trade Receivable	18,46,05,908	9,05,73,638
Mangalore Refinery and Petrochemicals Limited	Other receivable	2,48,80,606	2,99,82,606
	Trade Receivable	7,18,05,944	6,56,80,487
MSEZ Power Ltd	Other receivable	1,43,240	1,16,500
c. Loans and other assets (Debit balances)			
Karnataka Indutrial Area Development Board	Security deposit -Lease of land	11,60,000	11,60,000
	Capital advances towards land	3,14,29,250	3,41,61,952
d. Advances & Deposits (Credit balances)			
ONGC Mangalore Petrochemicals Limited	Advance towards Corridor	-	97,57,00,000
	Security deposit - Power	1,54,00,000	1,54,00,000
	Security deposit - River water	31,27,164	31,27,164
Mangalore Refinery and Petrochemicals Limited	Security deposit - River water	74,84,710	74,84,710
	Security deposit - Marine Outfall	6,22,209	6,22,209
	Security deposit - TTP Water	45,72,668	45,72,668
	Security deposit - Hire of Machinery	13,296	13,296
	Advance towards Corridor	97,57,33,333	97,57,33,333

(iii) Provisions for doubtful debts related to amount of outstanding balances

Amount in Rs.

Name of the related party	Nature of Transaction	As at 31.03.2018	As at 31.03.2017
ONGC Mangalore Petrochemicals Limited	Supply of services	1,55,06,117	2,65,25,680
Mangalore Refinery and Petrochemicals Limited	Supply of services	2,57,27,980	-
Total		**4,12,34,097**	**2,65,25,680**

(iv) Expense recognised during the period in respect of bad or doubtful debts

Amount in Rs.

Name of the related party	Nature of Transaction	As at 31.03.2018	As at 31.03.2017
ONGC Mangalore Petrochemicals Limited	Supply of services	2,85,164	-
Mangalore Refinery and Petrochemicals Limited	Supply of services	-	85,36,542
Total		**2,85,164**	**85,36,542**

(v) Compensation to Key management personnel:

(a) Chief opertaing officer

Amount in Rs.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Short-term employee benefits	57,03,576	32,76,288
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	3,78,771	-
Contribution to providend fund	21,600	10,800
Total	**61,03,947**	**32,87,088**

(b) Chief financial officer

Amount in Rs.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Short-term employee benefits	61,49,052	47,73,246
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	13,27,707	10,42,831
Contribution to providend fund	21,600	21,600
Total	**74,98,359**	**58,37,677**

(c) Company Secretary

Amount in Rs.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Short-term employee benefits	21,01,519	16,14,431
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	2,22,972	1,04,125
Contribution to providend fund	21,600	21,600
Total	**23,46,091**	**17,40,156**

(d) Independent directors

Amount in Rs.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Sitting fees	3,75,500	6,53,250

Note 42: Employee Benefits

1 Post-employment benefits:

Breif Description: A general description of the type of employee benefit plan is as follows:

Defined benefit gratuity plan (Unfunded):

The company has a defined benefit gratuity plan for its employees. It is governed by Payment of Gratuity Act, 1972. Under the said Act employees who have completed five years of service is entitled to gratuity benefits. The level of benefit provided depends on the employees length of service and last drawn salary.

The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method (PUCM).

This post-employment plan typically expose the Company to actuarial risks such as: Investment risk, interest rate risk, longevity risk and salary risk.

Investment Risk	The present value of the defined benefit liability is calculated using a discount rate which is determined by reference to markek yields at the end of the reporting period on government bonds
Interest rate Risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's investments.
Longevity Risk	The present value of the defined benefit liability is calculated by reference to the bese estimate of the mortality of plan participants both during and after their employment. An increase in the life expentancy of the plan participants will increase the plan's liability.
Salary Risk	The present value of the defined benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in salary of the plan participants will increase the plan's liability.

Asset Liability Matching Risk: The plan faces the ALM risk as to the matching cash flow. Company has to manage payout based on pay as you go basis from own funds.

Mortality risk: Since the benefits under the plan is not payable for life time and payable till retirement age only, plan does not have any longevity risk.

During the year, the company has changed the benefit scheme in line with Payment of Gratuity Act, 1972 by increasing the monetary ceiling from Rs.10 Lakhs to Rs.20 Lakhs. Change in liability (if any) due to this scheme change is recognied as past service cost.

The most recent actuarial valuation of the plan assets and the present value of defined obligation were carried out as at March 31, 2018.

The principal actuarial assumptions used in determing Gratuity are as follows:

Sl. No.	Particulars	As at 31st March 2018	As at 31st March 2017
1	Discount Rate	7.88%	7.26%
2	Annual increase in salary	9%	9%
3	Employee Turnover	5%	5%

The discount rate relates to the benchmark rate available on G.Sec. And is taken as per deal rate as on 31.03.2018. The tenure of the G.Sec. Rate matches with the expected term of the obligation

The following table summarize the components fo the defined benefits expense recognised in the statement of profit or loss / OCI.

Amount in Rs.

	For the year ended March 31, 2018	For the year ended March 31, 2017
Current Service Cost	10,98,478	8,34,444
Net Interest Cost	5,29,549	3,75,170
Components of defined benefit costs recognised in profit or loss	16,28,027	12,09,614
Re-measurment on the net defined benefit liability:		
Actuarial (gains) / losses arising from change in assumptions	(1,93,118)	14,41,879
Components of remeasurment recognised in other comprehensive income	(1,93,118)	14,41,879
Total	**14,34,909**	**26,51,493**

The following table summarize the components fo the defined benefits expense recognised in the Balance sheet

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
(Present value of benefit obligation at the end of the Period)	(92,09,033)	(72,94,062)
Fair Value of plan assets at the end of the period	-	-
Net (liability) / Asset recognised in the Balance sheet	(92,09,033)	(72,94,062)

Movements in the present value of the defined benefit obligation are as follows

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Present Value of Benefit Obligation at the beginning of the period	72,94,062	46,95,489
Interest Cost	5,29,549	3,75,170
Current Service Cost	10,98,478	8,34,444
Past Service Cost	8,87,293	-
(Benefit paid Directly by the Employer)	(4,07,231)	(52,920)
Actuarial (Gains) / Losses on Obligations - Due to change in Demographic Assumptions	-	-
Actuarial (Gains) / Losses on Obligations - Due to change in Financial Assumptions	(5,96,920)	13,71,147
Actuarial (Gains) / Losses on Obligations - Due to Experience	4,03,802	70,732
Present Value of Benefit Obligation at the end of the period	**92,09,033**	**72,94,062**
Current	9,33,378	5,51,946
Non-Current	82,75,655	64,82,325

Significant acturial assumptions for the determination of the defined obligation are discount rate, expected salary increase and employee turnover. The sentivity analysis below have been determined based on the reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all the other assumption constant.

Amount in Rs.

	For the year ended March 31, 2018	For the year ended March 31, 2017
Projected benefit Oboigation on Current Assumptions	92,09,033	72,94,062
Discount Rate		
- Impact due to increase of 1%	(8,45,208)	(6,60,236)
- Impact due to decrease of 1%	9,94,188	7,77,817
Salary increase		
- Impact due to increase of 1%	7,46,946	5,08,740
- Impact due to decrease of 1%	(7,47,513)	(4,97,622)
Employee Turnover		
- Impact due to increase of 1%	(67,338)	(25,878)
- Impact due to decrease of 1%	73,191	22,771

Sensitivity analysis is an analysis which will give the movement in liability if the assumptions were not proved to be true on different count. This only signifies the change in the liability if the dfference between assumed and the actual is not following the parameters of the senstivity analysis

Furthermore, in presenting the above senstivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liabiltiy recognised in the balance sheet.

2. Other Long term employee benefit

Actual Leave and Sick leave assumptions

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.

The liability towards compensated absences (annual leave and sick leave) for the year ended 31st March, 2018 based on actuarial valuation carried out by using Projected Unit Credit Method resulted in increase in liability by Rs.9,25,661 (Previous year Rs.25,01,110)

Assumptions

Particulars	**As at 31.03.2018**	**As at 31.03.2017**
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Retirement Age	60 years	60 years
Attrition rate	5% p.a.	5% p.a.
Salary Escalation Rate	9.00% p.a.	9.00% p.a.
Discount Rate	7.88% p.a.	7.26% p.a.
While is service Encashment rate	5.00% for the next year	5.00% for the next year

Note 43: Government Grants and Government Assistance

(a) Government Grants (refer Note 26)

The Company has received government grants from Visvesvaraya Trade Promotion Centre (VTPC), a Government of Karnataka organisation under ASIDE scheme for construction of Common Effluent Treatment Plant (CETP) Rs.4.95 Crore as at March 31, 2018 (Rs.3.96 Crore as at March 31, 2017) and Two lane Flyover near Jokatte, Manglore SEZ (MSEZ) Rs.13.86 Crore as at March 31, 2018 (Rs.11.88 Crore as at March 31, 2017).

(i) Movement in Government Grants

(a) CETP

Amount in Rs.

Particulars	**As at 31.03.2018**	**As at 31.03.2017**
Opening balance	3,96,00,000	2,97,00,000
Add: Addition during the year	99,00,000	99,00,000
Less: Amortisation during the year	8,25,000	-
Closing Balance	**4,86,75,000**	**3,96,00,000**

(b) Two lane Flyover

Amount in Rs.

Particulars	**As at 31.03.2018**	**As at 31.03.2017**
Opening balance	11,88,00,000	9,90,00,000
Add: Addition during the year	1,98,00,000	1,98,00,000
Less: Amortisation during the year		-
Closing Balance	**13,86,00,000**	**11,88,00,000**

The Company has adopted income approach, under which a grant is recognised in profit or loss on a systematic basis over the useful life of assets which have been capitalized.

(b) Government Assistance

Company developes special economic zone (SEZ) at Mangalore, Karnataka, India. Accordingly, it is eligible for certian economic benefits such as exemptions from customs duty, Goods and Service tax etc. which are in the nature of government assistance. These benefits are subject to fulfillment of certain obligations by the company.

Note 44: 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	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit/(Loss) after tax for the year attributable to equity shareholders (Rs.)	3,65,88,364	(5,98,59,063)
Weighted average number of equity shares	5,00,01,200	5,00,01,200
Basic & diluted earnings per share (Rs.)	0.73	(1.20)
Face value per equity share (Rs.)	10.00	10.00

Note 45: The amount recognised in Profit & Loss Account for investment property (refer note 5)

Amount in Rs.

Particulars	Year 2017-18	Year 2016-17
Rental Income	17,70,92,243	17,28,56,562
Direct Operating Expenses from property that generate direct rental income	2,15,46,881	2,91,92,713
Direct Operating Expenses from property that did not generate direct rental income	-	-
Profit from investment property before depreciation	15,55,45,362	14,36,63,849
Depreciation		
Profit from investment property	15,55,45,362	14,36,63,849

Note 46: Contingent Liabilities and Commitments

(a) Commitments

Amount in Rs.

