MANGALORE SEZ LIMITED
15th Annual Report
2020-2021

Corporate Information

Board of Directors

Shri Subhash Kumar	:	Chairman – Nominee Director of ONGC
Shri M.Venkatesh	:	Nominee Director – Nominee of ONGC
Shri Anurag Sharma	:	Additional Director (Nominee of ONGC (W.e.f 09th June, 2021)
Shri I.S.N.Prasad	:	Independent Director
Shri Srinivas S Kamath	:	Independent Director
Shri Isaac Vas	:	Nominee Director – Nominee of KCCI
Shri Shashi Shanker	:	Chairman & Nominee Director (up to 01/04/2021)
Shri Paritosh Kumar Gupta	:	Nominee Director of IL&FS (up to 12th June, 2021)
Shri Nand Kishore	:	Nominee Director of IL&FS (up to 11th September, 2020)

Chief Executive Officer	**Chief Financial Officer**	**Company Secretary**
Velnati Suryanarayana	K.S.Ramesh	V.Phani Bhushan

Statutory Auditors	**Internal Auditors**	Secretarial Auditor	**Cost Auditor**
M/s Ray & Ray., Chartered Accountants, Bangalore.	M/s. N.M.Raiji & Co, Chartered Accountants, Bangalore.	M/s S U & Associates, Company Secretaries LLP (LLPIN AAM-9499), Mangalore.	Mr. P.Venkatagiri Rao Cost Accountant, Mangaluru.

Banker	**Security Trustee**	**Registrar and Transfer Agent**
State Bank of India Corporate Account Group –II, Redfort Capital Parsvnath Towers,4th & 5th Floor, Bhai Veer Singh Marg Gole Market, New Delhi-110001	**SBICAP Trustee Company Ltd** 202, Maker tower E, Cuffe Parade, Mumbai – 400005	**KFIN Technologies Private Limited.** Karvy Selenium, Tower B, Plot 31-32, Gachibowli,Financial District, Nanakramguda, Hyderabad – 500 032, Telangana

Registered office	**Project Site**
Sy.No 168/3A, Plot No U-1, Administrative Building, Mangalore Special Economic Zone, Bajpe Village, Mangalore Taluk, Dakshina Kannada (Dist), Karnataka – 574142. Phone : 0824-2885501-02, Fax : 0824- 2885503 Website : www.mangaloresez.com; Email : info@msezl.com CIN : U45209KA2006PLC038590.	Bajpe, Permude village, Mangaluru – 574 509, Dakshina Kannada (Dist), Karnataka

Contents

Mangalore SEZ Limited

Regd Off : Sy.No 168/3A, Plot No U-1, Administrative Building, Mangalore Special Economic Zone, Bajpe Village Mangalore taluk, Dakshina Kannada (Dist), Karnataka – 574142.
Tel: 0824 - 2885501-02; Fax: 0824 – 2885503; Email: info@msezl.com;
Website: www.mangaloresez.com; CIN: U45209KA2006PLC038590

NOTICE OF 15th ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of the Members of **MANGALORE SEZ LIMITED** (MSEZL) will be held on Friday, the 10th Day of September, 2021 at 10.00 Hours through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") 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, 2021, the report of the Board of Directors and the report of the Auditor's thereon; and

    b. the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2021 and the report of the Auditor's thereon.

2. To appoint a director in place of Shri Subhash Kumar (DIN: 07905656) who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

3. 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 Anurag Sharma (DIN: 08050719)**, who was appointed as an Additional Director of the Company with effect from June 09, 2021, 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."

4. **TO RATIFY THE REMUNERATION PAYABLE TO COST AUDITOR, SHRI P.VENKATGIRI RAO, COST ACCOUNTANT FOR THE FINANCIAL YEAR ENDING 31st MARCH 2022.**

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

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Shri P.Venkatagiri Rao, Cost Accountant (Firm Registration Number: 101602) appointed by the 66th Board of Directors of the company as cost auditor for the financial year ending 31st March, 2022, be paid a remuneration of Rs 50,000 (Rupees Fifty Thousand only) per annum plus out of pocket expenses, at actuals, and applicable taxes.

RESOLVED FURTHER THAT the Audit Committee/Board of Directors of the company be and are hereby severally authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution."

By Order of the Board of Directors
For Mangalore SEZ Limited

Sd/-
Phani Bhushan.V
Company Secretary

Place: Mangalore
Date:28/07/2021

NOTES:

1. The Explanatory Statement setting out the material facts concerning each item of Special Businesses to be transacted at the Annual General Meeting pursuant to Section 102 of the Companies Act, 2013, is annexed hereto and forms part of the Notice. Information on all the Directors proposed to be appointed/re-appointed at the Meeting are provided in the **Annexure** to this Notice

2. In view of the outbreak of the COVID-19 pandemic, social distancing norms to be followed and the continuing restriction on movement of persons at several places in the country and pursuant to General Circular Nos.14/2020, 17/2020 and 20/2020 02/2021 dated April 8, 2020, April 13, 2020, May 5, 2020 & January 13, 2021, respectively, issued by the Ministry of Corporate Affairs ("MCA Circulars") the 15th AGM of the Company is being conducted through Video Conference (VC) / Other Audio Visual Means (OAVM),which does not require physical presence of Members at a common venue. In terms with the Secretarial Standards on General Meetings (SS-2) issued by The Institute of Company Secretaries of India, the venue of the 15th AGM shall be deemed to be the Registered Office of the Company situated at Sy.No 168/3A, Plot No U-1, Administrative Building, Mangalore Special Economic Zone, Bajpe Village Mangalore Taluk, Dakshina Kannada (Dist), Karnataka – 574142

3. In view of the COVID 19 pandemic, the Ministry of Corporate Affairs vide its Circulars has introduced certain measures enabling companies to convene their Annual General Meetings (AGM/ Meeting) through Video Conferencing (VC) or Other Audio Visual Means (OAVM) and also send notice of the Meeting and other correspondences related thereto, through electronic mode. In compliance with the said requirements of the MCA Circulars, electronic copy of the Notice along with the Annual Report for the financial year ended 31st March, 2021 consisting of financial statements including Board's Report, Auditors' Report and other documents required to be attached therewith (Collectively referred to as Notice) have been sent only to those members whose e- mail ids are registered with the Company or the Registrar and Share Transfer Agent or the Depository Participants(s) through electronic means and no physical copy of the Notice has been sent by the Company to any member. The Notice and Annual Report for financial year ended 2020-21 shall also be available on the website of the Company at www.mangaloresez.com.

4. Generally, a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. Since this AGM is being held through VC / OAVM pursuant to the MCA Circulars, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members under Section 105 will not be available for the 15th AGM and hence the Proxy Form and Attendance Slip are not annexed hereto. However, in terms of the provisions of Section 112 and Section 113 of the Act, representatives of the Members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes. In case

a poll is demanded, the designated email id is phanibhushan@msezl.com to which the members can send email to cast their vote.

5. Members of the Company under the category Corporate Shareholders are encouraged to attend and vote at the AGM through VC/OAVM are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the AGM through VC / OAVM and vote on its behalf. The said Resolution/Authorization can be sent to the Company by email to phanibhushan@msezl.com.

6. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto

7. Participation of Members through VC /OAVM will be reckoned for the purpose of quorum for the AGM as per section 103 of the Act.

8. Those Shareholders whose email IDs are not registered, are requested to register their email ID with Registrar & Share Transfer Agent (R&STA)/Company Secretary by providing their Name as registered with the R&STA, Address, email ID, PAN, DPID/Client ID or Folio Number and Number of shares held by them.

9. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Auditors, who are allowed to attend the AGM without restriction on account of first come first served basis.

10. The Members will be allowed to pose questions during the course of the Meeting. The queries can also be given in advance by email to phanibhushan@msezl.com.

11. Members may send in their queries at least a week in advance to the Company at phanibhushan@msezl.com to facilitate clarifications during the Meeting

12. Members who hold shares in physical form are requested to intimate to the Company Bank mandate under the signature of Sole/first named joint shareholder

specifying Bank's name, Address (with PIN No.) of the Branch, Account Type - Saving (SA) or Current (CA), Account No.

13. As per the Ministry of Corporate affairs notification dt 10th September 2018, every holder of securities of an unlisted public company who intends to transfer such securities on or after 2nd October, 2018, shall get such securities dematerialized before the transfer.

14. Members who still hold share certificates in physical form are advised to dematerialize their shareholding to avail the benefits of dematerialization, which include easy liquidity, since transfers are permitted in dematerialized form only, electronic transfer, savings in stamp duty and elimination of any possibility of loss of documents and bad deliveries.

15. Members are also requested to notify any changes in their email ID or Bank Mandates or address to the Company and always quote their Folio Number or DP ID and Client ID Numbers in all correspondence with the Company. In respect of holding in electronic form, Members are requested to notify any change of email ID or Bank mandates or address to their Depository Participants.

16. 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.

17. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 and the Register of Contracts and Arrangements in which Directors are interested maintained under Section 189 of the Companies Act, 2013 shall be made available only in electronic form for inspection during the Meeting through VC.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Members whose email IDs are already registered with the Company and who are desirous to attend the AGM through VC/OAVM can apply at phanibhushan@msezl.com requesting for participation in the AGM, by giving their name as registered in the records of the Company, DPID/Client ID or Folio Number and the Registered email ID and for any queries regarding the access, members

can send email to phanibhushan@msezl.com or contact the Company secretary at 0824-2885510.

2. Members who are desirous of attending the AGM through VC/OAVM and whose email IDs are not registered with the company, may get their email IDs registered with the Registrar & Transfer Agent or with the Company by sending an email to phanibhushan@msezl.com with the following credentials:
    a. Name registered as per the records of the company
    b. DPID-Client ID/ Folio Number
    c. Email ID to be registered for attending the Meeting

3. Members may send the above-mentioned request at least 7 days before the meeting date. In case of joint holding, the credentials of the first named holder shall be accepted.

4. On successful registration with the company, the invitation to join the AGM will be sent to the Members on their registered email IDs.

5. Members may attend the AGM, by following the invitation link sent to their registered email ID. Members will be able to locate Meeting ID/ Password/ and JOIN MEETING tab. By Clicking on JOIN MEETING, they will be redirected to Meeting Room via browser or by running Temporary Application. In order to join the Meeting, follow the step and provide the required details (mentioned above – Meeting Id/Password/Email Address) and Join the Meeting. Members are encouraged to join the Meeting through Laptops for better experience.

6. In case of Android/iPhone connection, Participants will be required to download and Install the appropriate application as given in the mail to them. Application may be downloaded from Google Play Store/ App Store.

7. Further Members will be required to allow Camera and use Internet audio settings as and when asked while setting up the meeting on Mobile App.

8. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches. The helpline number for joining the Meeting through Electronic Mode will be provided in the Meeting Invitation which will be sent to the eligible applicants.

ANNEXURE TO THE NOTICE

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

Item No. 3 :

Oil and Natural Gas Corporation Limited (ONGC) vide its email dated May 25, 2021 had nominated Shri Anurag Sharma (DIN 08050719), Director (Onshore) of ONGC 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 Anurag Sharma (DIN 08050719), as an Additional Director (Nominee of ONGC) of the Company with effect from June 09, 2021.

Shri Anurag Sharma 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 Anurag Sharma (DIN 08050719) for the office of Director.

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

Shri Anurag Sharma holds Mechanical Engineering graduate from NIT Allahabad and holds a Master's in Business Administration from FMS Delhi.

Shri Sharma's ascent signifies his passion, commitment and hard work. He has a career spanning over 36 years of outstanding contribution in ONGC in various positions including those of Asset Manager of Cauvery Asset. During his tenure, the Asset made significant improvements which resulted in highest ever oil production in last two decades.

Shri Sharma spearheaded the flagship 'Make in India' and 'Start-up India' initiatives in ONGC. He has a distinguished track record for delivery of the projects and has contributed significantly to improve drilling operation in Ankleshwar, Jorhat and Cauvery Assets.

Shri Sharma has vast industry knowledge and global business experience and he has made major contributions in Business Development and Project Management for ONGC Videsh in CIS and SE Asia. He has also handled the challenging Vietnam project and headed RIG Russia. Industry wide, Shri Sharma is well regarded and known for international skills. Mr Anurag Sharma holds 3,618 equity shares of ONGC and he is not related to other Directors on the Board.

The appointment of Shri Anurag Sharma as Director was made on 09th June, 2021; hence attendance at the Board meetings during the year 2020-21 is not applicable.

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 Isaac Vas is concerned or interested in this resolution. The Board recommends the resolution for your approval.

Item No. 4 :

The 66th Board based on the recommendation of the 51st audit committee, had approved the appointment of Shri P.Venkatgiri Rao, Practicing Cost Accountant, Mangalore bearing membership No.32390 and firms registration no 101602 as cost auditors at a remuneration of Rs 50,000/- (Rupees Fifty Thousand) per annum plus out of pocket expenses, at actuals and applicable taxes, to conduct the audit of the cost records of the company for the financial year ending 31 March 2022.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board of Directors has to be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No.4 of the notice for ratification of the remuneration payable to the cost auditors for the financial year ending 31 March 2022.

None of the directors or key managerial personnel of the company and their relatives are, concerned or interested, financially or otherwise, in the resolution set out in item no. 4 of the notice.

The board recommends the resolution set forth in item no. 4 of the notice for approval of the members.

By Order of the Board of Directors
For Mangalore SEZ Limited

Sd/-
Phani Bhushan.V
Company Secretary

Place: Mangalore
Date: 28/07/2021

Annexure to the Notice

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

Name of Director	Shri Subhash Kumar	Shri Anurag Sharma
Date of Birth	01/01/1962	17/02/1963
Date of Appointment	26/02/2019	09/06/2021
Expertise in specific functional areas	Mr Kumar is an industry veteran with over 36 years of experience in diverse activities across the Exploration & Production (E&P) value chain. He joined ONGC in 1985 as a Finance and Accounts Officer and served in different capacities. After growing up along the hierarchy in ONGC, he had a long stint at ONGC Videsh, the overseas arm of ONGC. During his tenure with ONGC Videsh, Mr Kumar was associated with key acquisitions and expansion of company's footprint. He played a key role in evaluation and acquisition of many overseas assets. He had worked as Head Business Development, Finance and Budget and also as Head Treasury Planning and Portfolio Management Group at ONGC Videsh from April 2010 to March 2015. He served as the Chief Financial Officer of Mansarovar Energy Colombia Limited, a 50:50 joint venture of ONGC Videsh and Sinopec of China, from September 2006 to March 2010. Mr Kumar joined back ONGC as the Chief Commercial and Head Treasury in July 2016, where he	Shri Sharma's ascent signifies his passion, commitment and hard work. He has a career spanning over 36 years of outstanding contribution in ONGC in various positions including those of Asset Manager of Cauvery Asset. During his tenure, the Asset made significant improvements which resulted in highest ever oil production in last two decades. Shri Sharma spearheaded the flagship 'Make in India' and 'Start-up India' initiatives in ONGC. He has a distinguished track record for delivery of the projects and has contributed significantly to improve drilling operation in Ankleshwar, Jorhat and Cauvery Assets. Shri Sharma has vast industry knowledge and global business experience and he has made major contributions in Business Development and Project Management for ONGC Videsh in CIS and SE Asia. He has also handled the challenging Vietnam project and headed RIG Russia. Industry wide, Shri Sharma is well regarded and known for international skills.

	played a key role in evaluation, negotiation, and concluding outstanding issues pertaining to the organization. During 2017, Mr Kumar served a brief stint with Petronet LNG Limited as its Director (Finance). Shri Subhash Kumar has assumed the additional charge of the post of Chairman and Managing Director (CMD) of Oil and Natural Gas Corporation Limited (ONGC) on 1 April 2021.	
Qualification	Fellow Member of Institute of Cost Accountants of India and Associate Member of ICSI. He is an alumni of Panjab University, Chandigarh, from where he obtained his Bachelor's and Master's degrees in Commerce with Gold Medal.	Mechanical Engineering graduate from NIT Allahabad and holds a Master's in Business Administration from FMS Delhi
List of other companies in which directorship is held as on March 31, 2021*	1. Oil and Natural Gas Corporation Limited. 2. Mangalore Refinery and Petrochemicals Limited 3. Hindustan Petroleum Corporation Limited 4. ONGC Tripura Power Company Limited 5. Petronet MHB Limited 6. ONGC Petro Additions Limited.	1. Oil and Natural Gas Corporation Ltd. 2. ONGC Mangalore Petrochemicals Limited (OMPL) 3. Dahej SEZ Ltd
Chairman/ Member of the Committees of the Board of the other Companies in which he/she is a director as on March 31, 2021*	1. Oil and Natural Gas Corporation Ltd - Stakeholders Relationship Committee – Member 2. Hindustan Petroleum Corporation Limited – Audit Committee - Member	5. Oil and Natural Gas Corporation Ltd Audit Committee & Stakeholders 'Relationship Committee – Member 6. ONGC Mangalore Petrochemicals Limited (OMPL)- Audit Committee - Chairman

	3. ONGC Tripura Power Company Limited - Audit Committee - Member 4. ONGC Petro Additions Limited – Audit Committee - Member	
Equity Shares held in the Company	Nil	Nil
Relationship between Directors inter-se	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 15th Annual Report of the Company for the year ended 31st March, 2021.

Financial Performance:

The highlights of the financial results of the Company for the year ended 31st March, 2021 are as follows:

Rs. in lakhs

	Standalone		**Consolidated**	
Particulars	**2020-21**	**2019-20**	**2020-21**	**2019-20**
REVENUE:				
Income from operations	16512.40	17406.53	16512.40	17406.53
Other Income	436.03	746.03	436.37	746.41
Total Revenue	**16948.43**	**18152.56**	**16948.77**	**18152.94**
EXPENSES:				
Cost of materials consumed	4908.52	4452.00	4908.52	4452.00
Employee Benefit Expenses	709.45	757.56	709.45	757.56
Finance Costs	4491.54	5060.35	4491.54	5060.35
Depreciation and amortization expense	3612.65	4391.01	3612.65	4391.01
Net Impairment losses on financial assets	2526.18	2800.90	2526.18	2800.90
Other Expenses	2833.27	3676.98	2833.53	3677.29
Total Expenses	**19081.61**	**21138.81**	**19081.87**	**21139.12**
Profit Before Exceptional items and tax from continuing operations	(2133.18)	(2986.25)	(2133.10)	(2986.19)
Profit Before Tax	**(2133.18)**	**(2986.25)**	**(2133.10)**	**(2986.19)**
Tax Expense-Current Tax	45.10	28.94	45.12	28.95
Tax Expense-Deferred Tax	1026.77	148.27	1026.77	148.27
Profit for the period from continuing operations	**(3205.05)**	**(3163.46)**	**(3204.99)**	**(3163.40)**
Profit/(Loss) for the period	**(3205.05)**	**(3163.46)**	**(3204.99)**	**(3163.40)**
Other Comprehensive Income	**8.59**	**(6.24)**	**8.59**	**(6.24)**
Total Comprehensive Income	**(3196.46)**	**(3169.70)**	**(3196.40)**	**(3169.64)**

Review of Performance and state of the company's affairs

- During the year under review, the standalone revenues (operations) have decreased by Rs 894.13 lakhs to Rs 16512.40 lakhs from Rs 17406.53 lakhs of the previous year 2019-20, while the comprehensive income has decreased to Rs (3196.46) lakhs compared to Rs (3169.70) lakhs of the previous year 2019-20.
- Total Expenses have decreased by Rs 2057.20 lacs from Rs 21138.81 lacs to Rs 19081.61 lacs.
- The Company has achieved the Profit Before Tax without JBF provisions of around Rs 366.82 lacs as Compared to a Loss of Rs 486.25 lacs in the Previous year.
- The Company had prepaid principal on the Term Loan in advance for the Quarter ended December, 2020 and March, 2021.

The Company has substantially completed infrastructure development for Phase–I of the Project. The status and salient features of the infrastructure development during the year are as under:

- Up to 31st March 2021, the Company has awarded 238 orders for infra development of the zone cumulatively amounting to Rs 857 Cr, out of which 229 work orders have been completed at a capex cost of Rs 855 Cr. The balance orders are under various stages of execution.

- 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 and is open for traffic effective from January 15, 2021.

- The GoK (Water resources Dept) had levied the Water Cess towards the charges for lifting the water from the rivers. The Cess has been revised from Rs 1800/MCFT/Year to Rs 1,50,000/MCFT/Year. The Company had taken up the issue with the GoK for reduction in water cess and also to charge based on the actual drawal of quantity of water instead of allocated quantity of 27 MGD . GoK vide order dated 29th November, 2019 had reduced the water cess from Rs 1,50,000/MCFT/Year to Rs 1,00,000/MCFT/Year. During the year, the Government of Karnataka (Gok) vide letter dated June 18, 2020 had renewed the water drawal permissions for another 5 years till 19th November, 2024 and also approved to charge water cess based on actual drawal quantity.

- In order to effectively treat the waste water from the fish processing industries, the contract for Design, Construction, Supply, Erection, Testing, Trial run, Commissioning and Operation of DAF system and Digester system at existing 3.5 MLD capacity CETP at MSEZ has been awarded on 27th February, 2020 with a completion period of 5 months. During the year, the works could not be progressed as projected due to Covid Pandemic restrictions such as lockdowns and sand mining ban, however the DAF system is installed and commissioned and due to civil work delay, the sludge digester and decanter got delayed.

- The Company is having around 306.71 acres of land available for leasing to the prospective investors. Owing to non-availability of Direct tax benefits and muted response for the SEZ Land, the Company had presented a strategy to the 63rd Board to de-notify the part SEZ land into Domestic Tarrif area (DTA) and SEZ. As per the said strategy, the Company has earmarked around 179 Acres as Domestic Tarrif area (DTA) to be developed in 2 phases, phase – 1, 110.50 Acres and 68.50 Acres in phase - 2. The balance 127.71 acres will be marketed as SEZ land due to contagious issues requirement for the SEZ compliances. The Company has obtained the NOC for phase -1 (110.50 Acres) from the GoK 07th March, 2021 for denotification of the SEZ land to DTA and is in the process of seeking the Board of Approval from the Ministry of Commerce and Industries, New Delhi.

- The Government of India had announced the lockdown restrictions due to Covid 19 pandemic from March 2020 onwards, however the Company continued to provide the un interrupted services like power, water and other utilities to the various operating units in the SEZ and to MRPL.

- The Company has realized the long outstanding receivable towards Corridor Right of Way from ISPRL to the extent of Rs 14.17 Cr.

- The JV Company Mangalore STP Limited (MSTPL) jointly promoted by the company and Mangalore City Corporation (MCC) is successfully operating the associated wet wells of Kavoor STP from January 2014. M/s Pooja Construction Co, Rajkot is the O&M operator for a period of 3 years which was valid up to September 30, 2020. Owing to the pandemic situation, the Company has extended the O&M Contract for further period of 1 Year valid up to September 30, 2021on nomination basis.

Rehabilitation and Resettlement (R&R) of Displaced People

- Overall, 1424 plots have been developed in 9 R&R colonies. All the 9 R&R colonies have been fully developed (48.15,17.66, 10.93 & 9.88 acres at Kulai, 16 acres at Permude, 4 acres at Kalavar, 35 acres at Bajpe, 69 Acres at thokur and 6.48 acres at Bajpe).

- As part of the handover of the 9 R&R colonies to the urban local bodies (ULB, the Company has handed over the Civic amenities of 8 R& R colonies to ULB's. Roads and Parks for 4 R&R colonies has been handed over to Panchayat/Municipal Corporations. One Colony situated in Permude has been handed over fully to the Local Panchayat.

- As 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 872 candidates and balance 756 are to be provided employment. Out of the 756 candidates 604 candidates have been provided employment and balance 152 is yet to be placed. Payment of Stipend & Sustenance allowance to PDF nominees is being paid.

Infrastructure Development

- The Company has completed substantial development of infrastructure for Phase-I. The Company has incurred expenditure of Rs 1522 Cr as against Rs 1707 Cr towards Land, R&R, infrastructure development and proponents' share of corridor as on 31st March, 2021.

Power

1. The grid substation is fully operational and no new capacity enhancing works were taken up during FY 20-21. The Company had 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 2019-20. KERC had vide its order dated 14th May, 2018 passed order allowing your Company to recover dues of Rs.3.91 Cr from the units. One of the consumers had filed petition before KERC challenging the recovery of dues amounting to Rs.79,32,960 and your Company had appealed against the petition filed. The KERC has vide its order dated 28th May 2019 dismissed the petition filed by the consumer and upheld the recovery of dues of Rs.79,32,960 from the said consumer. The consumer has since filed a writ petition before the Hon'ble High Court of Karnataka against the KERC and restrained the recovery of dues. The Company has filed interlocutory application (IA) for vacating the interim order of the Hon'ble High Court and objections to the said consumer IA direction. The KERC has also filed a detailed statement of objections to the said consumer IA direction. The case is being listed for hearings are in progress.

