Financial statements and Independent auditors' report

Karaikal Port Private Limited

31 March 2015

Walker Chandiok & Co LLP

Walker Chandiok & Co LLP
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Independent Auditor's Report

To the Members of Karaikal Port Private Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Karaikal Port Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

8. We report that Marg Limited ceased to be the Holding company with effect from 21 March 2015 since the invocation of pledge by lead consortium banker and consequently transfer of underlying Equity Shares and Compulsorily Convertible Preference Shares for reasons explained under 5 (c) to these financial statements. Further, as on 31 March 2015 Marg Limited does not control the composition of Board of Directors of the Company and is therefore not a holding company on such date as defined in Accounting Standard 18 Related Party Disclosures (AS 18) and section 2(87) of the Act. However, the Company has given disclosures under note 5(c) and note 30 to the financial statements considering Marg Limited as holding company instead of an entity having significant influence on the Company as on 31 March 2015, which is not in compliance with the AS 18 and Schedule III of the Act.

Qualified Opinion

9. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2015, and its loss and its cash flows for the year ended on that date.

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Emphasis of Matter

10. a. We draw attention to Note 2 to the financial statements which indicate that the company has incurred a net loss of ₹ 1,890,644,134 during the year ended 31 March 2015, and as of that date the Company's current liabilities exceeded its current assets by ₹ 2,326,335,677. These conditions along with other matters as set forth in Note 2 indicate the existence of material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

b. We draw attention to Note 37 to the financial statements which describe the uncertainty related to management's estimates and assumptions with respect to its assessment of recoverability of certain capital advances amounting to ₹ 346,476,690. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

11. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

12. As required by Section 143(3) of the Act, we report that:

a. we have sought and except for the matter described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b. except for the effects of the matter described in the Basis for Qualified Opinion paragraph, 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 financial statements dealt with by this report are in agreement with the books of account;

d. except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

e. the matters described in paragraphs 8 and 10 under the Basis for Qualified Opinion and Emphasis of Matter respectively, in our opinion, may have an adverse effect on the functioning of the Company;

f. on the basis of the written representations received from the directors as on 31 March 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164(2) of the Act;

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

   i. the Company does not have any pending litigations which would impact its financial position;

   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.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

WALKER CHANDIOK & CO LLP
CHENNAI
CHARTERED ACCOUNTANTS

per **Sumesh E S**
Partner
Membership No.: 206931

Place: Chennai

Date: 9 December 2015

Annexure to the Independent Auditor's Report of even date to the members of Karaikal Port Private Limited, on the financial statements for the year ended 31 March 2015

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

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

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and belief, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

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Annexure to the Independent Auditor's Report of even date to the members of Karaikal Port Private Limited, on the financial statements for the year ended 31 March 2015

(vii)(a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b) There are no dues in respect of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess that have not been deposited with the appropriate authorities on account of any dispute.

(c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder. Accordingly, the provisions of clause 3(vii)(c) of the Order are not applicable.

(viii) In our opinion, the Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash losses in the current and the immediately preceding financial year.

(ix) There are no dues payable to debenture-holders. The Company has defaulted in following repayment of dues to banks and financial institutions:

Particulars	Delay up to 30 days	Delay up to 31-90 days	Delay more than 90 days
Principal repayment of term loans to financial institutions	36,900,000	-	110,700,000
Interest payment of term loans to financial institutions	-	9,094,420	21,580,180
Principal repayment of term loans to banks	58,200,000	23,275,000	117,725,000
Interest payment of term loans to banks	34,384,166	312,187,949	284,304,576

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Annexure to the Independent Auditor's Report of even date to the members of Karaikal Port Private Limited, on the financial statements for the year ended 31 March 2015

(x) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 3(x) of the Order are not applicable.

(xi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.

(xii) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

WALKER CHANDIOK & CO LLP
CHENNAI
CHARTERED ACCOUNTANTS

per **Sumesh E S**
Partner
Membership No.: 206931

Place : Chennai

Date : 9 December 2015

KARAIKAL PORT PRIVATE LIMITED

BALANCE SHEET

(In ₹)

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	5	6,984,398,830	6,984,398,830
Reserves and surplus	6	(2,351,384,129)	(456,396,317)
		4,633,014,701	6,528,002,513
Non-current liabilities			
Long-term borrowings	7	15,594,024,904	16,304,121,243
Deferred tax liabilities, net	8	-	-
Other long-term liabilities	9	135,700,945	135,700,945
Long-term provisions	10	11,730,564	8,099,764
		15,741,456,413	16,447,921,952
Current liabilities			
Short-term borrowings	7	215,586,836	199,676,115
Trade payables	11	157,805,663	107,691,912
Other current liabilities	12	2,536,182,244	690,752,213
Short-term provisions	10	1,293,064	1,176,785
		2,910,867,807	999,297,025
Total		23,285,338,921	23,975,221,490
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	12,513,175,559	13,062,746,354
Intangible assets	14	124,294,636	130,422,255
Capital work-in-progress	15	9,555,326,975	9,540,984,337
Long-term loans and advances	16	508,009,621	479,454,073
		22,700,806,791	23,213,607,019
Current assets			
Inventories	17	20,029,993	23,989,000
Trade receivables	18	294,845,956	316,126,451
Cash and bank balances	19	168,638,462	362,782,560
Short-term loans and advances	16	70,812,024	49,874,640
Other current assets	20	30,205,695	8,841,820
		584,532,130	761,614,471
Total		23,285,338,921	23,975,221,490

Notes 1 to 37 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants

WALKER CHANDIOK & CO LLP ★ CHENNAI ★ CHARTERED ACCOUNTANTS

per Sumesh E S
Partner
Place : Chennai
Date : 9 December 2015

For and on behalf of the Board of Directors of
Karaikal Port Private Limited

G R K Reddy
Director

V P Rajini Reddy
Director

Susanta Kumar Dehury
Company Secretary
Place : Chennai
Date : 20 November 2015

KARAIKAL PORT PRIVATE LIMITED

STATEMENT OF PROFIT AND LOSS

(In ₹)

	Note	Year ended 31 March 2015	Year ended 31 March 2014
Revenue			
Revenue from operations	21	2,238,208,897	2,608,390,995
Other income	22	30,357,396	17,018,537
Total revenue		**2,268,566,293**	**2,625,409,532**
Expenses			
Operating expenses	23	983,015,486	1,171,334,006
Decrease/(increase) in inventories	24	3,959,007	(1,975,733)
Employee benefits expense	25	159,981,950	119,311,470
Finance costs	26	2,143,462,693	1,253,970,080
Other expenses	27	311,354,715	229,916,914
Depreciation and amortisation expense	28	557,436,576	540,587,284
Total expenses		**4,159,210,427**	**3,313,144,021**
Loss for the year		**(1,890,644,134)**	**(687,734,489)**
Earnings per equity share	29		
Basic		(6.03)	(2.19)
Diluted		(6.03)	(2.19)

Notes 1 to 37 form an integral part of these financial statements

This is the statement of profit and loss referred to in our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants

WALKER CHANDIOK & CO LLP CHENNAI CHARTERED ACCOUNTANTS

per Sumesh E S
Partner
Place : Chennai
Date : 9 December 2015

For and on behalf of the Board of Directors of
Karaikal Port Private Limited

G R K Reddy
Director

V P Rajini Reddy
Director

Susanta Kumar Dehury
Company Secretary
Place : Chennai
Date : 20 November 2015

KARAIKAL PORT PRIVATE LIMITED
CASH FLOW STATEMENT

	Year ended 31 March 2015	Year ended 31 March 2014
		(In ₹)
Cash flows from operating activities		
Loss for the year	(1,890,644,134)	(687,734,489)
Adjustments for non-cash transactions		
Depreciation and amortisation expense	557,436,576	540,587,284
Loss on sale / write off of fixed assets (net)	-	708,535
Provision for gratuity	3,506,869	1,721,070
Provision for leave encashment	1,922,640	828,128
Allowances for bad and doubtful debts	20,364,150	2,022,647
	(1,307,413,899)	**(141,866,825)**
Items considered separately		
Interest income	(13,318,353)	(8,248,920)
Interest expenses	2,126,517,510	1,241,876,320
Operating profit before working capital changes	**805,785,258**	**1,091,760,575**
Increase / (Decrease) in trade payables	50,113,751	(85,351,742)
Increase in short-term liabilities and provisions	116,279	-
Increase / (Decrease) in long-term liabilities and provisions	(2,249,023)	(1,579,315)
(Increase)/ Decrease in inventories	3,959,007	(1,975,732)
Decrease in trade receivables	916,345	106,580,757
(Increase) / Decrease in short term loans and advances	(14,537,436)	153,501,439
(Increase) / Decrease in other current assets	(28,002,460)	959,588
(Increase) / Decrease in long-term loans and advances	(6,282,465)	1,000,000
Increase / (Decrease) in other current liabilities	68,698,388	(684,393)
Increase in other long term liabilities	-	14,192,071
Cash generated from in operating activities	**878,517,644**	**1,278,403,248**
Income taxes paid (Tax deducted at source- receivable)	(24,155,302)	(23,723,272)
Net cash generated from operating activities	**854,362,342**	**1,254,679,976**
Cash flows from investing activities		
Purchase of assets	(24,491,067)	(575,647,341)
Proceeds from sale of tangible assets	-	71,950
Interest received	19,956,938	31,425,208
Movement in margin money deposit	135,185,028	(10,323,411)
Net cash used in investing activities	**130,650,899**	**(554,473,594)**
Cash flows from financing activities		
Proceeds from issue of share capital (Net of share issue expense)	-	(3,244,462)
Proceeds from long-term borrowings	131,400,000	626,253,345
Repayment of long-term borrowings	(135,443,386)	(108,675,000)
Proceeds from short term borrowings	15,738,105	39,973,580
Interest paid	(1,055,667,030)	(1,730,981,988)
Net cash generated from financing activities	**(1,043,972,311)**	**(1,176,674,525)**
Net cash flows during the year	(58,959,070)	(476,468,143)
Cash and cash equivalents as at the beginning of the year	210,559,282	687,027,425
Cash and cash equivalents as at the end of the year	**151,600,212**	**210,559,282**

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KARAIKAL PORT PRIVATE LIMITED
CASH FLOW STATEMENT

	Year ended 31 March 2015	Year ended 31 March 2014
		(In ₹)
Breakup of Cash and cash equivalents (also refer note 19)		
Cash on hand	1,651,988	529,496
Balances with banks		
- in current accounts	104,730,723	102,962,570
- in deposits accounts	45,217,501	107,067,216
	151,600,212	**210,559,282**

Notes 1 to 37 form an integral part of these financial statements

This is the cash flow statement referred to in our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants

CHENNAI
WALKER CHANDIOK & CO LLP
CHARTERED ACCOUNTANTS

per Sumesh E S
Partner
Place : Chennai
Date : 9 December 2015

For and on behalf of the Board of Directors of
Karaikal Port Private Limited

G R K Reddy
Director

V P Rajini Reddy
Director

Susanta Kumar Dehury
Company Secretary
Place : Chennai
Date : 20 November 2015

KARAIKAL PORT PRIVATE LIMITED
Summary of significant accounting policies and other explanatory information

1. General information

1.1. Company overview

The Government of Pondicherry (GoP) sought participation of private sector in the development and operation of Karaikal deep-water port project. The project was initially awarded to Marg Limited ('Marg') during 2006, which was subsequently assigned by Marg to Karaikal Port Private Limited (KPPL) for implementation and operation of the port. The port is developed on a Build-Operate-Transfer (BOT) basis. Karaikal port is developed as a lagoon type harbour in a phased manner viz., Phase I, Phase IIA, Phase IIA extension covering an area of around 600 acres as port boundaries. The port development envisages nine berths (three for coal, two for containers, two for general cargo, one OSV/PSV berth and a liquid jetty) to be developed in three phases.

Phase 1 of the project, comprising two berths, 1.20 km breakwater and 2 mobile harbour cranes and navigational equipment was completed and has commenced commercial operations from June 2009. Two coal berths and OSV/PSV built under phase 2A berths are operational from February 2012.

The Company is in the business of port service and hence the requirements under paragraph 5(ii)(a), 5(ii)(b) and 5(ii)(d) of Schedule III of Companies Act, 2013 are not applicable.

1.2. Comparatives

All amounts in the financial statements are presented in Rupees except per share data and as otherwise stated. Figures for the previous year have been regrouped / rearranged wherever considered necessary to conform to the figures presented in the current year.

2. Going concern

During the year ended 31 March 2015 the company has recorded a loss of ₹ 1,890,644,134, its current liabilities exceeds current assets by ₹ 2,326,335,677 as at that date and has continuing defaults in repayment of dues towards principal and interest amounts during the year on account of its project borrowings which resulted in the loan accounts being classified as Non Performing Assets ("NPA") with some of the consortium of lenders. Consequently, on 21 March 2015, Indian Bank being the lead consortium lender had invoked the pledge of equity shares and compulsorily convertible preference shares held by Marg Limited (the promoter group of the Company) and transferred the ownership in such shares to the consortium lenders.

Subsequently Marg Limited filed a petition against such invocation of pledge by Indian Bank in the Hon'ble High Court of Madras and obtained an order restraining Indian Bank from further sale / transfer of the underlying equity shares and compulsorily convertible preference shares.

The Company is in the process of evaluating various options to raise additional funds either through rights issue, avail short-term loans from banks and financial institutions or identify potential investors with the approval from the banks. Further as per the present arrangement with the lenders a portion of the cash inflows are being retained and allocated towards servicing current dues of interest. The Company has also entered in to certain new revenue contracts with minimum off take clause. Further, the Company is in receipt of proposals by other port operators expressing interest for handling bulk cargo. Management is confident of materialisation of one or more of the aforesaid options that would support the Company to tide over the present situation within the foreseeable future enabling it to operate as a going concern.

Accordingly, no adjustments have been made to the carrying amount of the assets and liabilities and these financial statements have been prepared on a going concern assumption.