Particulars	As at 31st March 2018	As at 31st March 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for		
i. Towards Plant, Property & Equipment	12,53,50,140	45,97,65,011
ii. Towards Investment Property	6,05,20,913	84,08,468
iii. Towards Intangible Assets	-	-
Total	**18,58,71,053**	**46,81,73,479**

Operating Lease Commitments- The Company has taken office premises under cancellable operating lease and also pays annual lease rentals towards lease of lands for projects. The agreements are renewed on expiry. The Company has paid for year ending March 31, 2018 Rs.1,68,17,538/- (March 31, 2017 Rs.40,03,548)

b Contigent liabilities

The Claims against the company not acknowledged as debt is Rs.7.54 Crore (previous year Rs.24.70 Crore). 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 uncertainties 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.	15,76,000	MSEZL has not executed any work of laying water pipeline at Thokur.
		"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."		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/-	47,90,500	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.

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	6,90,09,159	MSEZL has file for modification of the order before the Tribunal. MSEZL and also CVCC have filed a petition contesting the Arbitration Award before the Prl.District & Sessions Cout at Mangaluru under AS No. 1of 2017 & AS No2 of 2017 in Jan & Feb '17. The matters were scheduled on 25th November, 2017 for appearence of the arbitrators. Meanwhile, the BG issuing Bank had also filed an impleading application. Both the parties have not objected to the impleading application of the Bnak. The matters are posted for arguments on 27th April, 2018
		TOTAL	**7,53,75,659**	

Note 47: Critical judgements in applying accounting policies

I. Recognistion of Revenue

(a) The Company has recognized revenues amounting to Rs.11.73 Crores for current year 2017-18 (for previous year 2016-17 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 2017-18, the revenue is recognized based on the KERC tariff order dated May 8, 2017 applicable w.e.f. April 1, 2017. 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.

(c) One time fee towards right to use 'Road cum Corridor Project' which is in the nature of operating lease is recognised as income on a straight line basis over the period of right to use.

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 25 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 amortizes the cost of barrage useful usage rights on a straight-line basis over the lease period.

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.

V. Income taxes

The computation of advance taxes, provision for current / deferred tax are made based on significant judgements and which may get revised pursuant to position taken by the tax authourities.

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

Sd/- **N R Suresh** **Partner** **Membership No. 021661**	**Sd/-** **Paritosh Kumar Gupta** **Managing Director** **DIN: 01054182**	**Sd/-** **Akshaya Kumar Sahoo** **Director** **DIN: 07355933**
	Sd/- **Gouranga Charan Swain** **Chief Financial Officer**	**Sd/-** **V. Phani Bhushan** **Company Secretary**
Place: New Delhi **Date: 14/05/2018**	**Place: New Delhi** **Date: 14/05/2018**	

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 2018, 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 including other comprehensive income and consolidated cash flows of the Group in accordance with the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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. In conducting 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Ind AS 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 Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the Consideration of reports of other auditors on separate financial statements of subsidiaries referred to below in the other matters Paragraph, the aforesaid consolidated Ind AS 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 Ind AS and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31st March, 2018, and their consolidated Profit, Consolidated total Comprehensive Income, Consolidated statement of changes in equity and their consolidated cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of Rs.58.33 lakhs as at 31st March 2018, total revenues of Rs NIL lakhs and net cash flows amounting to Rs.26.99 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.

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 Ind AS 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,(including other comprehensive income) 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 Ind AS financial statements.
   (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act.
   (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2018 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, 2018 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.45(b) 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.

For Maharaj N R Suresh and Co
FRN001931S
Chartered Accountants

Sd/-
N R Suresh
Partner
M.No: 021661

Place: New Delhi
Date: 14.05.2018

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, 2018 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, 2018, 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/-
N R Suresh
Partner
M.No: 021661

Place: New Delhi
Date: 14.05.2018

Consolidated Balance Sheet as at 31st March, 2018

Amount in Rs.

		Notes	As at 31.03.2018	As at 31.03.2017
	ASSETS			
(1)	**Non-current assets**			
	(a) Property, plant and equipment	3	8,23,30,87,352	5,36,72,81,001
	(b) Capital work in progress	4	1,70,57,29,852	4,50,84,97,393
	(c) Investment Property	5	4,49,88,53,447	4,43,64,25,151
	(d) Other Intangible Assets	6	13,87,56,612	14,53,91,636
	(e) Financial Assets			
	(i) Trade Receivables	7	50,00,000	21,98,27,434
	(ii) Loans	8	5,25,14,336	5,90,51,185
	(iii) Others	9	25,000	25,000
	(f) Other non-current assets	10	26,64,55,226	22,78,42,795
			14,90,04,21,825	**14,96,43,41,595**
(2)	**Current assets**			
	(a) Financial Assets			
	(i) Investments	11	54,86,69,727	18,27,24,487
	(ii) Trade receivables	12	1,69,80,39,815	51,96,65,686
	(iii) Cash and cash equivalents	13	8,39,56,940	42,91,24,182
	(iv) Bank Balances other than (iii) above	14	16,24,77,476	13,08,71,495
	(v) Loans	15	90,000	90,000
	(vi) Others	16	95,50,187	41,93,779
	(b) Current tax asset (Net)	17	78,97,267	4,51,86,072
	(c) Other current assets	18	3,54,35,245	2,08,55,847
			2,54,61,16,657	**1,33,27,11,548**
	Total Assets		**17,44,65,38,482**	**16,29,70,53,143**
	EQUITY AND LIABILITIES			
(1)	**EQUITY**			
	(a) Equity Share capital	19	50,00,12,000	50,00,12,000
	(b) Other equity	20	20,81,08,640	17,14,10,916
	Total Equity Attributable to owners of the Company		**70,81,20,640**	**67,14,22,916**
	Non-Controlling Interests	19	1,50,000	1,50,000
	Total Equity		**70,82,70,640**	**67,15,72,916**
	LIABILITIES			
(2)	**Non-current liabilities**			
	(a) Financial Liabilities			
	(i) Borrowings	21	5,62,92,06,409	5,72,49,45,643
	(ii) Other financial liabilities	22	29,69,062	1,78,94,407
	(b) Provisions	23	1,49,99,448	1,32,24,441
	(c) Deferred tax liabilities (Net)	24	40,73,71,090	35,49,38,091
	(d) Other Non Current Liabilities	25	9,31,66,46,351	8,31,17,75,892
			15,37,11,92,360	**14,42,27,78,474**
(3)	**Current liabilities**			
	(a) Financial Liabilities			
	(i) Trade payables	26	19,87,41,750	14,06,92,423
	(ii) Other financial liabilities	27	83,49,63,185	82,53,17,458
	(b) Other current liabilities	28	25,26,80,141	14,91,34,361
	(c) Provisions	29	8,06,90,407	8,75,57,511
			1,36,70,75,482	**1,20,27,01,753**
	Total liabilities		**16,73,82,67,842**	**15,62,54,80,227**
	Total Equity and Liabilities		**17,44,65,38,482**	**16,29,70,53,143**

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

Sd/-
N R Suresh
Partner
Membership No.021661

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Sd/-
Akshaya Kumar Sahoo
Director
DIN: 07355933

Sd/-
Gouranga Charan Swain
Chief Financial Officer

Sd/-
V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 14/05/2018

Place: New Delhi
Date: 14/05/2018

Consolidated Statement of Profit and Loss for the year ended 31st March, 2018

Amount in Rs.

	Particulars	Notes	Year 2017-18	Year 2016-17
I	Revenue from Operations	30	1,74,23,05,353	1,28,52,36,171
II	Other Income	31	3,14,43,778	6,20,44,769
III	**Total Income (I+II)**		**1,77,37,49,131**	**1,34,72,80,940**
IV	EXPENSES			
	Cost of Purchased Power	32	25,54,54,650	10,53,76,965
	Employee benefit expense	33	8,10,11,267	6,69,13,202
	Finance costs	34	50,90,28,931	53,34,80,331
	Depreciation and amortisation Expense	35	41,46,02,971	29,33,30,830
	Other expenses	36	40,44,83,588	25,67,48,237
	Total Expense (IV)		**1,66,45,81,407**	**1,25,58,49,565**
V	**Profit / (loss) before exceptional items and tax (III - IV)**		**10,91,67,724**	**9,14,31,375**
VI	Exceptional items		-	-
VII	**Profit / (loss) before tax (V - VI)**		**10,91,67,724**	**9,14,31,375**
VIII	**Tax expense**	37		
	(1) Current tax		7,87,35,681	1,99,37,649
	(2) Deferred tax		(61,39,396)	13,13,46,605
	Total Tax expense		**7,25,96,285**	**15,12,84,254**
IX	**Profit / (loss) for the period from continuing operations (VII - VIII)**		**3,65,71,440**	**(5,98,52,878)**
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)**		**3,65,71,440**	**(5,98,52,878)**
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)		1,26,284	(14,41,879)
	(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			
			1,26,284	(14,41,879)
XV	**Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)**		**3,66,97,724**	**(6,12,94,757)**
XVI	**Earnings per equity share:**			
	(1) Basic		0.73	(1.20)
	(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

Sd/-
N R Suresh
Partner
Membership No.021661

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Sd/-
Akshaya Kumar Sahoo
Director
DIN: 07355933

Sd/-
Gouranga Charan Swain
Chief Financial Officer

Sd/-
V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 14/05/2018

Place: New Delhi
Date: 14/05/2018

Consolidated Statement of Changes in Equity for the year ended March 31, 2018

(A) Equity Share Capital

Amount in Rs.

Balance at the beginning of the reporting period April 01, 2017	**50,00,12,000**
Changes in equity share capital during the year	-
Balance at the end of the reporting period March 31, 2018	**50,00,12,000**

(B) Other Equity

Amount in Rs.

	Reserves and Surplus	TOTAL
	Retained Earnings	
Balance at the beginning of the reporting period April 01, 2017 - (A)	17,14,10,916	**17,14,10,916**
Additions during the year:		
Profit / (Loss) for the year	3,65,71,440	**3,65,71,440**
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	1,26,284	**1,26,284**
Total Comprehensive Income for the year 2017-18 - (B)	3,66,97,724	**3,66,97,724**
Reductions during the year:		
Dividends	-	-
Income tax on dividends		
Transfer to general reserves	-	-
Total (C)	-	-
Balance at the end of the reporting period March 31, 2018 (A+B-C)	**20,81,08,640**	**20,81,08,640**

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

Sd/-
N R Suresh
Partner
Membership No.021661

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Sd/-
Akshaya Kumar Sahoo
Director
DIN: 07355933

Sd/-
Gouranga Charan Swain
Chief Financial Officer

Sd/-
V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 14/05/2018

Place: New Delhi
Date: 14/05/2018

Consolidated Cash Flow Statement for the year ended 31st March, 2018

Amount in Rs.