2. During the year under review, the Company has filed before KERC for approval of Annual Performance Review (APR) for FY 2019-20, Annual Revenue Requirement (ARR) and determination of retail supply tariff for FY 2021-22.
3. To reduce the end retail power supply tariff on consumers in the Zone, the Company has initiated short term open access power purchase based on e-reverse bidding process. The Company had concluded the power purchase agreement at Rs 3.82 per unit for a period of six months commencing from 17th January 2021.

Environment

- The Company is submitting the Compliance reports as per the Environmental Clearance conditions to the Ministry of Environment & Forests (MoEF) and Karnataka State Pollution Control Board (KSPCB) as stipulated.
- 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.
- As part of the Compliance requirement to KSPCB directions for operational of CETP, the Company had installed online analysers to monitor the quality of inlet and outlet parameters of effluents to the CETP and the same is being uploaded to CPCB and KSPCB on real-time basis.

Green Belt Development

- The Company has developed green belt in 272 acres and garden at its facilities such as Water Treatment Plant, Common Effluent Treatment Plant and Marine out fall etc., In addition the Company has taken up plantation at the SEZ entrance gate, Customs office and administrative building. During the year, the Company undertook regular maintenance of the green belt and garden area time to time by nurturing with manure and fertilizers and after care activities.

- MSEZL in coordination with department of forest is developing and maintaining avenue plantation in the newly operational fly over area to improve the aesthetics.

- Mangalore SEZ took tree plantation in and around CETP and planted 500 tree species and flowering shrubs.

- Mangalore SEZ in coordination with District legal authority, State Pollution Control Board, SEZ Units, neighboring industries and department of forests celebrated world environment day on June 05th 2020 in the customs office premises and planted around 100 trees.

Marketing Initiatives

- Due to Covid 19 Pandemic, during the year the Company could not participate any of the Road shows or exhibitions. The Company had made representation to Ministry of Commerce and Industry, New Delhi, National Investment promotion and facilitation Agency, Delhi and Government of Karnataka and Confederation of Indian Industry stating the availability of Land and infrastructure seeking to refer the prospective investors to the Zone.

  Government of Karnataka (GoK) has referred few investors to the Zone such as such as Renew Power, Manikaran Group and Gold plus, glass manufacturer who are in discussion with GoK for investments in Karnataka. The GoK identified MSEZ has the preferred location based on the requirements of the said parties and the Company is in discussion with such parties. The Gok is in active discussion with the above investors and may revert to MSEZ.

Further to the Board approval, the Company has taken up the marketing of the phase -1 of the DTA zone and is in active discussion with few investors for allotment of land in DTA Zone.

- 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.

Administrative Matters

- The Registered office of the Company is situated at Sy. No 168/3A, Plot No U-1, Administrative Building, Mangalore Special Economic Zone, Bajpe Village Mangalore taluk, Dakshina Kannada (Dist), Karnataka – 574142.
- 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, 2021 is 44.
- The company has a HR policy which has been approved by the Board.

Units in SEZ

The Company has leased/allotted land to 11 Units in the SEZ. Presently, 9 companies viz ONGC Mangalore Petrochemicals Limited (OMPL), Indian Strategic Petroleum Reserve Limited (ISPRL), , Syngene International Ltd (Syngene) (a subsidiary of M/s Biocon Ltd, Catàsynth Speciality Chemicals Private Ltd, Cardolite Specialty Chemicals India LLP(Cardolite), Gadre Marine Exports Pvt Ltd (Gadre), Ulka India (ULKA), Yashaswi Fish Meal and Oil Company (Yashaswi) & , Authentic Ocean Treasure (AOT) had already commenced its operations, while the other 2 entities viz., JBF Petrochemicals Ltd and Anthea Aromatics are in the process of setting up units in the SEZ and are in different stages of implementation.

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.

As at 31st March, 2021, 6 shareholders representing 1,34,81,200 Equity Shares constituting 26.96% of the paid-up share capital are held in Demat form, while the balance 3 shareholders representing 3,65,20,000 Equity Shares constituting 73.04% of the paid-up share capital are held in Physical form,

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, 2021 as there is no profit during the year and no amount has been transferred to General Reserve during the FY 2020-21.

Credit Rating

The Company had obtained credit rating from CARE Ratings Ltd for the Long term Credit facilities of Rs 538.64 Cr outstanding. CARE has assigned a rating of CARE A Stable (Single A plus) with outlook as stable on 18th February, 2021 revised from CARE A+ stable.

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 2021 is around Rs 534.52 Cr.

During the year under review, the interest rate was changed from Annual MCLR reset to half yearly MCLR reset w.e.f 01 July 2020, accordingly the Interest rate applicable for the Term Loan from 01st July, 2020 was reduced from 8.30% p.a to 7.35% p.a.

Financial Accounting

Your Company's financial statements for the year ended March 31, 2021 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 from time to time.

Consolidated Financial Statements:

The Annual Audited Consolidated Financial Statements together with Auditors' report thereon form part of annual report.

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 9 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 valid up to September 30, 202. MSTPL has been supplying STP water to MSEZ on a regular basis.

During the year under review, the revenues from operations stood at Rs 7.46 Cr as compared to Rs 7.45 Cr during the FY 2019-20. 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 is evaluating the capital structure options and its feasibility to have such power assets in MSEZ Power Ltd. It 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 revenue income of Rs 0.34 Lakhs as compared to Rs 0.36 Lakhs during the FY 2019-20. The comprehensive income for the period is Rs 0.06 Lakhs compared to loss of Rs 0.06 Lakhs 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 V.**

Directors & Meetings of the Board

Four meetings of the Board of Directors were held during the financial 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 2020-21:*

Change in Directors (Resignations):

- *Shri Nand Kishore resigned as Director of the Company w.e.f 11/09/2020.*

Your directors wish to place on record their sincere appreciation for the valuable services rendered by Shri Nand Kishore during his association with the Company.

Change in Directors (Appointments)

The following persons were appointed as Directors during the year

1. Shri ISN Prasad was appointed as an Independent Director at the 62nd Board meeting subject to approval of shareholders for a period of 2 years w.e.f 04/06/2020.

Change in* Key Managerial Personnel *: Nil

a. Re-appointments of Directors at the 15th AGM:

The following re-appointments to the Board are proposed:

Approval of the shareholders is being sought for the re-appointment of Shri Subhash Kumar (DIN: 07905656), Nominee Director cum chairman of the Company, who retires 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 15th AGM:

Shri Anurag Sharma (DIN: 08050719) was inducted as an Additional Director on the Board w.e.f June 09, 2021. 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 Director (Nominee of ONGC) (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.

Declarations by Independent Directors:

The Company had 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, 2021 and of the profit and Loss of the Company for that period.
c) proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud or other irregularities;
d) the annual accounts have been prepared on a going concern basis.
e) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Corporate Governance

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

Contracts and Arrangements with Related Parties

Related party transactions that were entered during the financial year are on arm's length basis and were in the ordinary course of business There were no 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 transactions made with the Related Parties during the year 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. The Company had reported loss during the last financial year and hence the CSR budget for the FY 2020-21 was nil, hence, the Company could not take up any CSR activities during the FY 2020 -21.

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 financial years. The average profit before tax for the last three years viz., 2017-18, 2018-19 & 2019-20 was Rs (17.95) Cr and 2% of 3-year average profit before tax will be Rs (0.1196) Cr.

Your Company had unspent amount of Rs 1,93,384 from CSR Budget of 2019-20 which was carried forward for spending during the FY 2020-21. The Company undertook the CSR activities such as Distribution of food and essential kits, Distribution of mask, sanitizers, thermal scanners and medical kits under preventive health care arising due to Covid 19 pandemic and distribution of furniture, bags etc to Anganwadi (2No's). The entire amount of Rs 1,93,384 had been spent during the FY 2020-21.

The CSR Policy may be accessed on the Company's website at http://www.mangaloresez.com/index.php/about-us/company-policies. A report on the CSR activities for FY 2020-21 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 regularly reviews the Internal Audit Reports for the audit 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.

The Company's assets are adequately covered by comprehensive insurance, risk assessments, inspections and safety audits are carried out periodically.

Statutory Auditors

M/s Ray & Ray, Chartered Accountants, bearing Registration No. 301072E are 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 (i.e FY 2018-19) at such remuneration as may be decided by the Audit Committee/Board of Directors thereon. They have audited the Financial Statements for the FY 2020-21 and submitted their report which forms part of this report.

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 but has an emphasis on the following matters:

Audit Report on Standalone Financials:

1. Notes 8 and 13 (a) of the standalone financial statements regarding receivable from JBF Petrochemicals Limited of Rs.17,162.15 lakhs for which the company has filed an application with National Company Law Tribunal as operational creditor to initiate corporate insolvency Resolution process under the IBC Code. The entire amount of receivable has been credit-impaired due to non – recovery as against which the ECL provision is made only for Rs. 9,117.16 Lakhs.

   Impairment of the entire old receivables are done on the ground of prudence; however, company has made ECL provision on the old out standings effective FY 19-20 with the approval of the competent authority of the company. The Company believes that the entire manufacturing facility is still intact with SEZ area and the unit cannot commence production without the assured water supply from the company. The Company has also made application for recovery of the outstanding old dues before the NCLT and believes that the same are realizable once the JBF commences production.

2. Notes 13 (c) of the standalone financial statements, on termination of Memorandum of Understanding (MOU) entered into with M/s Trident Infrastructures, the advance amount received from Trident attracts forfeiture. The company has grouped the lease receivable amounting to Rs. 1,387.61 Lakhs (Net of Fair Value Loss provision of Rs. 234.09 Lakhs) with un-amortized lease premium liability balance of Rs. 1,792.09 Lakhs as on 31.12.2021. Hence, the difference of Rs. 404.48 Lakhs has not been recognized in the accounts during the year 2020-21.

   As the MOU with the unit is terminated by the company on account of non-receipt of full the lease premium amount, the balance unamortized revenue is reclassified with the net Receivables. MOU also attracts forfeiture of the lease premium paid by the unit but the decision on the forfeiture is pending with the competent authority. Hence the balance unamortized revenue are carried forward in the books of accounts and the difference amount will be recognized based on the outcome of the decision from the competent authority.

Internal Auditors

The Board of Directors at its 62nd meeting have appointed M/s. N.M. Raiji & Co, Chartered Accountants as Internal Auditors of the Company for the financial year 2020-21.

Secretarial Audit

The Board at its 66th Board meeting had appointed S U & Associates, Company Secretaries LLP (LLPIN AAM-9499) as the Secretarial Auditor to conduct Secretarial Audit for the financial year 2020-21. The Secretarial Audit Report for the financial year ended March 31, 2021 is annexed herewith and marked as **Annexure-I** to this Report. The Secretarial Audit Report do not contain any qualification, reservation or adverse remark.

Cost Auditors & Cost Records

Mr. P.Venkatgiri Rao, Practicing Cost Accountant, Mangalore bearing membership No.32390 and firms registration no 101602 was appointed by the 62nd Board of Directors as the Cost Auditor of the company at a remuneration of Rs 50,000/- (Rupees Fifty Thousand Only) plus applicable taxes and out of pocket expenses, subject to ratification of the said remuneration by the Members at the ensuing 15th Annual General Meeting pursuant to Section 148 of the Companies Act, 2013. The Company has maintained the necessary accounts and records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013 pertaining to Cost Audit. They are required to submit the report within 180 (One Hundred and Eighty) days from the end of the accounting year.

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, Non-Executive and Non-Independent Directors, Committees of Board and Independent Directors of the Company. A consolidated report was submitted to the 13th Nomination and Remuneration Committee and to the 66th Board for its review. The 13th 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 expressed its satisfaction and recommended for reappointment of the Directors of the Company. The Consolidated report on the performance of Board, Non-Executive and Non-Independent Directors, Committees of Board and Independent Directors was placed for review and noting by the Board. The Board reviewed the consolidated report on Board Evaluation and concurred with the recommendations of the 13th Nomination and Remuneration Committee.

Meeting of Independent Directors

5th Independent Directors meeting was held on March 26, 2021, 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

The Audit Committee Consists of the following Directors as its members. The constitution consists of two Independent Directors and one non-independent Directors as at 31.03.2021. 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 w.e.f 04.06.2020	Independent Director
Shri Subhash Kumar	Member

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of following Directors as its members. The constitution consists of 2 non independent Directors and two Independent Directors. The details of the Terms of reference are provided in the Corporate Governance Report. The Nomination and Remuneration Policy may be accessed on the Company's website at http://www.mangaloresez.com/index.php/about-us/company-policies.

Name of Director	Designation
Shri Srinivas S Kamath	Chairman and Independent Director
Shri ISN Prasad w.e.f 04.06.2020	Member and Independent Director
Shri M.Venkatesh	Member
Shri Subhash Kumar	Member

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee Consists of the following Directors as its members. The CSR Committee 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 Isaac Vas	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 Honorable 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. Since Mrs Ashwini Hegde, Mrs Kavya Akshay, and Shri Sudarshan Nayak have completed tenure of 3 years as members of the Committee, the ICC was re-constituted on 01st February, 2021 with the following as the members of the ICC., Mrs Divya T (Presiding officer), Mrs Saritha K, Mr. Nishanth B.S, Mr Yogeesha K and Mrs Priya D'souza. During the financial year ended 31st March, 2021, 3 meetings were held and 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. During the year, the Company has not received any Complaints under the Vigil mechanism.

Details of frauds reported by auditors under Section 143(12) other than those which are reportable to the Central Government – Nil

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:

<table>
<tr><td colspan="2">(A) Conservation of Energy :</td></tr>
<tr><td>i) the steps taken or impact on conservation of energy</td><td rowspan="3">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.</td></tr>
<tr><td>ii) the steps taken by the company for utilizing alternate sources of energy</td></tr>
<tr><td>iii) the capital investment on energy conservation equipment's;</td></tr>
<tr><td>(B) Technology absorption :</td><td></td></tr>
<tr><td>(i) the efforts made towards technology absorption</td><td>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.</td></tr>
<tr><td>(ii) the benefits derived like product improvement, cost reduction, product development or import substitution</td><td>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.</td></tr>
<tr><td>(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)</td><td rowspan="4">Not applicable since 5 years period is over.</td></tr>
<tr><td>(a) the details of technology imported</td></tr>
<tr><td>(b) the year of import;</td></tr>
<tr><td>(c) whether the technology been fully absorbed</td></tr>
</table>

(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	**2020-21**	**2019-20**
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo	Rs 2,89,27,626	Rs 6,37,96,038

Extract of Annual Return

Pursuant to section 134(3)(a) and section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, a copy of the annual return is placed on the website of the Company and can be accessed at https://www.mangaloresez.com/index.php/about-us/annual-reports.

Particulars of Employees

Since, your Company is an unlisted company, the Company is not required to provide any disclosures required in terms of Section 197(12) and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. However, any such information required 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. As part of the Compliance requirement to KSPCB directions for operational of CETP, the Company had installed online analysers to monitor the quality of inlet and outlet parameters of effluents to the CETP and the same is being uploaded to CPCB and KSPCB on real-time basis.

Acknowledgment

Your directors wish to express a deep sense of gratitude and acknowledge the co-operation, assistance and support extended by the Central and State Government, Government departments & agencies, Banks and local authorities for their continued guidance and support. The Directors also wish to place on record their sincere appreciation for the total commitment,

dedication and hard work put in by the employees at all levels for the development of the Company.

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

On Behalf of the Board
For Mangalore SEZ Limited

	Sd/-	**Sd/-**
Place : Mangalore	**Venkatesh Madhava Rao**	**Srinivas S Kamath**
Dated : 28/07/2021	**Director**	**Director**
	DIN : 07025342	**DIN : 01079043**

ANNEXURE I TO BOARD'S REPORT

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

(FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2021)

[Pursuant of 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
Sy. No 168/3A, Plot No U-1,
Administrative Building,
Mangalore Special Economic Zone,
Bajpe Village, Mangalore- 574 142

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 on 31st March 2021 complied with the statutory provisions listed 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 2021 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 Depository Act, 1996 and the Regulations and Byelaws to the extent applicable to the 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.

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, 2013 and the rules made thereunder 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: there were no events observed that required the closure of Register of Members during the year under review.
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 for the calendar year 2020 was held on 29.09.2020.
h) Minutes of proceedings of General Meetings and of the Board and its Committee meetings. 4 Board Meetings, 5 Audit Committee Meetings, 1 CSR Committee Meeting, 1 NRC Meeting and 1 Independent Directors' Meeting were conducted in the period under review;
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 Whole-time Directors;
k) There was no payment of remuneration to Directors including the Whole-time Directors except payment of sitting fees to Independent Directors for attending the Board and Audit Committee;
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; There were no such events observed during the year under review;
n) Declaration and payment of dividends if any: is not applicable.
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 (Nil), 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.

For S U & ASSOCIATES LLP
LLP Identification Number: AAM-9499
Sd/-
Designated Partner

Sd/-
ULHAS S BHAT
(DPIN 07104951)
FCS No.7116, CP No.7806
PRACTISING COMPANY SECRETARY
UDIN: F007116C000643611

Place: Mangalore
Date: 16 July 2021

ANNEXURE II TO BOARD'S REPORT

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020-21

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, 2021, the Company's Board of Directors comprised of Seven Directors consisting of Five Non-Executive Directors and Two 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 Subhash Kumar	Nominee Director from ONGC.	Non-Executive Director
Shri M.Venkatesh	Nominee Director from ONGC	Non-Executive Director
Shri Paritosh Kumar Gupta	Nominee Director of IL&FS	Non-Executive Director
Shri Isaac Vas	Nominee Director of KCCI	Non-Executive Director
Shri I S N Prasad	Independent Director	Non-Executive Director
Shri Srinivas S Kamath	Independent Director	Non-Executive Director

Changes during the financial year 2020-21:

Name of the Director	*Date of Resignation/tenure*	*Remarks*
Shri Nand Kishore	*11/09/2020*	Resigned as Director of the Company.

Name of the Director	*Date of Appointment*	*Remarks*
Shri ISN Prasad	*04/06/2020*	*Appointed as Independent Director for 2 Years*

Changes in the Board of Directors after 31st March 2021.

1. Consequent upon superannuation from the services of ONGC as Chairman and Managing Director, Shri Shashi Shanker has tendered his resignation as the Chairman/Director on the Board of Company with effect from 01st April, 2021
2. Shri Paritosh Kumar Gupta has tendered his resignation as Director (Nominee of IL&FS) w.e.f 12th June, 2021.

3. Shri Subhash Kumar was appointed as Chairman of the Board w.e.f 06th April, 2021.
4. Shri Anurag Sharma (Nominee of ONGC) was appointed as Additional Director w.e.f 09th June, 2021.

The Board places on record its appreciation for the valuable services rendered by the Shri Shashi Shanker, Chairman and Shri Paritosh Kumar Gupta, Director during their tenure with the Company.

Directors Appointments/Re-appointments

In terms of Section 152 of the Companies Act, 2013, Shri Subhash Kumar, Chairman (DIN 07905656) 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 Anurag Sharma (DIN: 08050719) who was appointed as additional director by the Board on 09th June, 2021 is proposed to be appointed as Nominee Director (Nominee of ONGC) at the ensuing Annual General Meeting. The Board of Directors of the Company recommends his appointment.

A Statement showing the particulars of Directors as per the corporate governance regulations is Annexed to the Notice of 15th Annual General Meeting.

Board Meetings held during the financial year 2020-21

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
62nd	04th June, 2020	New Delhi
63rd	02nd September, 2020	New Delhi
64th	05th November, 2020	New Delhi
65th	29th January, 2021	New Delhi

Attendance of Directors as on March 31, 2021 at the Board meetings held during the financial year 2020-21 and attendance at the 14th 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 14th AGM	Directorships in other companies*	No. of outside committee #	
					Member	Chairman
Shri Shashi Shanker	4	4	Absent	7	-	-
Shri Subhash Kumar	4	4	Present	6	4	-
Shri M.Venkatesh	4	4	Present	4	-	-
Shri ISN Prasad	4	4	Absent	11	5	1

Shri Srinivas S Kamath	4	4	Present	-	-	-
Shri Paritosh Kumar Gupta	4	2	Present	9	3	-
Shri Isaac Vas	4	3	Present	2	-	-

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

Details of attendance of Directors (resigned during the year/completed tenure) at the Board meetings held during the financial year 2020-21 and attendance at the 14th 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 14th AGM	Directorships in other companies*	No. of outside committee #	
					Member	Chairman
Shri Nand Kishore	4	1	Absent	9	5	4

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. Accordingly, the existing independent Directors registered in the data bank of Independent Directors were re-appointed for another term of 2 years.

Following are the Independent Directors as at 31st March, 2021.

Name	Effective date of Appointment	Tenure
Shri Srinivas S. Kamath	28th March 2020	2 Years
Shri ISN Prasad	04th June, 2020	2 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:

Among the Non-Executive Directors, Shri Paritosh Kumar Gupta, Nominee Director holds 500 Equity 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 Companies Act, 2013. 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.
- review of annual capital and revenue budgets

Five meetings of the Audit Committee were held during the financial year 2020-21;

Number of the meeting	**Date of Meeting**	**Place of meeting**
46th	03rd June, 2020	Mangalore
47th	14th July, 2020	Mangalore
48th	28th August, 2020	Mangalore
49th	05th November, 2020	Mangalore
50th	29th January, 2021	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	5	5
Shri Subhash Kumar	Member	5	4
Shri ISN Prasad*	Member & Independent Director	5	3

*Member w.e.f 04/06/2020.

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 re-constituted on 03rd February, 2020 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.

One meeting of the Corporate Social Responsibility Committee was held during the financial year 2020-21;

Number of the meeting	Date of Meeting	Place of meeting
13th	03rd June, 2020	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	1	1
Shri Paritosh Kumar Gupta	Member	1	1
Shri Isaac Vas*	Member	1	1

* Member w.e.f 03rd February, 2020

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).

d. Review the organogram, HR policy framework, compensation structure bench marked to (a) other companies in infrastructure arena, other JV's of ONGC, the KPI's of different roles of the executives and the role relationship amongst the intra functional and inter functional teams of the Company for the Construction phase and O&M phase

One meeting of the Nomination and Remuneration Committee was held during the financial year 2020-21;

Number of the meeting	Date of Meeting	Place of meeting
12th	03rd June, 2020	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 tenure	No. of meetings attended
Shri Srinivas S Kamath	Chairman & Independent Director	1	1
Shri ISN Prasad *	Member & Independent Director	1	NA
Shri M.Venkatesh	Member	1	1
Shri Subhash Kumar	Member	1	1

*Member w.e.f 04/06/2020.

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 from 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.

4. Consideration of proposals of new capital investment, marketing related proposals beyond the approved business plan under the Scope of the Committee of Directors.

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.

One COD Meeting was held during the financial year 2020-21 on 15th January, 2021.

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

Name of Director	Designation	No. of meetings held during the period	No. of meetings attended
Shri Paritosh Kumar Gupta	Member	1	1
Shri M.Venkatesh	Member	1	1

Name of Director	Designation	No. of meetings held during the period	No. of meetings attended
Shri Srinivas S Kamath	Member	1	1

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 2020-21 are provided hereunder

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

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

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;	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 2018	28th September, 2018.	12.30 Hrs	The Ocean Pearl, Navabharath Circle, Kodialbail, Mangalore- 575 003	Appointment of Shri Paritosh Kumar Gupta as Managing Director
31st March 2019	27th September, 2019.	12.30 Hrs	The Gateway Hotel, Old Port Road, Bunder, Mangalore – 575 001	Re-Appointment of Shri Paritosh Kumar Gupta as Managing Director for Six months with effect from May 19, 2019.

31st March 2020	29th September, 2020.	9.45 Hrs	Registered office through Video conferencing /Other audio visual means	Nil

Extra-ordinary General Meeting

During the year under review, the company has conducted One Extra-Ordinary General Meeting on 26th June, 2020.

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, 2021.

CEO and CFO Certification

Certificate on the financial statement and internal controls relating to financial reporting from Chief Executive Officer and Chief Financial Officer for the year ended 31st March, 2021 was submitted to the Board at its meeting held on 04th May, 2021.

