



MSIL

Mysore Sales International Limited
(A Government of Karnataka Undertaking)

52nd

**Annual Report
2017-2018**



Chit Funds



MSIL Chits

Invest
Safely
Borrow
Easily

Tours and Travels



Consumer Products



Paper and Stationery



MSIL PHARMA

Pharmaceuticals

**ಎಂಎಸ್‌ಐಎಲ್
ಮದ್ಯ ಮಾರಾಟ ಮಳಿಗೆ**

Beverages



Sand

Industrial Products





**Mysore Sales International Limited
B E N G A L U R U**

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BOARD OF DIRECTORS

Shri Hampanagowda Badarli	Chairman	Shri N. Balaraj	Director
Dr. G.C. Prakash, IAS	Managing Director	Shri R. Thammanna	Director
Smt. Renuka Chidambaram, IAS	Director	Shri M.S. Sridhara	Director
Dr. Ekroop Caur, IAS	Independent Director	Shri Gunashekara	Director
Shri Darpan Jain, IAS	Independent Director	Shri Chaluvaraju	Director
Shri N. Jayaram, IAS	Director	Shri K. Venkataswamappa	Director
Shri Anuradha Basavaraj Tapli	Director	Shri Rafik Ahamed B. Pakali	Director
Shri Sanath Kumar S.R.	Director		

Shri Subramanya

Chief Financial Officer

Smt. Sridevi B.N.

Company Secretary

REGISTERED OFFICE : MSIL HOUSE, 36, CUNNINGHAM ROAD
BENGALURU - 560 052.

BRANCH OFFICES : BENGALURU, MYSURU, DAVANAGERE, HUBBALLI,
KALABURAGI, MANGALURU, BELAGAVI,
MUMBAI, NEW DELHI

SALES OFFICES / UNITS

- Vijayapura • Davanagere • Kalaburagi • Hassan • Hubballi • Mangaluru • Mysuru
- Bhiwandi • Kanpur • Ghaziabad • Jaipur

BANKERS

: Vijaya Bank, Syndicate Bank, State Bank of Mysore,
State Bank of Hyderabad, HDFC Bank

AUDITORS

: **M/s. P. Chandrasekar, LLP**, Chartered Accountants

Mysore Sales International Limited

MSIL HOUSE, 36 CUNNINGHAM ROAD,
BENGALURU - 560 052

NOTICE

NOTICE is hereby given that the Fifty-second Annual General Meeting of the Members of Mysore Sales International Limited will be held on Friday, December 14, 2018 at 12.00 Noon at the Board Room of KSIIDC, Khanija Bhavan, 4th Floor, East Wing, No. 49, Race Course Road, Bengaluru-560001 to transact the following business at shorter notice:-

ORDINARY BUSINESS:

Item No.1 – Adoption of financial statements:

To consider and adopt the financial statements of the Company for the year ended March 31, 2018, (including the consolidated financial statements) and reports of the Board of Directors (the Board) and Auditors thereon together with the comments received from Auditor General of India under Section 146 (6) of the Companies Act, 2013.

Item No.2- To consider fixation of remuneration for the year ending March 31, 2018 payable to Statutory Auditors appointed by the Comptroller & Auditor General of India (C&AGI) and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of section 139(5) of the Companies Act, 2013, Comptroller and Auditor General of India, has appointed M/s Abarna & Ananthan, (BA0245) Chartered Accountants, Bengaluru as the Statutory Auditors of the Company for the financial year 2018-2019, be and is hereby noted the appointment of the Statutory Auditors of the Company to hold the office from the conclusion of Annual General Meeting (AGM) till the conclusion of next AGM and authorized

the Board of Directors of the Company to fix the remuneration of the Statutory Auditors of the Company.”

By order of the Board
For Mysore Sales International Limited
Sd/-
Sridevi B.N.
Company Secretary

Place: Bengaluru

Date: December 11, 2018

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The annexed proxy form should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the AGM.
2. The Company being a Government Company, the Comptroller & Auditor General of India has appointed the Statutory Auditors of the Company for the year 2018-19 under Section 139 (5) of the Companies Act, 2013.
3. Consent of all shareholders obtained for shorter notice.

By order of the Board
For Mysore Sales International Limited
Sd/-
Sridevi B.N.
Company Secretary

Place: Bengaluru

Date: December 11, 2018

DIRECTORS' REPORT

To,

The Members,

We are delighted to present the report on our business and operations for the Financial Year ended March 31, 2018.

1. Financial Highlights

During the year under review, performance of your company were as under:

(Rs. in lakhs)

PARTICULARS	2017-18	2016-17
Turnover	178875.91	161407.70
Profit/Loss before interest, depreciation, taxes & Prior year adjustments	2704.24	5987.52
Interest	0.90	2.44
Depreciation	341.85	285.21
Profit/(Loss) before Tax	2361.49	5699.87
Provision for taxation		
- Current	939.77	1978.80
- Deferred	5.22	37.48
Prior year Adjustments	-	17.89
Profit /(Loss) after Tax	1416.50	3665.70
Dividend and Tax on dividend	-	237.39
Previous year's balance in Profit & Loss Account	13880.72	10452.41
Balance carried to Balance Sheet	15297.22	13880.72

The sales performance of the Company's various Divisions is presented below:

(Rs. in lakhs)

DIVISION	2017-18	2016-17
1. Beverage	140914.32	133043.02
2. Chit Funds	23001.15	23311.33
3. Paper	12671.82	4074.76
4. Consumer Products	458.05	217.42
5. Industrial Products	1090.03	162.62
6. Tours & Travels	547.47	586.46
7. Pharmacy	157.44	12.09
8. Imported Sand	35.62	-
TOTAL	178875.91	161407.70

The Company is a Government of Karnataka undertaking, 53% of its equity shares are held by the Governor of Karnataka and 47% of equity shares are held by KSIIDC and its nominees. The consolidated performance of your company were as under:

PARTICULARS	2017-18	2016-17
Turnover	178875.91	161407.70
Profit/Loss before interest, depreciation, taxes & Prior year adjustments	2704.24	5987.52
Interest	0.90	2.44
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Balance carried to Balance Sheet	15297.22	13880.72

2. State of Company's Affairs and Future Outlook

(i) Beverage Division: The Government of Karnataka has recently sanctioned additional 900 liquor retail outlets in addition to 463 liquor outlets to MSIL under CL 11C License to be opened in all Assembly Constituencies across Karnataka. The Division has taken all the necessary measures to complete the task at brisk pace, through well-coordinated approach with Excise Department and local elected representatives, division could receive 227 licenses under 900 quota as on March 31, 2018. The total of 628 outlets are under operation spread across Karnataka. MSIL retail liquor outlets have received overwhelming response from the public and contributed hugely in implementing the MRP of liquor.

Beverage Division has achieved a turnover of Rs.140914.32 lakh as against previous year's

DIRECTORS' REPORT (continued)

achievement of Rs.133043.02 lakh. Division would continue to put its efforts to open remaining outlets under 463 and 900 allotted quota in due course.

(ii) Chit Funds Division: The Division has achieved a turnover of Rs. 23001.15 lakh as against previous year achievement of Rs.23311.33 lakh. The turnover is slightly reduced due to strict measures implemented towards enrollment of subscribers to reduce the defaulters. The criteria of income proof and KYC are made compulsory to assess the financial capability of the subscribers.

In order to expand the business, a new Chit Fund Branch at Shivamogga was opened. Likewise, planning to expand at Hassan and Mandya.

To improve the efficiency of the Division and also to meet the expectations of the subscribers, a new Chit Fund Management System (CFMS) is being introduced besides, hosting the CFMS on cloud for seamless and hurdle free operations. Also to expand the business further few more Chit Fund Branches are being opened in Bengaluru to penetrate the market.

With the introduction of customer friendly CFMS in the division coupled with effective advertisement campaign the Chit Fund business is expected to grow appreciably in the years to come.

(iii) Paper Division: The Division has achieved all time highest turnover of Rs.12671.82 lakh in both paper and stationery during the year under review as against the previous year turnover of Rs.4074.76 lakh by achieving 211.00 % increase over previous year. The turnover of Note books (Vidya & Lekhak) during the financial year 2017-18 is Rs. 2966.13 lakh (2318.455 MT) as against the previous year turnover of Rs. 2495.45 lakh (2234.093 MT) by achieving an increase of 18.86 % over previous year. The note books market has become highly fragmented with the entry of several private small players. Such players indulge in all sorts of healthy/unhealthy market practices by way of offering poor quality products at lowest price to capture the market.

Non- representation of the product in the market due to acute shortage of manpower has made our task

even tougher. Customized note books have become a trend of late with many institutions preferring to buy from the manufacturers directly.

The Division apart from focusing on note books and stationery, introduced Tool-kits under the brand name of Lekhak, Gas Stove and also computer stationery with security features to tap new pastures during the financial year 2017-18 and they were quite successful in contributing to the major share of the turnover.