	Particulars	Year 2017-18		Year 2016-17	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Profit before tax	**10,91,67,724**		**9,14,31,375**	
	Adjustments for:				
	- Depreciation, Depletion, Amortisation & Impairment	41,46,02,971		29,33,30,830	
	- Impairment	7,09,24,536		1,31,37,275	
	- Interest on Borrowings	49,84,20,778		49,27,82,572	
	- Interest on security deposits measured at fair value	6,20,401		-	
	- Provision for Gratuity	23,22,202		26,51,493	
	- Provision for Leave Encashment	22,99,565		36,95,938	
	- Provision for other Employee benefits	84,30,000		35,16,782	
	- Interest Income	(1,32,50,490)		(1,98,23,450)	
	- Interest from security deposits measured at fair value	(8,11,781)		-	
	- Dividend Income	(1,40,70,240)		(96,20,005)	
	- Deferred Government Grant	(8,25,000)		-	
	- Other (describe) - (Profit) / Loss on sale of asset & Loss on sale of asset	1,889		22,598	
	Operating Profit before Working Capital Changes	**1,07,78,32,555**		**87,11,25,408**	
	Adjustments for:				
	- (Increase) / decrease in Trade and other receivables	(1,03,44,71,231)		(49,89,61,658)	
	- (Increase) / decrease in Other assets	(10,34,42,253)		23,17,73,834	
	-Increase/(Decrease) in Trade payable and other liabilities	1,08,67,05,001		48,53,04,872	
	Increase / (Decrease) in provisions	(51,04,799)		(49,51,885)	
	Cash generated from Operating activities	**1,02,15,19,273**		**1,08,42,90,572**	
	Income Tax Paid (Net of refund)	2,34,73,266		4,05,83,229	
	Net Cash generated from Operating activities		**99,80,46,007**		**1,04,37,07,344**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Payments for Property, plant and equipment	(44,82,48,898)		(68,56,25,833)	
	Payments for investment property	(6,24,28,296)		(3,75,38,588)	
	Payments for intangible assets	-		(1,65,000)	
	Proceeds from sale of Property, plant and equipment	5,000		2,200	
	Receipt of government grants	2,97,00,000		2,97,00,000	
	Dividend received from Others	1,40,70,240		96,20,005	
	Interest received	1,36,38,425		2,13,34,906	
	Net Cash used in Investing activities		**(45,32,63,532)**		**(66,26,72,312)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES:**				
	Proceeds from non-current borrowings	-		6,37,42,71,086	
	Repayment of non-current borrowings	(6,61,05,000)		(6,44,97,28,408)	
	Finance Cost paid	(51,78,68,376)		(60,40,95,929)	
	Other (describe) - Net Transaction Cost of Refinanced Loan				
	Net Cash used in Financing activities		**(58,39,73,376)**		**(67,95,53,251)**
D	**Net increase / (decrease) in cash and cash Equivalents (A+B+C):**		**(3,91,90,901)**		**(29,85,18,219)**
	Add: Cash and Cash Equivalents as at 1st April		67,22,98,669		97,08,16,888
	Cash and Cash Equivalents as at 31st March		**63,31,07,768**		**67,22,98,669**

Notes:

i 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.

ii Payments for property, plant and equipment includes movement of Capital Work-in-progres during the year.

iii Brackets indicate cash outflow / deduction.

Amount in Rs.

iv	Cash and cash Equivalents as per above comprises of:	As at March 31, 2018	As at March 31, 2017
	Balances with Banks:		
	Current account	4,35,88,463	6,86,80,581
	Deposits with original maturity of less than three months	4,03,60,392	36,04,36,985
	Deposits with original maturity of more than three months	4,81,101	6,04,50,000
	Cash on hand	8,085	6,616
	Add: Investment in liquid mutual funds	54,86,69,727	18,27,24,487
	Cash and Cash equivalents in Cash Flow Statement	**63,31,07,768**	**67,22,98,669**

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

Sd/-
N R Suresh
Partner
Membership No.021661

Sd/-
Paritosh Kumar Gupta
Managing Director
DIN: 01054182

Sd/-
Akshaya Kumar Sahoo
Director
DIN: 07355933

Sd/-
Gouranga Charan Swain
Chief Financial Officer

Sd/-
V. Phani Bhushan
Company Secretary

Place: New Delhi
Date: 14/05/2018

Place: New Delhi
Date: 14/05/2018

Notes accompanying consolidated financial statements

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 - 575 006.

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.

2. Significant accounting policies

2.1. 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.

2.2 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.

2.3 Investments in subsidiaries

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

2.4 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.

2.5 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.

2.6 Tangible Assets – Property, Plant 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. However, 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
Corridor	30
Common Effluent Treatment Plant	15

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

Buildings and pipelines related to River Water System, Tertiary Treatment Plant and Water Treatment Plant are depreciated on Units of Production Method.

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.

2.7 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.

2.8 Intangible Assets

(i) 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.

(ii) 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.

2.9 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.

2.10 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.

2.11 Ind AS 115 - Revenue from Contracts with Customers

The standard is notified on 28.03.2018 and it is applicable for the accounting periods commencing on or after 01.04.2018. Accordingly, this standard is not applicable for preparation of the financial statement for the year ended 31.03.2018. However, application of this standard from 01.04.2018 does not have any impact in the revenue recognition and measurement for the company.

2.12 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.

3. Corridor 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (Refer note 46), 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.

2.27 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.

Note 3: Property, plant & equipment

Amount in Rs.

	Gross carrying amount				Depreciation /Amortisation				Net carrying amount	
	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Land - Leasehold	36,23,745	-	-	**36,23,745**	4,30,270	2,17,194	-	**6,47,464**	**29,76,281**	31,93,475
Buildings	1,48,17,64,819	2,84,38,21,674		**4,32,55,86,493**	4,53,74,374	11,78,36,051	-	**16,32,10,425**	**4,16,23,76,068**	1,43,63,90,445
Plant and equipment	3,69,47,98,082	31,72,48,691	-	**4,01,20,46,773**	22,02,50,474	12,62,59,693	-	**34,65,10,167**	**3,66,55,36,606**	3,47,45,47,608
Furniture and fixtures	78,72,460	6,76,354	-	**85,48,814**	27,54,097	10,76,213	-	**38,30,310**	**47,18,504**	51,18,363
Vehicles	1,91,55,739	-	-	**1,91,55,739**	16,82,687	22,74,744	-	**39,57,431**	**1,51,98,308**	1,74,73,052
Office equipment	58,22,177	4,54,686	38,692	**62,38,171**	27,01,692	12,95,478	31,803	**39,65,367**	**22,72,804**	31,20,485
Roads	69,72,60,137	11,15,79,781	-	**80,88,39,918**	26,98,22,563	15,90,08,574	-	**42,88,31,137**	**38,00,08,781**	42,74,37,574
Total	**5,91,02,97,159**	**3,27,37,81,186**	**38,692**	**9,18,40,39,653**	**54,30,16,157**	**40,79,67,947**	**31,803**	**95,09,52,301**	**8,23,30,87,352**	**5,36,72,81,001**
Previous Year	**5,18,51,25,497**	**72,93,30,050**	**41,58,388**	**5,91,02,97,159**	**25,65,21,966**	**28,70,20,078**	**5,25,887**	**54,30,16,157**	**5,36,72,81,002**	**4,92,86,03,531**

3(i) Interest capitalized during the year Rs.2,25,73,364 (previous year - NIL)

3(ii) The company has taken borrowings from bank which carry charge over all the assets of the company (refer Note no.21 towards security and pledge).

3(iii) Refer Note No.45 (a) for disclosure of contractual commitments for acquistion of Property, Plant & Equipment

3(iv) **Corridor Asset:**

In the development of the Special Economic Zone (SEZ), the Company has set up a Pipeline-cum-Road Corridor Project from New Mangalore Port Trust (NMPT) to Mangalore SEZ (MSEZ). The project has been developed on a self-sustainable, cost and revenue model under an agreement with two customers viz., MRPL and OMPL.

In terms of the agreement:

(i) All the three parties have contributed in equal shares towards cost of the project;

(ii) The title, ownership, possession and maintenance of the assets vests with MSEZ only;

(iii) OMPL and MRPL have been given perpetual rights to use the corridor for specified width leaving substantial width of the corridor for commercial exploitation by MSEZL

(iv) The 'usership fee' relating to the width allocated to OMPL and MRPL on 'cost basis' is adjusted against the contribution and the balance is also treated as 'user fee' but reckoned for 'residual contribution'.

(v) The revenue on the corridor project from third party customers accrue to the three parties in the ratio of their 'residual contributions'.

Note 4: Capital work in progress

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Capital work in progress		
Development of Land	1,02,73,01,082	99,03,77,223
Infrastructrure Development	67,84,28,770	3,51,81,20,170
Total	**1,70,57,29,852**	**4,50,84,97,393**

4(i) Capital work in progress includes interest capitalized during the year NIL (March 31, 2017 Rs.11,03,21,219/-)

4(ii) Capital work in progress includes Rs.1,02,33,74,602 as at March 31, 2018 (Rs.99,03,77,223 as at March 31, 2017) 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.

4(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 31.03.2018	As at 31.03.2017
Rehabilitation Compensation including training	61,97,591	1,12,11,961
Rehabilitation Colony Development Cost	7,22,44,681	7,51,63,040
Total	**7,84,42,272**	**8,63,75,001**

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.

4(iv) The company has taken borrowings from bank which carry charge over all the assets of the company (refer Note no.21 towards security and pledge).

4(v) Refer Note No.45 (a) for disclosure of contractual commitments for acquistion of Plant, Property & Equipment.

Note 5: Investment Property

Amount in Rs.

	Gross carrying amount				Amortisation				Net carrying amount	
	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Land - Lease cum Sale	4,43,64,25,151	6,24,28,296	-	4,49,88,53,447	-	-	-	-	4,49,88,53,447	4,43,64,25,151
Previous Year	**4,39,88,86,563**	**5,03,63,250**	**1,28,24,662**	**4,43,64,25,151**	**-**	**-**	**-**	**-**	**4,43,64,25,151**	**4,39,88,86,563**

5(i) Refer note 44 on 'amounts recognised in statement of profit & loss account'.

5(ii) No fair value has been obtained for investment property.

5(iii) Refer Note No.45 (a) for discloure of contraucal obligation to purchase, construct or develop investment property or for its repairs, maintenance or enhancement.

5(iv) Refer Note 38(i) on Finance lease.

Note 6: Other Intangible Assets

Amount in Rs.

	Gross carrying amount				Amortisation				Net carrying amount	
	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 01.04.2017	Additions during the year	Deductions/ Adjustments	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Intangible Assets										
Specialised Software	1,65,005	-	-	1,65,005	17,901	33,000	-	50,901	1,14,104	1,47,104
Barrage usage rights	15,84,48,580	-	-	15,84,48,580	1,32,04,048	66,02,024	-	1,98,06,072	13,86,42,508	14,52,44,532
Total	**15,86,13,585**	**-**	**-**	**15,86,13,585**	**1,32,21,949**	**66,35,024**	**-**	**1,98,56,973**	**13,87,56,612**	**14,53,91,636**
Previous Year	15,84,48,585	1,65,000	-	15,86,13,585	66,02,024	66,19,925	-	1,32,21,949	14,53,91,636	15,18,46,561

6(i) The company has taken borrowings from bank which carry charge over all the assets of the company (refer Note no.21 towards security and pledge).