General Shareholder Information

a. 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.

b. The Annual General Meeting is scheduled to be held on 10/09/2021.

c. Financial Calendar: April to March

d. Book Closure: None

e. ISIN: INE04YJ01012

f. Registrars/Transfer Agent: **KFIN Technologies Private Limited.**
Karvy Selenium, Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad – 500 032, Telangana
Contact person: Mr. Hanumantha Rao P, Sr Manager–
Corporate Registry, (040) 67162222/ 6716 1602
email: hanumantha.patri@kfintech.com

g. Shareholders' Enquiries: Shri V.Phani Bhushan, Company Secretary, E-mail ID for shareholders' queries: Email: phanibhushan @msezl.com.

h. **Address for correspondence:** Sy.No 168/3a, Plot No U-1, Administrative Building, Mangalore Special Economic Zone, Bajpe Village, Mangalore Taluk, Dakshina Kannada (Dist), Karnataka – 574142.

i. **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.

j. **Designated Exclusive email-id**: The Company has designated the following email-id exclusively for investor services: info@msezl.com

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

Shareholding Pattern as on 31st March 2021:

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 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

	Sd/-	**Sd/-**
Place : Mangalore	**Venkatesh Madhava Rao**	**Srinivas S Kamath**
Dated : 28/07/2021	**Director**	**Director**
	DIN : 07025342	**DIN : 01079043**

ANNEXURE III TO BOARD'S REPORT

FORM NO AOC-2

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

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

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

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

1. 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**	**Hindustan Petroleum Corporation Ltd**
A	Nature of Relationship	Associate	Associate	Associate	ONGC-Ultimate holding company	Subsidiary of ONGC	Subsidiary of ONGC
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	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021
D	Salient terms of the contracts or arrangements or transaction including the value, if any	Nil	a) Service received – Deputation of MD	a) Services received – Annual lease rent	a) Supply of services-Annual lease rental b) Sale of products c) Supply of Services d) Supply of other services e) Interest expense on security deposit f)Other payable	a) Sale of products b) Supply of services c) Supply of other services d)Other payable	a) Supply of Service
E	Justification for entering into such contracts or arrangements or transactions	Ordinary Course of Business	Ordinary course of business	Ordinary course of business	Ordinary course of business	Ordinary course of business	Ordinary course of business
F	Date of approval by the Board	Not Applicable.	Not Applicable.	Not Applicable	Not Applicable	Not Applicable	Not Applicable
G	Amount incurred during the year (Rs In Lakhs)	Nil	Nil	a) 6.83	a)233.96 b)2977.30 c)1030.84 d)29.99 e)23.81 f) 0	a)2541.56 b)2564.96 c)350.13 d) 0	a)61.11

S.No	Name (s) of the related party	**Mangalore STP Ltd**	**MSEZ Power Ltd**	**Key Managerial Personnel**	**Key Managerial Personnel**	**Key Managerial Personnel**
A	Nature of Relationship	Subsidiary Company	Wholly owned Subsidiary company	Chief Executive Officer	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	Remuneration	Remuneration	Remuneration
C	Duration of the contracts/ arrangements / transaction	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021	01.04.2020 to 31.03.2021
D	Salient terms of the contracts or arrangements or transaction including the value, if any	a) Supply of goods	a) Supply of services	Chief Executive Officer	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
F	Date of approval by the Board	Not applicable	Not applicable	13/05/2019	21/09/2019	12/05/2016
G	Amount incurred during the year (Rs In Lakhs)	a) 522.38	a) 0.28	62.04	33.18	24.51

On Behalf of the Board
For Mangalore SEZ Limited

Sd/-
(Venkatesh Madhava Rao)
Director
DIN : 07025342

Sd/-
(Srinivas S Kamath)
Director
DIN : 01079043

Place : Mangalore
Dated : 28/07/2021

ANNEXURE IV TO BOARD'S REPORT

Format of the Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2020-21

1. **Brief outline on CSR Policy of the Company**
   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 2019-20. The CSR Policy is available at companies Website viz www.mangaloresez.com under policies.

2. **Composition of CSR Committee:**

   Pursuant to the provisions of Section 135 of the Companies Act, 2013 read with the allied rules, the Company's CSR Committee, comprises of the following members as on 31st March, 2021:

S.No	Name of the Director	Designation/Nature of Directorship	No.of Meetings of CSR Committee held during the year	No.of Meetings of CSR Committee attended during the year
1	Shri Srinivas S Kamath	Chairman of Committee & Independent Director	1	1
2	Shri Paritosh Kumar Gupta	Member of Committee & Nominee Director	1	1
3	Shri Isaac Vas	Member of Committee & Nominee Director	1	1

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.**

   The CSR Committee has allocated Nil budget for CSR activities for the FY 2020-21 as the average net profits of the Company is negative. The CSR Policy is available at companies Website viz www.mangaloresez.com under policies.

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report). –** Not Applicable.

5. **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any**

S.No	Financial Year	Amount available for set-off from preceding financial years (in Rs)	Amount required to be setoff for the financial year, if any (in Rs)
	Nil		

6. **Average net profit of the company as per section 135(5)** : Rs (5.98) Cr.

7. **Total CSR Obligation for the Financial Year 2020-21:**

SL. No.	Particulars	Amount in Rs Cr
a)	Two (2) % percent of average net profit of the company as per section 135(5)	(0.1196)
b)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years.	0
c)	Amount required to be set off for the financial year	0
	Total CSR obligation for the financial year(a+b+c)	**(0.1196)**

8. (a) CSR amount spent or unspent for the financial year:

Total Amount spent for the Financial Year (in Rs.)	**Amount Unspent (in Rs.)**				
	Total Amount transferred to unspent CSR Account as per section 135(6)		**Amount transferred to any fund specified under schedule VII as per second proviso to section 135(5)**		
	Amount.	**Date of transfer.**	**Name of the fund**	**Amount**	**Date of transfer**
1,93,384*	**NA**	**NA**	**NA**	**NA**	**NA**

*Represents amounts from CSR Budget of 2019-20 carried forward and spent during the FY 2020-21.

(b) DETAILS OF CSR AMOUNT SPENT AGAINST ONGOING PROJECTS FOR THE FINANCIAL YEAR 20-21:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. no.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes /No)	Location of the project		Project Duration	Amount allocated for the project (in Rs.).	Amount spent /disbursed in the current financial Year (in Rs.) #	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.)	Mode of Implementa tion - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number.
	Not Applicable											

(c) DETAILS OF CSR AMOUNT SPENT AGAINST OTHER THAN ONGOING PROJECTS FOR THE FINANCIAL YEAR FY 2020-21:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
S.No.	Name of the Project	Item from the list of activities in schedule VII of the Act.	Local area (Yes/No)	Location of the project		Amount spent for the project (in Rs.)	Mode of implementation – Direct yes /No)	Mode of implementation Through implementing agency	
				State	District			Name	CSR Registration number
Not Applicable									
	Total (c)								

a. **Amount spent in Administrative Overheads : Nil**

b. **Amount spent on Impact Assessment, if applicable : Nil**

c. **Total amount spent/disbursed for the Financial Year- (8b+8c+8d+8e) - Rs 193,384/-**

d. **Excess amount for set off, if any NIL**

Sl.No.	Particular	Amount (in Rs.)
i.	Two percent of average net profit of the company as per section 135(5)	Nil
ii.	Total amount spent/disbursed for the Financial Year 20-21	Nil
iii.	Excess amount spent for the financial year [(ii)-(i)]	Nil
iv.	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
v.	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

9 **(a) Details of Unspent CSR amount for the preceding three financial years:**

Sl. No.	Preceding Financial Year	Amount transferred to unspent CSR Account under section 135(6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.)
				Name of the Fund	Amount Rs).	Date of transfer.	
1	19-20	Nil	1,93,384	Nil	Nil	Nil	Nil
2	18-19	NIl	Nil	Nil	Nil	Nil	Nil
3	17-18	Nil	Nil	Nil	Nil	Nil	Nil
	Total			Nil	Nil	Nil	Nil

(b) Details of CSR amount spent in the financial year FY 20-21 for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial year in which the project was commenced	Project duration	Total amount allocated for the project (in Rs.) As per Budget	Amount spent on the project in the reporting Financial Year (in Rs).	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed /Ongoing.
1	Nil	Arogya Vikas	2019-20	NA	6,00,000	1,69,991	3,21,864	Completed
2	Nil	Vidya Vikas	2019-20	NA	6,00,000	23,393	8,92,136	Completed
			Total			1,93,384		

*Unspent Amount of Rs. 1,93,384 from FY 2019-20 budget was spent in financial year i.e. 2020-2021

1. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details).- NIL

   (a) Date of creation or acquisition of the capital asset(s). – N.A.

   (b) Amount of CSR spent for creation or acquisition of capital asset. -N.A.

c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.- N.A.

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).- N.A.

2. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). – Not Applicable

Sd/- **Venkatesh Madhava Rao** **Director** **DIN : 07025342**	**Sd/-** **Srinivas S Kamath** **Chairman CSR Committee** **DIN : 01079043**

Annexure V to Board's 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 Lakhs

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	5.00
4	Other Equity	0	(0.95)
5	Total Assets	206.98	4.67
6	Total Liabilities	206.98	4.67
7	Investment other than investment in Subsidiary	0	0
8	Turnover/other income	746.25	0.34
9	Profit /(Loss)before Tax	0	0.07
10	Provision for Taxation	0	0.01
11	Profit /(Loss)after taxation	0	0.06
12	Proposed Dividend	0	0
13	% of share holding	70	100

*turnover do not include other income

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

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

On Behalf of the Board
For Mangalore SEZ Limited

	Sd/-	**Sd/-**
Place : Mangalore	**Venkatesh Madhava Rao**	**Srinivas S Kamath**
Dated : 28/07/2021	**Director**	**Director**
	DIN : 07025342	**DIN : 01079043**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MANGALORE SEZ LIMITED

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Mangalore SEZ Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, the loss and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

We draw attention to –

1. Notes 8 and 13 (a) of the standalone financial statements regarding receivable from JBF Petrochemicals Limited of Rs.17,162.15 lakhs for which the company has filed an application with National Company Law Tribunal as operational creditor to initiate Corporate insolvency Resolution process under the IBC Code. The entire amount of receivable has been credit-impaired due to non – recovery as against which the ECL provision is made only for Rs. 9,117.16 Lakhs.

2. Notes 13 (c) of the standalone financial statements, on termination of Memorandum of Understanding (MOU) entered into with M/s Trident Infrastructures, the advance amount received from Trident attracts forfeiture. The company has grouped the lease receivable amounting to Rs. 1,387.61 Lakhs (Net of Fair Value Loss provision of Rs. 234.09 Lakhs) with un-amortized lease premium liability balance of Rs. 1,792.09 Lakhs as on 31.03.2021.Hence, the difference of Rs. 404.48 Lakhs has not been recognized in the accounts during the year 2020-21.

Our opinion is not modified in respect of these matters.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit 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, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, as amended.

   e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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, as amended 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 financial statements – Refer Note no. 52(b) to the standalone financial statements.

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

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

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

For **RAY & RAY**
Chartered Accountants
(Firm's Registration No. 301072E)

Sd/-
Shipra Gupta
Partner
(Membership No. 436857)
UDIN : 21436857AAAAAP1240

Place: Bangalore
Date: 4th May, 2021

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Mangalore SEZ Limited of even date)

Report on the Internal Financial Controls Over Financial Reporting 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, 2021 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company 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. 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 respective 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 internal financial controls system over financial reporting of the Company.

Meaning of Internal Financial Controls Over Financial Reporting

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

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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, generally an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, 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 **RAY & RAY**
Chartered Accountants
(Firm's Registration No. 301072E)

Sd/-
Shipra Gupta
Partner
(Membership No. 436857)
UDIN : 21436857AAAAAP1240

Place: Bangalore
Date: 4th May, 2021

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Mangalore SEZ Limited of even date)

i. In respect of the Company's Property, Plant & Equipment (PPE):

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

(b) The management has the program to verify all the PPE over the period of three years to cover all the assets owned by the company in a phased manner. Though, no Physical Verification has been made during current year, the management has conducted physical verification of all PPE over the past three years. In our opinion, the reasonableness and the frequency of Physical verification of the assets is commensurate with the size and the nature of the assets of the Company.

(c) According to the information and explanations given to us, and the records examined by us, we report that, out of the total leasehold immovable properties as mentioned in Note 46 of the Financial Statements, registered title deeds in the name of the Company are not available for the following as on 31.03.2021 –

1) 290.3792 acres of land outside notified area.
2) 83.3429 & 92.2373 acres of land is handed over to Project Displaced Families and Local bodies as per the Gok, R&R Policy.

ii. The Company does not have any inventories. Accordingly, reporting under clause 3 (ii) of the Order is not applicable to the Company.

iii. According to the information and explanations given to us, the Company has not granted loans, secured or unsecured, to companies, firms, and limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013

iv. In our opinion and according to the information and explanations given to us, as the Company has not granted loans, made investments or provided guarantees and securities, the compliance to provisions of Sections 185 and 186 of the Act does not arise.

v. The Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2021 and therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.

vi. In our opinion and according to the information and explanations given to us and on the basis of Compliance Certificate issued by an independent Cost Auditor, the Company has generally complied with the Rules made by the Central Government for the maintenance of cost records under section 148 of the Companies Act, 2013.

vii. According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There are no dues of Income Tax, Goods and Service Tax, Sales Tax, Service Tax, Excise Duty, Value Added Tax, Cess, etc which have not been deposited as at March 31, 2021 on account of any dispute.

viii. The company has not defaulted in repayment of dues to financial institutions, bank, Government or to the debenture holders.

ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans during the year and hence reporting under clause 3 (ix) of the Order is not applicable to the Company.

x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

xi. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.

xiii. In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

xiv. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.

xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

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

For **RAY & RAY**
Chartered Accountants
(Firm's Registration No. 301072E)

Sd/-

Shipra Gupta
Partner
(Membership No. 436857)
UDIN 21436857AAAAAP1240
Place: Bangalore
Date: 4th May, 2021

Mangalore SEZ Limited

Balance Sheet

as at 31st March, 2021

(Rs. in lakhs)

		Notes	As at 31.03.2021	As at 31.03.2020
	ASSETS			
(1)	**Non-current assets**			
	(a) Property, plant and equipment	3	80,359.13	78,216.28
	(b) Capital work in progress	4	13,335.68	19,098.78
	(c) Investment Property	5	46,487.98	45,702.69
	(d)Other Intangible Assets	6	1,188.52	1,257.33
	(e) Financial Assets			
	(i) Investments	7	8.50	8.50
	(ii) Trade Receivables	8	729.60	820.80
	(iii) Loans	9	704.78	638.79
	(iv) Others	10	0.49	0.25
	(f) Other non-current assets	11	1,601.00	974.69
			1,44,415.68	**1,46,718.11**
(2)	**Current assets**			
	(a) Financial Assets			
	(i) Investments	12	5,720.87	3,882.20
	(ii) Trade receivables	13	8,970.20	13,889.58
	(iii) Cash and cash equivalents	14	244.51	530.72
	(iv) Bank Balances other than (iii) above	15	2,805.61	3,434.73
	(v) Loans	16	24.25	0.25
	(vi) Others	17	64.28	114.42
	(b) Current tax asset (Net)	18	131.07	622.59
	(c) Other current assets	19	423.78	494.86
			18,384.57	**22,969.35**
	Total Assets		**1,62,800.25**	**1,69,687.46**
	EQUITY AND LIABILITIES			
(1)	**EQUITY**			
	(a) Equity Share capital	20	5,000.12	5,000.12
	(b) Other equity	21	(3,801.14)	(604.68)
			1,198.98	**4,395.44**
	LIABILITIES			
(2)	**Non-current liabilities**			
	(a) Financial Liabilities			
	(i) Borrowings	22	51,059.43	53,347.43
	(ii) Other financial liabilities	23	7,022.60	2,514.79
	(b) Provisions	24	214.23	209.86
	(c) Deferred tax liabilities (Net)	25	2,067.99	1,038.21
	(d) Government grant	26	1,777.88	1,872.75
	(d) Other Non Current Liabilities	27	89,596.28	91,933.53
			1,51,738.41	**1,50,916.57**
(3)	**Current liabilities**			
	(a) Financial Liabilities			
	(ii) Trade payables	28		
	- To Micro and Small enterprises		164.54	20.05
	- To Others		889.24	1,806.85
	(iii) Other financial liabilities	29	4,721.43	8,061.74
	(b) Other current liabilities	30	2,888.00	2,922.23
	(c) Provisions	31	1,117.15	1,531.58
	(d) Government grant	32	82.50	33.00
			9,862.86	**14,375.45**
	Total liabilities		**1,61,601.27**	**1,65,292.02**
	Total Equity and Liabilities		**1,62,800.25**	**1,69,687.46**

Significant accounting policies and key accounting estimates and judgements Notes 1 to 2

The accompanying notes are an integral part of these financial statements Notes 3 to 54

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)
Sd/-

Shipra Gupta
Partner
Membership No. 436857

Place: BANGALORE
Date: 04-05-2021

For and on behalf of the Board

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

Sd/-
Srinivas S Kamath
Director
DIN: 01079043

Sd/-
V Suryanarayana
Chief Executive Officer

Sd/-
K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary

Place: MANGALORE
Date: 04-05-2021

Mangalore SEZ Limited

Statement of Profit and Loss

for the period ended 31st March, 2021

(Rs. in lakhs)

	Particulars	Notes	Year 2020-21	Year 2019-20
I	Revenue from Operations	33	16,512.40	17,406.53
II	Other Income	34	436.03	746.03
III	**Total Income (I+II)**		**16,948.43**	**18,152.56**
IV	**EXPENSES**			
	Cost of materials consumed	35	4,908.52	4,452.00
	Employee benefit expense	36	709.45	757.56
	Finance costs	37	4,491.54	5,060.35
	Depreciation and amortisation expense	38	3,612.65	4,391.01
	Net impairment losses on financial assets	39	2,526.18	2,800.90
	Other expenses	40	2,833.27	3,676.98
	Total Expense (IV)		**19,081.61**	**21,138.81**
V	**Profit/(loss) before exceptional items and tax (III - IV)**		**(2,133.18)**	**(2,986.25)**
VI	Exceptional items		-	-
VII	**Profit/(loss) before tax (V - VI)**		**(2,133.18)**	**(2,986.25)**
VIII	**Tax expense**	41		
	(1) Current tax		45.10	28.94
	(2) Deferred tax		1,026.77	148.27
	Total Tax expense		**1,071.87**	**177.21**
IX	**Profit/(loss) for the period from continuing operations (VII - VIII)**		**(3,205.05)**	**(3,163.46)**
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)**		**(3,205.05)**	**(3,163.46)**
XIV	**Other Comprehensive Income**			
	Items that will not be reclassified to profit or loss			
	(a) Remeasurement of the defined benefit plans		11.61	(8.43)
	(b) Income tax relating to the above		(3.02)	2.19
			8.59	**(6.24)**
XV	**Total Comprehensive Income for the period (XIII+XIV)**		**(3,196.46)**	**(3,169.70)**
XVI	**Earnings per equity share:**	50		
	(1) Basic		(6.41)	(6.33)
	(2) Diluted		-	-

Significant accounting policies and key accounting estimates and judgements Notes 1 to 2
The accompaying notes are an integral part of these financial statements Notes 3 to 54

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)

Sd/-

Shipra Gupta
Partner
Membership No. 436857

For and on behalf of the Board

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

Sd/-
Srinivas S Kamath
Director
DIN: 01079043

Sd/-
V Suryanarayana
Chief Executive Officer

Sd/-
K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary

Place: BANGALORE
Date: 04-05-2021

Place: MANGALORE
Date: 04-05-2021

Mangalore SEZ Limited

Statement of Changes in Equity

for the period ended 31st March, 2021

(A) Equity Share Capital

(Rs. in lakhs)

Balance at the beginning of the reporting period April 01, 2020	**5,000.12**
Changes in equity share capital during the year	-
Balance at the end of the reporting period March 31, 2021	**5,000.12**

(B) Other Equity

(Rs. in lakhs)

Particulars	Reserves and Surplus Retained Earnings	TOTAL
Balance at the end of the reporting period March 31, 2019	**2,565.02**	**2,565.02**
Changes in accounting policy	-	-
Restated balance at the beginning of the reporting period April 01, 2019 (A)	**2,565.02**	**2,565.02**
Additions during the year:		
Profit/(Loss) for the year	(3,163.46)	**(3,163.46)**
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	(6.24)	**(6.24)**
Total Comprehensive Income for the period March 31, 2020 (B)	(3,169.70)	**(3,169.70)**
Reductions during the year:		
Transfer to general reserves	-	-
Any other change -	-	-
Total (C)	-	-
Balance at the end of the reporting period March 31, 2020 (D= A+B+C)	(604.68)	**(604.68)**
Changes in accounting policy	-	-
Restated balance at the beginning of the reporting period April 01, 2020 (E)	(604.68)	**(604.68)**
Additions during the year:		
Profit/(Loss) for the year	(3,205.05)	**(3,205.05)**
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	8.59	**8.59**
Total Comprehensive Income for the period March 31, 2021 (F)	(3,196.46)	**(3,196.46)**
Reductions during the year:		
Transfer to general reserves	-	-
Any other change	-	-
Total (G)	-	-
Balance at the end of the reporting period March 31, 2021 (E+F-G)	**(3,801.14)**	(3,801.14)

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)

Sd/-

Shipra Gupta
Partner
Membership No. 436857

For and on behalf of the Board

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DIN: 01079043

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K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary

Place: BANGALORE
Date: 04-05-2021

Place: MANGALORE
Date: 04-05-2021

Mangalore SEZ Limited

Cash Flow Statement

for the period ended 31st March, 2021

(Rs. in lakhs)

	Particulars	Year 2020-21		Year 2019-20	
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**				
	Profit before tax	**(2,133.18)**		**(2,986.25)**	
	Adjustments for:				
	- Depreciation and amortisation	3,612.65		4,391.01	
	- Impairment	2,526.18		3,157.79	
	- Finance cost	4,274.37		4,781.72	
	-Interest on lease liability	208.41		211.66	
	-Provision for Gratuity	22.50		20.94	
	-Provision for Leave Encashment	14.98		32.35	
	-Provision for other Employee benefits	79.17		63.97	
	- Insurance claim received	-		(17.05)	
	-Interest Income	(138.80)		(129.98)	
	-Dividend Income	-		(278.74)	
	-Gain on sale of investments	(128.31)		-	
	-Fair value gain on mutual funds	(25.83)		-	
	-Deferred Government Grant	(45.38)		(33.00)	
	-Other (describe) - (Profit)/Loss on sale of asset & Loss on sale of asset	17.40		17.12	
	Operating Profit before Working Capital Changes	**8,284.18**		**9,231.54**	
	Adjustments for:-				
	-(Increase)/decrease in Trade and other receivables	2,484.40		(483.61)	
	-(Increase)/decrease in Other assets	18.39		(348.10)	
	-Increase/(Decrease) in Trade payable and other liabilities	(2,592.25)		(1,350.82)	
	Increase/(Decrease) in provisions	(111.38)		(88.87)	
11	Other Non Current Assets (excld…income tax)	4.19		4.19	
8,13	-Receivables	2,484.40		(483.61)	
9,10,16	Non Current Assets - Other financial assets	(90.23)		(110.96)	
17	Current Assets - Other Financial assets	33.35		(43.57)	
19	Current Assets - Other Current Assets	71.08		(197.77)	
23	Non Current Liabilities - Other Financial Liabilities	4.81		141.74	
24,30	Gratuity & Leave Encashment Paid	(24.99)		(35.10)	
26	Non Current Liabilities - Other Non Current Liabilities	(2,337.25)		(2,133.15)	
27	Current Liabilites - Trade Payable	179.64		761.69	
28	Current Liabilities Other Current Financial Liability	5.71		288.43	
30	Provisions	-410.92992		(19.61)	
	Employee PLI and LTA paid	(86.39)		(53.77)	
29	Current Liabilites -Other Current Liabilities	(34.23)		(389.92)	
	-Other (describe)				
	Cash generated from Operating activities	**8,083.34**		**6,960.14**	
	Income Tax Paid (net of refund)	(184.08)		(632.70)	
	Net Cash generated from Operating activities		**7,899.26**		**6,327.45**
B.	**CASH FLOW FROM INVESTING ACTIVITIES:**				
	Payments for Property, plant and equipment	(364.24)		(2,272.55)	
	Payments/receipts for investment property	(785.29)		(49.39)	
	Payment for intangible asset	-		(2.70)	
	Insurance claim receipt and Proceeds from sale of Property, plant and equipment	-		17.28	
	Investment in term deposits	(344.36)		(2,080.40)	

Mangalore SEZ Limited

Cash Flow Statement

for the period ended 31st March, 2021

	Proceeds from maturity of term deposits	973.48		-	
	Dividend received from Others	-		278.74	
	Gain on redemption of mutual funds	128.31		-	
	Fair value gain on mutual funds	25.83		-	
	Interest received	155.58		122.34	
	Net Cash (used) in Investing activities		**(210.69)**		**(3,986.68)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES:**				
	Repayment of current borrowings	(1,649.70)		-	
	Repayment of non-current borrowings	(1.08)		(2.32)	
	Finance Cost paid	(4,260.81)		(4,769.01)	
	Interest paid on lease liability	(208.41)		(211.66)	
23	Principal paid of lease liability	(16.11)		(11.11)	
	Net Cash (used) in Financing activities		**(6,136.11)**		**(4,994.10)**
D	**Net (Decrease)/Increase in cash and cash equivalents [A+B+C]**		**1,552.46**		**(2,653.33)**
	Add: Opening Cash and Cash Equivalents		4,412.92		7,066.25
	Closing Cash and cash Equivalents		**5,965.38**		**4,412.92**

Continued

Mangalore SEZ Limited

Cash Flow Statement

for the period ended 31st March, 2021

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.

iv Cash and cash equivalents as per above statement comprises as under:

(Rs. in lakhs)

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
Balances with Banks:		
-Current account	244.42	530.66
Cash on hand	0.09	0.06
Investment in liquid mutual funds	5,720.87	3,882.20
Cash and cash equivalents in Cash Flow Statement	**5,965.38**	**4,412.92**

v Statement showing reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes

(Rs. in lakhs)

Particulars	As at 01.04.2020	Cash Flows	Non-cash changes		As at 31.03.2021
			Fair value changes	Current/Non-current classification	
Borrowings - Non Current	53,347.43	(1.08)	17.98	(2,304.90)	51,059.43
Other Financial Liabilities	1,649.70	(1,649.70)	-	2,304.90	2,304.90

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)
Sd/-
Shipra Gupta
Partner
Membership No. 436857

For and on behalf of the Board

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

Sd/-
Srinivas S Kamath
Director
DIN: 01079043

Sd/-
V Suryanarayana
Chief Executive Officer

Sd/-
K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary

Place: BANGALORE
Date: 04-05-2021

Place: MANGALORE
Date: 04-05-2021

1. Corporate information

Mangalore SEZ Limited (MSEZL) is a Public Limited Company domiciled and incorporated in India having its registered office at Survey No. 168/3A, Plot No U-1, Administrative Building, Mangalore Special Economic Zone, Bajpe Village Mangalore Taluk, Karnataka -574 142

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	10
Car Parking Shed	20
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.