To achieve the targets, the division inevitably needs the service of young and energetic field forces to recapture and strengthen the "VIDYA & LEKHAK" Market. The Division continues to depend on Government Orders for their major share of turnover which needs to be addressed by implementing the redefined sales strategies in the coming years.

(iv) Consumer Products Division: The division has achieved a turnover of Rs.458.05 lakh (28.64 Delhi + 429.41 Mumbai) during the year under review as against previous year turnover of Rs.217.42 lakh. In order to revive the business, the division is in the process of strengthening its product line to tie-up with leading oil manufactures and also exploring launching of existing products to other potential regions.

During the year the division has launched Gold Crunch Corn Flakes at Delhi Branch. The Soundarya range of products (samples received) was distributed to get feedback and received the positive response for certain products. Division has placed the first indent to the manufacturer to start marketing of Soundarya range of products.

Division would put efforts to add more products in the coming days to achieve better turnover in the coming years.

(v) Industrial Products Division: The division has achieved a turnover of Rs.1090.03 lakh during the Financial year 2017-18. The division is in the process of procuring Government orders from various Government Departments, in order to increase the turnover of the division by adding various models of furniture products.

DIRECTORS' REPORT (continued)

(vi) Tours and Travels Division: As an IATA Accredited Travel Agency (IATA No.: 1435229). During the year 2017-18 the main activity of the division has continued to be booking of Air Tickets to Government officials and package tours. The Division has achieved a turnover of Rs. 547.47 lakh up to 31st March 2017 as against Rs. 586.46 Lakh achieved during the previous year.

The Division has successfully organized package tours to North Indian Religious places, it has also organized packages and pilgrimage packages, also organized package tours for Government Institutions like;

- * Directorate of Municipal Administration, Singapore Package-15 groups-45 pax in each group;
- * Defence Ministry and ISTM Study tour packages from New Delhi;
- * Various study tours to Town Municipal Councils in Karnataka-Bengaluru;
- * Sheep and Wool Development Corporation-Bengaluru
- * Department of Horticulture - Bengaluru
- * City Managers Association of Karnataka-Bengaluru;
- * Administration Training Institute – Mysuru

Through service providers for various tourist destinations throughout India and Asian Countries.

(vii) Hire Purchase Division: Since the operation of the Hire Purchase Division was discontinued during July 2008, the Division is exclusively focusing on recovery of overdues from the hirers. In the current financial year an amount of Rs.28.88 lakh has been recovered. The outstanding dues as on March 31, 2018 is Rs.350.43 lakh as against Rs.379.31 lakh during the previous year.

(viii) Pharma Division: The Pharma Division has achieved a turnover of Rs. 157.44 lakh during the financial year 2017-18. It is expected to generate a steady turnover in the upcoming years.

Pharma Division has opened total 69 Pradhan Mantri Bhartiya Janaushadhi Kendra (PMBJK) at Government Taluk / District Hospital across Karnataka as on March 31, 2018. Another two Janaushadhi Kendra viz., one at Government Women and Child Hospital at Davangere

and another at District hospital Gadag will be opened shortly. The Company is also opening one PMBJK wholesale depot at Hubli in due course.

(ix) Imported Sand: The Import Division has achieved a turnover of Rs.35.62 lakhs during the financial year 2017-18.

3.Change in the nature of Business, if any:

There is no change in the nature of business of the Company. The Company entered into the business of importing natural river sand from Malaysia during the year 2017-18 to cater to the needs of local market. Though the business is new to the Company, the nature of the business continues to be in the same class and category.

4.Dividend

In order to conserve funds and meet the working capital and to finance the fixed assets requirement for opening of new retail liquor outlets, which are to be opened under 900 quota. The Board has not recommended any dividend for the Financial Year 2017-18.

5. Reserves

The reserve of the Company for the financial year 2017-18 and the previous year are as follows:

(Rs. in lakh)

Particulars	F.Y. 2017-18	F.Y. 2016-17
General Reserve	1416.50	3428.31
Surplus in Statement of Profit and Loss	1416.50	3665.70

6. Share Capital

The Company has issued Rs.22,55,817 equity shares of Rs.100/- each to Governor of Karnataka on February 28, 2018. As on March 31, 2018 total Issued, Subscribed and Paid up Share Capital of Company is Rs.42,73,47,700/- consisting of Rs. 42,73,477 Equity Shares of Rs.100/- each.

7. Directors and Key Managerial Personnel

During the financial year 2017-18, the following changes in the composition of the Board of Directors of the Company had taken place as per the directions

DIRECTORS' REPORT (continued)

of the Government of Karnataka and the holding Company, Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC).

Sl. No.	Name of the Director	Date of Appointment	Date of Cessation
1.	Shri Hampangowda Badarli	02.11.2016	05.04.2018
2.	Dr G.C . Prakash, IAS	07.10.2016	-
3.	Shri Ritesh Kumar, IAS	21.07.2015	13.07.2017
4.	Shri Darpan Jain, IAS	07.03.2017	06.03.2018
5.	Shri Srivasta Krishna, IAS	07.03.2017	10.05.2017
6.	Shri Naveen Raj Singh, IAS	06.03.2015	10.05.2017
7.	Smt P.Hemalatha, IAS	10.05.2017	27.09.2017
8.	Shri Rajendra kumar Kataria, IAS	10.05.2017	26.07.2017
9.	Smt. Renuka Chidambaram, IAS	26.07.2017	-
10.	Dr Ekroop Caur, IAS	13.07.2017	-
11.	Shri N. Jayaram, IAS	27.09.2017	-
12.	Shri R. Ramesh	06.03.2018	-
13.	Shri S.R. Sanath Kumar	06.07.2016	31.05.2018
14.	Shri Rafikahamed B Pakali	06.07.2016	31.05.2018
15.	Shri Gunashekara	06.07.2016	31.05.2018
16.	Shri Chaluvvaraju	06.07.2016	31.05.2018
17.	Shri M.S. Sridhara	06.07.2016	31.05.2018
18.	Shri K. Venkataswamappa	06.07.2016	31.05.2018
19.	Shri Anuradha B Tapli	06.07.2016	31.05.2018
20.	Shri R. Thammanna	06.07.2016	31.05.2018
21.	Shri N. Balraju	06.07.2016	31.05.2018

The Board placed on its record with deep sense of gratitude for the excellent contribution made by Shri Hampangowda Badarli, Shri Ritesh Kumar, IAS, Shri Darpan Jain, IAS, Shri Srivasta Krishna, IAS, Shri Naveen Raj Singh, IAS, Smt P. Hemalatha, IAS, Shri Rajendra kumar Kataria, IAS, Shri S.R. Sanath Kumar, Shri Rafikahamed B Pakali, Shri Gunashekara, Shri Chaluvvaraju, Shri M.S. Sridhara,

Shri K. Venkataswamappa, Shri Anuradha B Tapli, Shri R. Thammanna and Shri N. Balraju, Directors, during their tenure on the Board of Directors of the Company.

Directors on the date of report are as follows:

Name of the Director

1. Shri K.J. George	- Chairman
2. Dr. G.C. Prakash, IAS	- Managing Director
3. Shri Kapil Mohan, IAS	- Director
4. Dr. Ekroop Caur, IAS	- Director
5. Smt. Gunjan Krishna, IAS	- Director
6. Shri R. Ramesh	- Director

During the financial year 2017-18, the following are the Key Managerial Personnel of the Company as per the provisions of the Companies Act, 2013:

Sl. No.	Name of the Key Managerial Personnel	Date of Appointment	Date of Cessation
1	Dr. G C Prakash, IAS – Managing Director	11.8.2014	-
2	Shri A.M. Chandrappa, Chief Financial Officer	15.05.2017	20.08.2018
3	Shri Subramanya, Chief Financial Officer	20.08.2018	-
4	Smt Sridevi B.N, Company Secretary	18.9.2013	-

8. Meetings

Based on the requisition received from the divisional heads subject to the approval of the Managing Director and agenda subjects as statutorily required, the Company Secretary draft the agenda for each meeting along with explanatory notes, in consultation / consensus with the Managing Director, and distribute same in advance to the Board of Directors. Four Board Meetings, Three Audit Sub-Committee Meetings and one Corporate Social Responsibility Committee Meeting were held during the year ended March 31, 2018 on the following dates:

DIRECTORS' REPORT (continued)

Sl. No.	Date of Board Meeting
1	May 15, 2017
2	August 07, 2017
3	November 28, 2017
4	February 09, 2018

Sl. No.	Date of Audit Sub-Committee Meeting
1	August 07, 2017
2	November 27, 2017

Sl. No.	Date of Corporate Social Responsibility Committee Meeting
1	November 04, 2017

The intervening gap between the Board Meetings was within the period prescribed under the Companies Act, 2013.