Note 7: Trade Receivables

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Trade receivables		
(a) Secured, considered good	-	-
(b) Unsecured, considered good	50,00,000	21,98,27,434
(c) Unsecured, considered doubtful debts	-	-
Less: Allowance for doubtful debts	-	-
Total	**50,00,000**	**21,98,27,434**

Note 8: Loans

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Security Deposit	5,25,14,336	5,90,51,185
Total	**5,25,14,336**	**5,90,51,185**

Break-up for Security Details

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Secured, considered good	-	-
Unsecured, considerd good	5,25,14,336	5,90,51,185
Unsecured, considered doubtful	-	-
Total	**5,25,14,336**	**5,90,51,185**

Note 9: Other Financial Assets

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Balance with banks (more than 12 months)	25,000	25,000
Total	**25,000**	**25,000**

Note 10: Other Non current Assets

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Capital Advances:	3,35,20,822	4,13,10,575
Others		
- Security deposits	58,70,234	-
- Income Tax (Net of Provision)	22,70,64,170	18,65,32,220
Total	**26,64,55,226**	**22,78,42,795**

Note 11: Investments

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Investments in Mutual Funds - Quoted		
(i) UTI Liquid cash plan - Institutional - Direct Plan - Daily dividend reinvestment		
1,47,641.072 units of face value Rs.1019.4457 each (Previous year 1,79,239.058 units of face value Rs.1019.4457)	15,05,12,056	18,27,24,487
(ii) SBI Magnum Insta Cash Fund - Direct Plan - Daily Dividend		
2,37,701.815 units of face value Rs.1675.03 each	39,81,57,671	-
Total	**54,86,69,727**	**18,27,24,487**
Aggregate amount of quoted investments - At market value	**54,86,69,727**	**18,27,24,487**

Note 12: Trade Receivables

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Trade receivables		
(a) Secured, considered good	-	-
(b) Unsecured, considered good	1,69,80,39,815	51,96,65,686
(c) Unsecured, considered doubtful debts	18,13,90,689	11,04,66,153
	1,87,94,30,504	**63,01,31,839**
Less: Allowance for doubtful debts	18,13,90,689	11,04,66,153
Total	**1,69,80,39,815**	**51,96,65,686**

The trade receivables includes Rs.85.58 crore due from a customer for more than a year which in the opinion of the management does not require an impairment provision as dues have been confirmed by the customer by their letter dated April 16,2018.

Note 13: Cash and Bank Balances

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
(A) Cash and Cash Equivalents		
(a) Balances with banks:		
Current accounts	4,35,88,463	6,86,80,581
(b) Cash on hand	8,085	6,616
Total (A)	**4,35,96,548**	**6,86,87,197**
(B) Other balances with banks		
Term deposits with original maturity of less than three months	4,03,60,392	36,04,36,985
Total (B)	**4,03,60,392**	**36,04,36,985**
Total (A+B)	**8,39,56,940**	**42,91,24,182**

Note 14: Bank Balances other than above

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Other Balances with banks		
Term Deposits with original maturity of more than three months but less than 12 months	4,81,101	6,04,50,000
Term deposits held as margin money	16,19,96,375	7,04,21,495
Total	**16,24,77,476**	**13,08,71,495**

Note 15: Loans

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Security Deposit	90,000	90,000
Total	**90,000**	**90,000**

Note 16: Others

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Due from others	61,74,759	4,30,416
Interest accrued on deposits	33,75,428	37,63,363
Total	**95,50,187**	**41,93,779**

Note 17: Current tax asset (net)

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Income tax (Net of provisions)	78,97,267	4,51,86,072
Total	**78,97,267**	**4,51,86,072**

Note 18: Other current assets

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Advances other than capital advances		
(i) Advances to Suppliers	3,00,000	28,04,272
(ii) Balances with government authourities		
Goods and Service Tax Input	60,92,690	-
Service Tax	16,87,404	24,03,134
VAT	74,58,337	1,26,81,197
Prepaid expenses	1,98,96,814	25,60,023
Other Receivables	-	4,07,221
Total	**3,54,35,245**	**2,08,55,847**

Note 19: Equity Share Capital

Authorised, Issued, Subscribed and Paid up Share Capital

Amount in Rs.

	As at 31.03.2018	As at 31.03.2017
Authorised :		
425000000 Equity Shares of Rs.10 each	4,25,00,00,000	4,25,00,00,000
Issued:		
100000000 Equity Shares of Rs.10 each fully paid up	1,00,00,00,000	1,00,00,00,000
Subscribed and fully Paid up capital:		
50001200 Equity Shares of Rs.10 each fully paid up	50,00,12,000	50,00,12,000
	50,00,12,000	**50,00,12,000**

Amount in Rs.

	As at 31.03.2018	As at 31.03.2017
Equity Attributable to Non Controlling Interests	**1,50,000**	**1,50,000**

a) Reconciliation of equity shares outstanding at the beginning and at the end of year:

Fully paid Equity shares	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	Amount in Rs.	No. of Shares	Amount in Rs.
At the beginning of the year	5,00,01,200	50,00,12,000	5,00,01,200	50,00,12,000
Add: Issued during the year	-	-	-	-
At the end of the year	**5,00,01,200**	**50,00,12,000**	**5,00,01,200**	**50,00,12,000**

b) 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.

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

Name of the Shareholders	As at 31.03.2018		As at 31.03.2017	
	No. of Equity Shares	Percentage of Holding	No. of Equity Shares	Percentage of Holding
Fully paid Equity Shares of Rs.10 each held by:				
Infrastructure Leasing and Financial Services Limited (Associate)	2,50,00,000	50%	2,50,00,000	50%
Oil and Natural Gas Corporation Limited (Associate)	1,30,00,000	26%	1,30,00,000	26%
Karnataka Industrial Area Development Board (Associate)	1,15,00,000	23%	1,15,00,000	23%

Note 20: Other Equity

Amount in Rs.

Particulars	Reserves and Surplus	
	Retained Earnings	Total
Balance at the beginning of the reporting period April 01, 2017 - (A)	**17,14,10,916**	**17,14,10,916**
Additions during the year:		
Profit / (Loss) for the year	3,65,71,440	3,65,71,440
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	1,26,284	1,26,284
Total Comprehensive Income for the year 2017-18 - (B)	**3,66,97,724**	**3,66,97,724**
Reductions during the year:		
Dividends	-	-
Income tax on dividends		
Transfer to general reserves	-	-
Any other change -	-	-
Total (C)	**-**	**-**
Balance at the end of the reporting period March 31, 2018 (A+B-C)	**20,81,08,640**	**20,81,08,640**

Note 21: Borrowings

Amount in Rs.

Particulars	Maturity date	Terms of repayment	Effective interest rate	As at 31.03.2018	As at 31.03.2017
Secured					
Rupee Term Loans	March 2032	Sixty two unequal quarterly installments	8.24% (9.35%)*	5,72,80,71,409	5,79,10,50,643
Total non-current borrowings				**5,72,80,71,409**	**5,79,10,50,643**
Less: Amount included under the head "Other financial liabilities" - 'Current maturities of long-term debt' (Refer note 27)				(9,88,65,000)	(6,61,05,000)
Total				**5,62,92,06,409**	**5,72,49,45,643**

* Indicates the EIR as at 31.03.2017

(i) Term loan from banks including current maturities is 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 / receivables accuring to the project.

(ii) There has been no default in payment of principal and interest during the year.

(iii) During the year the company has received sanction from Corporation bank, Mangaluru for Rs.121 Crore and has executed the term loan agreement on March 15, 2018. The modification charge has been created with the same conditions of that of Lead bank (State Bank of India). However, the company has not availed the said loan before March 31, 2018.

Note 22: Other financial liabilities

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Trade Deposits	29,69,062	1,78,94,407
Total	**29,69,062**	**1,78,94,407**

Note 23: Provisions

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Provision for employee benefits		
Provision for Gratuity	82,75,655	67,42,116
Provision for Compensated absences	67,23,793	64,82,325
Total	**1,49,99,448**	**1,32,24,441**

Note 24: Deferred tax

The major components of deferred tax (liabilities) / assets arising on account of timing differences are as follows:

As at 31st March, 2018

Amount in Rs.

Particulars	Balance Sheet	Profit and Loss	OCI	Balance Sheet
	01.04.2017	**2017-18**	**2017-18**	**31.03.2018**
Difference between written down value / capital work in progress of fixed assets (including Investment Property) as per the books of accounts and Income Tax Act, 1961	32,65,25,458	15,08,33,768	-	47,73,59,226
Difference between written down value of Intangible assets as per the books of accounts and Income Tax Act, 1961	2,34,10,122	65,37,416	-	2,99,47,538
Expense claimed for tax purposes on payment basis	-	-	-	-
Provision for expense allowed for tax purpose on payment basis	-	(89,53,332)	-	(89,53,332)
Remeasurment benefit of the defined benefit plans through OCI	-	-	66,834	66,834
DTA on non refundable one time user fee considered as income for Income Tax, while the same is amortized over the period of agreement under IND AS		(9,52,88,451)		(9,52,88,451)
Difference in carrying value and tax base of unwinding of security deposit	-	66,233	-	66,233
Difference in carrying value and tax base of term loan measuerd at amortized cost	50,02,510	(4,81,464)	-	45,21,046
Deferred tax expense / (asset) - (i)		**5,27,14,169**	**66,834**	
Deferred tax Asset (MAT entitlement) not recognised in earlier years (ii)		(5,88,53,565)	-	
Deferred tax expense / (asset) - [(i)-(ii)]		**(61,39,396)**		
Net Deferred tax liabilities (Total A)	**35,49,38,091**			**40,77,19,095**

Movement in MAT Credit Entitlement

Amount in Rs.

Details	As at 31.03.2018
MAT Credit Entitlement	(5,88,53,565)
MAT Credit Utilized	5,85,05,560
Balance MAT credit available (Total B)	**(3,48,005)**

Total deferred tax liability (Total A + Total B)	**40,73,71,090**

Note 25: Other non current liabilities

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Advances from customers	9,32,65,34,704	8,29,08,56,844
Less: Amount included under the head 'Other Current liabilities' - Advances from customers (refer note 28)	(20,76,14,728)	(13,74,80,952)
Total (A)	**9,11,89,19,976**	**8,15,33,75,892**
Government grant (refer note 42)	18,72,75,000	15,84,00,000
Deferred income	1,43,15,164	-
Less: Amount included the head 'Other Current Liabilities' - 'Deferred income' (refer note 28)	(38,63,788)	-
Total (B)	**19,77,26,376**	**15,84,00,000**
Total (A+B)	**9,31,66,46,351**	**8,31,17,75,892**

Note 26: Trade payables

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Outstanding dues to Micro and Small Enterprises	-	-
Outstanding dues of creditors other than Micro and Small Enterprises	19,87,41,750	14,06,92,423
Total	**19,87,41,750**	**14,06,92,423**

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.