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3. Significant accounting policies

(A) Basis of preparation of financial statements

The financial statements are prepared under the historic cost convention on accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") applicable in India. GAAP comprises mandatory accounting standards prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended)and pronouncements of the Institute of Chartered Accountants of India. Accounting policies have been consistently applied as in the previous year. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

(B) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Significant estimates include provision for doubtful receivables and loans and advances, income taxes, future obligations under employee benefit plans, estimated useful life of tangible and intangible assets, impairment of tangible and intangible assets and deferred tax. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates and any revisions to accounting estimates is recognised prospectively in the current and future periods.

Assets and liabilities are classified as current or non-current as per Company's normal operating cycle and other criteria set out in Schedule III to the Act. Based on the nature of operations, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

(C) Tangible assets

Fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Cost of acquisition is inclusive of duties, taxes, freight and other directly attributable costs incurred to bring the assets to its working condition for intended use and are net of cenvat credits as applicable.

Subsequent expenditure incurred on an item of Tangible asset is added to the book value of that asset only if this increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Gains or losses that arise on disposal or retirement of an asset are measured as the difference between net disposal proceeds and the carrying value of an asset and are recognised in the Statement of profit and loss when the asset is derecognised.

Depreciation on assets is provided on straight line method at the rates and in the manner prescribed in Schedule II to the Companies Act, 2013 except for port assets which have been depreciated over the initial license period of 30 years entered into with the Government of Puduchery (GOP) from the date of commencement of operation. In line with the circular from MCA, the Company has adjusted the written down value of assets where remaining useful life being nil arising on account of change in useful life to the opening reserves as at 1 April 2014.

(D) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment, if any.

License refers to the fee paid to Marg Limited for assignment of port license awarded by the Government of Pondicherry to develop and operate port project at Karaikal and is amortised over the initial license period of 30 years from the date of commencement of operation.

Gains or losses that arise on disposal or retirement of an asset are measured as the difference between net disposal proceeds and the carrying value of an asset and are recognised in the Statement of profit and loss when the asset is derecognised.

Amortisation of intangible assets are charged over a period of 6 years for software and concession period of 30 years for license fees which is in line with the concession agreement entered into with the Government of Puduchery (GOP) from the date of commencement of operation.

The amortisation period and method are reviewed at each balance sheet date. If the expected useful life of the asset is significantly different from the previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefit from the asset, the method of amortisation is changed to reflect the changed pattern.

(E) Capital work in progress

Cost of fixed assets not ready for the intended use is disclosed as capital work in progress. Costs directly relating to construction activity and indirect expenditure incurred during construction period is capitalised to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Statement of Profit and loss. As per the requirement of Accounting Standard 10 "Accounting for Fixed Assets", Administration and other general overhead expenses are usually excluded from the cost of fixed assets because they do not relate to a specific fixed asset. However, in some circumstances, such expenses as are specifically attributable to construction of a project or to the acquisition of a fixed asset or bringing it to its working condition, may be included as part of the cost of the construction project or as a part of the cost of the fixed asset.

(F) Borrowing Cost

Borrowing cost directly attributable to acquisition of fixed assets which necessarily take a substantial period of time to get ready for their intended use is capitalised. Interest Income earned during construction period is adjusted against the borrowing cost. In line with Accounting standard 16 "Borrowing costs", Capitalisation of borrowing costs should be suspended during extended periods in which active development is interrupted.

(G) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's or cash generating unit's net selling price and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows from continuing use that are largely independent of those from other assets or group of assets. If such recoverable amount of the asset or the recoverable amount of the cash

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generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the statement of profit and loss.

(H) Leases

a) As Lessee - Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of leased term are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the term of the lease.

b) As Lessee - Finance lease

Assets acquired on Finance Lease, which transfers risks and rewards of ownership to the Company are capitalised as assets by the Company at the lower of fair value of leased property or the present value of the related lease payments. Amortisation of capitalised assets is done on straight line method over the useful life of the assets.

(I) Revenue recognition

Revenue is measured on the basis of consideration received or receivable by the Company for services provided, excluding trade discounts, VAT and other applicable taxes and are recognised upon the performance of service or transfer of risk to the customer.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities has been met. These activity-specific recognition criteria are based on the services provided to the customer as per the terms of the contract.

Income from interest on deposits is recognised on time proportion basis taking into account the amount outstanding and the applicable rate of interest. Interest on overdue debts is recognised on time proportion basis taking into account the amount outstanding and at agreed rates on a case to case basis, when the recoverability is certain.

(J) Inventory

Stores and spares are valued at lower of cost and net realizable value. The value is determined on weighted average cost basis. Cost includes freight, taxes and duties as applicable but excludes duties and taxes that are subsequently recoverable from tax authorities. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to completion and applicable selling expenses.

(K) Foreign currency transactions

Transactions in foreign currency and non-monetary assets are accounted for at the exchange rate prevailing on the date of the transaction. All monetary items denominated in foreign currency are converted at the year-end exchange rate. The exchange differences arising on such conversion and on settlement of the transactions are dealt with in the statement of profit and loss.

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Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate. The premium or discount arising at the inception of forward exchange contracts is amortised as income or expense over the life of contract and exchange differences on such contracts is recognised as income or expense in the reporting period in which the exchange rate change.

(L) Retirement and other employee benefits

Employee benefits provided by the Company include contributions to Provident fund, Gratuity benefits and Compensated absences.

Provident fund

The Company makes contribution to the statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is a defined contribution plan, and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such losses or gains are determined.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such losses or gains are determined. Accumulated compensated absences which are expected to be availed or encashed beyond 12 month from the end of the year end are treated as other long term employee benefits.

(M) Taxation

Provision for tax for the year comprises current income tax and deferred tax. Provision for current income tax is made based on the estimated tax liability in accordance with the relevant tax rates and tax laws.

Current tax is payable on taxable profits, which differ from profit or loss in the financial statements. Current tax is computed based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be

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realised. Where the company has unabsorbed depreciation or carry forward tax losses, deferred tax asset is recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. The carrying amount of deferred tax assets are reviewed by the Company at each balance sheet date and the carrying amount of a deferred tax asset is written down to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

The deferred tax in respect of timing differences which reverse during the tax holiday period is not recognised to the extent the enterprise's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which the timing differences originate. However, recognition of deferred tax assets is subject to the consideration of prudence.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The Company offsets deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off assets against liabilities representing current tax.

Minimum Alternative Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(N) Earnings per equity share

Basic earnings per equity share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per equity share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(O) Contingent liabilities and provisions

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

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(P) Cash and cash equivalents

In the cash flow statement, cash and cash equivalent includes cash in hand, cheques on hand, balances with banks in current accounts and other short term highly liquid investments with original maturities of three months or less.

4. Commitments and contingencies

Estimated amount of contracts to be executed on capital account and not provided for (net of advances) is ₹ 1,910,772,797/- (Previous year ₹ 1,911,292,797/-) Other commitments are cancellable at the option of the Company and hence not disclosed.

in ₹

	As at 31 March 2015	As at 31 March 2014
Letters of credit for purchase of capital goods	35,780,221	39,167,682
Guarantees	145,680,600	116,180,600
Export Promotion Capital Goods Scheme ('EPCG')	131,102,342	115,874,541

The Company has during the current year imported capital goods at concessional rate of customs duty under the EPCG Scheme against submission of bank guarantees. In terms of the scheme, the Company is obligated to export goods/services of certain FOB value as specified in the said scheme. As at the year end, the company is committed to export goods/services to a tune of ₹ 114,002,037 (previous year ₹ 100,760,471) within the next five years. In the opinion of the management, the obligation can be met within the specified period and no liability is anticipated on this account.