The company follows a plan of physical verification of items of Property, Plant and Equipment so as to ensure full coverage over 3 years in a phased manner. This would provide adequate control having regard to the nature of assets and the operations of the Company.

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 Revenue recognition

Under Ind AS 115, Revenue is recognized upon transfer of control of promised products or services to consumers in an amount that reflects the consideration we expect to receive in exchange of those products or services.

a) Sale of Goods

Revenue arising from sale of goods is recognized when the control is 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 supply of River water and Tertiary Treated Plant are recognized on the basis of quantity committed/delivered to the units and invoiced at the agreed rates.
2. Income from distribution of power is recognized as per actual consumption billed at Karnataka Electricity Regulatory Commission (KERC) approved tariff.

b) 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), CETP Treatment and Usage Charges are recognized based on the agreed rates with the units.
2. Marine outfall usage charges, Corridor Usage charges, CETP joining fees, internal corridor charges received in advance are recognized over the useful life of the asset on proportionate basis.

c) 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.

2.12 Leases

The Company has adopted Ind AS 116 "Leases" effective 1st April, 2019, as notified by the Ministry of Corporate Affairs (MCA) vide Companies (Indian Accounting Standard), Amendment Rules, 2019, using the modified retrospective method.

On transition, the adoption of the standard resulted in recognition of Right-to-Use assets with corresponding equivalent lease liabilities (Refer Note 43).

Lease Income and Lease rentals paid are recognized in accordance with the recognition and measurement principles as per Ind AS 116.

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

2.13 Foreign Exchange Transaction

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

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

At the end of each reporting period:

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

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

2.14 Employee Benefits

a) Short term employee benefits

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

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

b) Post-employment benefits

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

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

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

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

c) Long term employee benefits

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

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

2.15 Taxes on Income

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

(1) Current tax

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

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

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

(ii) Deferred Tax

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

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

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

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

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to get future economic benefits in the form of availability of set off against future income tax liability.

Accordingly, MAT is recognized as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with asset will be realized.

(iii) Current and deferred tax for the year

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

2.16 Borrowing Costs

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

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

2.17 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

2.18 Financial instruments

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

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

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

2.19 Financial assets

Cash and cash equivalents

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

Financial assets at amortized cost

Financial assets are subsequently measured at amortized cost using the effective interest/risk adjusted rate 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 company 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 116.

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 115.

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 116

The application of simplified approach does not require the company 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 cost of borrowing. 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.

2.20 Financial liabilities

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

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

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

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

Financial liabilities at fair value through profit and loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk is 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 recognized 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 amortization 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.

2.21 Earnings per share

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

2.22 Cash Flow Statement

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

2.23 Operating Segments

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

2.24 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Application of many of the accounting policies used in preparing the Financial Statements, MSEZL 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.

2.25 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (Refer note 51), 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.

2.26 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

(Rs. in lakhs)

Particulars	**Gross carrying amount**				**Depreciation /Amortisation**				**Net carrying amount**	
	As at 01.04.2020	**Additions during the period**	**Deductions /Adjustments**	**As at 31.03.2021**	**As at 01.04.2020**	**Additions during the period**	**Deductions /Adjustments**	**As at 31.03.2021**	**As at 31.03.2021**	**As at 31.03.2020**
Lease- Right-of-use assets										
Leasehold land	36.24	-	-	36.24	10.82	2.26	-	13.08	23.15	25.42
Lease assets (Refer Note no. 45)	2,324.08	-	-	2,324.08	108.98	113.31	-	222.30	2,101.78	2,215.09
Buildings	43,648.77	5,230.50	3.68	48,875.59	4,151.41	1,363.69	0.16	5,514.93	43,360.66	39,497.37
Plant and equipment	41,819.09	231.43	21.88	42,028.64	6,436.10	1,604.88	8.30	8,032.68	33,995.96	35,383.00
Furniture and fixtures	122.34	1.31	16.64	107.01	54.83	10.04	12.17	52.70	54.31	67.51
Vehicles	191.56	-	-	191.56	85.07	22.75	-	107.82	83.74	106.49
Office equipment	72.26	5.82	2.93	75.14	55.96	6.12	2.07	60.01	15.13	16.30
Roads	8,249.98	240.76	0.53	8,490.21	7,344.86	420.97	0.02	7,765.82	724.39	905.11
Total	**96,464.32**	**5,709.82**	**45.66**	**1,02,128.47**	**18,248.04**	**3,544.02**	**22.72**	**21,769.34**	**80,359.13**	**78,216.28**
Previous Year	**92,104.96**	**4,384.69**	**25.33**	**96,464.32**	**13,931.58**	**4,331.82**	**15.36**	**18,248.04**	**78,216.28**	**78,173.38**

3(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).

3(ii) Refer Note no.52(a) for disclosure of contractual commitments for acquistion of Property, Plant & Equipment

3(iii) 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 and capitalized entirely during FY 20-21 on a self-sustainable, cost and revenue model under an agreement with two customers viz., MRPL and OMPL.

In terms of the agreement:

(a) All the three parties have contributed in equal shares towards cost of the project.

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

(c) 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

(d) 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'.

(e) 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

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Capital work in progress		
Development of Land	9,710.77	10,864.04
Infrastructrure Development	3,624.91	8,234.74
Total	**13,335.68**	**19,098.78**

4(i) Capital work in progress includes Rs.9,710.77 lakh as at March 31, 2021 (Rs.10,864.04 lakh as at March 31, 2020) 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(ii) In FY 20-21 R&R colony expenditure works amounting to Rs.766.32 lakhs was handed over to respective local authourities and thus, transferred to cost of land.

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.

(Rs. in lakh)

Particulars	As at 31.03.2021	As at 31.03.2020
Rehabilitation Compensation including training	232.33	215.00
Rehabilitation Colony Development Cost	873.33	1,301.59
Total	**1,105.66**	**1,516.59**

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.52 (a) for disclosure of contractual commitments for acquistion of Plant, Property & Equipment

Note 5: Investment Property

(Rs. in lakhs)

Particulars	Gross carrying amount				Amortisation				Net carrying amount	
	As at 01.04.2020	Additions during the period	Deductions/ Adjustments	As at 31.03.2021	As at 01.04.2020	Additions during the period	Deductions/ Adjustments	As at 31.03.2021	As at 31.03.2021	As at 31.03.2020
Land - Lease cum Sale	45,702.69	838.49	53.20	46,487.98	-	-	-	-	46,487.98	45,702.69
Previous Year	**45,653.29**	**49.40**	-	**45,702.69**	-	-	-	-	**45,702.69**	**45,653.29**

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

5(ii) Refer Note no.46(i) on Finance lease.

5(iii) Refer Note no.51 on 'amounts recognised in statement of profit & loss account'.

Note 6: Other Intangible Assets

(Rs. in lakhs)

Particulars	Gross carrying amount				Amortisation				Net carrying amount	
	As at 01.04.2020	Additions during the period	Deductions/ Adjustments	As at 31.03.2021	As at 01.04.2020	Additions during the period	Deductions/ Adjustments	As at 31.03.2021	As at 31.03.2021	As at 31.03.2020
Specialised Software	4.35	-	2.70	1.65	1.41	2.79	2.70	1.50	0.15	2.94
Barrage usage rights	1,584.49	-	-	1,584.49	330.10	66.02	-	396.12	1,188.37	1,254.38
Total	**1,588.84**	-	**2.70**	**1,586.14**	**331.51**	**68.81**	**2.70**	**397.63**	**1,188.52**	**1,257.33**
Previous Year	**1,586.14**	**2.70**	-	**1,588.84**	**264.92**	**66.59**	-	**331.51**	**1,257.33**	**1,321.21**

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).

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Note 7: Investments

(Rs. in lakhs)

Particulars	No of shares	Fave value (Rs.)	As at 31.03.2021	As at 31.03.2020
Investments in Equity Instruments:				
- Unquoted Equity Shares:				
- Subsidiaries (measured at cost):				
a) MSEZ Power Limited, Mangaluru (Wholly owned subsidairy)	50,000	10	5.00	5.00
50,000 shares as on March 31, 2021; 50,000 shares as on March 31, 2020				
b) Mangalore STP Limited, Mangaluru (Partly owned subsidiary)	35,000	10	3.50	3.50
35,000 shares as on March 31, 2021; 35,000 shares as on March 31, 2020				
Total			**8.50**	**8.50**
Aggregate amount of unquoted investments - At Cost			**8.50**	**8.50**

Note 8: Trade Receivables

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Trade receivables		
(a) Considered good - Secured	-	-
(b) Considered good - Unsecured	-	-
(c) Trade Receivables which have significant increase in credit risk	-	-
(d) Trade Receivables - credit impaired	729.60	820.80
	729.60	**820.80**
Less: Loss allowance		
(a) Fair value loss	**-**	**-**
(b) Credit impaired	**-**	**-**
	-	**-**
Total	**729.60**	**820.80**

Note 9: Loans

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Security Deposit	704.78	638.79
Total	**704.78**	**638.79**

Break-up for Security Details

Particulars	As at 31.03.2021	As at 31.03.2020
Unsecured, considerd good	704.78	638.79
Total	**704.78**	**638.79**

Note 10: Other financial Assets

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Balance with banks (more than 12 months)	0.49	0.25
Total	**0.49**	**0.25**

Note 11: Other Non current Assets

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Capital Advances:	154.19	154.19
Others		
-Security deposits	46.12	50.31
-Income Tax (Net of Provision)	1,400.69	770.18
Total	**1,601.00**	**974.69**

Note 12: Investments

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Investments in Mutual Funds - Quoted		
- SBI Liquid Fund - Direct plan Daily Income Distribution cum Capital Withdrawal		
5,50,303.7 units of face value of Rs.1,039.5847 each (Previous corresponding March, 2020 - 3,86,962.641 units of face value Rs.1003.2500 each)	5,720.87	3,882.20
Total	**5,720.87**	**3,882.20**
Aggregate amount of quoted investments - At market value	**5,720.87**	**3,882.20**

Note 13: Trade Receivables

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Trade receivables		
(a) Considered good - Secured	-	-
(b) Considered good - Unsecured	1,765.51	4,359.14
(c) Trade Receivables which have significant increase in credit risk	-	-
(d) Trade Receivables - credit impaired	16,509.41	16,431.50
	18,274.92	**20,790.64**
Less: Loss allowance		
(a) Fair value loss	110.70	266.42
(b) Credit impaired	9,194.02	6,634.64
	9,304.72	**6,901.06**
Total	**8,970.20**	**13,889.58**

Note no. 13(a): Trade Receivables includes dues of Rs.7,315.39 lakhs (net of impairment) from JBF Petrochemicals Limited (JBF) outstanding for a significant period. Though the JBF receivables is impaired, the company is continuing its best efforts to realize the dues. The Company had also filed an application as an operational creditor under the Insolvency and Bankruptcy Code, 2016 (IBC) against JBF before the NCLT, Ahmedabad Bench.

Note no.13(b): For disclosure on revenue from JBF for financial year 20-21, Note no. 44 to be referred.

Note no. 13(c): On cancellation of Memorandum of Understanding (MOU) entered into with M/s. Trident Infrastructure, the Company has grouped the lease receivable amounting to Rs.1,387.61 Lakhs (Net of Fair Value Loss provision of Rs.234.09 Lakhs) with un-amortised lease premium liability balance of Rs.1,792.09 Lakhs as on 31.03.2021. The difference of Rs.404.48 lakhs is not recognised as the same is under consideration with the competent authority.

Note 14: Cash and Cash Equivalents

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
(A) Cash and cash equivalents		
(a) Balances with banks:		
Current accounts	244.42	530.66
(b) Cash on hand	0.09	0.06
Total	**244.51**	**530.72**

Note 15: Bank Balances other than above

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Other Balances with banks		
Term deposits held as margin money	858.47	1,513.73
Term deposit as per arbitration	1,947.14	1,921.00
Total	**2,805.61**	**3,434.73**

Note 16: Loans

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Security Deposit	24.25	0.25
Total	**24.25**	**0.25**

Break-up for Security Details

Particulars	As at 31.03.2021	As at 31.03.2020
Unsecured, considerd good	24.25	0.25
Total	**24.25**	**0.25**

Note 17: Others

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Due from related parties	0.41	23.99
Interest accrued on deposits	27.48	44.26
Other Receivables	36.39	46.17
Total	**64.28**	**114.42**

Note 18: Current tax asset (net)

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Tax credits	176.17	622.59
Income tax provision	(45.10)	-
Total	**131.07**	**622.59**

Note 19: Other current assets

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Advances:		
(i) Advances to Suppliers	23.18	11.55
(ii) Balances with government authorities		
- Goods and Service Tax input	140.98	241.98
Prepaid expenses	259.62	241.33
Total	**423.78**	**494.86**

Note 20. Equity Share Capital

Authourised, Issued, Subscribed and Paid up Share Capital

(Rs. in lakhs)

	As at 31.03.2021	As at 31.03.2020
Authorised :		
425000000 Equity Shares of Rs. 10 each	42,500	42,500
Issued		
100000000 Equity Shares of Rs. 10 each fully paid up	10,000	10,000
Subscribed and fully Paid up capital		
50001200 Equity Shares of Rs. 10 each fully paid up	5,000.12	5,000.12
	5,000.12	**5,000.12**

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

Fully paid Equity shares	**As at 31.03.2021**		**As at 31.03.2020**	
	No. of Shares	**Amount in Rs. lakhs**	**No. of Shares**	**Amount in Rs. lakhs**
At the beginning of the year	5,00,01,200	5,000.12	5,00,01,200	5,000.12
Add: Issued during the year	-	-	-	-
At the end of the year	**5,00,01,200**	**5,000.12**	**5,00,01,200**	**5,000.12**

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 31.03.2021**		**As at 31.03.2020**	
	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 Areas Development Board (Associate)	1,15,00,000	23%	1,15,00,000	23%

Note 21: Other Equity

(Rs. in lakhs)

Particulars	Reserves and Surplus	TOTAL
	Retained Earnings	
Balance at the end of the reporting period March 31, 2019	**2,565.02**	**2,565.02**
Changes in accounting policy	**-**	-
Restated balance at the beginning of the reporting period April 01, 2019 (A)	**2,565.02**	**2,565.02**
Additions during the year:		
Profit/(Loss) for the year	(3,163.46)	**(3,163.46)**
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	(6.24)	**(6.24)**
Total Comprehensive Income for the period March 31, 2020 (B)	(3,169.70)	**(3,169.70)**
Reductions during the year:		
Transfer to general reserves	-	**-**
Any other change -	-	**-**
Total (C)	-	-
Balance at the end of the reporting period March 31, 2020 (D= A+B+C)	**(604.68)**	**(604.68)**
Changes in accounting policy	-	**-**
Restated balance at the beginning of the reporting period April 01, 2020 (E)	(604.68)	**(604.68)**
Additions during the year:		-
Profit/(Loss) for the year	(3,205.05)	**(3,205.05)**
Items of OCI for the year, net of taxes:		-
Remeasurment benefit of defined benefit plans	8.59	**8.59**
Total Comprehensive Income for the period March 31, 2021 (F)	(3,196.46)	**(3,196.46)**
Reductions during the year:		-
Transfer to general reserves		-
Any other change		-
Total (G)	-	-
Balance at the end of the reporting period March 31, 2021 (E+F-G)	**(3,801.14)**	**(3,801.14)**

Note 22: Borrowings

(Rs. in lakhs)

Particulars	Maturity date	Terms of repayment	Effective interest rate	As at 31.03.2021	As at 31.03.2020
Secured					
Rupee Term Loans	March 2032	Sixty two unequal quarterly installments	7.38% (8.34%)*	53,451.65	55,102.42
Less: Amortized cost of debt				(87.32)	(105.30)
Non-current borrowings				**53,364.33**	**54,997.13**
Less: Current maturities of long-term debt (included under Other Current financial liabilities Note 29)				(2,304.90)	(1,649.70)
Total non-current borrowings				**51,059.43**	**53,347.43**

* Indicates the EIR as at 31.03.2020

(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.

Note 23: Other financial liabilities

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Lease liabilities (Refer Note no.45)	2,296.86	2,312.97
Less: Current maturities of lease liabilities (included under Other Current financial liabilities refer Note 29)	(21.65)	(16.11)
Total non current lease liabilities	**2,275.21**	**2,296.86**
Payable towards capital/project related expenditure/works; contractual obligations	4,524.65	-
Trade Deposits	222.74	217.93
Total	**7,022.60**	**2,514.80**

Note 24: Provisions

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Provision for employee benefits		
Provision for Gratuity (Refer Note no. 47)	128.07	124.48
Provision for Compensated absences (Refer Note no. 47)	86.16	85.38
Total	**214.23**	**209.86**

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, 2021

(Rs. in lakhs)

Particulars	Balance Sheet	Recognised in Profit and Loss	Recognised in Other Comprehensive income	Balance Sheet
	01.04.2020	2020-21	2020-21	31.03.2021
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	5,261.24	858.30	-	6,119.53
Difference between written down value of Intangible assets as per the books of accounts and Income Tax Act, 1961	250.46	0.89	-	251.35
Difference in carrying value and tax base of term loan measuerd at amortized cost	27.38	(4.67)	-	22.71
Employee benefit, provision for expense allowed for tax purpose on payment basis	(6.92)	3.68	3.02	(0.23)
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 and unwinding of security deposit	(4,493.96)	168.57	-	(4,325.39)
Net Deferred tax liabilities	**1,038.20**	**1,026.77**	**3.02**	**2,067.99**

Note 26: Government grant

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Government grant (refer Note no.49)	1,860.38	1,905.75
Less: Current portion of government grant (included under 'Other Current Liabilities' Refer Note 32)	(82.50)	(33.00)
Total	**1,777.88**	**1,872.75**

Note 27: Other non current liabilities

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Advances from customers	92,106.53	94,370.76
Less: Current maturities of advances from customers (included under 'Other Current liabilities' Refer Note 30)	(2,708.45)	(2,645.06)
Total (a)	**89,398.08**	**91,725.70**
Deferred income	208.07	217.94
Less: Current portion of deferred income (included under 'Other Current Liabilities' Refer Note 30)	(9.87)	(10.11)
Total (b)	**198.20**	**207.83**
Total (a+b)	**89,596.28**	**91,933.53**

Note 28: Trade Payables

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Outstanding dues to Micro and Small Enterprises	164.54	20.05
Outstanding dues of creditors other than Micro and Small Enterprises	889.24	1,806.85
Total	**1,053.78**	**1,826.91**

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

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
a. the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year:		
Principal	164.54	20.05
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 29: Other financial liabilities

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Current maturity of long term debt (refer Note 22)	2,304.90	1,649.70
Retention monies relating to capital expenditure/projects	726.26	867.03
Security Deposits	665.35	669.69
Lease liabilities (refer Note 23)	21.65	16.11
Earnest Money Deposit	12.54	11.23
Payable towards capital/project related expenditure/works; contractual obligations	919.09	4,777.56
Payable to employees	63.22	70.44
Others	8.42	-
Total	**4,721.43**	**8,061.74**

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

Note 30: Other current liabilties

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Advances from customers (refer Note no.27)	2,708.45	2,645.06
Deferred income (refer Note no. 27)	9.87	10.11
Others		
-Payable towards Goods & Service tax	130.45	212.43
-Payable towards TDS and TCS under Income Tax	37.25	52.60
-Payable towards Providend fund, Profession Tax and ESI	1.98	2.02
Total	**2,888.00**	**2,922.23**

Note 31: Provisions

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Provision for Employee Benefits		
-Provision for Gratuity (Refer Note no.47)	5.90	7.25
-Provision for Compensated absences (Refer Note no. 47)	5.59	7.74
Provision towards Rehabilitation & Resettlement cost (refer Note no. 4 (iii))	1,105.66	1,516.59
Total	**1,117.15**	**1,531.58**

Movement for Rehabilitation & Resettlement provision

Particulars	As at 31.03.2021	As at 31.03.2020
Opening provision	1,516.59	1,536.20
Addition during the year	71.84	50.80
Provision write back during the year	(428.26)	-
Utilized during the year	(54.51)	(70.41)
Closing provision	**1,105.66**	**1,516.59**

Note 32: Government grant

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Government grant (refer Note no. 26)	82.50	33.00
Total	**82.50**	**33.00**

Note 33: Revenue from operations (#)

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Sale of Products		
River water and Tertiary treated water	3,854.01	3,825.13
Power	5,322.60	4,664.84
Sale of Services		
Land Lease Premium	1,351.39	1,349.49
Land Lease Rental	380.57	435.25
Operation and Maintenance Charges	3,613.37	5,246.53
Usuage charges towards infrastructure facilities	1,990.46	1,885.29
Total	**16,512.40**	**17,406.53**

(#) Refer Note no. 44

Note 34: Other Income and other gain/(losses)
(a) Other income

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Interest Income:		
(i) On financial assets measured at amoritzed cost	138.80	129.98
(ii) On security deposits measured at amortized cost	12.95	12.97
Dividends from mutual fund investment	-	278.74
Gain on redemption of mutual funds	128.31	-
Government grant amortization	45.38	33.00
Other non operating income	84.76	291.34
Total (a)	**410.20**	**746.03**

(b) Other gains/(losses)

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Fair value gain on mutual fund investment	25.83	-
Total (b)	**25.83**	**-**
Total other income (a+b)	**436.03**	**746.03**

Note 35: Cost of materials consumed

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Purchase of Power	4,386.14	3,930.17
STP water drawal charges	522.38	521.83
Total	**4,908.52**	**4,452.00**

Note 36: Employee benefit expense

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Salaries and allowances	624.54	661.17
Contribution to provident and other funds	10.39	10.89
Gratuity	22.50	20.94
Staff welfare expenses	52.02	64.55
Total	**709.45**	**757.56**

Note 37: Finance costs

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Interest on financial liabilities measured at amortized cost		
-Interest on bank borrowings	4,137.27	4,781.72
-Interest on security deposit	45.90	45.78
Interest on security deposits measured at fair value	8.76	8.70
Interest on lease liability at fair value (refer Note no. 45)	208.41	211.66
Other borrowing cost	91.20	12.50
Total	**4,491.54**	**5,060.35**

Note 38: Depreciation and Amortisation Expense

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Depreciation of Property, plant and equipment (Refer Note 3)	3,428.26	4,213.26
Amortization of right-of-use assets (Refer Note 3 and Note no.45)	115.58	111.16
Amortisation of Intangible assets (Refer Note 6)	68.81	66.59
Total	**3,612.65**	**4,391.01**

Note 39: Impairment losses

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Loss allowane (Refer Note no. 42c)	2,526.18	2,800.90
Total	**2,526.18**	**2,800.90**