Board Meeting attendance of directors during financial year 2017-2018

Name of the Director	No. of Board Meetings held	
	Held	Attended
Shri Hampangowda Badarli	4	3
Dr G.C. Prakash, IAS	4	4
Shri Ritesh Kumar, IAS	4	0
Shri Darpan Jain, IAS	4	0
Shri Srivasta Krishna, IAS	4	0
Shri Naveen Raj Singh, IAS	4	0
Smt P. Hemalatha, IAS	4	0
Shri Rajendra kumar Kataria, IAS	4	0
Smt. Renuka Chidambaram, IAS	4	2
Dr Ekroop Caur, IAS	4	2
Shri N. Jayaram, IAS	4	0
Shri R. Ramesh	4	0
Shri S.R. Sanath Kumar	4	4
Shri Rafikahamed B Pakali	4	4
Shri Gunashekara	4	4
Shri Chaluvaraju	4	4
Shri M.S. Sridhara	4	4
Shri K. Venkataswamappa	4	4
Shri Anuradha B Tapli	4	4
Shri R. Thamanna	4	4
Shri N. Balraju	4	4

Shri Hampangowda Badali ceased to be a Chairman with effect from April 5, 2018

³ Shri Ritesh Kumar Singh, IAS, ceased to be a Director with effect from July 13, 2017

⁴ Shri Darpan Jain, IAS, was appointed as a Director on March 7, 2017 and ceased to be a Director with effect from March 6, 2018.

⁵ Shri Srivasta Krishna, IAS, was appointed as a Director on March 7, 2017 and ceased to be a Director with effect from May 10, 2018.

⁶ Shri Naveen Raj Singh, IAS, ceased to be a Director with effect from May 10, 2018.

⁷ Smt. P. Hemalatha, IAS, was appointed as Director on May 10, 2017 and ceased to be a Director with effect from September 27, 2017.

⁸ Shri Rajendra Kumar Kataria, IAS, was appointed as Director with effect from May 10, 2017 and ceased to be a Director with effect from July 26, 2017.

^{13 to 21} Shri S.R. Sanath Kumar, Shri Rafikahamed B Pakli, Shri Gunashekara, Shri Chaluvaraju, Shri M.S. Sridhara, Shri K. Venkataswamappa, Shri Anuradha B Tapli, Shri R. Thamanna and Shri N. Balraju, ceased to be a Directors with effect from May 31, 2018.

9. Details of Subsidiary Companies

As on March 31, 2018, the Company has two subsidiaries.

Pursuant to the provisions of Section 129(3) a Company having one or more subsidiaries, it shall, in addition to standalone financial statements, a Company has to prepare a consolidated financial statements of the Company and all the subsidiaries, associate companies including joint ventures in same form and manner as that of its own and it shall be laid before the Annual General Meeting of the Company along with standalone financial statements. The Company has prepared consolidated financial statements for the financial year ended March 31, 2018.

In accordance with sub-section (3) of section 129 of the Act, the statement containing the salient feature of the financial statement of a company's subsidiaries is in Form AOC-1 is given in Annexure-II.

DIRECTORS' REPORT (continued)

10. Auditors:

As the Company is a Government Company under section 2(45) of the Companies Act, 2013, the Comptroller and Auditor General of India under section 139(5) of the Companies Act, 2013 appoints the statutory auditors to audit the annual accounts. The C&AGI has appointed P. Chandrasekar LLP, Chartered Accountants, Bengaluru, as Statutory Auditors for the year 2017-18. The statutory auditors appointed by C&AGI will hold office till the ensuing Annual General Meeting.

The office of the Comptroller and Auditor General of India, New Delhi, conveyed that M/s Abarna & Ananthan, (BA0245) Chartered Accountants, Bengaluru had been appointed as the Statutory Auditors of the Company for the year 2018-19.

11. Auditors' Report:

The Auditors' Report does to be check qualifications. The replies to the qualifications of the Statutory Auditors are appended.

12. Secretarial Audit Report

In terms of Section 204 of the Act and Rules made there under Shri. S. Kedarnath, Practicing Company Secretary as Secretarial Auditor have submitted their report for the year ended March 31, 2018. The report of the Secretarial Auditors is enclosed as Annexure III to this report. The report is self-explanatory and do not call for any further comments.

13. Internal Audit & Controls

The Company continues to appoint Internal Auditors. The scope and extent of Internal Audit encompasses audit and review of transactions. The Internal Auditors furnish their report to the company, along with the comments of the company, which shall be placed before the Audit Committee on an ongoing basis to improve efficiency in operations.

14. Risk Management Policy

The Company has identified the risk factors of all the operating divisions and mitigation for each risk.

15. Extract of Annual Return:

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report as **Annexure I**.

16. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

There is no such material changes occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report like settlement of tax liabilities, operation of patent rights, depreciation in market value of investments, institution of cases by or against the company, sale or purchase of capital assets or destruction of any assets etc.

17. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future

There is no such orders passed, to which impacting the going concern status and company's operations in future.

18. Deposits

During the year under review, the Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013, from the public.

19. Related Party Transactions:

During the year under review, there were no contract or arrangements entered into by the Company in accordance with provisions of section 188 of the Companies Act, 2013.

20. Obligation of Company under the Sexual Harassment of women at workplace (Prevention, Prohibition And Redressal) Act, 2013

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition

DIRECTORS' REPORT (continued)

and Redressal) Act, 2013 has been notified on 9th December, 2013. Under the said Act every company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee.

Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up Committee for implementation of said policy. During the year, the Company has not received any complaint of harassment.

21. Conservation of energy, technology absorption and foreign exchange earnings and outgo

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

a) Conservation of energy

The Company being mainly a trading concern, is consuming power for the purpose of office use only. Installed the 15 Kwp on Grid Roof top Solar power plant at Registered Office of the Company, to conserve and minimize the usage of power.

(b) Technology absorption

The Company being a trading Company, has not availed any technology from any one at any time.

(c) Foreign exchange earnings and Outgo

Foreign Exchange earned: Rs.3,15,631/- (Previous year - Nil)

Foreign Exchange outgo: Nil (Previous year – Nil)

22. Corporate Social Responsibility (CSR)

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on Corporate Social Responsibility (CSR) activities. The areas for CSR activities are promoting education and healthcare. A CSR Committee has been formed by the Company as per the Act. The funds were utilized on these activities which are specified in Schedule VII of the Companies Act, 2013.

Gross amount required to be spent by the Company during year is Rs.70.85 lakh.

Amount spent during the year is Rs.540.80 lakh, which includes Rs. 2 Crore to Chief Minister's Relief Fund.

23. Human Resources

Your Company treats its "human resources" as one of its most important assets.

Your Company continued to give thrust for training and development of the employees. During the year 2017-18 to improve the employees performance, imparted 24 employees (Executives/ Officer and Employee) to training programme. In future Company planned for more Training Programmes.

During 2017-18 (up to March 31, 2018) There are 205 employees in your Company (Executives/ Officer 30 & Staff 165) of which 09 employees (02 Officers & 07 Employees) continued to be deputed to Karnataka Beveragews Corporation Ltd., and one Officer is on deputation at PWD.

24. Project / Estate Department

The Company has already ventured into Office-cum warehousing infrastructure sector and the warehousing complex and office space at Mysuru are earning revenue. The warehousing complex at Baikampady, Mangaluru has been let out and earning revenue. The Company is in the process of setting up office-cum warehouse complexes at Peenya, Huballi and Kalaburagi lands. All these projects will generate additional revenue to the Company in the coming years.

Construction of Karnataka Bhavan at Vashi, Navi Mumbai is completed. The building was inaugurated in the month of December 2017. The Company is in the process of selection of the agency for operation and management of the guest house and after renting out of the guest house to the agency, additional revenue to the Company will be generated from Karnataka Bhavan.

25. Directors' Responsibility Statement

To the best of their knowledge and belief and according

to the information and explanation obtained by them, your Directors make the following statement in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, shall state that—

(a) in the preparation of the annual accounts for the financial year ended March 31, 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at March 31, 2018 and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts for the financial year ended March 31, 2018, on a going concern basis; and

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

26. Transfer of Amounts to Investor Education and Protection Fund

Your Company did not have any funds lying unpaid or unclaimed for a period of seven years.

Therefore there were no funds which were required to be transferred to Investor Education and Protection Fund (IEPF).

27. Acknowledgements

Your Directors take this opportunity to express their sincere gratitude and thanks for the valuable assistance and support given by the Government of Karnataka, in particular the Commerce & Industries Department, Finance Department, M/s Karnataka State Industrial Infrastructure & Development Corporation Ltd., Principals, Suppliers, Bankers, Customers and the Society at large. The Directors also place on record the continued support extended by the Media for creating public awareness among the general public for achieving total customer satisfaction in consonance with Quality Policy of the Company.

The assistance and co-operation provided by the Comptroller and Auditor General of India, Principal Accountant General (Civil and Commercial Audit), Karnataka, P. Chandrasekar & Associates, the Statutory Auditors and Chartered Accountants, Secretarial Auditors, the Internal Auditors need special mention and the Directors acknowledge the same.