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KARAIKAL PORT PRIVATE LIMITED
Summary of significant accounting policies and other explanatory information

	As at 31 March 2015		As at 31 March 2014	
	Nos.	Amount	Nos.	Amount
5 Share capital				
Authorised				
Equity shares of ₹10 each	800,000,000	8,000,000,000	800,000,000	8,000,000,000
Compulsorily Convertible Preference shares of ₹10 each	500,000,000	5,000,000,000	500,000,000	5,000,000,000
Issued, subscribed and fully paid up				
Equity shares of ₹10 each	313,539,883	3,135,398,830	313,539,883	3,135,398,830
Compulsorily Convertible Preference shares(CCPS) of ₹10 each	384,900,000	3,849,000,000	384,900,000	3,849,000,000
	698,439,883	6,984,398,830	698,439,883	6,984,398,830
	698,439,883	6,984,398,830	698,439,883	6,984,398,830
a) Reconciliation of share capital (Equity)				
Balance at the beginning of the year	313,539,883	3,135,398,830	313,539,883	3,135,398,830
Balance at the end of the year	313,539,883	3,135,398,830	313,539,883	3,135,398,830
b) Reconciliation of share capital (Preference)				
Balance at the beginning of the year	384,900,000	3,849,000,000	384,900,000	3,849,000,000
Balance at the end of the year	384,900,000	3,849,000,000	384,900,000	3,849,000,000
c) Shares held by Marg Limited - Holding company *				
Equity shares of ₹10 each				
MARG Limited *	47,397,530	473,975,300	211,889,530	2,118,895,300
Mr. G R K Reddy (As Nominee of MARG Limited)	4,000	40,000	4,000	40,000
CCPS of ₹ 10 each				
MARG Limited *	-	-	37,900,000	379,000,000
	47,401,530	474,015,300	249,793,530	2,497,935,300
d) Shareholders holding more than 5% of the shares				
Equity shares of ₹10 each				
MARG Limited *	47,397,530	473,975,300	211,889,530	2,118,895,300
Mr. G R K Reddy (As Nominee of MARG Limited)	4,000	40,000	4,000	40,000
UTI Invt. Advisory service ltd a/c Ascent India Fund III	53,935,067	539,350,670	53,935,067	539,350,670
Standard Chartered Private Equity (Mauritius) II Limited	37,000,000	370,000,000	37,000,000	370,000,000
Indian Bank - Chennai *	164,492,000	1,644,920,000	-	-
	302,828,597	3,028,285,970	302,828,597	3,028,285,970
CCPS of ₹ 10 each				
MARG Limited *	-	-	37,900,000	379,000,000
Indian Bank - Chennai *	37,900,000	379,000,000	-	-
India Infrastructure Fund	85,341,640	853,416,400	85,341,640	853,416,400
Unit Trust of India Investment Advisory Services Limited Account Ascent India Fund III	50,000,000	500,000,000	50,000,000	500,000,000
Arohi Infrastructure Private Limited	39,500,000	395,000,000	39,500,000	395,000,000
M/s. Nylim Jacob Ballas India (FVCI) III LLC	141,658,360	1,416,583,600	141,658,360	1,416,583,600
Standard Chartered Private Equity (Mauritius) II Limited	30,500,000	305,000,000	30,500,000	305,000,000
	384,900,000	3,849,000,000	384,900,000	3,849,000,000

* On 21 March 2015 Indian Bank, the lead consortium banker invoked the pledge and transferred the underlying 164,492,000 equity shares and 37,900,000 cumulative preference shares placed by Marg Limited as collateral security towards the term loans taken by the Company on account of repayments defaults. Consequently the percentage holding of Marg Limited in the equity share capital of the Company has reduced to 15.12% from 67.58%.

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e) Details of shares issued pursuant to contract without payment being received in cash, allotted as fully paid up by way of bonus issues and brought back during the last 5 years to be given for each class of shares

During the year ended 31 March 2012, the Company had issued 14,500,000 CCPS of ₹10/- each pursuant to a contract, without payment being received in cash. The Company has not issued any bonus shares nor has there been any buy-back of shares in the current year and preceding five years

f) Rights, preferences, restrictions

The Company has issued two classes of shares, equity shares and preference shares, having a face value of ₹ 10 per share.

Equity Share holders

Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend. In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.
During the year ended 31 March 2015 and 31 March 2014, the Company has not proposed any dividend dividend per share to equity share holders.

Preference Share holders

The rights and restrictions attached to the compulsorily convertible preference shares differ from those attaching to Equity Shares as follows:
Dividend on each Compulsory Convertible Preference Shares ("CCPS") is 0.01% per annum, and such dividend shall be a preferred dividend. The accrued dividend on the CCPS shall be paid to the Investor immediately prior to the conversion of the CCPS in cash. Without prejudice to the right of the Investor and Operating Promoter to preferred dividend as mentioned in paragraph above, no dividend shall be payable on any of the Equity Shares of the Company until the conversion of the CCPS subscribed to by the Investor.

g) Conversion terms

As per Share Holders Agreement("SHA") signed on 13 June 2012 amongst the equity share holders, all CCPS shall be converted on " Conversion Date" (the date on which the audited results of the Company for the Financial Year ending 31 March 2013 are approved by the Board). Each Shareholder shall be entitled to convert their CCPS into Equity shares of the company in accordance with the agreement and in terms of the conversion ratios set out under schedule VI of SHA. As per clause 2.3 of SHA, the Company shall convert the CCPS held by each of the Investors in to equity shares at any time after the Conversion date but on or before mandatory conversion date (30 September 2013).

Notwithstanding anything to the contrary in SHA, it is agreed by all the shareholders that the conversion of all CCPS held by all the shareholders shall occur simultaneously. In a meeting of the Board of Directors held on 14 August 2013, some of the CCPS holders have opted to keep their CCPS unconverted. Consequently the Company has not carried out the conversion. Aggrieved by the non-conversion, one of the CCPS holders has served an Arbitration notice to the Company seeking remedy.
Further during the year, the Board has passed a resolution for conversion of preference shares and allotment of equity shares in the meeting held on 29 December 2014. However, the process of credit of equity shares to respective custodian accounts has not been completed as at 31 March 2015. Accordingly, the impact, if any, is not presently ascertainable and no adjustments have been carried out to these financial statements.