Note 40: Other expenses

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Rent	48.38	67.14
Rates & taxes	274.20	830.06
Repair and Maintenance	1,999.44	2,060.78
Insurance	106.55	87.59
Advertising and publicity	18.33	39.72
Travelling expenses	60.03	102.65
Professional & consultancy charges	30.97	51.36
Legal fees	11.69	12.61
Payment to auditors (Refer Note no. 40(i))	7.75	15.81
Corporate social responsibility (Refer Note no. 40(ii))	-	15.07
Interest on income tax	0.85	7.08
Miscellaneous Expenses	275.08	387.11
Total	**2,833.27**	**3,676.98**

Note 40(i): Payment to auditors

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Audit fee	3.75	3.75
Tax Audit fee	1.00	1.00
Certification fees	3.00	5.21
Re-imbursement of expenses	-	5.85
Total payment to auditors	**7.75**	**15.81**

Note 40(ii): Corporate Social Responsibility Expenses

(Rs. in lakhs)

Particulars	Year 2020-21	Year 2019-20
A. Gross amount required to be spent by the Company	-	14.04
B. Amount spent during the year on:	-	
i. Construction/Acquisition of any assets	-	7.49
ii. Purposes other than (i) above	-	7.58
Total	**-**	**15.07**
Amount spent against current year budget	-	14.04
Amount spent against previous year	-	1.03

Note 41: Income tax expense

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

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

(Rs. in lakhs)

Particulars	**31-Mar-21**	**31-Mar-20**
Current tax:		
Current tax on profits for the year	45.10	-
Adjustments for current tax of prior periods	-	28.94
Total current tax expense	**45.10**	**28.94**
Deferred tax:		
(i) Increase/(Decrease) in deferred tax	1,026.77	148.27
(ii) Deferred tax Asset MAT entitlement (not recognised)/reversal of excess MAT - of earlier years	-	-
Total deferred tax expense/(benefit)	**1,026.77**	**148.27**
Income tax expense	**1,071.87**	**177.21**
Income tax expense is attributable to:		
Profit from continuing operations	**1,071.87**	**177.21**

B.Other Comprehensive Income Section

Deferred tax related to items recognised in OCI during in the year

(Rs. in lakhs)

Particulars	**31-Mar-21**	**31-Mar-20**
Net loss/(gain) on remeasurement of defined benefit plans	**3.02**	**(2.19)**
Income tax charged to OCI	**3.02**	**(2.19)**

Note no. 42A: Category-wise Classification of Financial instruments

(Rs. in lakhs)

Financial assets measured at fair value through profit or loss (FVTPL)	Refer Note	Non-Current		Current	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Investments in quoted mutual funds	12	-	-	5,720.87	3,882.20
		-	-	**5,720.87**	**3,882.20**

Financial assets measured at fair value through other comprehensive income (FVTOCI)	Refer Note	Non-Current		Current	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Investment in unquoted equity shares (*)	7	8.50	8.50	-	-
		8.50	**8.50**	-	-

Financial assets measured at amortized cost	Refer Note	Non-Current		Current	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Trade Receivables	8, 13	729.60	820.80	8,970.20	13,889.58
Term deposits with original maturity of more than 12 months	10	0.49	0.25	-	-
Cash and cash equivalents	14	-	-	244.51	530.72
Term deposits	15	-	-	2,805.61	3,434.73
Security deposit	9, 16	704.78	638.79	24.25	0.25
Other Receivables	17	-	-	64.28	114.42
		1,434.87	**1,459.84**	**12,108.85**	**17,969.70**

Financial liabilities measured at fair value through profit or loss	Refer Note	Non-Current		Current	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
		-	-	-	-

Financial liabilities measured at fair value through amortized cost	Refer Note	Non-Current		Current	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Term loan from bank	22, 29	51,059.43	53,347.43	2,304.90	1,649.70
Trade deposits	23	222.74	217.93	-	-
Trade payables	28	-	-	1,053.79	1,826.90
Retention monies relating to capital expenditure/projects	29	-	-	726.26	867.03
Security Deposits	29	-	-	665.35	669.69
Payable to contractors towards project related Earnest Money Deposit	29	-	-	12.54	11.23
Payable towards capital/project related expenditure/works	23, 29	4,524.65	-	919.09	4,777.56
Payable to employees	29	-	-	63.22	70.44
Others	29			8.42	-
		55,806.82	**53,565.36**	**5,753.57**	**9,872.54**

(*) 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 no. 42(B): Fair value measurements

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

As at March 31, 2021

(Rs. in lakhs)

Financial assets	Refer Note	Fair value as at 31.03.2021	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	5,720.87	5,720.87	-	-
Financial assets measured at fair value through other comprehensive income					
Investment in unquoted equity shares	7	8.50	-	-	8.50

As at March 31, 2020

(Rs. in lakhs)

Financial assets	Refer Note	Fair value as at 31.03.2020	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	3,882.20	3,882.20	-	-
Financial assets measured at fair value through other comprehensive income (FVTOCI)					
Investment in unquoted equity shares	7	8.50	-	-	8.50

(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 recognized at their closing NAV per unit

The fair value of security deposits is determined using cost of borrowing.

Note no. 42 (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 0.40% (spread) plus MCLR rate of SBI and the interest rate is reset once every six months.. 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:

Rs. in lakhs

	31-Mar-21	31-Mar-20
Variable rate borrowings	53,451.65	55,102.42
	53,451.65	**55,102.42**

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

31-Mar-21				**31-Mar-20**			
	Weighted average interest rate	Balance Amount in Rs. lakh	% of total loans		Weighted average interest rate	Balance (*) Amount in Rs. lakh	% of total loans
Rupee term loan	7.85%	53,451.65	100%	Rupee term loan	8.65%	55,102.42	100%
Exposure to cash flow interest rate risk		53,451.65	100%	Exposure to cash flow interest rate risk		55,102.42	100%

(Note no. 42 C continued)

Interest Rate Sensitivity analysis

The Company considering the economic environment 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.

(Rs. in lakhs)

	Impact on Profit before tax	
Sensitivity	31-Mar-21	31-Mar-20
Interest rates - increase by 50 basis points	271.39	275.52
Interest rates - decrease by 50 basis points	(271.39)	(275.52)

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

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

b) Foreign currency risk exposure

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign 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 to foreign exchange operations and as such no rate fluctuations involves.

Foreign currency rate sensitivity analysis:
Since, there is no foreign currency risk, sensitivity 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 fluctuate due to changes in market traded prices. The Company invests in liquid fund - direct plan daily IDCW. The Company's equity investment in its subsidiary is not held for trading and hence, there is no risk of price movement.

(Note no. 42 C continued)

2) Credit Risk

The Credit risk refers to risk that a counterparty will default on its contractual 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 supplies water;power and provides services to units/consumers 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 leasable land area of 306 Acres (out of 1075 Acres of leasable land) as on March 31, 2021. 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 recognized 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 established policy, procedures and control relating to customer credit risk management. The concentration of the credit risk is generally 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 and fair value loss measured at present value, based on rate of cost of borrowing.

(Note no. 42C continued)

Movement in expected credit loss allowance on trade receivables

Rs. in lakhs

Particulars	**31.03.2021**	**31.03.2020**
Balance at the beginning of the year	6,901.06	4,589.05
Impairment allowance	3,072.16	2,696.22
Fair value losses provided	(545.98)	104.69
Impairment written-off	(122.52)	(254.80)
Change of FV of receivable	-	(234.10)
Balance at the end of the year	**9,304.72**	**6,901.06**

3) Liquidity risk

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

The Company manages the liquidity risk by (i) maintaining adequate and sufficient cash and cash equivalents including investments in mutual funds (ii) making available the funds from realizing timely maturities of financial assets to meet the obligations when due. The management monitors rolling forecast of the Company's liquidity 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 liabilities and monitoring balance sheet liquidity ratios. Further, the liquidity risk management involves matching the maturity profiles of financial assets and financial liabilities.

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

Note no. 42 (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 March 31, 2021, 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 29** 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

Rs. in lakhs

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
i) Debt	53,451.65	55,102.42
ii) Equity share capital	5,000.12	5,000.12
iii) Other equity	(3,801.14)	(604.68)
iv) One time non-refundable amounts from customers	92,090.13	94,358.50
v) Total equity [(ii)+(iii)+(iv)]	**93,289.11**	**98,753.94**
vi) Debt to equity ratio (times) - [i/iv]	0.57	0.56

Note no.43: Segment reporting

The company has only one operating segment i.e.Development, Operation & Maintenance of Mangalore Special Economic Zone.

Note no.44: Revenue from Contracts with Customers

The Company on the grounds of (i) Prudence and (ii) Revenue recognition criteria under Ind-AS 115 on 'Revenue from Contracts with Customers', has not recognized revenues for the financial year 2020-21 from JBF Petrochemicals Limited (JBF).

The details of JBF revenue not recognized are as under:

(Rs in lakhs)

Sl. No.	Nature of revenue	As at 01.04.2020	For FY 20-21	As at 31-03-2021
1	Supply of water	6,442.12	7,229.26	13,671.38
2	Annual lease rent	99.19	99.19	198.38
3	Treated Effluent Disposal Fees	143.89	149.95	293.84
4	Zone Operation & Maintenance charges	108.89	-	108.89
	Total	**6,794.09**	**7,478.40**	**14,272.49**

The Company emphasizes that non recognition/accrual of the revenue from JBF, as per Ind-AS 115, does not discharge the liability cum obligation of JBF Petrochemicals Limited to pay under the said contracts in vogue nor vitiate the Charge by the Company over such receivables from JBF.

Note no. 45: Leases - As lessee

Right-of-use assets - Ind-AS 116

Rs. in lakhs

Sl. No.	Particulars	Note	31-Mar-21	31-Mar-20
1	Depreciation charge for right-of-use	3	113.31	108.99
2	Interest expense on lease liabilities	37	208.41	211.66
3	Total cash outflow for leases		(224.52)	(222.76)
4	Carrying amount of right-to-use assets	3	2,101.78	2,215.09
5	Present value of lease liabilities	23	2,296.86	2,312.97

Note no. 46: Leases - As lessor

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.

Note no. 46 Continued

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

Area Details - in Acres

Total Area as on 01.04.2020	Transferred to KIADB for MRPL Purpose	Balance area	Land handed over		Balance land as on 31.03.021	Registerd Land as on 31.03.2021		Un-registered land as on 31.03.2021	Total Area as on 31.03.2020	Area Registered as on 31.03.2020	Land surrendered to KIADB	Balance not registered as on 31.03.2020 (after surrender to KIADB)
			To local Authority & MUDA /Forest	To PDF		Acres	Registeration date					
2346.92	251.23	2095.69	83.3429	92.2373	**1920.11**	1533.22	17.02.2011	290.38	**2346.92**	1,632.20	251.23	463.49
						9.99	11.08.2011					
						86.52	10.11.2014					
2346.92	**251.23**	**2095.69**	**83.34**	**92.24**	**1920.11**	**1629.73**		**290.38**	**2,346.92**	**1,632.20**	**251.23**	**463.49**

** 83.3429 & 92.2373 acres of land is not in physical prossession since it is handed over to Project Displaced Families and Local bodies as per the GoK, R&R Policy.

* 290.3792 acres of land is in possession but unregistered.

(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 coterminous 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, 2021 (based on the agreements concluded with the units) is as under:

Rs. in lakhs

Particulars	As at 31.03.2021	As at 31.03.2020
Not later than one year	399.77	1,247.59
later than one year and not later than five years	1,626.89	1,961.02
later than five years	16,253.73	20,030.23

Note no. 47: Employee Benefits

(i) Post-employment benefits

Brief 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 market yields at the end of the reporting period on government
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 best estimate of the mortality of plan participants both during and after their employment. An increase in the life
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 pay-out 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.

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 recognized 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, 2021.

The principal actuarial assumptions used in determining Gratuity are as follows

Sl. No	Particulars	As at 31.03.2021	As at 31.03.2020
1	Discount Rate	6.86%	6.84%
2	Annual increase in	9.00%	9.00%
3	Employee Turnover	5.00%	5.00%

The discount rate relates to the benchmark rate available on G.Sec. And is taken as per deal rate as on 31.03.2021. The tenure of the G.Sec. Rate matches with the expected term of the obligation

Note no. 47 Continued

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

Rs. in lakhs

	As at 31.03.2021	**As at 31.03.2020**
Current Service Cost	13.49	12.33
Net Interest Cost	9.01	8.61
Components of defined benefit costs recognized in profit or loss	**22.50**	**20.94**
Re-measurement on the net defined benefit liability	(11.61)	8.43
Components of remeasurement recognized in other comprehensive income	**(11.61)**	**8.43**
Total	**10.89**	**29.37**

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

Rs. in lakhs

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
Present value of benefit obligation at the end of	133.97	131.73
(Fair Value of plan assets at the end of the		-
Net (liability)/Asset recognized in the Balance	133.97	131.73

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

Rs. in lakhs

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
of the period	131.73	111.95
Interest Cost	9.01	8.61
Current Service Cost	13.49	12.33
Past Service Cost		
(Benefit paid Directly by the Employer)	(8.65)	(9.59)
Actuarial (Gains)/ Losses on Obligations - Due to change in Demographic Assumptions		
Actuarial (Gains)/ Losses on Obligations - Due to change in Financial Assumptions	(0.25)	10.35
Actuarial (Gains)/ Losses on Obligations - Due to Experience	(11.36)	(1.92)
Present Value of Benefit Obligation at the end of the period	**133.97**	**131.73**
Current	5.90	7.25
Non-Current	128.07	124.48

Note no. 47 Continued

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

Rs. in lakhs

Sensitivity analysis	**As at 31.03.2021**	**As at 31.03.2020**
Projected benefit Obligation on Current Assumptions	133.97	131.73
Discount Rate		
-Impact due to increase of 1%	(11.59)	(12.04)
-Impact due to decrease of 1%	13.40	14.04
Salary increase		
-Impact due to increase of 1%	9.70	9.78
-Impact due to decrease of 1%	(9.50)	(9.66)
Employee Turnover		
-Impact due to increase of 1%	(1.32)	(1.49)
-Impact due to decrease of 1%	1.46	1.64

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 difference between assumed and the actual is not following the parameters of the sensitivity analysis.

Furthermore, in presenting the above sensitivity 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 liability recognized in the balance sheet.

(ii) Other employee long term benefits

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, 2021 based on actuarial valuation carried out by using Projected Unit Credit Method resulted in decrease in liability by Rs.1.38 lakhs (Previous year Rs.6.85 lakhs).

Assumptions

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
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% p.a.	9% p.a.
Discount Rate	6.86% p.a.	6.84% p.a.
While is service Encashment rate	5% of the Leave balance(for the next year)	5% of the Leave balance(for the next year)

Note no. 48: 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-21	31-Mar-20
Infrastructure Leasing and Financial Services Limited (IL&FS)	Associate	India	50%	50%
Oil and Natural Gas Corporation Limited (ONGC)	Associate	India	26%	26%
Karnataka Industrial Areas Development Board (KIADB)	Associate	India	23%	23%

ii Subsidiaries :(where control exists)

Name of the Company	Type	Place of Incorporation	Ownership interest	
			31-Mar-21	31-Mar-20
Mangalore STP Limited (MSTP 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	Nominee Director of IL&FS
Shri Srinivas Santhayya Kamath	Independent Director
Shri Inturi Srinivas Nagesh Prasad	Independent Director
Shri Subhash Kumar	Nominee Director of ONGC
Shri Venkatesh Madhava Rao	Nominee Director of ONGC
Shri Isaac Vas	Nominee Director of KCCI, w.e.f.03.02.2020

(ii) Shri Velnati Suryanarayana — Chief Executive Officer
(iii) Shri K S Ramesh — Chief Financial Officer
(iv) Shri Phani Bhushan V — Company Secretary

C List of related parties

Name of the Company	**Relationship**
ONGC Mangalore Petrochemicals Limited (OMPL)	ONGC - Ultimate holding company
Mangalore Refineries and Petrochemicals Limited (MRPL)	Subsidiary of ONGC
Karnataka Industrial Areas Development Board (KIADB)	A statutory body of Government of Karnataka
Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of ONGC

Note no. 48 Continued

D Details of transactions:

(i) Transactions with related parties

(Rs. in lakhs)

Name of related Party	Nature of Transaction	For the year ended March 31, 2021	For the year ended March 31, 2020
OMPL	Supply of services - Annual lease rental	233.96	233.96
	Sale of products	2,977.30	2,864.36
	Supply of services	1,030.84	1,050.08
	Supply of other services	29.99	-
	Interest expense on security deposit	23.81	10.01
	Other payable	-	525.22
MRPL	Sale of products	2,541.56	2,548.52
	Supply of services	2,564.96	4,515.44
	Supply of other services	350.13	-
	Other payable	-	282.28
IL&FS	Service received -Deputation of MD	-	4.03
KIADB	Services received -Annual Lease rent	6.83	5.97
MSTP Limited	Supply of goods	522.38	586.00
MSEZ Power Limited	Supply of services	0.28	0.02
HPCL	Supply of services	61.11	3.73

(ii) Outstanding balances with related parties

(Rs. in lakhs)

Name of related Party	Nature of Transaction	For the year ended March 31, 2021	For the year ended March 31, 2020
a. Amount payable:			
IL&FS	Trade payable	35.13	35.13
KIADB	Towards acquisition of land	3,571.92	3,571.92
	Trade payable	2.51	0.38
OMPL	Other payable	634.15	636.58
Mangalore STP Limited	Supply of goods	76.37	-
MRPL	Other payable	325.16	325.16
HPCL	Supply of services	0.85	-
b. Amount Receivable:			
OMPL	Other receivable	30.23	0.24
	Trade Receivable	545.54	775.95
MRPL	Other receivable		84.41
	Trade Receivable	157.83	1,059.58
MSTP Limited	Trade Receivable	-	22.50
MSEZ Power Ltd	Other receivable	0.41	1.49
HPCL	Trade Receivable	-	3.73
c. Loans and other assets (Debit balances)			
KIADB	Security deposit	11.60	11.60
	Capital advances	154.19	154.19
MRPL	Security deposit	0.13	0.13
	Advance for By pass Road	312.62	-

Note no. 48 Continued

d. Advances & Deposits (Credit balances)

Name of related Party	Nature of Transaction	For the year ended March 31, 2021	For the year ended March 31, 2020
OMPL	Security deposits	279.06	279.06
MRPL	Security deposits	126.80	126.80
HPCL	Security deposits	3.65	3.65

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

(Rs. in lakhs)

Name of the related party	Nature of Transaction	As at 31.03.2021	As at 31.03.2020
OMPL	Supply of services	20.38	29.06
MRPL	Supply of services	9.25	-
Total		**29.63**	**29.06**

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

(Rs. in lakhs)

Name of the related party	Nature of Transaction	For the year ended March 31, 2021	For the year ended March 31, 2020
OMPL	Supply of services	(7.99)	90.31
MRPL	Supply of services	131.77	123.38
Total		**123.79**	**213.69**

The transactions with related parties are made on terms equivalent to those that prevail in an arm's length transactions. The outstanding balances are unsecured and will be settled in cash

(v) Compensation to Key management personnel:

(a) Chief executive officer

(Rs. in lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Short-term employee benefits	61.82	58.58
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	15.67	11.82
Contribution to providend fund	0.22	0.22
Total	**77.71**	**70.61**

Note no. 48 Continued

(b) Chief financial officer

(Rs. in lakhs)

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
Short-term employee benefits	32.96	16.86
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	3.13	1.25
Contribution to providend fund	0.22	0.22
Total	**36.31**	**18.33**

(c) Company Secretary

(Rs. in lakhs)

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
Short-term employee benefits	24.30	24.26
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	6.52	6.01
Contribution to providend fund	0.22	0.22
Total	**31.03**	**30.48**

(d) Independent directors

(Rs. in lakhs)

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
Sitting fees	4.00	3.75

Note no. 49: 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.495 lakh as at March 31, 2021 (Rs.495 lakh as at March 31, 2020) and Two lane Flyover near Jokatte, Manglore SEZ (MSEZ) Rs.1485 lakh as at March 31, 2021 (Rs.1485 lakh as at March 31, 2020).

Movement in Government Grants

(i) CETP

Rs. in lakhs

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
Opening balance	420.75	453.75
Add: Addition during the year	-	-
Less: Released to Profit & loss account during the year	33.00	33.00
Closing Balance	**387.75**	**420.75**

(ii) Two lane Flyover

Rs. in lakhs

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
Opening balance	1,485.00	1,485.00
Add: Addition during the year	-	
Less: Released to Profit & loss account during the year	12.38	-
Closing Balance	**1,472.63**	**1,485.00**

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

The Company had developed 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 no.50: 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, 2021	For the year ended March 31, 2020
Profit/(Loss) after tax for the year attributable to equity shareholders (Rs. in lakh)	(3,205.05)	(3,163.46)
Weighted average number of equity shares	5,00,01,200	5,00,01,200
Basic & diluted earnings per share (Rs.)	(6.41)	(6.33)
Face value per equity share (Rs.)	10.00	10.00

Note no.51: The amount recognized in Profit & Loss Account for investment property (refer note 5)

(Rs. in lakhs)

Particulars	Year 2020-21	Year 2019-20
Rental Income	1,731.95	1,784.74
Direct Operating Expenses from property that generate direct rental income	133.51	153.94
Profit from investment property before depreciation	1,598.45	1,630.80
Profit from investment property	1,598.45	1,630.80

Note no.52: Contingent Liabilities and Commitments

(a) Commitments

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Estimated amount of contracts remaining to be executed on capital account and not provided for		
- Towards Plant, Property & Equipment	330.77	1,053.11
Total	**330.77**	**1,053.11**

Note no. 52

b. Contingent liabilities

The claims against the company not acknowledged as debt is Rs.6,075.36 lakhs (previous year Rs. Rs.2,329.47 lakhs). The details are as under

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs. lakhs	Indication of the uncertainties relating to the amount or timing of any outflow
1	BSNL	The Petitioner has claimed that the Company while laying river water pipeline had damaged the optical fiber cables.	15.00	The Company has contracted the work relating to 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. Amount has been withheld from the contractor's payment towards the claim that may arise. The Lok Adalat has asked BSNL to come back with their decision on settlement for Rs.5 lakh. The Petitioner is yet to come back with their final decision on settlement and no order has been passed. The matter is adjourned.
2	Mr. Ravindranath Bajpe	The Company had 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, had contended that Company officials & contractors have trespassed his property and demolished the stone compound wall 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 pay a sum of Rs 47,90, 500/-	47.91	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, the Company maintains that the Plaintiff is not entitled to claim the alleged loss or any other claim. Written statement is filed by the Company. Amount has been withheld from the contractor's payment towards the claim that may arise.
		Petitioner (Ravindranath Bajpe has filed this Special Leave Petition in Supreme Court contending the quashing of process of trail by the High Court & Session Court	27.00	The matter was listed before the Hon'ble Supreme Court of India on 5th July, 2019 whereby the Hon'ble Court opined that the parties should try to settle the dispute. The Contractor is not inclined for out of court settlement. The next date of hearing awaited. Amount has been withheld from the contractor's payment towards the claim that may arise.