Your Directors also place on record their appreciation of the contribution made by the employees of your Company at all levels.

For and on behalf of the Board of Directors

Sd/-
K.J. George
Chairman

Place: Bengaluru

Date: November 16, 2018

Annexure Index	
Annexure	Content
I	Annual Return Extracts in MGT 9
II	Details of subsidiary – AOC-1
III	MR-2 Secretarial Audit Report

Replies to the Qualification in Statutory Auditors Report for the year 2017-18 (Refer basis for qualified opinion on Audit Report page no.2)

Reference to Auditors Report	Qualification of Statutory Auditors	Replies
a	Ind AS 1 "Presentation of Financial Statements" – disclosure on Statement of Changes in Other Equity , one of the financial statements to be prepared by the Company as per the aforesaid stipulation of Ind AS 1 has not been prepared by the Company.	This is the first year for the Company to prepare the financials as per Ind AS. Since the Company has prepared the Ind AS financials for the first time, hence it is impracticable to determine the error in following the disclosure requirement. However this practice will be reviewed keeping in view the requirement of Ind AS in the future years.
b	Ind AS 8 "Accounting policies, changes in Accounting Estimates and Errors"- disclosure requirement is not made on the new Ind AS that has been issued but is not yet effective and its impact on financial statements on first application.	Deficiencies and impact if any has not been explained by audit.
c	Ind AS 37 "Provisions, contingent Liabilities and contingent asset disclosure is not as per the requirement.	Contingent liability has been provided for all known and recognized contingent expenses. However, Company has not recognized and disclosed any contingent assets.
d	Ind AS 101 "First-time adoption of Indian Accounting Standards" are not in compliance, including the following –	Deficiencies and impact if any has not been explained by audit
d (I)	Preparation of reconciliation of Equity in accordance with previous GAAP and Notified Ind AS on the date of transition to Ind AS and last period presented in accordance with previous GAAP	Statement of reconciliation of equity in accordance with requirement of Ind AS has been prepared and presented in the Financial statement.
e	Ind AS 107 "Financial Instruments Disclosures" – disclosures of classification of financial instruments are not in compliance as per the requirements.	As per the requirement, the company has clearly stated that interest income from financial assets is recognized using effective interest rate method like fixed deposit at Bank interest rate and it is not at discounted method. Deficiencies and impact if any has not been furnished by audit.

f	Ind AS 108 “Segment Reporting” Disclosure on the Profit and Loss / Asset and Liabilities of each reportable segment, geographical information are not as per the requirement.	Deficiencies and impact if any has not been explained by audit
g	IndAS 109”Financial Instruments” – recognition, measurement and impairment of financial instruments are not as per requirement	The Company does not have loan commitments / contracts to buy or sell a non – financial instrument that can be settled net in cash or by delivering or issuing another financial instrument. Deficiencies and impact if any has not been explained by audit.
h	Ind AS 7 “Statement of Cash Flows” Disclosure is not as per the requirement	Deficiencies and impact if any has not been explained by audit. However this practice will be reviewed keeping in view the requirement of Ind AS in the future years.
i	Ind AS 1 “Presentation of Financial Statements” are not in compliance, including the following:	
i1	Classification of expenses based on nature and function	The practice will be reviewed keeping in view the requirement of Ind AS in the future years.
i2	Classification of items into current and non-current	The practice will be reviewed keeping in view the requirement of Ind AS in the future years.
i3	Disclosure of reclassified items	The practice will be reviewed keeping in view the requirement of Ind AS in the future years.
i4	An explicit and unreserved statement on compliance with Ind AS	This is the first year of implementation of Ind AS, the explicit and unreserved statement on compliance with Ind AS will be made in future years once the company complied fully Ind AS provisions
j	Ind AS 111 “Joint Arrangements “ Disclosures is not as per the requirement.	Deficiencies and impact if any has not been explained by audit. However this practice will be reviewed keeping in view the requirement of Ind AS in the future years.

k	The Actuarial valuation of Gratuity not compliant to Ind AS 19, to the extent of non-recognition of actuarial loss of Rs.1.77 crores in other comprehensive income as at the end of 31st March, 2018. This has resulted in overstatement of employee benefit expenses and understatement of other comprehensive income by Rs.1.77 crores. Further due to increase in the revised gratuity limit there is a demand from LIC to pay Rs.4.08 crores. In view of this provision for gratuity is understated and profit for the year overstated by Rs.4.08 crores.	This is the first year of implementation of Ind AS, the company will comply to the Ind AS requirement by obtaining Actuarial valuation for Gratuity liability for authorized professionals and also from LIC, accordingly the provision will be provided in the books for the future years.
l	In the absence of confirmation of balances in respect of few Trade Payables, Other Current Liabilities, Trade Receivables and Advances / Trade Deposits pertaining to all divisions, consequent impact on reconciliations, thereof, if any, on the profit / loss and the assets / liabilities is not ascertainable.	The Company has sent the balance confirmation as on 31st March, 2018 in the accounts of sundry creditors, sundry debtors, and business associates including joint ventures and advances / deposits for which we have received the confirmation partly.
m	Penalty for delays in execution of (Karnataka Bhavan , Navi Mumbai) project as per the agreement not levied. Consequently, other income, profit, provision for tax and non-current asset-CWIP are overstated and other current assets are understated. However, we are unable to quantify the impact thereof on the Ind AS financial statements.	The levy of penalty in delay in execution of Karnataka Bhavan project, Navi Mumbai, will be reviewed and take suitable action in the year 2018-19.
n	The provision for Leave encashment is not correctly classified under Current and Non-current provisions as per Actuarial valuation report which has resulted in understatement/ overstatement of current/ Non-current Provisions.	The practice will be reviewed keeping in view the requirement of Ind AS in the future years.
o	The provision for Death relief fund is not correctly classified under Current and Non-current provisions as per Actuarial valuation report which has resulted in understatement/ overstatement of current / Non-current Provisions. Further an amount of Rs.40.13 lakh not shown under other comprehensive income in Statement of Profit and Loss, this has resulted in understatement of Other Comprehensive Income and Total Comprehensive Income by Rs.40.13 lakh.	The practice will be reviewed keeping in view the requirement of Ind AS in the future years.

p	The total amount of inventory and Trade payable in the Balance sheet is overstated to the extent of Rs.8.44 Crores . The disclosure in foot note to Note No.9 is not correct to that extent.	The valuation of sand stocks and Trade payable has resulted in wrong figures while computing the stock values as stated in the account. The Company assures that the same will be reconciled and verified and take suitable action during the financial year 2018-19. However no impact on profit element.
q	The company disclosed the total comprehensive income for the year on the face of the statement of profit and loss Rs.14,37,37,591/- instead of Rs.14,16,49,817/-. The difference of Rs.20,87,774/- is due to loss from discontinued operations wrongly added to the profit for the year from continuing operations.	It is on account of typographic error same will be rectified at the time of printing annual report.
r	The total impact on account of above qualifications (para no.k and o) are (i) total comprehensive income for the year has been overstated to the extent of Rs.3.68 crores and (ii) inventory and trade payables overstated by Rs.8.44 crores.	As above replies furnished in k and o paras.

Annexure I

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2018

Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U85110KA1966SGC001612
2.	Registration Date	17.3.1966
3.	Name of the Company	MYSORE SALES INTERNATIONAL LIMITED
4.	Category/Sub-category of the Company	Company limited by shares / State Government Company
5.	Address of the Registered Office & contact details	"MSIL House", No.36, Cunningham Road, Bengaluru-560 052 080-22264021-26
6.	Whether listed company	Unlisted
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Not applicable

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the Company shall be stated)

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Beverages	47221	78.78
2	Chit Funds	64990	12.86

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sl. No.	Name	Address of the Company	CIN / GLN Associate	Holding / Subsidiary/ held	% of shares	Applicable Section
1.	Marketing Consultants and Agencies Limited	No.42, MC&A House, Millers Road Bengaluru- 52	U51101KA197 2PLC002242	Subsidiary	100%	Section 2(87)
2.	Mysore Chrome Tanning Company Limited	C/o MSIL, No. 36 Cunningham Road Bengaluru -52	U85110KA194 0SGC000261	Subsidiary	95.10%	Section 2(87)
3.	Food Karnataka Limited	No.17, Richmond Road Bengaluru - 25	U01513KA200 3PLC031873	Associate	50%	Section 2(6)

VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-April-2017] end of the year (31.03.2017)				No. of Shares held at the end of the year[As on 31-March-2018]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF									
b) Central Govt									
c) State Govt(s)						2255817	2255817	53%	
d) Bodies Corp.		2017660	2017660	100%	N.A.	2017660	2017660	47%	53% reduced
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)									
B. Public Shareholding									
1. Institutions									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1):-									