	As at 31 March 2015	(In ₹) As at 31 March 2014
6 Reserves and surplus		
Securities premium account		
Balance at the beginning of the year	138,497,125	141,741,598
Less : Expenses on issue of shares written off	-	(3,244,473)
Balance at the end of the year	**138,497,125**	**138,497,125**
Deficit in the statement of profit and loss		
Balance at the beginning of the year	(594,893,442)	93,291,361
Add : Transferred from statement of profit and loss	(1,890,644,134)	(687,734,489)
Less : Adjustments consequent to change of useful life (Also refer note 13)	(3,893,364)	-
Less: Dividend on preference shares	(450,314)	(450,314)
Balance at the end of the year	**(2,489,881,254)**	**(594,893,442)**
	(2,351,384,129)	**(456,396,317)**

KARAIKAL PORT PRIVATE LIMITED

Summary of significant accounting policies and other explanatory information

	As at 31 March 2015		As at 31 March 2014	
	Long term	Short term	Long term	Short term
7 Borrowings				
Secured				
Term loans				
From banks	14,912,445,305	2,011,921,230	15,425,490,022	440,423,088
From Financial Institution	679,019,993	352,741,599	874,652,731	147,508,098
Vehicle loans	2,559,606	1,395,597	3,978,490	1,222,981
Loans repayable on demand				
From banks (Cash credit)	-	214,191,239	-	198,453,134
Total borrowings (a)	15,594,024,904	2,580,249,665	16,304,121,243	787,607,301
Less : Grouped under other current liabilities (Ref Note no 12)				
Current maturities of short-term debt	-	1,081,375,000	-	380,525,000
Interest accrued and due on borrowings	-	1,283,287,829	-	207,406,186
Total (b)	-	2,364,662,829	-	587,931,186
Total (a-b)	15,594,024,904	215,586,836	16,304,121,243	199,676,115

a) Details of guarantee for each type of borrowings

Guaranteed by promoter directors				
Term loans				
Banks	14,912,445,305	2,011,921,230	15,425,490,022	440,423,088
Financial institution	679,019,993	352,741,599	874,652,731	147,508,098
	15,591,465,298	2,364,662,829	16,300,142,753	587,931,186
Guaranteed by others (Corporate guarantee by MARG Limited)				
Term loans				
Banks	14,912,445,305	2,011,921,230	15,425,490,022	440,423,088
Financial Institution	679,019,993	352,741,599	874,652,731	147,508,098
Loans repayable on demand				
Banks (Cash credit a/c)	-	214,191,239	-	198,453,134
	15,591,465,298	2,578,854,068	16,300,142,753	786,384,320

b) Details of security for each type of borrowings

i) Particulars of securities charged against secured loans taken by the Company are as follows:

Term Loan sanctioned by the Consortium of Banks (Indian Bank, Allahabad Bank, Corporation Bank, Oriental Bank of Commerce, Punjab National Bank, Central Bank of India, Indian Overseas Bank, United Bank of India, Syndicate Bank and State Bank of Hyderabad) including India Infrastructure Finance Company Limited is secured by-

a) Paripassu first mortgage / charge in favour of the consortium of banks on all the company's immovable assets and movable assets including all receivables and intangibles, both present and future.

b) Assignment in favour of lenders all rights, titles and interest of the company from all contracts under all assets of the project including the concession agreement which the company is party to.

c) Charge/assignment of all revenues and receivables of the company from the project or otherwise subject to payment of concession fees to the Government of Pondicherry as per the concession agreement

d) Paripassu charge on DSRA and TRA

e) Non disposal undertaking for 26% of the total paid up capital of the borrower held by the promoters.

f) Corporate guarantee of Marg Limited and also promoters personal guarantee

ii) The Vehicle loans are secured by hypothecation of vehicles of the Company purchased under loan.

iii) OCC facility availed from Andhra bank is secured by:-

a) Charge on Receivables (not older than 180 days and other than the receivables from Warehousing operations)

b) Paripassu second charge on escrow account maintained with the Lead bank

c) Paripassu second charge on the fixed assets of the company

d) Corporate guarantee of Marg Limited.

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c) Terms of repayment of term loans and other loans

As per the consortium agreements,

a) The Quarterly repayment of term loans in phase 1, phase 2A, OSV and warehouse are repayable in 44 unequal installments commencing from the quarter April to June and payable in June 2014 and last installment in March 2025. However each qquarterly installment in a particular year will be equal.

b) Quarterly repayment of phase 2A extension loans commence from October 2015 in 38 instalments

d) Particulars of default

During the year the Company has defaulted in paying its installments and interest post July 2014 amounting to ₹ 1,526.54 million. The Company has paid ₹ 345.73 million subsequent to year end towards the outstanding balances.

e) Debt restructuring (Also refer Note 2 to financial statements)

The Company had approached its lenders for a debt restructuring(in view of insufficient cargo) of its phase 2A project. The lenders approved the scheme of debt restructuring on 21 March 2013. The salient features of the scheme are as under:

a) All outstanding loans as at 30 December 2012 sanctioned under phase 1, phase 2A, OSV/PSV and warehouse shall be grouped into a single loan.

b) The combined loan shall be repayable in 44 quarterly instalments commencing from June 2014.

c) Funded Interest Term loan created for interest on term loans for the period 30 December 2012 till 30 June 2013.

d) COD of phase 2A extension extended from October 2012 to October 2014.

e) Repayment of phase 2A extension loans to commence from December 2015

f) Waiver of additional 0.5% interest for restructuring of term loans

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KARAIKAL PORT PRIVATE LIMITED

Summary of significant accounting policies and other explanatory information

	As at 31 March 2015	As at 31 March 2014
8 Deferred tax liabilities, net		
Deferred tax liabilities arising out of:		
Timing difference between depreciation/ amortisation as per financials and depreciation as per tax(also refer note 3(M))	1,202,177,428	1,091,630,459
Less: Deferred tax asset arising on account of :		
Unabsorbed depreciation loss as per Income Tax Act (restricted to the extent of deferred tax liability)	(1,202,177,428)	(1,091,630,459)
	-	-
9 Other long-term liabilities		
Retention money (refer note 30(c))	135,700,945	135,700,945
	135,700,945	**135,700,945**

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KARAIKAL PORT PRIVATE LIMITED
Summary of significant accounting policies and other explanatory information

	As at 31 March 2015		As at 31 March 2014	
10 Provisions	Long-term	Short-term	Long-term	Short-term
Provision for gratuity (Refer note (b) below)	7,058,261	743,883	4,733,662	416,647
Provision for compensated absences (Refer note (b) below)	3,054,422	549,181	2,198,535	760,138
Dividend to preference shareholders	1,406,580	-	1,021,680	-
Dividend tax	211,301	-	145,887	-
	11,730,564	1,293,064	8,099,764	1,176,785

a) Details with respect to proposed dividend

	As at 31 March 2015	As at 31 March 2014
Dividends proposed to		
Preference shareholders	450,314	450,314
Proposed dividend per share		
Preference shareholders	0.0012	0.0012

b) Employee benefits

Gratuity

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity Plan provides for a lump sum payment to vested employees on retirement (subject to completion of five years of continuous employment), death, incapacitation or termination of employment that are based on last drawn salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation on the reporting date and the entire liability is unfunded.