Note No.52 (b) Continued

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs. lakhs	Indication of the uncertainties relating to the amount or timing of any outflow
3	Cherian Varkey Construction Company (CVCC)	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 unauthorized 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 the Company and petitioner being a fixed price contract did not provide for escalation 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 immediate 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 the Company form encashing the BG. After the matter came up for argument in the Court and several adjournments, the case filed by petitioner was 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, the Company sought consent for constituting 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 recommended the Company to pay Rs.9.39 Cr to petitioner. However, the petitioner did not accept the recommendations of the OEC and choose to pursue the Arbitration proceedings. The Arbitral Tribunal 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 the Company and termination of contract was unlawful. The Company was directed to pay to Rs.19,23,53,085. Aggrieved by the Arbitration award, the company and the Petitioner had filed a Arbitration suits contesting the Arbitration Award before the 1st Additional Dist. Session Judge, Mangaluru and matter is still pending. Further, the petitioner filed an execution petition for recovery of Rs.29,13,63,551 and sought for attachment of bank accounts to the tune of Rs.3500 lakh. After several rounds of court proceedings, the 1st Additional District Judge, Mangaluru vide order dated 28.02.2020 has dismissed the contentions of the Company and passed orders to attach the bank accounts of the Company to the tune of Rs.3500 lakh.	3,500.00	The Company filed a writ petition No 4974/2020 (GM-CPC) before the Hon'ble High Court of Karnataka, Bengaluru, wherein the Hon'ble High Court vide order dated 17.03.2020 stayed the order dated 28.02.2020 passed by Its Additional District Judge, Mangaluru subject to the Company furnishing security of fixed deposit to an extent of award amount. The Company has followed the directions of High Court and executed a term deposit of Rs.1921 lakhs. Further, considering the PBG encashment of Rs.730.20 lakhs and contract retention money payable Rs.237.07 lakh, the net charge to statement of profit and loss would be Rs.2532.73 lakh. The matter is in the hearing stage. MSEZL and CVCC had also filed Arbitration suits no 1 & 2 /2020 in he IVth Additional District Court, Mangalore challenging the Award passed by the Arbitral Tribunal. Arguments have been held and the Court has summoned the original arbitral records from the Arbitrators. The matter will be taken up for further hearing after the documents are received from the Arbitrators.
4	M/s.RPP Infra Projects	M/s RPP Infra Projects Ltd has invoked the arbitration clause in the contract for Pipeline Corridor Reach I which was executed from Dec ’10 to Aug ’14.	2,306.00	The arbitration clause was invoked in April ’18. MSEZL had rejected the invocation of the Arbitration citing that the contract has been discharged after payment of final bill upon issue of No Claim Certificate by the Contractor. The Contractor filed a Civil Miscellaneous Petition in the Hon'ble High Court of Karnataka seeking directions to the Company to appoint a nominee arbitrator. The Hon'ble High Court has appointed a Sole Arbitrator. RPP have filed claims to the tune of Rs 2306 lakhs. The Statement of Objections is under preparation.
		Total A	**5,895.91**	
		A brief description of other issues - Contingent in nature		
5		The Company with a view to attract investments has made an application for partial de-notification of SEZ land of 79.9241 hectares to Commerce & Industries Department, Govt of Karnataka and Office of Develpment Commissioner, Mangalore Special Economic Zone, Mangalore. In this connection, No Objection Certificate is obtained for partial De-notification of SEZ Land of 79.9241 hectares from GoK Commerce & Industries Department, Govt of Karnataka which is subject to refund of tax benefits availed from State Government amounting to Rs 99.10 Lakhs. (Letter dt 09.03.2021) & DC, MSEZ vide his letter dated 09.04.2021 had advised to pay an amount of Rs 80.35 Lakhs towards benefits/Incentives claimed on infrastructure works. In the event, the Company proceeds with the application on partial denotification of land which is likely to result in exposure for refund of the benefits.	179.46	The Board of Directors have accorded to proceed with the partial denotificaiton of land and taking up of the Infrastructure works in the DTA zone provided the Company enters into an MOU with the prospective investors for atleast 10 Acres of land in DTA.The Payments of the amounts towards tax benefits would arise upon entering of an MOU with the prospective invetsors.
		Total B	**179.46**	
		Total Contingent liability (A+B)	**6,075.36**	

Note No.52 (b) Continued

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs. lakhs	Indication of the uncertainties relating to the amount or timing of any outflow
		A brief description of other court cases - Non Contingent in nature		
6	Cardolite Specialty Chemicals India LLP	The Cardolite Specialty Chemicals India LLP (a unit in MSEZ) has filed a writ petition in the Hon'ble High Court, Karnataka against the tariff order passed by Karnataka State Electricity Commission (KERC)	79.33	The company aggrieved by the KERC tariff order for FY 17-18 had filed an review petition (RP) before KERC. The KERC had vide RP order dt.26.10.2017 passed order in favour of the company and allowed recovery of Rs.3.91 Crore from the consumers, including the petitioners amount of Rs.79.33 lakhs. The petitioner aggrieved by the tariff order had filed a review petition before KERC. The KERC had vide RP order dt.28.05.2019 dismissed the review petition and directed the petitioner to pay the amount of Rs.79.33 lakhs. Subsequently, the petitioner filed a writ petition before the Hon'ble High Court. The Hon'ble High Court has passed an interim order directing the Company not to take any coercive action against the petitioner. The Company has filed interlocutary application (IA) for vacating the interim order of the Hon'ble High Court and objections to M/s.Cardolite's IA direction.

Note no.53: Critical judgments in applying accounting policies	
I.	**Recognition of Revenue**
(a)	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 2020-21, the revenue is recognized based on the KERC tariff order dated November 04, 2020 applicable for electricity consumed from the first meter reading date falling on or after November 1st, 2020. 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.
(b)	The Company has recognized revenue, from a consumer, amounting to Rs.30.06 lakh for the current year (previous year Rs.29.16 lakh) towards Zone Operation and Maintenance (O&M) charges. The agreement with the said consumer is under discussion. Pending finalization of agreement, the Zone O&M charge with the said consumer is recognized at Board approved rate/sft.
II.	**Recognition of borrowing cost**
	Borrowing costs are charged to the Statement of Profit & Loss applying the effective interest method. The interest charged on the loan is 40 basis point plus six months 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 judgments 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 judgments and which may get revised pursuant to position taken by the tax authorities.

Note no. 54: Previous year's figures have been regrouped wherever necessary to correspond with the current year's classification/disclosure

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)

Sd/-
Shipra Gupta
Partner
Membership No. 436857

For and on behalf of the Board

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

Sd/-
Srinivas S Kamath
Director
DIN: 01079043

Sd/-
V Suryanarayana
Chief Executive Officer

Sd/-
K S Ramesh
Chief Financial Officer

V Phani Bhushan
Company Secretary

Place: BANGALORE
Date: 04-05-2021

Place: MANGALORE
Date: 04-05-2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MANGALORE SEZ LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mangalore SEZ Limited ("the Company") and its subsidiaries (the Company and its subsidiaries together referred to as "the Group"), which comprise of the Consolidated Balance Sheet as at March 31, 2021, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2021, the consolidated profit, consolidated total comprehensive income, consolidated changes in equity and its consolidated cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

We draw attention to –

1. Notes 7 and 12 (a) of the consolidated financial statements, regarding receivable from JBF Petrochemicals Limited of Rs.17,162.15 lakhs for which the company has filed an application with National Company Law Tribunal as operational creditor to initiate Corporate lnsolvency Resolution process under the IBC Code. The entire amount of receivable has been credit-impaired due to non – recovery as against which the ECL provision is made only for Rs. 9,117.16 Lakhs.

2. Notes 12 (c) of the consolidated financial statements, on termination of Memorandum of Understanding (MOU) entered into with M/s Trident Infrastructures, the advance amount received from Trident attracts forfeiture.The company has grouped the lease receivable amounting to Rs. 1,387.61 Lakhs (Net of Fair Value Loss provision of Rs. 234.09 Lakhs) with un-amortized lease premium liability balance of Rs. 1,792.09 Lakhs as on 31.03.2021. Hence, the difference of Rs. 404.48 Lakhs has not been recognized in the accounts during the year 2020-21.

Our opinion is not modified in respect of these matters.

Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS 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 the 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; 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements.For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

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

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

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

Other Matters

We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of Rs.206.99lakh as at 31st March 2021, total comprehensive income of Rs. NIL and net cash flows amounting to Rs7.70 lakh 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 related to the amounts and disclosure included in respect of the aforesaid subsidiary, and our report in terms of subsection (3) and (11) of section 143 of the Act, insofar as it relates to the aforesaid subsidiary, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

a) We have sought and obtained all the information and explanationswhich to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept 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), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e) On the basis of the written representations received from the directors of the Company as on March 31, 2021 taken on record by the Board of Directors of the Company and its subsidiaries incorporated in India and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2021 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 and the operating effectiveness of such controls; refer to our separate Report in "Annexure A" which is based on the auditor's reports of the Company and its subsidiary companies incorporated in India.

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

   i. The consolidated financial statements disclose impact of pending litigations on the consolidated financial position of the Group – Refer Note no. 51 b to Consolidated Financial Statements.

   ii. The group did not have any long-term contracts, including derivative contracts; and

   iii. Therehas not been an occasion during the year under report to transfer any sums to the Investor Education and Protection Fund by the Holding company or its subsidiary Companies. Therefore, the question of delay in transferring such sums does not arise.

For **RAY & RAY**
Chartered Accountants
(Firm's Registration No. 301072E)

Sd/-
Shipra Gupta
Partner
(Membership No. 436857)
UDIN : 21436857AAAAAQ6350

Place:Bangalore
Date: 4th May, 2021

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Mangalore SEZ Limited of even date)

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of **MANGALORE SEZ LIMITED** (hereinafter referred to as "Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 ("theICAI"). 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 the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company and its subsidiary companies, which are companies incorporated in India, 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 internal financial controls system over financial reporting of the Company and its subsidiary companies.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting 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 and to the best of our information and according to the explanations given to us, the Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, generally an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the respective companies 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 **RAY & RAY**
Chartered Accountants
(Firm's Registration No. 301072E)

Sd/-

Shipra Gupta
Partner
(Membership No. 436857)
UDIN 21436857AAAAAQ6350

Place: Bangalore
Date: 4th May, 2021

Mangalore SEZ Limited

Consolidated Balance Sheet

as at 31st March, 2021

(Rs. in lakhs)

		Notes	As at 31.03.2021	As at 31.03.2020
	ASSETS			
(1)	**Non-current assets**			
	(a) Property, plant and equipment	3	80,359.13	78,216.28
	(b) Capital work in progress	4	13,335.68	19,098.78
	(c) Investment Property	5	46,487.98	45,702.69
	(d)Other Intangible Assets	6	1,188.52	1,257.33
	(e) Financial Assets			
	(ii) Trade Receivables	7	729.60	820.80
	(iii) Loans	8	715.05	646.78
	(iv) Others	9	0.49	0.25
	(f) Other non-current assets	10	1,601.00	974.68
			1,44,417.45	**1,46,717.59**
(2)	**Current assets**			
	(a) Financial Assets			
	(i) Investments	11	5,720.87	3,882.20
	(ii) Trade receivables	12	9,082.83	13,972.43
	(iii) Cash and cash equivalents	13	252.26	531.46
	(iv) Bank Balances other than (iii) above	14	2,810.23	3,440.44
	(v) Loans	15	24.25	0.25
	(vi) Others	16	63.88	90.43
	(b) Current tax asset (Net)	17	131.05	622.58
	(c) Other current assets	18	423.78	494.86
			18,509.15	**23,034.65**
	Total Assets		**1,62,926.60**	**1,69,752.24**
	EQUITY AND LIABILITIES			
(1)	**EQUITY**			
	(a) Equity Share capital	19	5,000.12	5,000.12
	(b) Other equity	20	(3,802.07)	(605.67)
	Total Equity Attributable to owners of the Company		**1,198.05**	**4,394.45**
	Non-Controlling Interests	19	**1.50**	**1.50**
	Total Equity		**1,199.55**	**4,395.95**
	LIABILITIES			
(2)	**Non-current liabilities**			
	(a) Financial Liabilities			
	(i) Borrowings	21	51,059.43	53,347.43
	(ii) Other financial liabilities	22	7,022.60	2,514.79
	(b) Provisions	23	214.23	209.86
	(c) Deferred tax liabilities (Net)	24	2,067.99	1,038.21
	(d) Government grant	25	1,777.88	1,872.75
	(d) Other Non Current Liabilities	26	89,596.28	91,933.48
			1,51,738.41	**1,50,916.52**
(3)	**Current liabilities**			
	(a) Financial Liabilities			
	(ii) Trade payables	27		
	- To Micro and Small enterprises		294.68	63.88
	- To Others		830.45	1,825.21
	(iii) Other financial liabilities	28	4,774.44	8,062.88
	(b) Other current liabilities	29	2,889.42	2,923.22
	(c) Provisions	30	1,117.15	1,531.58
	(d) Government grant	31	82.50	33.00
			9,988.64	**14,439.77**
	Total liabilities		**1,61,727.05**	**1,65,356.29**
	Total Equity and Liabilities		**1,62,926.60**	**1,69,752.24**

Significant accounting policies and key accounting estimates and judgements Notes 1 to 2

The accompaying notes are an integral part of these financial statements Notes 3 to 53

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)
Sd/-

Shipra Gupta
Partner
Membership No. 436857

For and on behalf of the Board

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

Sd/-
Srinivas S Kamath
Director
DIN: 01079043

Sd/-
V Suryanarayana
Chief Executive Officer

Sd/-
K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary

Place: BANGALORE
Date: 04-05-2021

Place: MANGALORE
Date: 04-05-2021

Mangalore SEZ Limited

Consolidated Statement of Profit and Loss

for the period ended 31st March, 2021

(Rs. in lakhs)

Particulars		Notes	Year 2020-21	Year 2019-20
I	Revenue from Operations	32	16,512.40	17,406.53
II	Other Income	33	436.37	746.41
III	**Total Income (I+II)**		**16,948.77**	**18,152.94**
IV	**EXPENSES**			
	Cost of materials consumed	34	4,908.52	4,452.00
	Employee benefit expense	35	709.45	757.56
	Finance costs	36	4,491.54	5,060.35
	Depreciation and amortisation Expense	37	3,612.65	4,391.01
	Net impairment losses on financial assets	38	2,526.18	2,800.90
	Other expenses	39	2,833.53	3,677.29
	Total Expense (IV)		**19,081.87**	**21,139.12**
V	**Profit/(loss) before exceptional items and tax (III - IV)**		**(2,133.10)**	**(2,986.19)**
VI	Exceptional items		-	-
VII	**Profit/(loss) before tax (V - VI)**		**(2,133.10)**	**(2,986.19)**
VIII	**Tax expense**	40		
	(1) Current tax		45.12	28.95
	(2) Deferred tax		1,026.77	148.27
	Total Tax expense		**1,071.89**	**177.22**
IX	**Profit/(loss) for the period from continuing operations (VII - VIII)**		**(3,204.99)**	**(3,163.40)**
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)**		**(3,204.99)**	**(3,163.40)**
XIV	**Other Comprehensive Income**			
	Items that will not be reclassified to profit or loss			
	(a) Remeasurement of the defined benefit plans		11.61	(8.43)
	(b) Income tax relating to the above		(3.02)	2.19
			8.59	**(6.24)**
XV	**Total Comprehensive Income for the period (XIII+XIV)**		**(3,196.40)**	**(3,169.64)**
XVI	**Earnings per equity share:**	49		
	(1) Basic		(6.41)	(6.33)
	(2) Diluted			-

Significant accounting policies and key accounting estimates and judgements Notes 1 to 2

The accompaying notes are an integral part of these financial statements Notes 3 to 53

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)

Sd/-

Shipra Gupta
Partner
Membership No. 436857

Place: BANGALORE
Date: 04-05-2021

For and on behalf of the Board

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

Sd/-
Srinivas S Kamath
Director
DIN: 01079403

Sd/-
V. Suryanarayana
Chief Executive Officer

Sd/-
K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary
Place: MANGALORE
Date: 04-05-2021

Mangalore SEZ Limited

Consolidated Statement of Changes in Equity

for the period ended 31st March, 2021

(A) Equity Share Capital

(Rs. in lakhs)

Balance at the beginning of the reporting period April 01, 2020	**5,000.12**
Changes in equity share capital during the year	-
Balance at the end of the reporting period March 31, 2021	**5,000.12**

(B) Other Equity

(Rs. in lakhs)

Particulars	Reserves and Surplus	TOTAL
	Retained Earnings	
Balance at the end of the reporting period March 31, 2019	2,563.97	**2,563.97**
Changes in accounting policy	-	-
Restated balance at the beginning of the reporting period April 01, 2019 (A)	2,563.97	**2,563.97**
Additions during the year:		
Profit/(Loss) for the year	(3,163.40)	**(3,163.40)**
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	(6.24)	**(6.24)**
Total Comprehensive Income for the period March 31, 2020 (B)	(3,169.64)	**(3,169.64)**
Reductions during the year:		
Transfer to general reserves	-	-
Any other change -	-	-
Total (C)	-	-
Balance at the end of the reporting period March 31, 2020 (D= A+B+C)	**(605.67)**	**(605.67)**
Changes in accounting policy	-	-
Restated balance at the beginning of the reporting period April 01, 2020 (E)	**(605.67)**	**(605.67)**
Additions during the year:		
Profit/(Loss) for the year	(3,204.99)	**(3,204.99)**
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	8.59	**8.59**
Total Comprehensive Income for the period March 31, 2021 (F)	(3,196.40)	**(3,196.40)**
Reductions during the year:		
Transfer to general reserves		-
Any other change	-	-
Total (G)	-	-
Balance at the end of the reporting period March 31, 2021 (E+F-G)	**(3,802.07)**	**(3,802.07)**

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)

Sd/-

Shipra Gupta
Partner
Membership No. 436857

For and on behalf of the Board

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

Sd/-
Srinivas S Kamath
Director
DIN: 01079043

Sd/-
V Suryanarayana
Chief Executive Officer

Sd/-
K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary

Place: BANGALORE
Date: 04-05-2021

Place: MANGALORE
Date: 04-05-2021

Mangalore SEZ Limited

Consolidated Cash Flow Statement

for the period ended 31st March, 2021

(Rs. in lakhs)

	Particulars	Year 2020-21		Year 2019-20	
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**				
	Profit before tax	**(2,133.10)**		**(2,986.19)**	
	Adjustments for:				
	- Depreciation and amortisation	3,612.65		4,391.01	
	- Impairment	2,526.18		3,157.79	
	-Interest on Borrowings	4,274.37		4,781.72	
	-Interest on lease liability	208.41		211.66	
	-Provision for Gratuity	22.50		20.94	
	-Provision for Leave Encashment	14.98		32.35	
	-Provision for other Employee benefits	79.17		63.97	
	- Insurance claim received	-		(17.05)	
	-Interest Income	(139.07)		(130.35)	
	-Dividend Income			(278.74)	
	-Gain on sale of investments	(128.31)		-	
	-Fair value gain on mutual funds	(25.83)		-	
	-Deferred Government Grant	(45.38)		(33.00)	
	-Other (describe) - (Profit)/Loss on sale of asset & Loss on sale of asset	17.40		17.12	
	Operating Profit before Working Capital Changes	**8,284.00**		**9,231.24**	
	Adjustments for:-				
	-(Increase)/decrease in Trade and other receivables	2,454.63		(520.95)	
	-(Increase)/decrease in Other assets	(7.48)		(327.83)	
	-Increase/(Decrease) in Trade payable and other liabilities	(2,530.75)		(1,361.58)	
	Increase/(Decrease) in provisions	(111.39)		(88.87)	
	Cash generated from Operating activities	**8,089.01**		**6,932.02**	-
	Income Tax Paid (net of refund)	(184.09)		(632.68)	
	Net Cash generated from Operating activities		**7,904.92**		**6,299.34**
B.	**CASH FLOW FROM INVESTING ACTIVITIES:**				
	Payments for Property, plant and equipment	(364.25)		(2,272.55)	
	Payments/receipts for investment property	(785.29)		(49.39)	
	Payment for intangible asset	-		(2.71)	
	Insurance claim receipt and Proceeds from sale of Property, plant and equipment	-		17.28	
	Investment in term deposits	(344.36)		(2,080.40)	
	Proceeds from maturity of term deposits	973.48		-	
	Dividend received from Others	-		278.74	
	Gain on redemption of mutual funds	128.31		-	
	Fair value gain on mutual funds	25.83		-	
	Interest received	155.85		122.70	
	Net Cash (used) in Investing activities		**(210.43)**		**(3,986.32)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES:**				
	Repayment of current borrowings	(1,649.70)			
	Repayment of non-current borrowings	(1.08)		(2.32)	
	Finance Cost paid	(4,260.81)		(4,769.01)	
	Interest paid on lease liability	(208.41)		(211.66)	
	Principal paid of lease liability	(16.11)		(11.11)	
	Net Cash (used) in Financing activities		**(6,136.11)**		**(4,994.10)**
D	**Net (Decrease)/Increase in cash and cash equivalents [A+B+C]**		**1,558.38**		**(2,681.08)**
	Add: Opening Cash and Cash Equivalents		4,419.37		7,100.45
	Closing Cash and cash Equivalents		**5,977.75**		**4,419.37**

Continued

Mangalore SEZ Limited

Consolidated Cash Flow Statement

for the period ended 31st March, 2021

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.

iv Cash and cash equivalents as per above statement comprises as under:

(Rs. in lakhs)

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
Balances with Banks:		
-Current account	252.17	531.40
-Deposits with original maturity of more than three months	4.62	5.71
Cash on hand	0.09	0.06
Investment in liquid mutual funds	5,720.87	3,882.20
Cash and cash equivalents in Cash Flow Statement	**5,977.75**	**4,419.37**

v Statement showing reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes

(Rs. in lakhs)

			Non-cash changes		
Particulars	As at 01.04.2020	Cash Flows	Fair value changes	Current/Non-current classificatio	As at 31.03.2021
Borrowings - Non Current	53,347.4	(1.08)	17.98	(2,304.90)	51,059.43
Other Financial Liabilities	1,649.70	(1,649.70)	-	2,304.90	2,304.90

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)

For and on behalf of the Board

Sd/-
Shipra Gupta
Partner
Membership No. 436857

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

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Chief Executive Officer

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K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary

Place: BANGALORE
Date: 04-05-2021

Place: MANGALORE
Date: 04-05-2021

1. Corporate information

Mangalore SEZ Limited (MSEZ) is a Public Limited Group domiciled and incorporated in India having its Registered Office at Survey No. 168/3A, Plot No U-1, Administrative Building, Mangalore Special Economic Zone, Bajpe Village Mangalore Taluk, Karnataka -574 142
The Group 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 group's shares are unlisted.

The Consolidated Financial Statements relate to the Group, its Subsidiaries and Joint Venture Entities. The Group (comprising of the Group and its subsidiaries), Joint Venture Entities and Associates are mainly engaged in Development, Operation and Maintenance of SEZ, Sewage water treatment and Supply of power.

2. Significant accounting policies

2.1. Statement of compliance

The Consolidated 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 Consolidated 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 Group'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 Conslidated Financial Statements are presented in Indian Rupees.

Fair value Measurement

The group 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 Group.

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 group 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 group 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 Group 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 Principles of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries (collectively referred as “the Group”). The Group has investments in associates and joint ventures which are accounted using equity method in these consolidated financial statements. Refer note 2.4 for the accounting policy of investment in associates and joint ventures in the Consolidated Financial Statements. Subsidiaries are entities controlled by the Company.

The Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date of their acquisition being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases.

The Consolidated Financial Statements are prepared using uniform accounting policies consistently for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s Standalone Financial Statements except otherwise stated. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s Significant Accounting Policies. The Consolidated Financial Statements have been prepared by combining the financial statements of the company and its subsidiaries on a line-by-line basis by adding together the book values of like items of assets, liabilities, equity, income, expenses and cash flow after eliminating in full intra-group assets, liabilities, equity, income, expenses and cash flow relating to intra-group transactions and unrealized profits.

2.4 Investments in subsidiaries

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

2.5 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.

2.6 Accounting for Government Grants and Disclosure of Government Assistance

Government grants are not recognized until there is reasonable assurance that the Group 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 Group recognizes the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Group 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.

2.7 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 Group'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	10
Car Parking Shed	20
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.

The group follows a plan of physical verification of items of Property, Plant and Equipment so as to ensure full coverage over 3 years in a phased manner. This provides adequate control having regard to the size and nature of operations of the Group.

2.8 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 group, 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 group 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.

2.9 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 Group 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.

2.10 Impairment of Tangible and Intangible Assets

The Group 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 Group 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.

2.11 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.

2.12 Revenue recognition

Under Ind AS 115, Revenue is recognized upon transfer of control of promised products or services to consumers in an amount that reflects the consideration we expect to receive in exchange of those products or services.

a) Sale of Goods

Revenue arising from sale of goods is recognized when the control is 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 supply of River water and Tertiary Treated Plant are recognized on the basis of quantity committed/delivered to the units and invoiced at the agreed rates.
2. Income from distribution of power is recognized as per actual consumption billed at Karnataka Electricity Regulatory Commission (KERC) approved tariff.

b) 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), CETP Treatment and Usage Charges are recognized based on the agreed rates with the units.

2. Marine outfall usage charges, Corridor Usage charges, CETP joining fees, internal corridor charges received in advance are recognized over the useful life of the asset on proportionate basis.

c) 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.

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 Company has adopted Ind AS 116 "Leases" effective 1st April, 2019, as notified by the Ministry of Corporate Affairs (MCA) vide Companies (Indian Accounting Standard), Amendment Rules, 2019, using the modified retrospective method.

On transition, the adoption of the standard resulted in recognition of Right-to-Use assets with corresponding equivalent lease liabilities (Refer Note 42).

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 Group 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 group'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 Group 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 Group 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 Group has a present obligation (legal or constructive) as a result of past event, it is probable that the Group 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 Group 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 Group 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/risk adjusted 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 Group 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 Group 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 cost of borrowing. 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 Group 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 Group'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 Group 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 is recognized in OCI. These gains/losses are not subsequently transferred to P&L. However, the Group 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 Group 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 Group 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 Group de-recognizes financial liabilities when, and only when, the Group'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 Group 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, the group 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 50), that the group have made in the process of applying the Group'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 Group 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 Group 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 Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group'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 Group 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 group 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.