2. Non-Institutions								
a) Bodies Corp.								
i) Indian								
ii) Overseas								
b) Individuals								
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh								
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh								
c) Others (specify)								
Non Resident Indians								
Overseas Corporate Bodies								
Foreign Nationals								
Clearing Members								
Trusts								
Foreign Bodies - D R								
Sub-total (B)(2):-								
Total Public Shareholding								
(B)=(B)(1)+ (B)(2)								
C. Shares held by Custodian for GDRs & ADRs								
Grand Total (A+B+C)	2017660	2017660	100%	N.A.	4273477	4273477	100%	NO

B) Shareholding of Promoter-

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Government of Karataka	-	-	-	2017570	53%	-	
2	KSIIDC Following 6 Individuals are holding shares on behalf of KSIIDC 1) MD, KSIIDC 2) MD, MSIL 3) N R N Simha 4) Y Sreenivasappa 5) N K Parashuram 6) D. Viswanath	2017570 30 10 20 10 10 10	99.999%	-	2017570 30 10 20 10 10 10	47%	-	53% reduced

C) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	2017660	100%	2017660	100%
	Date-wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):				
	At the end of the year				

D) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs): Nil

E) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year –				
1.	Managing Director, KSIIDC	30	0.001%	30	0.001%
2	Managing Director, MSIL/ Key Managerial Personnel	10	0.0005%	10	0.0005%
	Date-wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):				
	At the end of the year – There is no change in the shareholdings	No. change			

V. INDEBTEDNESS - Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Rs. in lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	53.88	-	53.88
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)		53.88	-	53.88
Change in Indebtedness during the financial year				
* Addition				
* Reduction				
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount				
ii) Interest due but not paid	-	53.88	-	53.88
iii) Interest accrued but not due				
Total (i+ii+iii)	-	53.88	-	53.88

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

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

(Rs. in lakh)

Sl.No.	Particulars of Remuneration	Name of MD/MTD/ Manager				Total Amount
		MD*	----	----	---	
1	Gross salary					
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	7.89	-	-	-	7.89
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income- tax Act, 1961					
2	Stock Option					
3	Sweat Equity					
4	Commission - as % of profit - others, specify...					
5	Others, please specify	-	-	-	-	-
	Total (A)	7.89	-	-	-	7.89
	Ceiling as per the Act					

* Period of salary to MD is from October 10, 2017 to March 31, 2018

B. Remuneration to other Directors

Sl.No.	Particulars of Remuneration	Name of Directors	Total Amount
1	Independent Directors:		
2	Other Non-Executive Directors		
	Fee for attending Board Committee Meetings –	Shri Hampangowda Badarli	Nil
		Dr G.C. Prakash, IAS	Nil
		Shri Ritesh Kumar, IAS	Nil
		Shri Darpan Jain, IAS	Nil
		Shri Srivasta Krishna, IAS	Nil
		Shri Naveen Raj Singh, IAS	Nil
		Smt P. Hemalatha, IAS	Nil
		Shri Rajendra kumar Kataria, IAS	Nil
		Smt. Renuka Chidambaram, IAS	6000
		Dr Ekroop Caur, IAS	6000
		Shri N. Jayaram, IAS	Nil
		Shri R. Ramesh	Nil
		Shri S.R. Sanath Kumar	18000
		Shri Rafikahamed B Pakali	15540
		Shri Gunashekara	15540
		Shri Chaluvvaraju	18000
		Shri M.S. Sridhara	15540
		Shri K. Venkataswamappa	12000
		Shri Anuradha B Tapli	15540
		Shri R. Thammanna	18000
		Shri N. Balraju	12000
	Commission		
	Others, please specify		
	Total (1)		

2	Other Non-Executive Directors Fee for attending Board Committee Meetings				
	Commission				
	Others, please specify				
	Total (2)				152160
	Total (B)=(1+2)				
	Total Managerial Remuneration				152160
	Overall Ceiling as per the Act				

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTB

(Rs. in lakh)

Sl.No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total
1	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961		12.68	14.60	27.28
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		0.55	2.63	3.18
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961		-	-	-
2	Stock Option		-	-	-
3	Sweat Equity				
4	Commission - as % of profit Others, specify...				
5	Others, please specify				
	Total		13.23	17.23	30.46

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY			Nil		
Penalty					
Punishment					
Compounding					
B. DIRECTORS			Nil		
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT			Nil		
Penalty					
Punishment					
Compounding					

Annexure - II

STATEMENT PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

In accordance with the General Circular No: 2/2011 dated 8 February, 2011, issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, the Statement of Profit and Loss and other documents of the subsidiary are not being attached with the Annual Accounts of the Company. The annual Accounts of the subsidiary company and related information will be made available to the shareholders of the Company and its subsidiary company on request and will also be kept open for inspection by the shareholders at the Registered Office of the Company and the subsidiary.

Name of Subsidiary Company	M/s Mysore Chrome Tanning Company Limited
Issued & Subscribed Capital	Rs.75,74,040/-
Reserves	Rs. (8,50,90,620)/-
Total Assets	Rs. 1,31,05,647/-
Total Liabilities	Rs.9,81,96,267/-
Investments	-
Turnover	-
Profit/(Loss)before Tax	Rs. 3,42,906/-
Provision for Tax	Rs. 90,500/-
Profit/(Loss) After Tax	Rs. 2,52,406/-
Proposed Dividend	Nil

Name of Subsidiary Company	M/s Marketing Communication & Advertising Ltd.
Issued & Subscribed Capital	Rs. 3,57,25,200/-
Reserves	Rs. 117,49,89,022/-
Total Assets	Rs. 234,79,34,381/-
Total Liabilities	Rs.117,29,45,359/-
Investments	-
Turnover	Rs. 368,52,79,465/-
Profit/(Loss)before Tax	Rs. 33,71,52,791/-
Provision for Tax	Rs. 1,43,00,000/-
Profit/(Loss) After Tax	Rs. 20,42,30,036/-
Proposed Dividend	-

Annexure - III
FORM NO. MR-3

SECRETARIAL AUDIT REPORT

For The Financial Year Ended 31st March 2018

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

To,

The Members,

MYSORE SALES INTERNATIONAL LIMITED, Bengaluru

I have conducted the Secretarial audit of the compliance of applicable statutory provisions and other adherence to good corporate practices by **MYSORE SALES INTERNATIONAL LIMITED** CIN: U85110KA1966SGC001612 (herein after called the Company). Secretarial Audit was conducted in a manner that provided me the reasonable basis for evaluation the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's book's, papers, minutes, forms and return filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conducts of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31st 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and complied-mechanism place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Company for the financial year ended on 31st March 2018, according to the provisions of:

The Companies Act, 2013 (the Act) and the Rules made thereunder; In respect of the requirement of consolidation of Financial Statements under Section 129 of the Act, the Company has obtained exemption (being a wholly owned subsidiary) vide MCA notification No. G.S.R. 742(E) dated 13th July, 2017.

The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Exchange Earning and outflow;

The Company being an unlisted public company and a Government Company it is not required to comply with the requirements under the following laws –

Depositories Act, 1996 and the Regulations made thereunder.

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2016;

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2016;

The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations, 2014;

The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 2006 regarding the Companies Act and dealing with client;

The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009;

The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2013; and

SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015. (LODR Regulations).

I further report that based on the information received and records maintained, the Company has, in my opinion, to the extent applicable, complied with the provisions of:-

Industry Specific Laws

The Karnataka Chit Funds Act, 1982

Karnataka Excise Act, 1968

Karnataka Shops and Commercial Establishment Act, 1961

Karnataka Tax on Professions, Trades, callings and Employments Act, 1976

Essential Commodities Act, 1955

Drug Control Act, 1950

General Laws

Industrial and Labour Laws as applicable to the Company

Sexual Harassment of Women at Workplace (Prevention, prohibition and Redressal) Act, 2013

We have also examined compliance with the applicable clauses of the Secretarial Standards SS-1 and SS-2 issued by the ICSI and as notified by the Ministry of Corporate Affairs and comment that they have generally complied with the said Standards.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above

I/We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and a woman Director. 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/ Committee Meetings. Agenda and detailed notes on agenda were send 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 are captured and recorded as part of the minutes.

I/We further report that 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.

I further report that during the reporting period there were no other specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc

For **S.Kedarnath & Associates**
Company Secretaries
Sd/-
S.Kedarnath
Company Secretary
CP. No. : 4422

Place: Bengaluru
Date: November 16, 2018

Note: *This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report*

ANNEXURE “A”

To,
The Members,
MYSORE SALES INTERNATIONAL LIMITED

Dear Sir,

Our report of even date is to be read along with this letter.

Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.

We have not verified the correctness and appropriateness of any of the financial records and Books of Accounts of the Company including the records pertaining to Goods and Service Taxes, Income Tax, Customs and other related enactments applicable to the Company.

Whereever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc. as applicable from time to time. The compliance under the industry specific laws were examined based on the list of applicable laws provided by the company.

The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. Our examination was limited to the verification of procedures on test basis.

The secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For **S.Kedarnath & Associates**
Company Secretaries
Sd/-
S.Kedarnath
Company Secretary
CP. No. : 4422

Place: Bengaluru
Date: November 16, 2018

Form AOC -1

Statement containing salient features of the financial statement of Subsidiaries / Associate Companies / Joint Venture

Part A : Subsidiaries

(Rs. in lakh)

Sl. No.	Name of the Subsidiary Company	Reporting Period	Reporting Currency	Share Capital (incl. Pref. Shares)	Reserves & Surplus	Total Assets	Total Liabilities (excluding Share Capital & Reserves)	Investments	Turnover	Other Income	Total Revenue	Profit / Loss before Taxation	Provision for Taxation (including Deferred Tax)	Profit / (Loss) after taxation	Proposed Dividend on Equity Shares %	Proposed Dividend on Equity Shares	% of Share holding
1	Marketing Communication & Advertising Limited	31st March 2018	Indian Rupee	357.25	11749.89	12107.14	12654.72	-	36852.79	387.21	37240.00	3371.53	1329.23	2042.30	-	-	100%
2	The Mysore Chrome Tanning Company Limited	31st March 2018	Indian Rupee	75.74	(850.91)	131.05	981.96	-	-	6.72	6.72	3.43	0.91	2.52	-	-	95.10%

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE STANDALONE FINANCIAL STATEMENTS OF MYSORE SALES INTERNATIONAL LIMITED, BENGALURU FOR THE YEAR ENDED 31ST MARCH 2018.

The preparation of financial statements of **Mysore Sales International Limited, Bengaluru** for the year ended **31st March 2018** in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditor / Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act, is responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their revised Audit Report dated **11th December 2018** which supersedes their earlier Audit Report dated **16th November 2018**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **Mysore Sales International Limited, Bengaluru** for the year ended **31st March 2018** under section 143(6)(a) of the act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records.

In view of the revision made in '**Statutory Auditor's Report**', to give a effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to the Statutory Auditor's report under Section 143(6) (b) of the Act.

For and on behalf of the
Comptroller & Auditor General of India

Sd/-
(BIJIT KUMAR MUKHERJEE)
ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BENGALURU

BENGALURU

Date:12.12.2018

TEN YEARS PERFORMANCE

FINANCIAL HIGHLIGHTS FOR TEN YEARS

(Rs. in lakhs)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Net Worth	15440.12	15737.73	16166.68	18412.05	20637.85	23701.53	26814.97	30051.70	33480.22	34896.72
Paid-up Capital	366.23	366.23	366.23	366.23	366.23	2017.66	2017.66	2017.66	2017.66	4273.48
Share Application Money	2397.76	2780.96	2780.96	3907.25	3907.25	2255.82	2255.82	2255.82	2255.82	-
Reserves & Surplus	12676.13	12590.54	13019.49	14138.57	16364.37	19428.05	22541.49	25778.22	29206.74	30623.24
Borrowings from Banks	402.90	-	-	-	-	-	-	-	-	-
Net Fixed Assets	2160.38	3249.19	3999.03	4071.36	4097.95	4221.84	5624.66	5626.25	6225.01	6974.83
Turnover	26487.56	28637.27	50897.06	71749.54	97828.66	120066.32	146039.32	151490.75	161407.69	178875.91
Profit before Tax	(471.77)	(420.32)	831.09	3160.37	3528.05	4660.26	6052.27	5400.50	5699.87	2361.49
Dividend	-	-	-	-	10%	10%	10%	10%	10%	-
Net Earning after tax per share (in Rs.)	(147.00)	(23.00)	146.00	755.35	625.69	162.96	166.36	178.71	181.68	33.15
Net Worth per Share (in Rs.)	4215.96	4297.23	4414.35	3960.57	4568.33	1062.90	1217.21	1377.63	1547.56	816.59

SUMMARISED PROFIT AND LOSS ACCOUNT FOR TEN YEARS

(Rs. in lakhs)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	26487.56	28637.27	50897.06	71749.54	97828.66	120066.32	146039.32	151490.75	161407.69	178875.91
Gross Income	5604.82	3795.04	4946.44	8204.97	10751.19	12325.68	14919.86	15490.81	16453.84	15761.63
Selling & Administrative Expenses	5012.49	2495.37	3830.23	6105.53	6646.46	6965.11	8923.90	9636.88	10433.61	12924.60
Interest	41.38	26.93	26.05	28.78	51.58	30.76	48.68	145.35	2.44	0.90
Depreciation	194.66	110.45	131.75	229.07	245.46	280.77	291.01	255.39	285.21	341.85
Provision/Write off	828.06	1582.61	233.86	328.48	302.75	399.05	47.72	91.36	50.60	132.79
TOTAL	6076.59	4215.36	4221.89	6691.86	7246.25	7675.69	9311.31	10128.98	10771.86	13400.14
Profit before tax	(471.77)	(420.32)	724.55	1513.11	3504.94	4649.99	5608.55	5361.83	5681.98	2361.49
Provision for taxation	12.86	-	-	1080.78	1313.16	1372.76	2252.67	1923.22	1978.80	939.77
Deferred Tax Credit	128.60	334.73	(295.60)	(686.75)	(76.58)	(20.96)	(0.62)	(167.21)	37.48	5.22
Profit after tax	(356.03)	(85.59)	428.95	1119.08	2268.36	3298.19	3356.50	3605.82	3665.70	1416.50

SUMMARISED BALANCE SHEET FOR TEN YEARS

(Rs. in lakhs)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
OWN FUNDS										
Share Capital	366.23	366.23	366.23	366.23	366.23	2017.66	2017.66	2017.66	2017.66	4273.48
Share Application Money	2397.76	2780.96	2780.96	3907.25	3907.25	2255.82	2255.82	2255.82	2255.82	-
Reserves & Surplus	12676.12	12590.54	13019.49	14138.57	16364.37	19428.05	22541.49	25778.22	29206.74	30623.24
TOTAL	15440.11	15737.73	16166.68	18412.05	20637.85	23701.53	26814.97	30051.70	33480.22	34896.72
LOAN FUNDS										
Short-Term Loan	1601.23	784.45	753.05	77.42	53.88	53.88	53.88	53.88	53.88	53.88
Funds Employed	1601.23	784.45	753.05	77.42	53.88	53.88	53.88	53.88	53.88	53.88
Deferred Tax Liability (Net)	-	-	-	-	-	-	-	-	-	-
TOTAL	17041.34	16522.18	16919.73	18489.47	20691.73	23755.41	26868.85	30105.58	33534.10	34950.60
APPLICATION OF FUNDS										
Fixed Assets	2160.38	3249.19	3999.03	4071.36	4097.95	4221.84	5624.66	5626.25	6225.01	6974.83
Investments	1336.06	1336.06	1336.06	1336.06	1336.06	1336.06	1336.06	1336.51	1346.00	1345.98
Deferred Tax Asset (Net)	22.58	357.31	61.71	748.46	825.04	846.00	846.62	1013.83	976.35	971.13
Working Capital	13522.32	11579.61	11522.93	12333.59	14432.68	17351.51	19061.51	22128.99	24986.74	25658.66
TOTAL	17041.34	16522.17	16919.73	18489.47	20691.73	23755.41	26868.85	30105.58	33534.10	34950.60

**CONSOLIDATED
ACCOUNTS FOR
THE YEAR ENDED
31ST MARCH 2018**

REVISED INDEPENDENT AUDITORS' REPORT

To

The Members of

Mysore Sales International Limited

Report on the Consolidated Ind AS financial statements

We have audited the accompanying Consolidated IND AS financial statements of Mysore Sales International Limited (hereinafter referred to as "the Holding Company"), its Subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its Associate company, which comprise the consolidated Balance Sheet as at 31st March, 2018, the consolidated Statement of Profit and Loss, (including other comprehensive income), the consolidated Cash flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated IND AS financial statements"), on that date and submitted our report on 16th November, 2018. Subsequently the audit report have undergone revision in the light of observations of the Comptroller and Auditor General of India. This supersedes our earlier report dated 16th November, 2018.

Management's Responsibility for the Consolidated Ind AS financial statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (herein after referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows of the "Group" including its associate in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015 (as amended).

The respective Board of Directors of the companies included in the "Group" and of its Associates are

responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the "Group" and its Associate 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 IND AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated IND AS financial statements by the Directors of the Holding company, as aforesaid.

Auditors' responsibility

Our responsibility is to express an opinion on these Consolidated IND AS financial statements based on our audit. In conducting our Audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated IND AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal

financial control relevant to the Holding Company's preparation and fair presentation of the Consolidated IND AS financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the holding company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in sub-paragraph of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated Ind AS financial statements.