The following table sets out the funded status of the Gratuity Plan and the amounts recognized in the financial statement:

	As at 31 March 2015	As at 31 March 2014
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	5,150,309	4,053,729
Service cost	7,802,144	1,472,136
Interest cost	401,437	318,026
Actuarial gain	(4,696,712)	(69,092)
Past service cost – (vested benefits)	(855,034)	(624,490)
Projected benefit obligation at the end of the year	7,802,144	5,150,309
Thereof		
Unfunded	7,802,144	5,150,309
Components of net gratuity costs are		
Service cost	7,802,144	1,472,136
Interest cost	401,437	318,026
Recognized net actuarial gain	(4,696,712)	(69,092)
Net gratuity costs	3,506,869	1,721,070
Principal actuarial assumptions used:		
Discount rate	7.80%	8.50%
Long-term rate of compensation increase	8.00%	7.00%
Rate of return on plan assets	-	-
Attrition rate	15%	19%

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Compensated absences

The Company permits encashment of compensated absences accumulated by their employees on retirement, separation and during the course of service. The liability in respect of the Company, for outstanding balance of privilege leave at the balance sheet date is determined and provided on the basis of actuarial valuation performed by an independent actuary. The Company doesn't maintain any plan assets to fund its obligation compensated absences.

	As at 31 March 2015	As at 31 March 2014
Principal actuarial assumptions used:		
Discount rate	7.80%	8.50%
Long-term rate of compensation increase	8.00%	7.00%
Rate of return on plan assets	-	-
Attrition rate	15%	19%

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		As at 31 March 2015	As at 31 March 2014
11	**Trade payables**		
	Dues to micro and small enterprises (Also, refer note (a) below)	-	-
	Dues to others	150,637,496	100,523,745
	Deposits from vessel agents	7,168,167	7,168,167
		157,805,663	**107,691,912**

a) Based on the information available with the Company, there are no dues outstanding in respect of micro, small and medium enterprises during the year ended 31 March 2015 and 31 March 2014 . The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

		As at 31 March 2015	As at 31 March 2014
12	**Other current liabilities**		
	Current maturities of short-term debt (also refer note 7)	1,081,375,000	380,525,000
	Interest accrued and due on borrowings (also refer note 7)	1,283,287,829	207,406,186
	Statutory dues	9,609,781	15,692,674
	Capital creditors	4,350,216	13,226,395
	Employee related payables	7,739,362	22,216,419
	Advances from customers	149,820,056	51,685,539
		2,536,182,244	**690,752,213**

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KARAIKAL PORT PRIVATE LIMITED
Summary of significant accounting policies and other explanatory information

13 Tangible assets

(In ₹)

Gross block	Land Freehold	Buildings	Dredged Channels	Marine Structures	Plant and equipment	Railway Siding	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Office equipment	Total
Balance as at 1 April 2013	5,042,484	2,651,464,886	4,206,094,259	5,772,311,786	777,649,094	170,713,354	17,860,355	12,677,567	8,474,912	16,077,526	10,375,777	13,648,742,000
Additions	-	584,615,423	231,422,574	80,194,387	4,179,036	-	1,721,299	979,070	34,742	8,000	440,842	903,595,373
Disposals	-	-	-	-	-	-	-	-	-	(1,190,571)	-	(1,190,571)
Balance as at 31 March 2014	5,042,484	3,236,080,309	4,437,516,833	5,852,506,173	781,828,130	170,713,354	19,581,654	13,656,637	8,509,654	14,894,955	10,816,619	14,551,146,802
Additions	-	260,825	-	-	656,487	-	1,124,148	1,928,075	977,846	16,200	1,046,002	6,009,582
Disposals	-	-	-	-	-	-	-	530,000	-	-	-	530,000
Balance as at 31 March 2015	5,042,484	3,236,341,134	4,437,516,833	5,852,506,173	782,484,617	170,713,354	20,705,802	15,054,712	9,487,500	14,911,155	11,862,621	14,556,626,384
Accumulated depreciation and amortisation												
Balance as at 1 April 2013	-	142,160,520	300,601,531	378,845,022	110,849,987	7,320,201	2,615,542	6,483,660	2,587,274	2,012,008	1,474,048	954,949,793
Depreciation charge	-	118,538,818	158,745,775	209,829,972	35,059,368	6,283,690	914,969	2,005,633	469,577	1,453,868	559,071	533,860,741
Reversal on disposal of assets	-	-	-	-	-	-	-	-	-	(410,086)	-	(410,086)
Balance as at 31 March 2014	-	260,699,338	459,347,306	588,674,994	145,909,355	13,603,891	3,530,511	8,489,293	3,056,851	3,055,790	2,033,119	1,488,400,448
Depreciation charge	-	119,723,621	158,064,135	209,073,390	46,499,591	6,283,690	2,585,809	1,251,426	1,083,363	1,907,508	4,684,466	551,156,999
Adjustments consequent to change in useful life (Refer note 3 below)	-	-	-	-	20,370	-	-	3,183,841	-	-	689,167	3,893,378
Balance as at 31 March 2015	-	380,422,959	617,411,441	797,748,384	192,429,316	19,887,581	6,116,320	12,924,560	4,140,214	4,963,298	7,406,752	2,043,450,825
Net block												
Balance as at 31 March 2014	5,042,484	2,975,380,971	3,978,169,527	5,263,831,179	635,918,775	157,109,463	16,051,143	5,167,344	5,452,803	11,839,165	8,783,500	13,062,746,354
Balance as at 31 March 2015	5,042,484	2,855,918,175	3,820,105,392	5,054,757,789	590,055,301	150,825,773	14,589,482	2,130,152	5,347,286	9,947,857	4,455,869	12,513,175,559

Note:	As at 31 March 2015	As at 31-Mar-14
1 Assets acquired under lease		
Vehicles includes assets taken on lease		
Gross block	7,815,000	7,815,000
Accumulated depreciation	2,076,763	1,049,565
Net block	5,738,237	6,765,435
Depreciation charge for the year	1,027,198	742,425

2 Additions include capitalization of phase 2A and Phase Ph2AE assets

Particulars	As at 31 March 2015	As at 31-Mar-14
Cost of construction	-	775,201,636
Borrowing cost	-	94,827,736
Expenditure incurred during construction	-	24,291,400
Total	-	894,320,772

3 Change in useful life of tangible assets

Effective 01 April 2014, the Company has revised the useful life of fixed assets based on Schedule II to the Companies Act, 2013. Further, an amount of ₹ 3,893,378 (net of tax) representing the carrying value of assets with revised useful life as nil, has been charged to the opening reserves as on 01 April 2014.

KARAIKAL PORT PRIVATE LIMITED

Summary of significant accounting policies and other explanatory information

14 Intangible assets

(In ₹)

Gross block	Computer Software	License	Total
Balance as at 1 April 2013	**6,074,516**	**150,000,000**	**156,074,516**
Additions	2,674,350	-	2,674,350
Balance as at 31 March 2014	**8,748,866**	**150,000,000**	**158,748,866**
Additions	151,958	-	151,958
Balance as at 31 March 2015	**8,900,824**	**150,000,000**	**158,900,824**
Accumulated depreciation and amortisation			
Balance as at 1 April 2013	**2,439,996**	**19,160,072**	**21,600,068**
Amortisation charge	1,725,855	5,000,688	6,726,543
Balance as at 31 March 2014	**4,165,851**	**24,160,760**	**28,326,611**
Amortisation charge	1,278,888	5,000,689	6,279,577
Balance as at 31 March 2015	**5,444,739**	**29,161,449**	**34,606,188**
Net block			
Balance as at 31 March 2014	**4,583,015**	**125,839,240**	**130,422,255**
Balance as at 31 March 2015	**3,456,085**	**120,838,551**	**124,294,636**