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Notes accompanying consolidated financial statements

Note 3: Property, Plant & Equipment

(Rs. in lakhs)

	Gross carrying amount				**Depreciation /Amortisation**				**Net carrying amount**	
	As at 01.04.2020	**Additions during the period**	**Deductions/Adjustments**	**As at 31.03.2021**	**As at 01.04.2020**	**Additions during the period**	**Deductions/Adjustments**	**As at 31.03.2021**	**As at 31.03.2021**	**As at 31.03.2020**
Lease- Right-of-use assets										
Leasehold land	36.24	-	-	36.24	10.82	2.26	-	13.08	23.15	25.42
Lease assets (Refer Note no. 44)	2,324.08	-	-	2,324.08	108.98	113.31	-	222.30	2,101.78	2,215.09
Buildings	43,648.77	5,230.50	3.68	48,875.59	4,151.41	1,363.69	0.16	5,514.93	43,360.66	39,497.37
Plant and equipment	41,819.09	231.43	21.88	42,028.65	6,436.10	1,604.88	8.30	8,032.68	33,995.96	35,383.00
Furniture and fixtures	122.34	1.31	16.64	107.01	54.83	10.04	12.17	52.70	54.31	67.51
Vehicles	191.56	-	-	191.56	85.07	22.75	-	107.82	83.74	106.49
Office equipment	72.26	5.82	2.93	75.14	55.96	6.12	2.07	60.01	15.13	16.30
Roads	8,249.98	240.76	0.53	8,490.21	7,344.86	420.97	0.02	7,765.82	724.39	905.11
Total	**96,464.32**	**5,709.82**	**45.66**	**1,02,128.48**	**18,248.04**	**3,544.02**	**22.72**	**21,769.34**	**80,359.13**	**78,216.28**
Previous Year	**92,104.96**	**4,384.69**	**25.33**	**96,464.32**	**13,931.58**	**4,331.82**	**15.36**	**18,248.04**	**78,216.28**	**78,173.38**

3(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).

3(ii) Refer Note no.51 (a) for disclosure of contractual commitments for acquistion of Property, Plant & Equipment

3(iii) 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 and capitalized entirely during FY 20-21 on a self-sustainable, cost and revenue model under an agreement with two customers viz., MRPL and OMPL.

In terms of the agreement:

(a) All the three parties have contributed in equal shares towards cost of the project.

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

(c) 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

(d) 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'.

(e) 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

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Capital work in progress		
Development of Land	9,710.77	10,864.04
Infrastructrure Development	3,624.91	8,234.74
Total	**13,335.68**	**19,098.78**

4(i) Capital work in progress includes Rs.9,710.77 lakh as at March 31, 2021 (Rs.10,864.04 lakh as at March 31, 2020) 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(ii) In FY 20-21 R&R colony expenditure works amounting to Rs.766.32 lakhs was handed over to respective local authourities and thus, transferred to cost of land.

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.

(Rs. in lakh)

Particulars	As at 31.03.2021	As at 31.03.2020
Rehabilitation Compensation including training	232.33	215.00
Rehabilitation Colony Development Cost	873.33	1,301.59
Total	**1,105.66**	**1,516.59**

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.51(a) for disclosure of contractual commitments for acquistion of Plant, Property & Equipment

Note 5: Investment Property

(Rs. in lakhs)

	Gross carrying amount				Amortisation				Net carrying amount	
	As at 01.04.2020	**Additions during the period**	**Deductions/Adjustments**	**As at 31.03.2021**	**As at 01.04.2020**	**Additions during the period**	**Deductions/ Adjustments**	**As at 31.03.2021**	**As at 31.03.2021**	**As at 31.03.2020**
Land - Lease cum Sale	45,702.69	838.23	52.94	46,487.98	-	-	-	-	46,487.98	45,702.69
Previous Year	**45,653.29**	**49.40**	**-**	**45,702.69**	**-**	**-**	**-**	**-**	**45,702.69**	**45,653.29**

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

5(ii) Refer Note no.45(i) on Finance lease.

5(iii) Refer note 50 on 'amounts recognised in statement of profit & loss account'.

Note 6: Other Intangible Assets

(Rs. in lakhs)

	Gross carrying amount				Amortisation				Net carrying amount	
	As at 01.04.2020	**Additions during the period**	**Deductions/Adjustments**	**As at 31.03.2021**	**As at 01.04.2020**	**Additions during the period**	**Deductions/ Adjustments**	**As at 31.03.2021**	**As at 31.03.2021**	**As at 31.03.2020**
Intangible Assets										
Specialised Software	4.35	-	2.70	1.65	1.41	2.79	2.70	1.50	0.15	2.94
Barrage usage rights	1,584.49	-	-	1,584.49	330.10	66.02	-	396.12	1,188.37	1,254.39
Total	**1,588.84**	**-**	**2.70**	**1,586.14**	**331.51**	**68.81**	**2.70**	**397.62**	**1,188.52**	**1,257.33**
Previous Year	**1,586.14**	**2.70**	**-**	**1,588.84**	**264.92**	**66.59**	**-**	**331.51**	**1,257.33**	**1,321.21**

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

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Trade receivables		
(a) Considered good - Secured	-	-
(b) Considered good - Unsecured	-	-
(c) Trade Receivables which have significant increase in credit risk	-	-
(d) Trade Receivables - credit impaired	729.60	820.80
	729.60	**820.80**
Less: Loss allowance		
(a) Fair value loss	-	-
(b) Credit impaired	-	-
	-	-
Total	**729.60**	**820.80**

Note 8: Loans

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Security Deposit	715.05	646.78
Total	**715.05**	**646.78**

Break-up for Security Details

Particulars	As at 31.03.2021	As at 31.03.2020
Unsecured, considerd good	715.05	646.78
Total	**715.05**	**646.78**

Note 9: Other financial Assets

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Balance with banks (more than 12 months)	0.49	0.25
Total	**0.49**	**0.25**

Note 10: Other Non current Assets

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Capital Advances:	154.19	154.19
Others		
-Security deposits	46.12	50.31
-Income Tax (Net of Provision)	1,400.69	770.18
Total	**1,601.00**	**974.68**

Note 11: Investments

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Investments in Mutual Funds - Quoted		
- SBI Liquid Fund - Direct plan Daily Income Distribution cum Capital Withdrawal		
5,50,303.7 units of face value of Rs.1,039.5847 each (Previous corresponding March, 2020 - 3,86,962.641 units of face value Rs.1003.2500 each)	5,720.87	3,882.20
Total	**5,720.87**	**3,882.20**
Aggregate amount of quoted investments - At market value	**5,720.87**	**3,882.20**

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Notes accompanying consolidated financial statements

Note 12: Trade Receivables

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Trade receivables		
(a) Considered good - Secured	-	-
(b) Considered good - Unsecured	1,878.14	4,441.99
(c) Trade Receivables which have significant increase in credit risk	-	-
(d) Trade Receivables - credit impaired	16,509.41	16,431.50
	18,387.55	**20,873.49**
Less: Loss allowance		
(a) Fair value loss	110.70	266.42
(b) Credit impaired	9,194.02	6,634.64
	9,304.72	**6,901.06**
Total	**9,082.83**	**13,972.43**

Note no.12(a): Trade Receivables includes dues of Rs.7,315.39 lakhs (net of impairment) from JBF Petrochemicals Limited (JBF) outstanding for a significant period. Though the JBF receivables is impaired, the company is continuing its best efforts to realize the dues. The Company had also filed an application as an operational creditor under the Insolvency and Bankruptcy Code, 2016 (IBC) against JBF before the NCLT, Ahmedabad Bench.

Note no.12(b): For disclosure on revenue from JBF for financial year 20-21, Note no. 43 to be referred.

Note no.12(c): On cancellation of Memorandum of Understanding (MOU) entered into with M/s. Trident Infrastructure, the Company has grouped the lease receivable amounting to Rs.1,387.61 Lakhs (Net of Fair Value Loss provision of Rs.234.09 Lakhs) with un-amortised lease premium liability balance of Rs.1,792.09 Lakhs as on 31.03.2021. The difference of Rs. 404.48 lakhs is not recognised as the same is under consideration with the competent authority.

Note 13: Cash and Cash Equivalents

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
(A) Cash and cash equivalents		
(a) Balances with banks:		
Current accounts	252.17	531.40
(b) Cash on hand	0.09	0.06
Total	**252.26**	**531.46**

Note 14: Bank Balances other than above

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Other Balances with banks		
Term Deposits with original maturity of more than three months but less than 12 months	4.62	5.71
Term deposits held as margin money	858.47	1,513.73
Term deposit as per arbitration	1,947.14	1,921.00
Total	**2,810.23**	**3,440.44**

Note 15: Loans

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Security Deposit	24.25	0.25
Total	**24.25**	**0.25**

Break-up for Security Details

Particulars	As at 31.03.2021	As at 31.03.2020
Unsecured, considerd good	24.25	0.25
Total	**24.25**	**0.25**

Note 16: Others

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Interest accrued on deposits	27.48	44.26
Other Receivables	36.40	46.17
Total	**63.88**	**90.43**

Note 17: Current tax asset (net)

Rs. in lakhs

Particulars	As at 31.03.2021	As at 31.03.2020
Tax credits	176.17	622.59
Income tax provision	(45.12)	(0.01)
Total	**131.05**	**622.58**

Note 18: Other current assets

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Advances:		
(i) Advances to Suppliers	23.18	11.55
(ii) Balances with government authorities		
- Goods and Service Tax input	140.98	241.98
Prepaid expenses	259.62	241.33
Total	**423.78**	**494.86**

Note 19. Equity Share Capital

Authourised, Issued, Subscribed and Paid up Share Capital

(Rs. in lakhs)

	As at 31.03.2021	As at 31.03.2020
Authorised :		
425000000 Equity Shares of Rs. 10 each	42,500	42,500
Issued		
100000000 Equity Shares of Rs. 10 each fully paid up	10,000	10,000
Subscribed and fully Paid up capital		
50001200 Equity Shares of Rs. 10 each fully paid up	5,000.12	5,000.12
	5,000.12	**5,000.12**

(Rs. in lakhs)

	As at 31.03.2021	As at 31.03.2020
Equity Attributable to Non Controlling Interests	1.50	1.50

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

Fully paid Equity shares	As at 31.03.2021		As at 31.03.2020	
	No. of Shares	**Amount in Rs. lakhs**	**No. of Shares**	**Amount in Rs. lakhs**
At the beginning of the year	5,00,01,200	5,000.12	5,00,01,200	5,000.12
Add: Issued during the year	-	-	-	-
At the end of the year	**5,00,01,200**	**5,000.12**	**5,00,01,200**	**5,000.12**

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 31.03.2021		As at 31.03.2020	
	No. of Equity Shares	Percentage of Holding	No. of Equity Shares	Percentage of Holding
Fully paid Equity Shares of Rs.10 each				
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 Areas Development Board (Associate)	1,15,00,000	23%	1,15,00,000	23%

Note 20: Other Equity

(Rs. in lakhs)

Particulars	**Reserves and Surplus**	**TOTAL**
	Retained Earnings	
Balance at the end of the reporting period March 31, 2019	2,563.97	**2,563.97**
Changes in accounting policy	-	-
Restated balance at the beginning of the reporting period April 01, 2019 (A)	2,563.97	**2,563.97**
Additions during the year:		
Profit/(Loss) for the year	(3,163.40)	**(3,163.40)**
Items of OCI for the year, net of taxes:		
Remeasurment benefit of defined benefit plans	(6.24)	**(6.24)**
Total Comprehensive Income for the period March 31, 2020 (B)	(3,169.64)	**(3,169.64)**
Reductions during the year:		
Transfer to general reserves	-	-
Any other change -	-	-
Total (C)	-	-
Balance at the end of the reporting period March 31, 2020 (D= A+B+C)	(605.67)	**(605.67)**
Changes in accounting policy	-	-
Restated balance at the beginning of the reporting period April 01, 2020 (E)	(605.67)	**(605.67)**
Additions during the year:		-
Profit/(Loss) for the year	(3,204.99)	**(3,204.99)**
Items of OCI for the year, net of taxes:		-
Remeasurment benefit of defined benefit plans	8.59	**8.59**
Total Comprehensive Income for the period March 31, 2021 (F)	(3,196.40)	**(3,196.40)**
Reductions during the year:		-
Transfer to general reserves		-
Any other change		-
Total (G)	-	-
Balance at the end of the reporting period March 31, 2021 (E+F-G)	**(3,802.07)**	(3,802.07)

Note 21: Borrowings

(Rs. in lakhs)

Particulars	Maturity date	Terms of repayment	Effective interest rate	As at 31.03.2021	As at 31.03.2020
Secured					
Rupee Term Loans	March 2032	Sixty two unequal quarterly installments	7.38% (8.34%)*	53,451.65	55,102.42
Less: Amortized cost of debt				(87.32)	(105.30)
Non-current borrowings				**53,364.33**	**54,997.13**
Less: Current maturities of long-term debt (included under Other Current financial liabilities Note 28)				(2,304.90)	(1,649.70)
Total non-current borrowings				**51,059.43**	**53,347.43**

* Indicates the EIR as at 31.03.2020

(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.

Note 22: Other financial liabilities

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Lease liabilities (Refer Note no. 44)	2,296.86	2,312.97
Less: Current maturities of lease liabilities (included under Other Current financial liabilities refer Note 28)	(21.65)	(16.11)
Total non current lease liabilities	**2,275.21**	**2,296.86**
Payable towards capital/project related expenditure/works; contractual obligations	4,524.65	-
Trade Deposits	222.74	217.93
Total	**7,022.60**	**2,514.80**

Note 23: Provisions

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Provision for employee benefits:		
-Provision for Gratuity (Refer Note no.46)	128.07	124.48
-Provision for Compensated absences (Refer Note no.46)	86.15	85.38
Total	**214.23**	**209.86**

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, 2021

(Rs. in lakhs)

Particulars	Balance Sheet	Recognised in Profit and Loss	Recognised in Other Comprehensive income	Balance Sheet
	01.04.2020	**2020-21**	**2020-21**	**31.03.2021**
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	5,261.24	858.30	-	6,119.53
Difference between written down value of Intangible assets as per the books of accounts and Income Tax Act, 1961	250.46	0.89	-	251.35
Difference in carrying value and tax base of term loan measuerd at amortized cost	27.38	(4.67)	-	22.71
Employee benefit, provision for expense allowed for tax purpose on payment basis	(6.92)	3.68	3.02	(0.23)
DTA on non refundable one time user fee considered as income for Income Tax, while the same is	(4,493.96)	168.57	-	(4,325.39)
Net Deferred tax liabilities	**1,038.20**	**1,026.77**	**3.02**	**2,067.99**

Note 25: Government grant

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Government grant (refer Note 48)	1,860.38	1,905.75
Less: Current portion of government grant (included under 'Other Current Liabilities' Refer Note 31)	(82.50)	(33.00)
Total	**1,777.88**	**1,872.75**

Note 26: Other non current liabilities

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Advances from customers	92,106.53	94,370.71
Less: Current maturities of advances from customers (included under 'Other Current liabilities' Refer Note 29)	(2,708.45)	(2,645.06)
Total (a)	**89,398.08**	**91,725.65**
Deferred income	208.07	217.94
Less: Current portion of deferred income (included under 'Other Current Liabilities' Refer Note 29)	(9.87)	(10.11)
Total (b)	**198.20**	**207.83**
Total (a+b)	**89,596.28**	**91,933.48**

Note 27: Trade Payables

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Outstanding dues to Micro and Small Enterprises	294.68	63.88
Outstanding dues of creditors other than Micro and Small Enterprises	830.45	1,825.21
Total	**1,125.13**	**1,889.09**

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

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
a. the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year:		
Principal	294.68	63.88
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

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Current maturity of long term debt (refer Note no. 21)	2,304.90	1,649.70
Retention monies relating to capital expenditure/projects	779.27	868.15
Security Deposits	665.35	669.69
Lease liabilities (refer Note no. 22)	21.65	16.11
Earnest Money Deposit	12.54	11.23
Payable towards capital/project related expenditure/works; contractual obligations	919.09	4,777.56
Payable to employees	63.22	70.44
Others	8.42	-
Total	**4,774.44**	**8,062.88**

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

Note 29: Other current liabilties

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Advances from customers (refer Note no. 26)	2,708.45	2,645.06
Deferred income (refer Note no. 26)	9.87	10.11
Others		
-Payable towards Goods & Service tax	130.45	212.43
-Payable towards TDS under Income Tax	38.67	53.60
-Payable towards Providend fund, Profession Tax and ESIC	1.98	2.02
Total	**2,889.42**	**2,923.22**

Note 30: Provisions

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Provision for Employee Benefits		
-Provision for Gratuity (Refer Note no.46)	5.90	7.25
-Provision for Compensated absences (Refer Note no. 46)	5.59	7.74
Provision towards Rehabilitation & Resettlement cost (refer Note no. 4 (iii))	1,105.66	1,516.59
Total	**1,117.15**	**1,531.58**

Note 31: Government grant

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Government grant (refer Note no.25)	82.50	33.00
Total	**82.50**	**33.00**

Note 32: Revenue from operations (#)

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Sale of Products		
River water and Tertiary treated water	3,854.01	3,825.13
Power	5,322.60	4,664.84
Sale of Services		
Land Lease Premium	1,351.39	1,349.49
Land Lease Rental	380.57	435.25
Operation and Maintenance Charges	3,613.37	5,246.53
Usuage charges towards infrastructure facilities	1,990.46	1,885.29
Total	**16,512.40**	**17,406.53**

(#) Refer Note no.43

Note 33: Other Income and other gain/(losses)
(a) Other income

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Interest Income:		
(i) On financial assets measured at amoritzed cost	139.07	130.35
(ii) On security deposits measured at amortized cost	12.95	12.97
Dividends from mutual fund investment	-	278.74
Gain on redemption of mutual funds	128.31	-
Government grant amortization	45.38	33.00
Other non operating income	84.83	291.34
Total (a)	**410.54**	**746.41**

(b) Other gains/(losses)

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Fair value gain on mutual fund investment	25.83	-
Total (b)	**25.83**	**-**
Total (a+b)	**436.37**	**746.41**

Note 34: Cost of materials consumed

Rs. in lakhs

Particulars	31-Mar-21	31-Mar-20
Purchase of Power	4,386.14	3,930.17
STP water drawal charges	522.38	521.83
Total	**4,908.52**	**4,452.00**

Note 35: Employee benefit expense

Rs. in lakhs

Particulars	31-Mar-21	31-Mar-20
Salaries and allowances	624.54	661.17
Contribution to provident and other funds	10.39	10.89
Gratuity	22.50	20.94
Staff welfare expenses	52.02	64.55
Total	**709.45**	**757.56**

Note 36: Finance costs

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Interest on financial liabilities measured at amortized cost		
-Interest on bank borrowings	4,137.27	4,781.72
-Interest on security deposit	45.90	45.78
Interest on security deposits measured at fair value	8.76	8.70
Interest on lease liability (refer Note no.44)	208.41	211.66
Other borrowing cost	91.20	12.50
Total	**4,491.54**	**5,060.35**

Note 37: Depreciation and Amortisation Expense

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Depreciation of Property, plant and equipment (Refer Note 3)	3,428.26	4,213.26
Amortization of right-of-use assets (Refer Note 3 and Note no. 44)	115.58	111.16
Amortisation of Intangible assets (Refer Note 6)	68.81	66.59
Total	**3,612.65**	**4,391.01**

Note 38: Impairment losses

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Loss allowance (Refer Note no. 41c)	2,526.18	2,800.90
Total	**2,526.18**	**2,800.90**

Note 39: Other expenses

(Rs. in lakhs)

Particulars	31-Mar-21	31-Mar-20
Rent	48.38	67.14
Rates & taxes	274.22	830.09
Repair and Maintenance	1,999.44	2,060.78
Insurance	106.55	87.59
Advertising and publicity	18.33	39.72
Travelling expenses	60.03	102.65
Professional & consultancy charges	31.00	51.40
Legal fees	11.69	12.61
Payment to auditors	7.95	16.05
Corporate social responsibility	-	15.07
Interest on income tax	0.85	7.08
Miscellaneous Expenses	275.09	387.11
Total	**2,833.53**	**3,677.29**

Note 40: Income tax expense

A. The major components of income tax expense for the year are as under:
Income tax recognised/reported in the Statement of Profit and loss

(Rs. in lakhs)

Particulars	**31-Mar-21**	**31-Mar-20**
Current tax:		
Current tax on profits for the year	45.12	0.004
Adjustments for current tax of prior periods	-	28.94
Total current tax expense	**45.12**	**28.95**
Deferred tax:		
(i) Increase/(Decrease) in deferred tax	1,026.77	148.27
(ii) Deferred tax Asset MAT entitlement (not recognised)/reversal of excess MAT - of earlier years	-	-
Total deferred tax expense/(benefit)	**1,026.77**	**148.27**
Income tax expense	**1,071.89**	**177.22**
Income tax expense is attributable to:		
Profit from continuing operations	**1,071.89**	**177.22**

B.Other Comprehensive Income Section
Deferred tax related to items recognised in OCI during in the year

(Rs. in lakhs)

Particulars	**31-Mar-21**	**31-Mar-20**
Net loss/(gain) on remeasurement of defined benefit plans	**3.02**	**(2.19)**
Income tax charged to OCI	**3.02**	**(2.19)**

Note no. 41A: Category-wise Classification of Financial instruments

(Rs. in lakhs)

Financial assets measured at fair value through profit or loss (FVTPL)	Refer Note	Non-Current		Current	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Investments in quoted mutual funds	11	-	-	5,720.87	3,882.20
		-	**-**	**5,720.87**	**3,882.20**

Financial assets measured at amortised cost	Refer Note	Non-Current		Current	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Trade Receivables	7, 12	729.60	820.80	9,082.83	13,972.43
Term deposits with original maturity of more than 12 months	9	0.49	0.25	-	-
Cash and cash equivalents	13	-	-	252.26	531.46
Term deposits held as margin money	14	-	-	2,810.23	3,440.44
Security deposit	8, 15	715.05	646.78	24.25	0.25
Other Receivables	16	-	-	63.88	90.43
		1,445.15	**1,467.83**	**12,233.46**	**18,035.01**

Financial liabilities measured at fair value through amortized cost	Refer Note	Non-Current		Current	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Term loan from bank	21, 28	51,059.43	53,347.43	2,304.90	1,649.70
Trade deposits	22	222.74	217.93	-	-
Trade payables	27	-	-	1,125.13	1,889.09
Retention monies relating to capital expenditure/projects	28	-	-	779.27	868.15
Security Deposits	28	-	-	665.35	669.69
Payable to contractors towards project related Earnest Money Deposit	28	-	-	12.54	11.23
Payable towards capital/project related expenditure/works	22,28	4,524.65	-	919.09	4,777.56
Payable to employees	28	-	-	63.22	70.44
Others	28			8.42	-
		55,806.82	**53,565.36**	**5,869.49**	**9,935.84**

Note no.41(B) Fair value Measurments

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

As at March 31, 2021

(Rs. in lakhs)

Financial assets	Refer Note	Fair value as at 31.03.2021	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	5,720.87	5,720.87	-	-

As at 31st March, 2020

(Rs. in lakhs)

Financial assets	Refer Note	Fair value as at 31.03.2020	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	3,882.20	3,882.20	-	-

(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.

The fair value of security deposits is determined using cost of borrowing.

Note no.41 (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 0.40% (spread) plus MCLR rate of SBI and the interest rate is reset once every six months. 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:

Rs. in lakhs

	31-Mar-21	31-Mar-20
Variable rate borrowings	53,451.65	55,102.42
	53,451.65	**55,102.42**

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

31-Mar-21				**31-Mar-20**			
	Weighted average interest rate	Balance Amount in Rs. lakh	% of total loans		Weighted average interest rate	Balance Amount in Rs. lakh	% of total loans
Rupee term loan	7.85%	53,451.65	100%	Rupee term loan	8.65%	55,102.42	100%
Exposure to cash flow interest rate risk		53,451.65	100%	Exposure to cash flow interest rate risk		55,102.42	100%

(Note no. 41 C continued)

Interest Rate Sensitivity analysis

The Company considering the economic environment 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.

Rs. in lakhs

	Impact on Profit before tax	
Sensitivity	31-Mar-21	31-Mar-20
Interest rates - increase by 50 basis points	271.39	275.52
Interest rates - decrease by 50 basis	(271.39)	(275.52)

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

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

b) Foreign currency risk exposure

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign 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 to foreign exchange operations and as such no rate fluctuations involves.

Foreign currency rate sensitivity analysis:

Since, there is no foreign currency risk, sensitivity 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 fluctuate due to changes in market traded prices. The Company's investment in liquid fund - direct plan daily IDCW. The Company's equity investment in its subsidiary is not held for trading and hence, there is no risk of price movement.