Disclosure requirement as required under Micro, Small, & Medium Enterprises Development Act, 2006 is as follows:

Particulars	31-Mar-18	31-Mar-17
a. the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year	Nil	Nil
b. The amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
c. the amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid)	Nil	Nil
d. The amount of interest accrued and remaining unpaid at the end of the accounting year and	Nil	Nil
e. The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23	Nil	Nil

Note 27: Other financial liabilities

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Current maturity of long term debt (refer note 21)	9,88,65,000	6,61,05,000
Retention monies relating to capital expenditure / projects	14,94,26,316	22,92,19,304
Security Deposits	4,28,46,339	4,00,43,530
Earnest Money Deposit	28,34,750	48,92,050
Payable towards capital / project related expenditure / works	53,25,60,780	48,15,40,792
Payable to employees	84,30,000	35,16,782
Total	**83,49,63,185**	**82,53,17,458**

Payable to contractors towards project related EMD accepted by company and retention monies to contractors, are non-interest bearing.

Note 28: Other current liabilties

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Advances from customers (refer note 25)	20,76,14,728	13,74,80,952
Deferred income (refer note 25)	38,63,788	-
Others		
Payable towards WCT under VAT	-	3,92,349
Payable towards Service tax	-	52,26,102
Payable towards Goods & Service tax	3,50,00,361	-
Payable towards TDS under Income Tax	60,90,106	59,38,518
Payable towards Providend fund, Profession Tax and ESIC	1,11,157	96,440
Total	**25,26,80,141**	**14,91,34,361**

Note 29: Provisions

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Provision for Employee Benefits:		
Provision for Gratuity	9,33,378	5,51,946
Provision for Compensated absences	13,14,757	6,30,564
Provision towards Rehabilitation & Resettlement cost (refer note 4 (iii))	7,84,42,272	8,63,75,001
Total	**8,06,90,407**	**8,75,57,511**

Movement for Rehabilitation & Resettlement provision

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Opening provision	8,63,75,001	12,21,94,255
Addition during the year	86,87,000	41,19,677
Utilized during the year	1,66,19,729	3,99,38,931
Closing provision	**7,84,42,272**	**8,63,75,001**

Note 30: Revenue from Operations

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Sale of Products		
River water and Tertiary treated water	76,08,14,303	63,55,07,439
Power	29,72,46,579	17,12,64,873
Sale of Services		
Land Lease Premium	13,07,19,223	11,43,31,364
Land Lease Rental	4,63,73,020	5,85,25,198
Operation and Maintenance Charges	40,59,51,895	29,31,74,967
Other Operating revenues		
Usuage charges towards infrastructure facilities	10,12,00,333	1,24,32,330
Total	**1,74,23,05,353**	**1,28,52,36,171**

Note 31: Other Income

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Interest Income		
(i) On financial assets measured at amoritzed cost	1,32,50,490	1,98,23,450
(ii) On security deposits measured at amortized cost	8,11,781	-
Dividends from mutual fund investments measure at FVTPL	1,40,70,240	96,20,005
Government grant	8,25,000	-
Other Non operating income	24,86,267	3,26,01,314
Total	**3,14,43,778**	**6,20,44,769**

Note 32: Cost of Purchased Power

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Purchase of Power	25,54,54,650	10,53,76,965
Total	**25,54,54,650**	**10,53,76,965**

Note 33: Employee benefit expense

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Salaries and wages	7,00,01,636	5,70,54,345
Contribution to provident and other funds	60,29,473	60,76,105
Staff welfare expenses	49,80,158	37,82,752
Total	**8,10,11,267**	**6,69,13,202**

Note 34: Finance costs

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Interest on financial liabilities measured at amortized cost:		
- Interest on bank borrowings	49,84,20,778	49,27,82,572
- Interest on security deposit	26,09,091	28,97,498
Interest on security deposits measured at fair value	6,20,401	-
Other borrowing cost	73,78,661	3,78,00,261
Total	**50,90,28,931**	**53,34,80,331**

Note 35: Depreciation and Amortisation Expense

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Depreciation of Property, plant and equipment (Refer Note 3)	40,79,67,947	28,64,93,711
Amortisation of Intangible assets (Refer Note 6)	66,35,024	68,37,119
Total	**41,46,02,971**	**29,33,30,830**

Note 36: Other Expenses

Amount in Rs.

Particulars	31-Mar-18	31-Mar-17
Rent	1,73,20,809	44,38,011
Rates & Taxes	41,37,698	2,27,750
Repair and Maintenance	23,76,54,401	15,70,36,808
Insurance	51,07,986	56,43,832
Advertising and publicity	25,58,249	21,19,948
Travelling expenses	1,28,27,989	1,52,21,010
Professional & consultancy charges	1,09,37,287	3,84,86,325
Allowance for doubtful debts	7,09,24,536	1,31,37,275
Payment to auditors	7,21,313	5,66,708
Corporate social responsibility	32,11,549	25,63,225
Miscellaneous Expenses	3,90,81,771	1,73,07,346
Total	**40,44,83,588**	**25,67,48,237**

Note 37: Income tax expense

A. The major components of income tax expense for the year are as under:

(i) Income tax recognised / reported in the Statement of Profit and loss

Amount in Rs.

	31-Mar-18	31-Mar-17
Current tax:		
Current tax on profits for the year	7,87,35,681	1,99,22,382
Adjustments for current tax of prior periods	-	15,267
Total current tax expense	7,87,35,681	1,99,37,649
Deferred tax:		
(i) Increase / (Decrease) in deferred tax	5,27,14,169	13,13,46,605
(ii) Deferred tax Asset (MAT entitlement) not recognised in earlier years	(5,88,53,565)	
Total deferred tax expense / (benefit)	**(61,39,396)**	**13,13,46,605**
Income tax expense	**7,25,96,285**	**15,12,84,254**
Income tax expense is attributable to:		
Profit from continuing operations	7,25,96,285	15,12,84,254

B. Reconciliation of tax expense and the accounting profit multiplied by Indian tax rate for the year is as under:

Amount in Rs.

Particulars	**31-Mar-18**	**31-Mar-17**
Profit before tax	10,91,67,724	9,14,31,375
Income tax expense calcualted at Company's domestic tax rate at 34.608% (previous year 33.063%)	3,77,80,766	3,02,29,956
Tax Effect of:		
- Deduction u/s.80IAB	(41,28,59,061)	(17,68,22,928)
- Tax effect of unabsorbed depreciation	(7,19,24,827)	
- Tax effect of non-deductable expenses	1,18,76,843	4,01,64,383
- Effect of income exempted from tax	(68,74,049)	(31,80,662)
- Effect of receipts which is offered for tax	58,89,40,424	25,35,41,678
- Effect of tax under MAT		72,41,788
- MAT Credit	(5,88,53,565)	-
- Others	(1,54,90,246)	94,772
- Total	**7,25,96,285**	**15,12,68,987**
- Adjustments for current tax of prior periods	-	15,267
- Tax expense as per Statement of Profit and Loss	**7,25,96,285**	**15,12,84,254**

Note: The tax rate used for reconciliation above is the corporate tax rate of 34.608% payable by Corporate entities in India on taxable profits under Indian tax law.

Note 38: Lease of Land

(i) Finance Lease:

The Company has obtained on a lease-cum-sale basis from Karnataka Industrial Area Development Board (KIABD) vide lease-cum-sale agreement dated 28.12.2010. The lease is for a period of 50 years. The lease agreement with KIADB stipulates various conditions related to lease, including in relation to the manner in which the Company will obtain freehold title of land. The Company is reasonably certain to obtain freehold title, since the terms and conditions for conversion to freehold land has been fulfilled and have already applied to KIADB for absolute sale deed in favour of the Company. Since, reasonable certainity exists that ownership of the asset - land the economic ownership of the land ab initio would eventually pass on to the Company the land is accounted as a tangible asset of the Company e.g. Leasehold land convertible into freehold. Thus in substantive terms, the Company has acquired a tangible asset - only in legal terms the conversion into freehold status is pending.

The Company paid leasehold premium upfront and same has been capitalized.

The details of land lease period and execution of lease cum sale agreement is as under:

Area Details - in Acres

Total Area as on 31.03.2018	Agreement date	Lease Commence-ment date	Area Registered as on 31.03.2018	Land surrendered to KIADB	Balance not registered as on 31.03.2018	Total Area as on 31.03.2017	Area Registered as on 31.03.2017	Balance Not registered as on 31.03.2017 (after surrender to KIADB)
1972.2	28.12.2010*	27.01.2010	1543.21		428.99	1985.15	1543.21	441.94
	29.06.2011#	27.12.2010						
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
9.7667					9.7667	7.35		7.35
2345.32			1632.20	251.23	461.89	2355.85	1632.20	^472.42

* For 1533.22 acres

For 9.99 acres

^ Includes 152.1531 Acres allocated to project displaced families

(ii) Operating Lease

The Company has sub leased land inside MSEZ (lease-cum-sale land acquired from KIADB) on operating lease to various units. The sub-lease are long term in nature and the period of sub-lease with the units is co-terminous with that of the lease period entered into by the company with KIADB i.e. until 26th January 2060. The sub-lease are non-cancellable and does not include contingent rent. The subleases are renewable for a further period on substantial terms as specified in the lease agreements.

The total future minimum lease premiums/rentals receivable as at March 31, 2018 (based on the agreements concluded with the units) is as under:

Amount in Rs.

	As at 31.03.2018	As at 31.03.2017
Not later than one year	65,80,29,474	37,41,17,157
later than one year and not later than five years	24,66,91,727	39,86,32,177
later than five years	2,10,48,29,079	1,93,09,34,623

Note 39 (A): Category-wise Classification of Financial instruments

Amount in Rs.

Financial assets measured at fair value through profit or loss (FVTPL)	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Investments in quoted mutual funds	11	-	-	54,86,69,727	18,27,24,487
		-	**-**	**54,86,69,727**	**18,27,24,487**

Amount in Rs.

Financial assets measured at fair value through other comprehensive income (FVTOCI)	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
				-	-
		-	-	-	-

Amount in Rs.

Financial assets measured at amortised cost	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Trade Receivables	7, 12	50,00,000	21,98,27,434	1,69,80,39,815	51,96,65,686
Cash and cash equivalents	13	-	-	8,39,56,940	42,91,24,182
Term Deposits with original maturity of more than three months but less than 12 months	14	-	-	4,81,101	6,04,50,000
Term deposits with original maturity of more than 12 months	9	25,000	25,000	-	-
Term deposits held as margin money	14	-	-	16,19,96,375	7,04,21,495
Security deposit	8, 15	5,25,14,336	5,90,51,185	90,000	90,000
Other Receivables	16			95,50,187	41,93,779
		5,75,39,336	**27,89,03,619**	**1,95,41,14,419**	**1,08,39,45,142**

Amount in Rs.

Financial liabilities measured at fair value through profit or loss	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
		-	-	-	-

Financial liabilities measured at fair value through amortized cost	Refer Note	Non-Current		Current	
		As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Term loan from bank	21	5,62,92,06,409	5,72,49,45,643	9,88,65,000	6,61,05,000
Trade deposits	22	29,69,062	1,78,94,407	-	-
Trade payables	26	-	-	19,87,41,750	14,06,92,423
Retention monies relating to capital expenditure / projects	27	-	-	14,94,26,316	22,92,19,304
Security Deposits	27	-	-	4,28,46,339	4,00,43,530
Payable to contractors towards project related Earnest Money Deposit	27	-	-	28,34,750	48,92,050
Payable towards capital / project related expenditure / works	27	-	-	53,25,60,780	48,15,40,792
Payable to employees	27	-	-	84,30,000	35,16,782
		5,63,21,75,471	**5,74,28,40,050**	**1,03,37,04,935**	**96,60,09,881**

Note 39 (B): Fair value Measurments

(i) The following table provides the fair value measurment hirearchy of the Company's financial assets and liabilities:

As at 31st March, 2018 Amount in Rs.