	As at 31 March 2015	As at 31 March 2014
15 Capital work-in-progress		
a) Construction costs	6,390,549,914	6,377,326,859
b) Expenditure incurred during construction period	774,058,730	772,939,148
c) Borrowing cost	2,390,718,331	2,390,718,330
	9,555,326,975	**9,540,984,337**

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WALKER CHANDIOK & CO LLP ★ CHENNAI ★ CHARTERED ACCOUNTANTS

	As at 31 March 2015		As at 31 March 2014	
	Long term	Short term	Long term	Short term
16 Loans and advances				
Capital advances				
- Unsecured, considered good (also refer note 37)	371,313,969	-	366,796,240	-
Security deposits				
- Unsecured, considered good	6,282,465	5,820,025	6,399,948	5,463,521
Other loans and advances (advances recoverable in cash or kind)*				
- Unsecured, considered good	-	55,997,675	-	38,074,943
Advance tax (net of provisions ₹ 68,093,252 previous year - ₹ 125,129,253)	130,413,187	-	106,257,885	-
Balance with excise and customs authorities	-	8,994,324	-	6,336,176
	508,009,621	**70,812,024**	**479,454,073**	**49,874,640**
*** Includes amounts due by**				
Directors				
GRK Reddy	367,374	-	367,374	-
Companies in which director / officer is a director				
Marg Limited	346,476,690	-	346,476,690	-

	As at 31 March 2015	As at 31 March 2014
17 Inventories (valued at lower of cost or net realisable value)		
Stores and spares	20,029,993	23,989,000
	20,029,993	**23,989,000**
18 Trade receivables		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured considered good	54,564,120	63,008,435
Doubtful	24,530,884	4,166,734
	79,095,004	**67,175,169**
Less : Allowances for bad and doubtful debts	(24,530,884)	(4,166,734)
	54,564,120	**63,008,435**
Other debts		
Unsecured considered good	240,281,836	253,118,016
	294,845,956	**316,126,451**

WALKER CHANDIOK & CO LLP CHENNAI CHARTERED ACCOUNTANTS

KARAIKAL PORT PRIVATE LIMITED

Summary of significant accounting policies and other explanatory information

	As at 31 March 2015	As at 31 March 2014
19 Cash and bank balances		
Cash and cash equivalents		
Cash on hand	1,651,988	529,496
Balances with banks		
- in current accounts	104,730,723	102,962,570
- in deposits accounts	45,217,501	107,067,216
	151,600,212	**210,559,282**
Other bank balances		
Deposits with maturity more than 3 months but less than 12 months	-	-
Balances with bank held as		
Margin money*	17,038,250	152,223,278
	17,038,250	**152,223,278**
Total	**168,638,462**	**362,782,560**

* Deposit amounting to ₹ 17,038,250/- (previous year ₹ 152,223,278/-) are issued as lien for the purpose of Bank Guarantees for EPCG licenses, concession fee and penalty for completing the mechanisation to GOP.

20 Other current assets		
Interest accrued on deposits	2,203,235	8,841,820
Insurance claim receivable	28,002,460	-
	30,205,695	**8,841,820**

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WALKER CHANDIOK & CO LLP ★ CHENNAI ★ CHARTERED ACCOUNTANTS

KARAIKAL PORT PRIVATE LIMITED

Summary of significant accounting policies and other explanatory information

	Year ended 31 March 2015	Year ended 31 March 2014
21 Revenue from operations		
Sale of services		
Domestic	2,238,208,897	2,608,390,995
	2,238,208,897	**2,608,390,995**
Details of services:		
Stevedoring services	1,241,142,037	1,543,762,101
Rebate on stevedoring income	(12,476,373)	(23,497,385)
Wharfaging	227,929,957	272,216,934
Pilotage	146,306,808	169,051,504
Port dues	103,353,764	118,285,386
Others	531,952,704	528,572,455
	2,238,208,897	**2,608,390,995**
22 Other income		
Interest income on term deposits	13,318,353	8,248,920
Interest income on tax refund	-	2,695,511
Liabilities no longer required written back	833,054	-
Other non-operating income	9,628,307	6,074,106
Foreign exchange gain	6,577,682	-
	30,357,396	**17,018,537**
23 Operating expenses		
Stevedoring expenses	494,486,170	658,339,863
Concession fee	58,768,172	68,587,068
Marine operations and management services	111,963,907	187,646,904
Clearing and forwarding charges	33,069,032	29,315,074
Crane maintenance (Net of insurance claim of ₹ 52,996,860)	97,496,223	113,386,758
Other operating expenses	174,304,500	94,723,368
Consumption of stores and spares	12,927,482	19,334,971
	983,015,486	**1,171,334,006**
24 Decrease/(increase) in inventories		
Opening stock		
- Stores and spares	23,989,000	22,013,267
Closing stock		
- Stores and spares	20,029,993	23,989,000
	3,959,007	**(1,975,733)**
25 Employee benefits expense		
Salaries and wages	124,127,624	89,581,771
Contribution to gratuity (Also, refer note 10)	3,506,869	1,721,070
Contribution to provident and other defined contribution funds	6,441,597	5,438,880
Other employee cost	9,849,837	6,694,706
Staff welfare expenses	16,056,023	15,875,043
	159,981,950	**119,311,470**

WALKER CHANDIOK & CO LLP ★ CHENNAI ★ CHARTERED ACCOUNTANTS

KARAIKAL PORT PRIVATE LIMITED

Summary of significant accounting policies and other explanatory information

	Year ended 31 March 2015	Year ended 31 March 2014
26 Finance costs		
Interest expenses	2,126,517,510	1,241,876,320
Other finance charges	8,199,424	11,055,872
Bank charges	8,745,759	1,037,888
	2,143,462,693	**1,253,970,080**
27 Other expenses		
Power and fuel	27,430,884	20,626,464
Rent	9,200,452	16,429,937
Repairs and maintenance		
- Buildings	959,179	631,032
- Plant and equipment	12,619,129	19,906,368
- Others	9,074,966	10,037,608
Payments to auditors (Also refer note 33)	1,500,000	1,500,000
Travelling Expenses	31,350,639	16,439,945
Insurance	31,735,658	13,949,058
Legal and professional expenses	24,883,614	52,111,015
Rates and taxes	1,001,216	2,020,982
Foreign currency loss	178,518	195,479
Directors' sitting fees	302,000	310,000
Bad debts written off	-	6,677,115
Allowances for bad and doubtful debts	20,364,150	2,022,647
Office maintenance expenses	64,082,158	38,456,192
Miscellaneous expenses	76,672,152	28,603,072
	311,354,715	**229,916,914**
28 Depreciation and amortisation expense		
Depreciation of tangible assets (Refer note 13)	551,156,999	533,860,741
Amortisation of intangible assets (Refer note 14)	6,279,577	6,726,543
	557,436,576	**540,587,284**
29 Earning per share		
Profit attributable to equity shareholders (A)	(1,890,644,134)	(687,734,489)
Less: dividend payable to preference share holders (B)	450,314	450,314
Profit attributable to equity shareholders (A)+(B)	(1,890,193,820)	(687,284,175)
Weighted average number of equity shares outstanding during the year (C)	313,539,883	313,539,883
Basic earnings per share (A/C)	**(6.03)**	**(2.19)**
Profit attributable to equity shareholders for computing diluted EPS (D) = (A+B)	(1,890,193,820)	(687,284,175)
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	233,742,806	233,742,806
Weighted average number of equity shares and equity equivalent shares for computing Diluted EPS (F) = (C+E)	547,282,689	547,282,689
Antidilutive EPS , not considered	(3.45)	(1.26)
Diluted earnings per share (D/F)	**(6.03)**	**(2.19)**