(Note no. 41 C continued)

2) Credit Risk

The Credit risk refers to risk that a counterparty will default on its contractual 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 supplies water; power and provides services to units/consumers 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 leasable land area of 306 Acres (out of 1075 Acres of leasable land) as on March 31, 2021. 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 established policy, procedures and control relating to customer credit risk management. The concentration of the credit risk is generally 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 and fair value loss measured at present value, based on rate of cost of borrowing.

(Note no. 41 C continued)

Movement in expected credit loss allowance on trade receivables

Rs. in lakhs

Particulars	**31.03.2021**	**31.03.2020**
Balance at the beginning of the year	6,901.06	4,589.05
Impairment allowance	3,072.16	2,696.22
Fair value losses provided	(545.98)	104.69
Impairment written-off	(122.52)	(254.80)
Fair value losses provided	-	(234.10)
Balance at the end of the year	**9,304.72**	**6,901.06**

3) Liquidity risk

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

The Company manages the liquidity risk by (i) maintaining adequate and sufficient cash and cash equivalents including investments in mutual funds (ii) making available the funds from realising timely maturities of financial assets to meet the obligations when due. The management monitors rolling forecast of the Company's liquidity 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 liabilities and monitoring balance sheet liquidity ratios. Further, the liquidity risk management involves matching the maturity profiles of financial assets and financial liabilities.
The company makes an annual/long term financial plan so as to ensure there are no maturity mismatches in settlement of liabilities

Note no.41 (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 March 31, 2021, 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 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

Rs. in lakhs

Particulars	As at 31.03.2021	As at 31.03.2020
i) Debt	53,451.65	55,102.42
ii) Equity share capital	5,000.12	5,000.12
iii) Other equity	(3,802.07)	(605.67)
iv) One time non-refundable amounts from customers	92,090.13	94,358.45
v) Total equity [(ii)+(iii)+(iv)]	**93,288.18**	**98,752.89**
vi) Debt to equity ratio (times)	**0.57**	**0.56**

Note no.42: Segment reporting

The company has only one operating segment (Development, Operation & Maintenance of Mangalore Special Economic Zone).

Note no. 43: Revenue from Contracts with Customers

The Company on the grounds of (i) Prudence and (ii) Revenue recognition criteria under IND AS 115 on 'Revenue from Contracts with Customers', has not recognised revenues for the financial year 2020-21 from JBF Petrochemicals Limited (JBF).

The details of JBF revenue not recognised are as under:

Rs in lakhs

Sl. No.	Nature of revenue	As at 01.04.2020	For the FY 20-21	As at 31-03-2021
1	Supply of water	6,442.12	7,229.26	13,671.38
2	Annual lease rent	99.19	99.19	198.38
3	Treated Effluent Disposal Fees	143.89	149.95	293.84
4	Zone Operation & Maintenance charges	108.89	-	108.89
	Total	**6,794.09**	**7,478.40**	**14,272.49**

The Company emphasizes that non recognition/accrual of the revenue from JBF, as per IND AS 115, does not discharge the liability cum obligation of JBF Petrochemicals Limited to pay under the said contracts in vogue nor vitiate the Charge by the Company over such receivables from JBF.

Note no.44: Leases - As lessee

Right-of-use assets - Ind AS 116

lakhs)

Sl. No.	Particulars	Note	31-Mar-21	31-Mar-20
1	Depreciation charge for right-of-use assets	3	113.31	108.99
2	Interest expense on lease liabilities	36	208.41	211.66
3	Total cash outflow for leases		(224.52)	(222.76)
4	Carrying amount of right-to-use assets	3	2,101.78	2,215.09
5	Present value of lease liabilities	22	2,296.86	2,312.97

Note no. 45: Leases - As lessor

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.

Note no. 45 Continued

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

Area Details - in Acres

Total Area as on 01.04.2020	**Transferred to KIADB for MRPL Purpose**	**Balance area**	**Land handed over**		**Balance land as on 31.03.021**	**Registerd Land as on 31.03.2021**		**Un-registered land as on 31.03.2021**	**Total Area as on 31.03.2020**	**Area Registered as on 31.03.2020**	**Land surrendered to KIADB**	**Balance not registered as on 31.03.2020 (after surrender to KIADB)**
			To local Authority & MUDA /Forest	To PDF		Acres	Registeration date					
2346.92	251.23	2095.69	83.3429	92.2373	1920.11	1533.22	17.02.2011	290.38	**2346.92**	1,632.20	251.23	463.49
						9.99	11.08.2011					
						86.52	10.11.2014					
2346.92	**251.23**	**2095.69**	**83.34**	**92.24**	**1920.11**	**1629.73**		**290.38**	**2,346.92**	**1,632.20**	**251.23**	**463.49**

** 83.3429 & 92.2373 acres of land is not in physical prossession since it is handed over to Project Displaced Families and Local bodies as per the GoK, R&R Policy

* 290.3792 acres of land is in possession but unregistered

(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 coterminous 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, 2021 (based on the agreements concluded with the units) is as under:

Rs. in lakhs

Particulars	As at 31.03.2021	As at 31.03.2020
Not later than one year	399.77	1,247.59
later than one year and not later than five years	1,626.89	1,961.02
later than five years	16,253.73	20,030.23

Note no.46: Employee Benefits

(i) Post-employment benefits
Brief 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 market 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 best estimate of the mortality of plan participants both during and after their employment. An increase in the life
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

Asset Liability Matching Risk: The plan faces the ALM risk as to the matching cash flow. Company has to manage pay-out 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.

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 recognized 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, 2021.

The principal actuarial assumptions used in determining Gratuity are as follows

Sl. No	Particulars	As at 31.03.2021	As at 31.03.2020
1	Discount Rate	6.86%	6.84%
2	Annual increase in	9.00%	9.00%
3	Employee Turnover	5.00%	5.00%

The discount rate relates to the benchmark rate available on G.Sec. And is taken as per deal rate as on 31.03.2021. The tenure of the G.Sec. Rate matches with the expected term of the obligation

Note no. 46 Continued

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

(Rs. in lakhs)

	As at 31.03.2021	As at 31.03.2020
Current Service Cost	13.49	12.33
Net Interest Cost	9.01	8.61
Components of defined benefit costs recognised in profit or loss	**22.50**	**20.94**
Re-measurement on the net defined benefit liability:	(11.61)	8.43
Components of remeasurement recognised in other comprehensive income	**(11.61)**	**8.43**
Total	**10.89**	**29.37**

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

Rs. in lakhs

Particulars	As at 31.03.2021	As at 31.03.2020
Present value of benefit obligation at the end of the	133.97	131.73
(Fair Value of plan assets at the end of the period)	-	-
Net (liability)/Asset recognised in the Balance sheet	133.97	131.73

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

Rs. in lakhs

Particulars	As at 31.03.2021	As at 31.03.2020
Present Value of Benefit Obligation at the beginning of the period	131.73	111.95
Interest Cost	9.01	8.61
Current Service Cost	13.49	12.33
Past Service Cost		
(Benefit paid Directly by the Employer)	(8.65)	(9.59)
Actuarial (Gains)/ Losses on Obligations - Due to change in Demographic Assumptions		
Actuarial (Gains)/ Losses on Obligations - Due to change in Financial Assumptions	(0.25)	10.35
Actuarial (Gains)/ Losses on Obligations - Due to Experience	(11.36)	(1.92)
Present Value of Benefit Obligation at the end of the period	**133.97**	**131.73**
Current	5.90	7.25
Non-Current	128.07	124.48

Note no. 46 Continued

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

Rs. in lakhs

	As at 31.03.2021	As at 31.03.2020
Projected benefit Obligation on Current Assumptions	133.97	131.73
Discount Rate		
-Impact due to increase of 1%	(11.59)	(12.04)
-Impact due to decrease of 1%	13.40	14.04
Salary increase		
-Impact due to increase of 1%	9.70	9.78
-Impact due to decrease of 1%	(9.50)	(9.66)
Employee Turnover		
-Impact due to increase of 1%	(1.32)	(1.49)
-Impact due to decrease of 1%	1.46	1.64

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 difference between assumed and the actual is not following the parameters of the sensitivity analysis.

Furthermore, in presenting the above sensitivity 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 liability recognised in the balance sheet.

(ii) Other employee long term benefits

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, 2021 based on actuarial valuation carried out by using Projected Unit Credit Method resulted in decrease in liability by Rs.1.38 lakhs (Previous year Rs.6.85 lakhs).

Assumptions

Particulars	As at 31.03.2021	As at 31.03.2020
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% p.a.	9% p.a.
Discount Rate	6.86% p.a.	6.84% p.a.
While is service Encashment rate	5% of the Leave balance(for the next year)	5% of the Leave balance(for the next year)

Note 47: 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-21	31-Mar-20
Infrastructure Leasing and Financial Services Limited (IL&FS)	Associate	India	50%	50%
Oil and Natural Gas Corporation Limited (ONGC)	Associate	India	26%	26%
Karnataka Industrial Areas Development Board (KIADB)	Associate	India	23%	23%

ii Subsidiaries :(where control exists)

Name of the Company	Type	Place of Incorporation	Ownership interest	
			31-Mar-21	31-Mar-20
Mangalore STP Limited (MSTP 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	Nominee Director of IL&FS
Shri Srinivas Santhayya Kamath	Independent Director
Shri Inturi Srinivas Nagesh Prasad	Independent Director
Shri Subhash Kumar	Nominee Director of ONGC
Shri Venkatesh Madhava Rao	Nominee Director of ONGC
Shri Isaac Vas	Nominee Director of KCCI, w.e.f.03.02.2020

(ii)	Shri Velnati Suryanarayana	Chief Executive Officer
(iii)	Shri K S Ramesh	Chief Financial Officer
(iv)	Shri Phani Bhushan V	Company Secretary

C List of related parties

Name of the Company	**Relationship**
ONGC Mangalore Petrochemicals Limited (OMPL)	ONGC - Ultimate holding company
Mangalore Refineries and Petrochemicals Limited (MRPL)	Subsidiary of ONGC
Karnataka Industrial Areas Development Board (KIADB)	A statutory body of Government of Karnataka
Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of ONGC

Note no. 47 Continued

D Details of transactions:

(i) Transactions with related parties

(Rs. in lakhs)

Name of related Party	Nature of Transaction	For the year ended March 31, 2021	For the year ended March 31, 2020
OMPL	Supply of services - Annual lease rental	233.96	233.96
	Sale of products	2,977.30	2,864.36
	Supply of services	1,030.84	1,050.08
	Supply of other services	29.99	-
	Interest expense on security deposit	23.81	10.01
	Other payable	-	525.22
MRPL	Sale of products	2,541.56	2,548.52
	Supply of services	2,564.96	4,515.44
	Supply of other services	350.13	-
	Other payable	-	282.28
IL&FS	Service received -Deputation of MD	-	4.03
KIADB	Services received -Annual Lease rent	6.83	5.97
HPCL	Supply of services	61.11	3.73

(ii) Outstanding balances with related parties

(Rs. in lakhs)

Name of related Party	Nature of Transaction	For the year ended March 31, 2021	For the year ended March 31, 2020
a. Amount payable:			
IL&FS	Trade payable	35.13	35.13
KIADB	Towards acquisition of land	3,571.92	3,571.92
	Trade payable	2.51	0.38
OMPL	Other payable	634.15	636.58
MRPL	Other payable	325.16	325.16
HPCL	Supply of services	0.85	-
b. Amount Receivable:			
OMPL *	Other receivable	30.23	0.24
	Trade Receivable	545.54	775.95
MRPL	Other receivable	-	84.41
	Trade Receivable	157.83	1,059.58
HPCL	Trade Receivable	-	3.73
c. Loans and other assets (Debit balances)			
KIADB	Security deposit	11.60	11.60
	Capital advances	154.19	154.19
MRPL	Security deposit	0.13	0.13
	Advance for By pass Road	312.62	-

Note no.47 Continued

d. Advances & Deposits (Credit balances)

OMPL	Security deposits	279.06	279.06
MRPL	Security deposits	126.80	126.80
HPCL	Security deposits	3.65	3.65

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

(Rs. in lakhs)

Name of the related party	**Nature of Transaction**	**As at 31.03.2021**	**As at 31.03.2020**
OMPL	Supply of services	20.38	29.06
MRPL	Supply of services	9.25	-
Total		**29.63**	**29.06**

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

(Rs. in lakhs)

Name of the related party	**Nature of Transaction**	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
OMPL	Supply of services	(7.99)	90.31
MRPL	Supply of services	131.77	123.38
Total		**123.79**	**213.69**

The transactions with related parties are made on terms equivalent to those that prevail in an arm's length transactions. The outstanding balances are unsecured and will be settled in cash

Note no. 47 Continued

(v) Compensation to Key management personnel:

(a) Chief executive officer

(Rs. in lakhs)

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
Short-term employee benefits	61.82	58.58
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	15.67	11.82
Contribution to providend fund	0.22	0.22
Total	**77.71**	**70.61**

(b) Chief financial officer

(Rs. in lakhs)

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
Short-term employee benefits	32.96	16.86
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	3.13	1.25
Contribution to providend fund	0.22	0.22
Total	**36.31**	**18.33**

(c) Company Secretary

(Rs. in lakhs)

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
Short-term employee benefits	24.30	24.26
Post-employment benefits (gratuity) & long-term benefit (Compensated absences)	6.52	6.01
Contribution to providend fund	0.22	0.22
Total	**31.03**	**30.48**

(d) Independent directors

(Rs. in lakhs)

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
Sitting fees	4.00	3.75

Note no. 48: 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.495 lakh as at March 31, 2021 (Rs.495 lakh as at March 31, 2020) and Two lane Flyover near Jokatte, Manglore SEZ (MSEZ) Rs.1485 lakh as at March 31, 2021 (Rs.1485 lakh as at March 31, 2020).

Movement in Government Grants

(i) CETP

Rs. in lakhs

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
Opening balance	420.75	453.75
Add: Addition during the year	-	-
Less: Released to Profit & loss account during the year	33.00	33.00
Closing Balance	**387.75**	**420.75**

(ii) Two lane Flyover

Rs. in lakhs

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
Opening balance	1,485.00	1,485.00
Add: Addition during the year	-	
Less: Released to Profit & loss account during the year	12.38	-
Closing Balance	**1,472.63**	**1,485.00**

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 49: 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, 2021	For the year ended March 31, 2020
Profit/(Loss) after tax for the year attributable to equity shareholders (Rs. in lakh)	(3,204.99)	(3,163.40)
Weighted average number of equity shares	5,00,01,200	5,00,01,200
Basic & diluted earnings per share (Rs.)	(6.41)	(6.33)
Face value per equity share (Rs.)	10.00	10.00

Note 50: The amount recognised in Profit & Loss Account for investment property (refer note 5)

(Rs. in lakhs)

Particulars	Year 2020-21	Year 2019-20
Rental Income	1,731.95	1,784.74
Direct Operating Expenses from property that generate direct rental income	133.51	153.94
Profit from investment property before depreciation	1,598.45	1,630.80
Profit from investment property	1,598.45	1,630.80

Note 51: Contingent Liabilities and Commitments

(a) Commitments

(Rs. in lakhs)

Particulars	As at 31.03.2021	As at 31.03.2020
Estimated amount of contracts remaining to be executed on capital account and not provided for		
-Towards Plant, Property & Equipment	330.77	1,053.11
Total	**330.77**	**1,053.11**

Note no. 51

b. Contingent liabilities

The claims against the company not acknowledged as debt is Rs.6,075.36 lakhs (previous year Rs. Rs.2,329.47 lakhs). The details are as under

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs. lakhs	Indication of the uncertainties relating to the amount or timing of any outflow
1	BSNL	The Petitioner has claimed that the Company while laying river water pipeline had damaged the optical fiber cables.	15.00	The Company has contracted the work relating to 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. Amount has been withheld from the contractor's payment towards the claim that may arise. The Lok Adalat has asked BSNL to come back with their decision on settlement for Rs.5 lakh. The Petitioner is yet to come back with their final decision on settlement and no order has been passed. The matter is adjourned.
2	Mr. Ravindranath Bajpe	The Company had 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, had contended that Company officials & contractors have trespassed his property and demolished the stone compound wall 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 pay a sum of Rs 47,90, 500/-	47.91	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, the Company maintains that the Plaintiff is not entitled to claim the alleged loss or any other claim. Written statement is filed by the Company. Amount has been withheld from the contractor's payment towards the claim that may arise.
		Petitioner (Ravindranath Bajpe has filed this Special Leave Petition in Supreme Court contending the quashing of process of trail by the High Court & Session Court	27.00	The matter was listed before the Hon'ble Supreme Court of India on 5th July, 2019 whereby the Hon'ble Court opined that the parties should try to settle the dispute. The Contractor is not inclined for out of court settlement. The next date of hearing awaited. Amount has been withheld from the contractor's payment towards the claim that may arise.

Note No.51 (b) Continued

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs. lakhs	Indication of the uncertainties relating to the amount or timing of any outflow
3	Cherian Varkey Construction Company (CVCC)	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 unauthorized 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 the Company and petitioner being a fixed price contract did not provide for escalation 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 immediate 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 the Company form encashing the BG. After the matter came up for argument in the Court and several adjournments, the case filed by petitioner was 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, the Company sought consent for constituting 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 recommended the Company to pay Rs.9.39 Cr to petitioner. However, the petitioner did not accept the recommendations of the OEC and choose to pursue the Arbitration proceedings. The Arbitral Tribunal 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 the Company and termination of contract was unlawful. The Company was directed to pay to Rs.19,23,53,085. Aggrieved by the Arbitration award, the company and the Petitioner had filed a Arbitration suits contesting the Arbitration Award before the 1st Additional Dist. Session Judge, Mangaluru and matter is still pending. Further, the petitioner filed an execution petition for recovery of Rs.29,13,63,551 and sought for attachment of bank accounts to the tune of Rs.3500 lakh. After several rounds of court proceedings, the 1st Additional District Judge, Mangaluru vide order dated 28.02.2020 has dismissed the contentions of the Company and passed orders to attach the bank accounts of the Company to the tune of Rs.3500 lakh.	3,500.00	The Company filed a writ petition No 4974/2020 (GM-CPC) before the Hon'ble High Court of Karnataka, Bengaluru, wherein the Hon'ble High Court vide order dated 17.03.2020 stayed the order dated 28.02.2020 passed by Its Additional District Judge, Mangaluru subject to the Company furnishing security of fixed deposit to an extent of award amount. The Company has followed the directions of High Court and executed a term deposit of Rs.1921 lakhs. Further, considering the PBG encashment of Rs.730.20 lakhs and contract retention money payable Rs.237.07 lakh, the net charge to statement of profit and loss would be Rs.2532.73 lakh. The matter is in the hearing stage. MSEZL and CVCC had also filed Arbitration suits no 1 & 2 /2020 in he IVth Additional District Court, Mangalore challenging the Award passed by the Arbitral Tribunal. Arguments have been held and the Court has summoned the original arbitral records from the Arbitrators. The matter will be taken up for further hearing after the documents are received from the Arbitrators.
4	M/s.RPP Infra Projects	M/s RPP Infra Projects Ltd has invoked the arbitration clause in the contract for Pipeline Corridor Reach I which was executed from Dec ’10 to Aug ’14.	2,306.00	The arbitration clause was invoked in April ’18. MSEZL had rejected the invocation of the Arbitration citing that the contract has been discharged after payment of final bill upon issue of No Claim Certificate by the Contractor. The Contractor filed a Civil Miscellaneous Petition in the Hon'ble High Court of Karnataka seeking directions to the Company to appoint a nominee arbitrator. The Hon'ble High Court has appointed a Sole Arbitrator. RPP have filed claims to the tune of Rs 2306 lakhs. The Statement of Objections is under preparation.
		Total A	**5,895.91**	
		A brief description of other issues - Contingent in nature		
5		The Company with a view to attract investments has made an application for partial de-notification of SEZ land of 79.9241 hectares to Commerce & Industries Department, Govt of Karnataka and Office of Develpment Commissioner, Mangalore Special Economic Zone, Mangalore. In this connection, No Objection Certificate is obtained for partial De-notification of SEZ Land of 79.9241 hectares from GoK Commerce & Industries Department, Govt of Karnataka which is subject to refund of tax benefits availed from State Government amounting to Rs 99.10 Lakhs. (Letter dt 09.03.2021) & DC, MSEZ vide his letter dated 09.04.2021 had advised to pay an amount of Rs 80.35 Lakhs towards benefits/Incentives claimed on infrastructure works. In the event, the Company proceeds with the application on partial denotification of land which is likely to result in exposure for refund of the benefits.	179.46	The Board of Directors have accorded to proceed with the partial denotificaiton of land and taking up of the Infrastructure works in the DTA zone provided the Company enters into an MOU with the prospective investors for atleast 10 Acres of land in DTA.The Payments of the amounts towards tax benefits would arise upon entering of an MOU with the prospective invetsors.
		Total B	**179.46**	

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs. lakhs	Indication of the uncertainties relating to the amount or timing of any outflow
		Total Contingent liability (A+B)	**6,075.36**	

Note No.51 (b) Continued

Sl. No.	Petitioner	A brief description nature of court cases	Estimate of the financial effect - Amount in Rs. lakhs	Indication of the uncertainties relating to the amount or timing of any outflow
		A brief description of other court cases - Non Contingent in nature		
6	Cardolite Specialty Chemicals India LLP	The Cardolite Specialty Chemicals India LLP (a unit in MSEZ) has filed a writ petition in the Hon'ble High Court, Karnataka against the tariff order passed by Karnataka State Electricity Commission (KERC)	79.33	The company aggrieved by the KERC tariff order for FY 17-18 had filed an review petition (RP) before KERC. The KERC had vide RP order dt.26.10.2017 passed order in favour of the company and allowed recovery of Rs.3.91 Crore from the consumers, including the petitioners amount of Rs.79.33 lakhs. The petitioner aggrieved by the tariff order had filed a review petition before KERC. The KERC had vide RP order dt.28.05.2019 dismissed the review petition and directed the petitioner to pay the amount of Rs.79.33 lakhs. Subsequently, the petitioner filed a writ petition before the Hon'ble High Court. The Hon'ble High Court has passed an interim order directing the Company not to take any coercive action against the petitioner. The Company has filed interlocutary application (IA) for vacating the interim order of the Hon'ble High Court and objections to M/s.Cardolite's IA direction.

Note 52: Critical judgements in applying accounting policies

I.	**Recognistion of Revenue**
(a)	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 2020-21, the revenue is recognized based on the KERC tariff order dated November 04, 2020 applicable for electricity consumed from the first meter reading date falling on or after November 1st, 2020. 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.
(b)	The Company has recognized revenue, from a consumer, amounting to Rs.30.06 lakh for the current year (previous year Rs.29.16 lakh) towards Zone Operation and Maintenance (O&M) charges. The agreement with the said consumer is under discussion. Pending finalization of agreement, the Zone O&M charge with the said consumer is recognized at Board approved rate/sft.
II.	**Recognition of borrowing cost**
	Borrowing costs are charged to the Statement of Profit & Loss applying the effective interest method. The interest charged on the loan is 40 basis point plus one year Maximum Commercial Lending Rate (MCLR) rate of the Lender. If the Lender changes the MCLR rate, the effective rate of interest will also change resulting in reduction or increase in interest cost.
III.	**Estimated useful life of tangible and intangible assets**
(a)	The Company has estimated the useful life of certain assets based technical evaluation and that of certain assets based on useful life as specified in Schedule-II to the Companies Act, 2013. The Management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. The estimated useful life and residual values are reviewed at the end of each financial year and if necessary, changes in estimates are accounted. The Company has adopted unit of production method for charging depreciation in respect of River Water Assets and Tertiary Treatment Plant assets (both excluding Electrical Installations and Equipment) Under unit of production method, the Management estimates the production likely to be achieved in future years. The actual productions are reviewed at the end of each financial year and if necessary, changes in estimation are accounted.
(b)	The Company 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.

Note 53: Previous year's figures have been regrouped wherever necessary to correspond with the current year's classification/disclosure

As per our report of even date
For Ray & Ray
Chartered Accountants
(Firms Registration No.301072E)

For and on behalf of the Board

Sd/-
Shipra Gupta
Partner
Membership No. 436857

Sd/-
Venkatesh Madhava Rao
Director
DIN: 07025342

Sd/-
Srinivas S Kamath
Director
DIN: 01079043

Sd/-
V Suryanarayana
Chief Executive Officer

Sd/-
K S Ramesh
Chief Financial Officer

Sd/-
V Phani Bhushan
Company Secretary

Place: BANGALORE
Date: 04-05-2021

Place: MANGALORE
Date: 04-05-2021

Mangalore SEZ Limited

Your Gateway to Global & Indian Markets

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