Financial assets	Refer Note	Fair value as at 31.03.2018	Fair Value hierarchy		
			Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value through profit or loss (FVTPL)					
Investments in quoted mutual funds	11	54,86,69,727	54,86,69,727	-	-
Financial assets measured at fair value through other comprehensive income (FVTOCI)					
Investment in unquoted equity shares		-	-	-	-

As at 31st March, 2017 Amount in Rs.

Financial assets	Refer Note	Fair value as at 31.03.2017	Fair Value hierarchy		
			Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value through profit or loss (FVTPL)					
Investments in quoted mutual funds	11	18,27,24,487	18,27,24,487	-	-
Financial assets measured at fair value through other comprehensive income (FVTOCI)					
Investment in unquoted equity shares		-	-	-	-

(ii) Valuation technique used to determine fair value

Financial instruments measured at fair value

The valuation technique used to value financial instruments at fair value is based on the quoted market prices of mutual funds recognised at their closing NAV per unit.

Note 39 (C): Financial Risk Management - Objectives and Policies

The Company's financial liabilities comprises mainly of viz., term loan borrowings, trade payables and other payables. The Company's financial assets comprises mainly of cash and cash equivalents, trade receivables, investments in mutual funds and other receivables.

The Company has financial risk exposure in the form of viz., market risk, credit risk and liquidity risk. The Risk Management Committee under the Board of Directors oversees the risk to which the Company is exposed and operates.

The present disclosures made by the Company summarizes the exposure to the financial risks.

1) **Market Risk:**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price comprises three types of risk: currency risk, interest rate risk and other price risk. The financial instruments affected by market risk includes rupee term loan and loans & advance.

a) **Interest Rate Risk exposure**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has availed significant rupee term loans at floating (reset every year) interest rates from State Bank of India, New Delhi. The interest rate is at 0.25% (spread) plus MCLR rate of SBI and the interest rate is reset once every year, as per the loan facility agreement. The Company has not entered into any of the interest rate swaps and hence, the Company is exposed to interest rate risk.

The exposure of the company's borrowing to interest rate changes at the end of the reporting period are as follows:

Amount in Rs.

	31-Mar-18	31-Mar-17
Variable rate borrowings	5,74,11,35,000	5,80,72,40,000
Fixed rate borrowings	-	-
	5,74,11,35,000	**5,80,72,40,000**

As at the end of the reporting period, the company had the following variable rate borrowings outstanding

	31-Mar-18			31-Mar-17			
	Weighted average interest rate	Balance	% of total loans		Weighted average interest rate	Balance	% of total loans
Rupee term loan	8.97%	5,74,11,35,000	100%	Rupee term loan	10.32%	5,80,72,40,000	100%
Exposure to cash flow interest rate risk		**5,74,11,35,000**		**Exposure to cash flow interest rate risk**		**5,80,72,40,000**	

Interest Rate Senstivity analysis

The Company considering the economic enviornment in which it operates has determined the interest rate sensitivity analysis (interest exposure) at the end of the reporting period. The interest rate for the Company are floating rates and hence, the analysis is prepared assuming the amount of the borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point +/- fluctuation in the interest rate is used for disclosing the sensitivity analysis.

Amount in Rs. Cr

	Impact on Profir before tax	
	31-Mar-18	31-Mar-17
Interest rates - increase by 50 basis points	2.89	2.93
Interest rates - decrease by 50 basis points	(2.89)	(2.93)

The interest rate senstivity analysis is done holding on the assumption that all other variables remaining constant.

The increase / decrease in interest expense is cheifly attributable to the Company's exposure to interest rates on its variable rate of borrowigs.

b) Foreign currency risk exposure

Foreing currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreing exchange rates. The Company undertakes transactions in Indian Rupees and its borrowings/ loans payable & trade receivables are also denominated in Indian Rupees and hence, there is no exposure of the Company's operations to foreign exchange rate fluctuations does not arise.

Foreign currency rate senstivity analysis

Since, there is no foreign currency risk, senstivity analysis for the same does not arise.

c) **Other price risk**

Other price risk is the risk that the fair value of a financial instruments will fluctutate due to changes in market traded prices. The Companys investment in liquid cash divident reinvestment plan the NAV is fixed and hence, there is no risk price movement arising to the Company. The Company's equity investment in its subsidiary is not held for trading and hence, not subjected to price movement and thus, there is no risk.

2) **Credit Risk**

The Credit risk refers to risk that a counterparty will default on its contratual obligations resulting in financial loss to the Company. Credit risk arises primarily from financial assets such as trade receivables, investment in mutual funds, Bank balances and other receivables.

The Company primarily deals with the units/consumers operating inside the Mangalore Special Economic Zone (MSEZ). The units/consumers are the industries who have invested in MSEZ for setting up their industry. The Company enters into MOU / Lease deed for lease of land and receives on-time lease premium (as per agreed milestones) and also collects annual lease rentals. The Company makes sale of products (water; power) and supply of services to units/consumers are through pre-determined contracts and agreed rates. In so far as supply of power is concerned the Company charges tariff based on the approved tariff by regulatory commission. The Company's exposure are continuously monitored and the aggregate value of transactions is reasonably spread amongst the units. Further, the Company has balance leaseable land area of 288 Acres (out of 1075 Acres of leaseable land) as on 31st March, 2018. The Company upon entering into MOU / lease agreement with the prospective units/consumer would receive one-time lease premium and annual rentals and concurrently, would also receive steady operating cash flows through sale of products and supply of services.

The credit risk arising from the exposure of investing in mutual funds and bank balances is limited and there is no collateral held against these because the counterparties are the recognised financial institutions and public sector banks, which are creditworthy.

The credit period in majority of the trade receivables range from 7 days-15 days and average credit period is less than 30 days. Credit risk arising from trade receivables is managed in accordance with the Company's establised policy, procedures and control relating to customer credit risk management. The concentration of the credit risk is limited due to fact that the area of operation of the Company is confined to one geography (MSEZ) and the number of units / consumers are also limited, wherein again the credit risk mitigated through pre-existing contract obligations.

For trade receivables, as a practical expedient, the Company computes the credit loss allowance if there is life-time expected credit losses.

Movement in expected credit loss allowance on trade receivables

Amount in Rs.

Particulars	**31.03.2018**	**31.03.2017**
Balance at the beginning of the year	11,04,66,153	11,24,49,250
Loss allowance measured at life time expected credit losses	-	-
Impairment allowance	7,09,24,537	-
Impairment written-off	-	(1,51,20,371)
Fair value losses provided	-	1,31,37,275
Balance at the end of the year	**18,13,90,690**	**11,04,66,153**

3) **Liquidity risk**

Liquidity risk is the risk that the Compnay will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquity risk may result from an inability to sell a financial asset quickly to meet obligations when due. The Company's exposure to liquity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company manages the liquidty risk by (i) maintaining adequate and sufficient cash and cash equivalents including investments in mutual funds (ii) making avaliable the funds from realising timely maturities of financial assets to meet the obligations when due. The management monitors rolling forecast of the Companys liquity position and cash and cash equivalents on the basis of expected cash flows. Also, the Company manages the liquidity risk by projecting cash flows considering the level of liquid assets necessary to meet the obligations by matching the maturity profiles of financial assets and financial liablities and monitoring balance sheet liquidity ratios. Further, the liquidity risk management involves matching the maturity profiles of financial assets and financial liabilities.

(i) Financial arrangements

The Company has access to the following undrawn borrowing facilities at the end of the reporting period:

Amount in Rs.

	31-Mar-18	**31-Mar-17**
Expiring within one year	1,21,00,00,000	-
Expiring beyond one year	-	1,00,00,000
	1,21,00,00,000	**1,00,00,000**

The company makes an annual / long term financial plan so as to ensure there are no maturity mismatches in settlement of liabilities.

Note 39(D): Capital Management

The Company's objective when managing capital are to:

a) Safeguard the Company's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

b) Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may vary the distribution of dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at 31st March, 2018, the Company has only one class of equity share and rupee term loan. Consequent to such capital structure, there are no externally imposed capital requirements.

The capital structure of the Company consists of debt (borrowings as detailed in notes 21 and 27) and total equity including advances received from units towards lease of land and use of infrastructure facilities of the Company and monitors capital, based on this capital structure's gearing ratio.

The gearing ratio at the end of the reporting period is computed as follows

Amount in Rs.

	As at 31.03.2018	As at 31.03.2017
i) Debt	**5,72,80,71,409**	**5,79,10,50,643**
ii) Equity share capital	50,00,12,000	50,00,12,000
iii) Other equity	20,81,08,640	17,14,10,916
iv) One time non-refundable amounts from customers	9,32,65,34,704	8,29,08,56,844
v) Total equity [(ii)+(iii)+(iv)]	**10,03,46,55,344**	**8,96,22,79,760**
vii) Net Debt to equity ratio (times)	0.6	0.6

Note 40: Related Party disclosures

A Name of related parties and description of relationship:

i Parent entities

Name of the Company	Type	Place of incorporation	Ownership interest	
			31-Mar-18	31-Mar-17
Infrastructure Leasing and Financing Services Limited (IL&FS)	Associate	India	50%	50%
Oil and Natural Gas Corporation Limited (ONGC)	Associate	India	26%	26%
Karnataka Indutrial Area Development Board (KIADB)	Associate	India	23%	23%

ii Subsidiaries: (where control exists)

Name of the Company	Type	Place of Incorporation	Ownership interest	
			31-Mar-18	31-Mar-17
Mangalore STP Limited	Subsidiary	India	70%	70%
MSEZ Power Limited	Wholly owned subsidiary	India	100%	100%

B Key Management Personnel

(i)

Name	Designation
Shri Shashi Shanker	Chairman
Shri Paritosh Kumar Gupta	Managing Director
Shri Srinivas Santhayya Kamath	Independent Director
Shri Inturi Srinivas Nagesh Prasad	Independent Director
Shri Saibal Kumar De	Nominee Director of IL&FS
Shri Kumar Hariharan	Nominee Director of ONGC
Shri Akshaya Kumar Sahoo	Nominee Director of ONGC
Smt. C. Vathika Kamath	Nominee Director of KCCI

(ii) Shri Velnati Suryanarayana — Chief Operating Officer

(iii) Shri Gouranga Charan Swain — Chief Financial Officer

(iv) Shri Phani Bhushan — Company Secretary

C List of related parties

Name of the Company	Relationship
ONGC Mangalore Petrochemicals Limited	ONGC - Ultimate holding company
Mangalore Refineries and Petrochemicals Limited	Subsidiary of ONGC
IIDC Limited	Subsidiary of IL&FS
IL&FS Energy Development Company Limited	Subsidiary of IL&FS
Karnataka Indutrial Area Development Board	A statutory body of Government of Karnataka

D Details of transactions:

(i) Transactions with related parties

Amount in Rs.