WALKER CHANDIOK & CO LLP ★ CHENNAI ★ CHARTERED ACCOUNTANTS

KARAIKAL PORT PRIVATE LIMITED

Summary of significant accounting policies and other explanatory information

30 Related parties (as per accounting standard 18)

a) Names of related parties

Relationship	Name
Holding company	Marg Limited
Fellow subsidiaries	Marg International Dredging PTE Ltd Marg Logistics Private Limited
Key management personnel (KMP)	Directors 1) G R K Reddy 2) V P Rajini Reddy CEO and Executive Director 3) MLN Acharyulu
Entities over which KMP and/or their relatives exercise significant influence	Exemplarr Worldwide Limited

b) Transactions with related parties

	Year ended 31 March 2015	Year ended 31 March 2014
Holding company		
Marg Limited		
Construction of assets	6,50,000	33,29,62,788
Payment of mobilisation advance / (recovery)	(1,30,000)	(6,65,92,558)
Amount retained on payments to capital creditors	-	1,40,11,733
Purchase of fixed assets	7,94,622	-
Services received during the year(management fees)	2,80,00,000	2,40,00,000
Expenses incurred on behalf of the company	-	2,61,87,584
Fellow subsidiaries		
Marg Logistics Private Limited		
Purchase of goods and services	35,77,08,547	47,64,51,266
Revenue from operations	-	-
Payment of mobilisation advance / (recovery)	-	(50,00,000)
Payments received for expenses incurred on behalf of group companies	-	-
Exemplarr WorldWide Limited		
Consultancy charges	36,37,600	55,84,723
Key Management personnel - remuneration		
M L N Acharyulu - CEO and Executive Director	1,10,74,327	97,76,715

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c) **Balances with related parties**

	Year ended 31 March 2015	Year ended 31 March 2014
Balance (due to) / due from		
Holding company		
Creditor for capital goods	(4,642,115)	(11,686,811)
Retention money payable	(135,342,133)	(135,342,133)
Advance for capital goods	341,696,007	341,826,007
Sundry creditors (Marg-Corp exp)	(1,924,247)	(1,263,448)
Corporate Guarantee – Received	(19,825,400,000)	(19,825,400,000)
Fellow subsidiaries		
Marg International Dredging PTE Limited.		
Advance for capital goods	3,792,758	3,792,758
Marg Logistics Private Limited		
Sundry creditors(retention money)	19,609,543	13,047,743
Advances for operation	-	48,519
Sundry creditors - operation	9,821,985	4,099,641
Exemplaar Worldwide Limited		
Sundry Creditors	450,384	1,540,971
Advances given to key management personnel		
G R K Reddy	367,374	367,374

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WALKER CHANDIOK & CO LLP
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CHARTERED ACCOUNTANTS

KARAIKAL PORT PRIVATE LIMITED
Summary of significant accounting policies and other explanatory information

	Year ended 31 March 2015	Year ended 31 March 2014
31 Expenditure in foreign currency		
Professional and consultancy fees	275,487	5,105,632
Maintenance dredging	30,286,367	-
Advertisement expenses	849,150	-
Computer maintenance	40,805	-
	31,451,809	**5,105,632**
32 Value of imports on CIF basis		
Capital goods	55,965,199	2,297,222
	55,965,199	**2,297,222**
33 Payments to auditors		
As auditor		
Statutory audit	1,000,000	1,000,000
Limited review	500,000	500,000
	1,500,000	**1,500,000**
In other capacity		
Other services	-	40,000
	1,500,000	**1,540,000**

34 Capital work in progress includes Expenditure during construction period, details of which are as follow.

	Year ended 31 March 2015	Year ended 31 March 2014
Employee cost		
Salaries and wages	-	65,885,648
Contribution to provident funds	-	1,341,530
(A)	-	**67,227,178**
General and administrative expenses		
Rates and taxes	-	-
Power and fuel	-	-
Legal and professional expenses	1,119,582	8,196,732
Processing fee	-	-
Travelling expense	-	12,470,367
Rent	-	8,274,259
Insurance	-	12,551,330
Bank charges	-	7,001,084
Communication expenses	-	2,339,249
Miscellaneous expenses	-	52,544,085
(B)	**1,119,582**	**103,377,106**
Total (A+B)	**1,119,582**	**170,604,284**
Balance carried from previous year	821,521,949	626,626,265
Total	**822,641,531**	**797,230,549**
Capitalised / allocated during the year	-	**24,291,400**
Balance carried forward pending Allocation / Capitalisation	**822,641,531**	**821,521,949**

35 Segment Reporting

The Company is engaged in the construction, operation and maintenance of port services in Karaikal which is the only reportable business segment. Therefore, the company's business does not fall under different business segment as defined by Accounting Standard 17 on "Segment Reporting" issued under the Companies (Accounts) Rules, 2014.

36 Disclosures in respect of non-cancellable leases

The Company do not have any non-cancellable leases as defined by Accounting Standard 19 on "Leases" issued under the Companies (Accounts) Rules, 2014.

37 Advance given to Marg Limited

Capital advances under Note 16 'Loans and advances' include an amount of INR 346,476,690 due from Marg Limited being mobilization advance paid for port related construction works. There has been significant delay in completion of the aforesaid construction works partly due to certain financial constraints presently being faced by Marg Limited. These balances have been confirmed by Marg Limited as at 31 March 2015. Further based on a detailed review and assessment, certain firm alternate mechanisms have been worked out by the management to restart the construction activity. Accordingly management is confident that Marg Limited will be able to successfully carry out their obligations under the project contracts and also noted that the financial constraints faced by Marg Limited is of temporary nature, therefore no provision is considered necessary against these balances.

38 Domestic tranfer pricing

As per the Domestic transfer pricing norms introduced in India with effect from April 2012, the Company is required to use certain specified methods in computing arm's length price of transactions between parties mentioned in section 92BA of the Income Tax Act 1961 and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of transactions/ class of transactions, class of persons, functions performed and other factors, which have been prescribed. The Company is in the process of conducting a Domestic Transfer pricing study for the current financial period. However, in the opinion of the Management the same would not have a material impact on these financial statements. Accordingly, these financial statements do not include any adjustments for the transfer pricing implications, if any.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

Walker Chandiok & Co LLP

For Walker Chandiok & Co LLP
Chartered Accountants

WALKER CHANDIOK & CO LLP
CHENNAI
CHARTERED ACCOUNTANTS

per Sumesh E S
Partner
Place : Chennai
Date : 9 December 2015

For and on behalf of the Board of Directors of
Karaikal Port Private Limited

G R K Reddy
Director

V P Rajini Reddy
Director

Susanta Kumar Dehury
Company Secretary
Place : Chennai
Date : 20 November 2015