Basis for Qualified Opinion

- The Consolidated Ind AS financial statements as prepared by the company in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued there under, except as mentioned below –
 - a. Ind AS 1 "Presentation of Financial Statements" – disclosure on Statement of Changes in Other Equity, one of the financial statements to be prepared by the Company as per the aforesaid stipulation of Ind AS 1 has not been prepared by the Company.
 - b. Ind AS 8 "Accounting policies, changes in Accounting Estimates and Errors"- disclosure requirement is not made on the new Ind AS 115 that has been issued but is not yet effective and its impact on financial statements on first application.
 - c. Ind AS 37 "Provisions, contingent Liabilities and contingent asset disclosure is not as per the requirement.
 - d. Ind AS 101 "First-time adoption of Indian Accounting Standards" are not in compliance, including the following –
 - I. Preparation of reconciliation of Equity in accordance with previous GAAP and Notified Ind AS on the date of transition to Ind AS and last period presented in accordance with previous GAAP
 - II. Company adopted historical cost has deemed cost for an item of property, plant and equipment, an investment property or an intangible asset, however company not disclosed the method adopted as per requirement.
 - e. Ind AS 107 "Financial Instruments Disclosures" - disclosures of classification of financial instruments are not in compliance as per the requirements.
 - f. Ind AS 108 "Segment Reporting" Disclosure on the Profit and Loss / Asset and Liabilities of each reportable segment, geographical information are not as per the requirement.
 - g. Ind AS 109 "Financial Instruments" – recognition, measurement and impairment of financial instruments are not as per requirement
 - h. Ind AS 7 "Statement of Cash Flows" Disclosure is not as per the requirement. Further the Company has recognized Rs. 43,96,66,818/- as profit for the year in the cash flow statement as against profit before tax of Rs. 57,14,51,679/-, recognized in the statement of profit and loss, the difference of Rs.13,17,84,861/- has not been reconciled. This will have effect on cash and cash equivalent recognized as at the end of 31st March, 2018 in cash flow statement.
 - i. Ind AS 1 "Presentation of Financial Statements" are not in compliance, including the following:
 - 1. Classification of expenses based on nature and function
 - 2. Classification of items into current and non-current

3. Disclosure of reclassified items

4. An explicit and unreserved statement on compliance with Ind AS

j. Ind AS 111 “Joint Arrangements” Disclosures is not as per the requirement.

k. Ind AS 28 “ Investments in Associates and Joint Ventures” consolidation procedure followed by the Company is not as per the requirement. In respect of Associate Company instead of equity method company followed line by line consolidation method.

l. Ind AS 110 “ Consolidated financial statements” Company not indicated consolidation procedure followed in the notes to accounts.

Consequential impact of the above matters on the Consolidated Ind AS financial statements are not ascertainable.

m. The Actuarial valuation of Gratuity not compliant to Ind AS 19, to the extent of non-recognition of actuarial loss of Rs.1.77 crores in other comprehensive income as at the end of 31st March, 2018. This has resulted in overstatement of employee benefit expenses and understatement of other comprehensive income by Rs.1.77 crores. Further due to increase in the revised gratuity limit there is a demand from LIC to pay Rs.4.08 crores. In view of this provision for gratuity is understated and profit for the year overstated by Rs.4.08 crores.

n. In the absence of confirmation of balances in respect of few Trade Payables, Other Current Liabilities, Trade Receivables and Advances / Trade Deposits pertaining to all divisions, consequent impact on reconciliations, thereof, if any, on the profit / loss and the assets / liabilities is not ascertainable.

o. Penalty for delays in execution of (Karnataka Bhavan, Navi Mumbai) project as per the agreement not levied. Consequently, other income, profit, provision for tax and non-current

asset-CWIP are overstated and other current assets are understated. However, we are unable to quantify the impact thereof on the Ind AS financial statements.

p. The provision for Leave encashment is not correctly classified under Current and Non-current provisions as per Actuarial valuation report which has resulted in understatement/overstatement of current/Non-current Provisions.

q. The provision for Death relief fund is not correctly classified under Current and Non-current provisions as per Actuarial valuation report which has resulted in understatement/overstatement of current/Non-current Provisions. Further an amount of Rs.40.13 lakh not shown under other comprehensive income in Statement of Profit and Loss, this has resulted in understatement of Other Comprehensive Income and Total Comprehensive Income by Rs.40.13 lakh.

r. On comparison of figures in standalone financials of “Group” and its Associate with consolidated Ind AS financials, we have noticed that there has been differences between the individual items.

The details are as follows:

Consolidated Balance Sheet

Particulars	As computed in Rs.	In Consolidation in Rs.	Difference in Rs.
Total Non-current Assets	2213754611	2154637042	59117569
Total current Assets	7464916567	7461041243	3875324
Total Assets	9678671178	9615678285	62992893
Total Equity	4459566994	4398938308	60628686
Total Non-current liabilities	1329360155	1330809228	-1449073
Total current liabilities	3889744011	3885930749	3813262
Total Equity and liabilities	9678671160	9615678285	62992875

Consolidated Statement of Profit & Loss:

Particulars	As computed in Rs.	In Consolidation in Rs.	Difference in Rs.
Revenue from operations	19360395787	19349520826	1874961
Other income	227424167	223851647	3572520
Total Income	19587819954	19573372473	14447481
Total expenses	19013267547	19000637640	12629907
Profit before exceptional items	574552408	572734833	1817575
Exceptional items	1283154	1283154	0
Profit before tax	573269255	571451679	1817576
Total tax expense	227615858	227615860	-2
Profit for the year from continuing operations	345653397	343835820	1817577
Profit/loss from discontinued business	-1043887	-1043887	0
Other comprehensive income	1754940	0	1754940
Total comprehensive income for the year	348452224	342791933	5660291

As could be seen from the above the total comprehensive income is understated by Rs.56.60 lakh. Further there has been wrong classification in total current and non-current assets and liabilities and total Equity in the consolidated balance sheet. The Net difference between total assets and total liabilities is Rs.18.

s. The total amount of inventory and Trade payable in the Balance sheet is overstated to the extent of Rs.8.44 Crores . The disclosure in Note No.9 is not correct to that extent.

t. The Mysore Chrome Tanning Company, subsidiary is not a going concern as the Company is not carrying on any manufacturing activities since 1983. The Company has accumulated losses of Rs.85090620/- (Rs.85343026/-) and Net worth stands eroded. As of that date, the Company's current liabilities exceeded its total assets by Rs.77516168/-. These events or conditions, along with other matters as set forth in Note No.1.10 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

u. The Mysore Chrome Tanning Company, subsidiary has not provided interest on the loan availed from MSIL, KSIIDC and Government of Karnataka amounting to Rs.548111/- (Rs.548111/-) for the current year and Rs.11569092/- from April 1999. Had this interest been provided, the loss for the year would have been Rs.295705/- against the profit for the year of Rs.252406/- as per statement of profit and loss account for the year ended 31st March 2018 (previous year loss would have been Rs.138039/- against profit of Rs.410072/-). Current liability understated to the extent of Rs.548111/- for the current year (Previous year liability understated by Rs. 548111/-)

v. The Mysore Chrome Tanning Company has not prepared the transition reconciliation from previous GAPP to Ind AS financial statements as required by paragraph 23 of Ind AS 101-first time adoption of Indian Accounting Standard.

w. The Marketing Communication and Advertising Limited, Subsidiary Trade receivables and trade payables have not been confirmed from the counter parties. The Financial impact of this noncompliance, if any, could not be determined.

Sl No.	Particulars	Balance as per Books Rs.	Amount for which confirmation received and reconciled	% of unconfirmed
1	Trade receivables	1499533741.00	8687042.00	99.42%
2	Trade Advances	66712373.00	0	100%
3	Trade Payables	1064218978.00	2367212	99.78%
4	Advance from customers	48179799.00	0	100%

x. The total impact on account of above qualifications (para no.m & q) total comprehensive income for the year has been overstated to the extent of Rs.3.11 crores and inventory and trade payables overstated by Rs.8.44 crores.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the report of the Auditors on separate financial statements of the subsidiary companies and associate company, referred to below in the other matters paragraph, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India, of the consolidated state of affairs (financial position) of the "Group", its Associate as at 31st March 2018, and their consolidated Profit, (financial performance including other comprehensive income), their consolidated cash flows for the year ended on that date.

Emphasis of the matter:

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

- a. We draw attention to Note No. 55 Contingent liability includes the claim made by The Director, Directorate of Pension, Small Savings Asset Monitoring towards short remittance of sale proceeds and interest on delayed remittance, amounting to Rs.46,09,86,366/- vide their letter dt. 08.03.2017. Since Full and Final settlement made and intimated by the Company vide letter dt. 18.10.2016, where in Company stated clearly that the payment of Rs.3,52,60,961/- is towards full and final settlement and no further claim payable by the Company pertaining to the above transaction, the letter also acknowledged. As per the information provided during the year no further development is taken place.
- b. We draw attention to Note No. 55(i) Company has made a provision of Rs 3.25 crores against Rs 13.02 crores (inclusive of interest up to

31.03.2018 at 6% per annum) decreed in favour of the insurance companies being 25% of the total claim. The Company assumes only 1/4th of the liability as insurance companies and Customs Department are also parties to the transaction.