Name of related Party	Nature of Transaction	For the year ended March 31, 2018	For the year ended March 31, 2017
ONGC Mangalore Petrochemicals Limited	Supply of services - Corridor ROW	-	7,57,00,000
	Supply of services - Annual lease rental	2,33,96,214	2,33,96,214
	Sale of products	27,83,82,460	13,09,87,014
	Supply of services	10,04,55,932	9,05,85,841
	Interest payable on security deposit (Power)	9,70,092	11,93,500
Mangalore Refinery and Petrochemicals Limited	Supply of services - 'By pass road' charges	-	52,27,000
	Sale of products	25,41,55,693	26,07,68,811
	Supply of services	28,90,49,753	31,08,61,025
	Supply of services - Corridor ROW	-	7,57,33,333
Infrastructure Leasing & Financial Services Limited	Service received - Deputation of MD	33,42,473	56,16,429
	Service received - Renting	2,072	11,04,071
Karnataka Indutrial Area Development Board	Acquisition of land/R&R colony	-	1,12,78,050
	Services received - Annual Lease rent	5,17,621	5,89,921
	Services received - ROW charges	-	23,68,700
	Towards acquisition of land	1,76,48,000	73,61,550
IIDC Limited	Service received - Deputation of Advisor	-	16,50,000
	Supply of services - Rent	1,36,422	-
IL&FS Energy Development Company Limited	Service received - Consultancy	-	3,00,000

(ii) Outstanding balances with related parties

Amount in Rs.

Name of related Party	Nature of Transaction	For the year ended March 31, 2018	For the year ended March 31, 2017
a. Amount payable:			
Infrastructure Leasing and Financing Services Limited (IL&FS)	Trade payable	4,50,000	5,51,722
Karnataka Indutrial Area Development Board	Towards acquisition of land	35,71,91,858	38,17,71,173
	Trade payable	-	37,696
ONGC Mangalore Petrochemicals Limited	Other payable	1,11,01,567	10,74,150
Mangalore Refinery and Petrochemicals Limited	Other payable	42,87,970	-
b. Amount Receivable:			
Karnataka Indutrial Area Development Board	Other receivable	1,30,773	1,30,773
ONGC Mangalore Petrochemicals Limited	Other receivable	24,084	15,48,246
	Trade Receivable	18,46,05,908	9,05,73,638
Mangalore Refinery and Petrochemicals Limited	Other receivable	2,48,80,606	2,99,82,606
	Trade Receivable	7,18,05,944	6,56,80,487
c. Loans and other assets (Debit balances)			
Karnataka Indutrial Area Development Board	Security deposit -Lease of land	11,60,000	11,60,000
	Capital advances towards land	3,14,29,250	3,41,61,952
d. Advances & Deposits (Credit balances)			
ONGC Mangalore Petrochemicals Limited	Advance towards Corridor	-	97,57,00,000
	Security deposit -Power	1,54,00,000	1,54,00,000
	Security deposit -River water	31,27,164	31,27,164
Mangalore Refinery and Petrochemicals Limited	Security deposit - River water	74,84,710	74,84,710
	Security deposit - Marine Outfall	6,22,209	6,22,209
	Security deposit - TTP Water	45,72,668	45,72,668
	Security deposit - Hire of Machinery	13,296	13,296
	Advance towards Corridor	97,57,33,333	97,57,33,333

(iii) Provisions for doubtful debts related to amount of outstanding balances

Amount in Rs.

Name of the related party	Nature of Transaction	As at 31.03.2018	As at 31.03.2017
ONGC Mangalore Petrochemicals Limited	Supply of services	1,55,06,117	2,65,25,680
Mangalore Refinery and Petrochemicals Limited	Supply of services	2,57,27,980	-
Total		**4,12,34,097**	**2,65,25,680**

(iv) Expense recognised during the period in respect of bad or doubtful debts

Amount in Rs.

Name of the related party	Nature of Transaction	As at 31.03.2018	As at 31.03.2017
ONGC Mangalore Petrochemicals Limited	Supply of services	2,85,164	-
Mangalore Refineries and Petrochemicals Limited	Supply of services	-	85,36,542
Total		**2,85,164**	**85,36,542**

(v) Compensation to Key management personnel:

(a) Chief opertaing officer

Amount in Rs.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Short-term employee benefits	57,03,576	32,76,288
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	3,78,771	-
Contribution to providend fund	21,600	10,800
Total	**61,03,947**	**32,87,088**

(b) Chief financial officer

Amount in Rs.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Short-term employee benefits	61,49,052	47,73,246
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	13,27,707	10,42,831
Contribution to providend fund	21,600	21,600
Total	**74,98,359**	**58,37,677**

(c) Company Secretary

Amount in Rs.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Short-term employee benefits	21,01,519	16,14,431
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	2,22,972	1,04,125
Contribution to providend fund	21,600	21,600
Total	**23,46,091**	**17,40,156**

(d) Independent directors

Amount in Rs.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Sitting fees	3,75,500	6,53,250

Note 41: Employee Benefits

1. Post-employment benefits:

Breif Description: A general description of the type of employee benefit plan is as follows:

Defined benefit gratuity plan (Unfunded):

The company has a defined benefit gratuity plan for its employees. It is governed by Payment of Gratuity Act, 1972. Under the said Act employees who have completed five years of service is entitled to gratuity benefits. The level of benefit provided depends on the employees length of service and last drawn salary.

The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method (PUCM)

This post-employment plan typically expose the Company to actuarial risks such as: Investment risk, interest rate risk, longevity risk and salary risk.

Investment Risk	The present value of the defined benefit liability is calculated using a discount rate which is determined by reference to markek yields at the end of the reporting period on government bonds
Interest rate Risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's investments.
Longevity Risk	The present value of the defined benefit liability is calculated by reference to the bese estimate of the mortality of plan participants both during and after their employment. An increase in the life expentancy of the plan participants will increase the plan's liability.
Salary Risk	The present value of the defined benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in salary of the plan participants will increase the plan's liability.

Asset Liability Matching Risk: The plan faces the ALM risk as to the matching cash flow. Company has to manage payout based on pay as you go basis from own funds.

Mortality Risk: Since the benefits under the plan is not payable for life time and payable till retirement age only, plan does not have any longevity risk.

During the year, the company has changed the benefit scheme in line with Payment of Gratuity Act, 1972 by increasing the monetary ceiling from Rs.10 Lakhs to Rs.20 Lakhs. Change in liability (if any) due to this scheme change is recognied as past service cost.

The most recent actuarial valuation of the plan assets and the present value of defined obligation were carried out as at March 31, 2018.

The principal actuarial assumptions used in determing Gratuity are as follows:

Sl. No	Particulars	As at 31st March 2018	As at 31st March 2017
1	Discount Rate	7.88%	7.26%
2	Annual increase in salary	9%	9%
3	Employee Turnover	5%	5%

The discount rate relates to the benchmark rate available on G.Sec. And is taken as per deal rate as on 31.03.2018. The tenure of the G.Sec. Rate matches with the expected term of the obligation .

The following table summarize the components fo the defined benefits expense recognised in the statement of profit or loss/OCI.

Amount in Rs.

	For the year ended March 31, 2018	For the year ended March 31, 2017
Current Service Cost	10,98,478	8,34,444
Net Interest Cost	5,29,549	3,75,170
Components of defined benefit costs recognised in profit or loss	**16,28,027**	**12,09,614**
Re-measurment on the net defined benefit liability:		
Actuarial (gains) / losses arising from change in assumptions	(1,93,118)	14,41,879
Components of remeasurment recognised in other comprehensive income	(1,93,118)	14,41,879
Total	**14,34,909**	**26,51,493**

The following table summarize the components of the defined benefits expense recognised in the Balance sheet

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
(Present value of benefit obligation at the end of the Period)	(92,09,033)	(72,94,062)
Fair Value of plan assets at the end of the period	-	-
Net (liability) / Asset recognised in the Balance sheet	(92,09,033)	(72,94,062)

Movements in the present value of the defined benefit obligation are as follows:

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Present Value of Benefit Obligation at the beginning of the period	72,94,062	46,95,489
Interest Cost	5,29,549	3,75,170
Current Service Cost	10,98,478	8,34,444
Past Service Cost	8,87,293	
(Benefit paid Directly by the Employer)	(4,07,231)	(52,920)
Actuarial (Gains) / Losses on Obligations - Due to change in Demographic Assumptions		
Actuarial (Gains) / Losses on Obligations - Due to change in Financial Assumptions	(5,96,920)	13,71,147
Actuarial (Gains) / Losses on Obligations - Due to Experience	4,03,802	70,732
Present Value of Benefit Obligation at the end of the period	**92,09,033**	**72,94,062**
Current	9,33,378	5,51,946
Non-Current	82,75,655	64,82,325

Significant acturial assumptions for the determination of the defined obligation are discount rate, expected salary increase and employee turnover. The sentivity analysis below have been determined based on the reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all the other assumption constant.

Amount in Rs.

	For the year ended March 31, 2018	For the year ended March 31, 2017
Projected benefit Oboigation on Current Assumptions	92,09,033	72,94,062
Discount Rate		
- Impact due to increase of 1%	(8,45,208)	(6,60,236)
- Impact due to decrease of 1%	9,94,188	7,77,817
Salary increase		
- Impact due to increase of 1%	7,46,946	5,08,740
- Impact due to decrease of 1%	(7,47,513)	(4,97,622)
Employee Turnover		
- Impact due to increase of 1%	(67,338)	(25,878)
- Impact due to decrease of 1%	73,191	22,771

Sensitivity analysis is an analysis which will give the movement in liability if the assumptions were not proved to be true on different count. This only signifies the change in the liability if the dfference between assumed and the actual is not following the parameters of the senstivity analysis.

Furthermore, in presenting the above senstivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liabiltiy recognised in the balance sheet.

2. **Other Long term employee benefit**

Actual Leave and Sick leave assumptions

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.

The liability towards compensated absences (annual leave and sick leave) for the year ended 31st March, 2018 based on actuarial valuation carried out by using Projected Unit Credit Method resulted in increase in liability by Rs.9,25,661 (Previous year Rs.25,01,110)

Assumptions

Particulars	As at 31.03.2018	As at 31.03.2017
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Retirement Age	60 years	60 years
Attrition rate	5% p.a.	5% p.a.
Salary Escalation Rate	9.00% p.a.	9.00% p.a.
Discount Rate	7.88% p.a.	7.26% p.a.
While is service Encashment rate	5.00% for the next year	5.00% for the next year

Note 42: Government Grants and Government Assistance

(a) Government Grants (refer Note 25)

The Company has received government grants from Visvesvaraya Trade Promotion Centre (VTPC), a Government of Karnataka organisation under ASIDE scheme for construction of Common Effluent Treatment Plant (CETP) Rs.4.95 Crore as at March 31, 2018 (Rs.3.96 Crore as at March 31, 2017) and Two lane Flyover near Jokatte, Manglore SEZ (MSEZ) Rs.13.86 Crore as at March 31, 2018 (Rs.11.88 Crore as at March 31, 2017).

(i) Movement in Government Grants

(a) CETP

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Opening Balance	3,96,00,000	2,97,00,000
Add: Addition during the year	99,00,000	99,00,000
Less: Amortisation during the year	8,25,000	-
Closing Balance	**4,86,75,000**	**3,96,00,000**

(b) Two lane Flyover

Amount in Rs.

Particulars	As at 31.03.2018	As at 31.03.2017
Opening Balance	11,88,00,000	9,90,00,000
Add: Addition during the year	1,98,00,000	1,98,00,000
Less: Amortisation during the year		-
Closing Balance	**13,86,00,000**	**11,88,00,000**

ii) The Company has adopted income approach, under which a grant is recognised in profit or loss on a systematic basis over the useful life of assets which have been capitalized.

(b) Government Assistance

Company developes special economic zone (SEZ) at Mangalore, Karnataka, India. Accordingly, it is eligible for certian economic benefits such as exemptions from customs duty, Goods and Service tax etc. which are in the nature of government assistance. These benefits are subject to fulfillment of certain obligations by the company.

Note 43: 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	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit / (Loss) after tax for the year attributable to equity shareholders (Rs.)	3,65,71,440	(5,98,52,878)
Weighted average number of equity shares	5,00,01,200	5,00,01,200
Basic & diluted earnings per share (Rs.)	0.73	(1.20)
Facer value per equity share (Rs.)	10.00	10.00

Note 44: The amount recognised in Profit & Loss Account for investment property (refer note 5)

Amount in Rs.

Particulars	Year 2017-18	Year 2016-17
Rental Income	17,70,92,243	17,28,56,562
Direct Operating Expenses from property that generate direct rental income	2,15,46,881	2,91,92,713
Direct Operating Expenses from property that did not generate direct rental income	-	-
Profit from investment property before depreciation	15,55,45,362	14,36,63,849
Depreciation		
Profit from investment property	15,55,45,362	14,36,63,849

Note 45: Contingent Liabilities and Commitments

(a) Commitments

Amount in Rs.

Particulars	As at 31st March 2018	As at 31st March 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for		
i. Towards Plant, Property & Equipment	12,53,50,140	45,97,65,011
ii. Towards Investment Property	6,05,20,913	84,08,468
iii. Towards Intangible Assets	-	-
Total	**18,58,71,053**	**46,81,73,479**

Operating Lease Commitments- The Company has taken office premises under cancellable operating lease and also pays annual lease rentals towards lease of lands for projects. The agreements are renewed on expiry. The Company has paid for year ending March 31, 2018 Rs.1,68,17,538/- (March 31, 2017 Rs.40,03,548).

b Contigent liabilities

The Claims against the company not acknowledged as debt is Rs.7.54 Crore (previous year Rs. Rs.24.70 Crore). 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.	15,76,000	MSEZL has not executed any work of laying water pipeline at Thokur.
		"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."		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/-	47,90,500	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.

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	6,90,09,159	MSEZL has file for modification of the order before the Tribunal. MSEZL and also CVCC have filed a petition contesting the Arbitration Award before the Prl.District & Sessions Cout at Mangaluru under AS No. 1of 2017 & AS No2 of 2017 in Jan & Feb '17. The matters were scheduled on 25th November, 2017 for appearence of the arbitrators. Meanwhile, the BG issuing Bank had also filed an impleading application. Both the parties have not objected to the impleading application of the Bnak. The matters are posted for arguments on 27th April, 2018
		TOTAL	**7,53,75,659**	

Note 46: Critical judgements in applying accounting policies

I. Recognistion of Revenue

(a) The Company has recognized revenues amounting to Rs.11.73 Crores for current year 2017-18 (for previous year 2016-17 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 2017-18, the revenue is recognized based on the KERC tariff order dated May 8, 2017 applicable w.e.f. April 1, 2017. 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

(c) One time fee towards right to use 'Road cum Corridor Project' which is in the nature of operating lease is recognised as income on a straight line basis over the period of right to use.

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 25 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 amortizes the cost of barrage useful usage rights on a straight-line basis over the lease period.

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.

V. Income taxes

The computation of advance taxes, provision for current / deferred tax are made based on significant judgements and which may get revised pursuant to position taken by the tax authourities.

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

Sd/-	**Sd/-**	**Sd/-**
N R Suresh	**Paritosh Kumar Gupta**	**Akshaya Kumar Sahoo**
Partner	**Managing Director**	**Director**
Membership No. 021661	**DIN : 01054182**	**DIN : 07355933**
	Sd/-	**Sd/-**
	Gouranga Charan Swain	**V. Phani Bhushan**
	Chief Financial Officer	**Company Secretary**

Place: New Delhi
Date:14/05/2018

Place: New Delhi
Date:14/05/2018

Notes

Mangalore SEZ Limited

Regd Office: 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

12th Annual General Meeting on 28th September, 2018

(PLEASE FILL THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL)

Sr. No: ....

Folio No. / DP ID / Client ID No.:

Name of the Shareholder:

Registered Address:

No. of Shares held:

I Certify that I am member / Proxy for the member of the company, I hereby record my presence at the 12th Annual General Meeting of the Company to be held on Friday, the 28th day of September, 2018 at The Ocean Pearl, Navabharath Circle, Kodialbail, Mangalore – 575 003.

(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 Office: 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 19 (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 and holds ____________________ 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 12th Annual General Meeting of the Company to be held on Friday, the 28th September, 2018 at 12.30 pm at The Ocean Pearl, Navabharath Circle, Kodialbail, Mangalore – 575 003 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, 2018, 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, 2018 and the Report of the Auditors thereon.		
2	To appoint a director in place of Shri A.K. Sahoo (DIN: 07355933), who retires by rotation and being eligible offers himself for re-appointment		
3	To appoint M/s Ray & Ray, Chartered Accountants, bearing Registration No.301072E as the Statutory Auditors of the Company for a period of 5 years.		
	Special Business		
4	To appoint Shri Shashi Shanker (DIN: 06447938) as Director of the company		
5	To appoint Smt. Cholpady Vathika Kamath as Director of the company		
6	To appoint Shri Saibal Kumar De (DIN: 00498241) as Director of the company		
7	To appoint Shri Venkatesh Madhava Rao (DIN: 07025342) as Director of the company		
8	To re-appointment Shri Paritosh Kumar Gupta (DIN: 01054182), as Managing Director for a further period of 1 year with effect from May 19, 2018, at a remuneration of Rs 30.00 Lakhs per annum.		

Signed this ______________ day of ______________ 2018

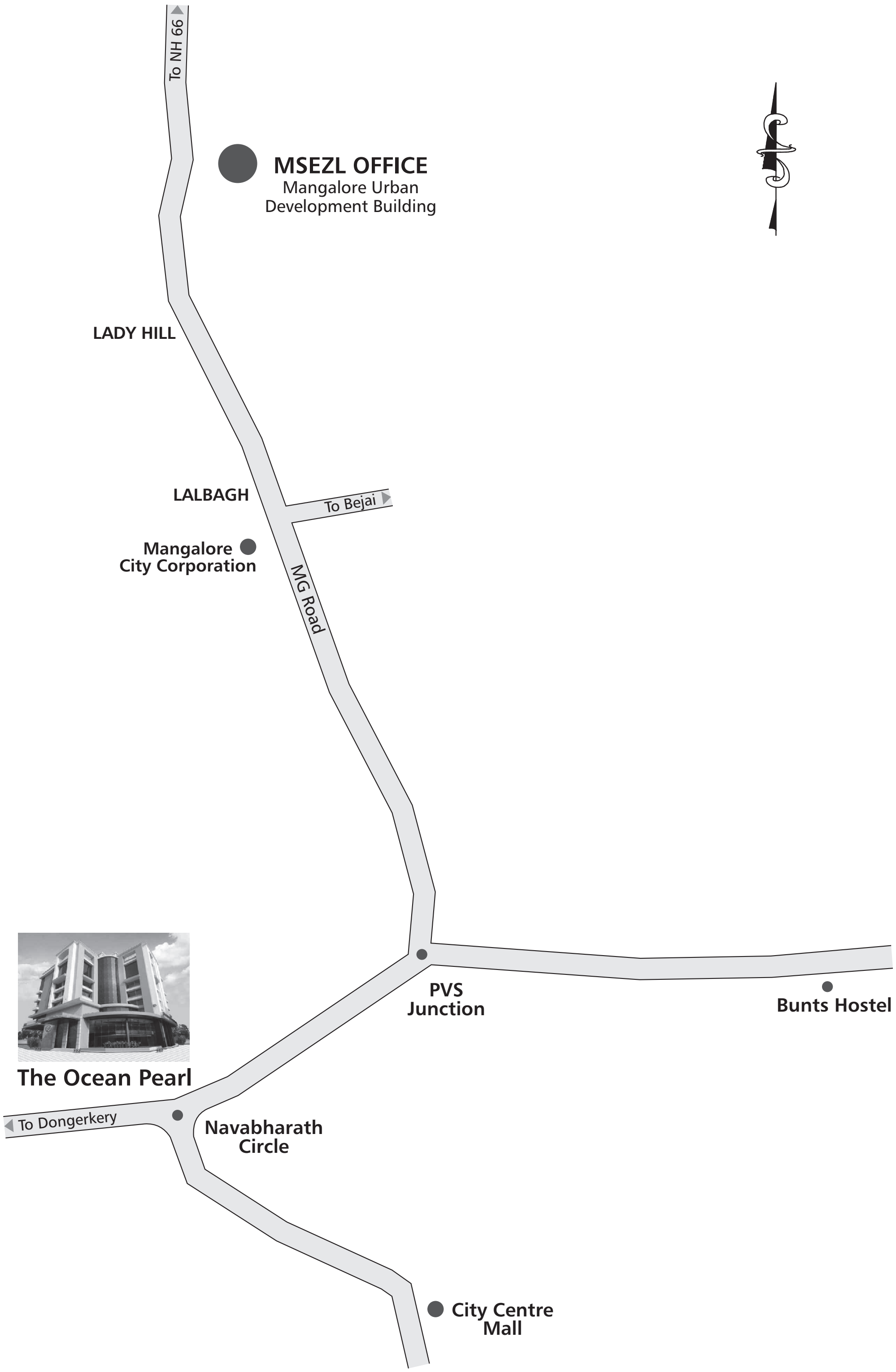
Affix Revenue Stamp

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.

ROUTE MAP FOR THE VENUE OF 12TH AGM OF MANGALORE SEZ LTD



Glimpses of CSR Activities

Eye Camp at Sunkadakatte, Bajpe.

Computers to Jokatte Primary School.

Computers to SBVP Higher Primary School, Padubidri, Udupi Dist.

Infrastructure facilities for the Community Hall at Thokur.

Water Purifier to Dakshina Kannada Dist Panchayat Higher Primary School, Urwa Market, Mangalore.

Mangalore SEZ Limited
Your Gateway to Global & Indian Markets

3rd Floor, MUDA Building, Urwa Stores, Ashok Nagar
Mangaluru - 575 006, Karnataka, India
Tel: +91 824 2452760 Fax: +91 824 2452749
Website: www.mangaloresez.com Email: info@msezl.com
CIN: U45209KA2006PLC038590