- c. The items in Note No 55 (excluding SI No 4) to the financial statements, Contingent Liabilities, which describe the uncertainty related to the outcome of the claims / arbitration proceedings and lawsuits filed by / against the Company.
- d. We draw attention to Note No.15.2 where in the right issue of equity shares have been allotted to GOK during February 2018 where in the ownership and control shifted from KSIIDC to GOK.

Our opinion is not qualified in respect of these matters.

Other Matters

We did not audit the financial statements of subsidiary companies, whose financial statements reflect total assets of Rs. 28240.49 lakhs as at 31st March 2018, total revenue of Rs. 37257.10 lakh and net cash flow amounting to Rs. 9057.02 lakh for the year ended on that date. The consolidated financial statements also include the share of net profit of Rs.1990.54 lakh for the year ended 31st March 2018. These financial statements have been audited by other auditors whose report have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far it relates to the amounts and disclosures included in respect of the subsidiary companies is based solely on the report 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 matters with respect to our reliance on the work done and the report of the other auditors and the financial statements certified by the Management.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

- 1) 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, based on the comments in the auditor's report of the Holding company and subsidiary companies incorporated in India we give in the Annexure - A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- 2) As required by sub section 3 of Section 143 of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditor
 - (c) The consolidated IND AS Balance Sheet, the consolidated IND AS Statement of Profit and Loss, and the consolidated IND AS Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated IND AS financial statements.
 - (d) In our opinion, the aforesaid Consolidated IND AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014
 - (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2018 taken on record by the Board of Directors of the Holding Company and the report of the other statutory auditor of the its subsidiary companies incorporated in India none of the directors are disqualified as on 31st March, 2018 from being appointed as a director in terms 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 B', which is based on the auditors reports of the holding company, subsidiary companies and Associate company. Our report expresses an unmodified opinion on the adequacy and operative effectiveness of the holding company, subsidiary companies and Associate company, internal financial controls over financial reporting.
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i. The Consolidated financial statements has disclosed the impact of pending litigations on the consolidated financial position of the company – Refer Note 37, 43 and 55 to the Consolidated financial statements;
 - ii. In the case of subsidiary company Food Karnataka Limited there is pending litigation with M/s. LMJ International Private Limited for handing over of land for food park at Shivamogga. However, this will not have any impact on the financial position of the Company as reported by the Other Auditor in other matters to be included in Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014.

- iii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
- iv. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the holding Company, its subsidiary companies and associate company incorporated in India.

For M/s. P. CHANDRASEKAR LLP

Chartered Accountants

Firm Reg no : 000580S/S200066

Sd/-

Place: Bengaluru

Mani Kumar.D

Date: 11.12.2018

Partner

Membership No.212544

ANNEXURE - A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

i. In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As per the explanations given to us all fixed assets have been physically verified by the Management. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the company, the title deeds of immovable properties are held in the name of the company.

ii. In respect of its inventories:

- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

- iii. As explained to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act. Therefore, the provisions of clause (iii) of paragraph 3 of the CARO 2016 are not applicable to the company.
- iv. In respect of loans, investments, guarantees and security, provisions of section 185 and 186 of the Companies Act 2013, have been complied with.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public therefore, the provisions of clause (v) of paragraph 3 of the CARO 2016 are not applicable to the company.
- vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) 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, Sales Tax, Wealth Tax, Service Tax, Value Added Tax, Cess and other material Statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Value Added Tax, Cess and other material Statutory dues in arrears as at 31st March, 2018 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax which have not been deposited as on 31st March, 2018 on account of disputes are given below:

Sl. No.	Name of the Statute	Nature of dues	Forum where Dispute is pending	Period to which amount relates	Amt.Rs. In Cr.	Amt. Deposited Rs.in Cr.*	Balance Rs. In Cr.
1	Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2005-06 and 2006-07	0.48	0.10	0.38
2	Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2002-03 and 2003-04	0.26	0.20	0.06
3	Finance Act, 1994	Service Tax	Customs, Excise 2005-06 Appellate Tribunal	2003-04 to	0.37	0.37	0.00
4	Finance Act, 1994	Service Tax	Commissioner (LTU)	June 2007 to March 2011	0.13	0.00	0.13
5	Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2007-08 and 2008-09	0.36	0.10	0.26
6	Income Tax Act, 1961	Income tax, tax collection at source income tax-tax collection at source Income Tax – interest on tax collection at source	Superme Court	1995-96 to 2000-01	20.05	20.05	0.00
			High Court, Bangalore	2001-02 to 2003-04	10.17	4.00	6.17
			Supreme Court	1994-95 to 1999-2000	30.67	0.00	30.67
7	Income Tax Act, 1961	Disallowance under Income Tax Act	CIT (appeals)	AY 2010-11	3.42	0.00	3.42
	Income Tax Act, 1961	Disallowance under Income Tax Act	CIT (appeals)	AY 2012-13	0.26	0.00	0.26
	Income Tax Act, 1961	Disallowance under Income Tax Act	CIT (appeals)	AY 2014-15	1.08	0.00	1.08
	Income Tax Act, 1961	Disallowance under Income Tax Act	CIT (appeals)	AY 2015-16	0.19	0.00	0.19

*excluding interest

- | | |
|---|---|
| <p>viii) As per the information and explanations given to us and based on records verified by us, we state that the Company has not defaulted in repayment of loans or borrowings to a Financial institution, Bank or Government.</p> <p>ix) As per the information and explanations given to us and based on records verified by us, during the year Company has not raised monies by way of initial public offer or further public offer (including debt instruments) and term loans.</p> <p>x) In our opinion, according to the information provided to us, based on our audit checks and on an overall examination of the books and records of the Company, no fraud on or by the Company has been noticed or reported during the year.</p> <p>xi) Managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.</p> <p>xii) The company is not a Nidhi company. Therefore, the provisions of clause (xii) of paragraph 3 of CARO 2016 are not applicable to the company.</p> <p>xiii) The transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 and the details have been disclosed in the financial statements as required by the applicable accounting standards.</p> | <p>xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.</p> <p>xv) The Company has not entered into any non-cash transactions with directors or persons connected with him for the period under review.</p> <p>xvi) The Company is not a Non-Banking Finance Company. Therefore, the provisions of Clause (xvi) of paragraph 3 of the CARO 2016 are not applicable to the Company.</p> |
|---|---|

For M/s. P. CHANDRASEKAR LLP

Chartered Accountants

Firm Reg no : 000580S/S200066

Sd/-

Mani Kumar.D

Partner

Membership No.212544

Place: Bengaluru

Date: 11.12.2018

“Annexure B” to the Independent Auditor’s Report on Consolidated Ind AS Financial Statements of Mysore Sales International Limited

(Referred to in paragraph (f) under Report on Other Legal and Regulatory Requirements of our report of even date)

Report on the Internal Financial Controls 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 IND AS financial statements of the “Group” and its associate entity as of and for the year ended March 31, 2018, We have audited the internal financial controls over financial reporting of Mysore Sales International Limited (hereinafter referred to as “the Holding Company”), its Subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”), and its Associate company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company its subsidiaries and its Associate 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”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 judgments, 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 and the audit evidence obtained by the other auditor of the subsidiary companies in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

- 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 to the best of our information and according to the explanations given to us, the Holding Company, its subsidiary company and its Associate company which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report under section 143(3) (i) of the act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 2 subsidiary companies and 1 associate company which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For M/s. P. CHANDRASEKAR LLP

Chartered Accountants

Firm Reg no : 000580S/S200066

Sd/-

Mani Kumar.D

Partner

Membership No.212544

Place: Bengaluru

Date: 11.12.2018

MYSORE SALES INTERNATIONAL LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2018

S. No	Particulars	Note No.	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
A.	ASSETS				
	Non-Current Assets				
	(a) Property, Plant and equipment	2	765,846,972	351,385,817	318,609,695
	(b) Capital Work in Progress	2	2,011,291	340,240,465	313,172,589
	(c) Investment Property	3	-	-	-
	(d) Other Intangible Assets	4	-	-	-
	(e) Financial Assets				
	(i) Investments				
	(a) Other Investments	5	74,354,431	74,357,431	73,407,431
	(b) Investment in Associates		-	-	-
	(ii) Other financial assets	6	-	-	-
	(f) Deferred Tax Assets	7	152,464,971	126,178,322	126,349,940
	(g) Other Non-Current Assets	8	1,159,959,377	1,029,301,974	1,099,128,878
	Total non-Current Assets		2,154,637,042	1,921,464,009	1,930,668,533
	Current Assets				
	(a) Inventories	9	1,225,431,116	947,829,730	784,184,842
	(b) Financial Assets				
	(i) Other Investments	10	-	-	-
	(ii) Trade Receivables	11	1,594,876,342	738,100,036	746,723,320
	(iii) Cash and Cash Equivalents	12	2,252,453,868	2,208,046,193	1,558,087,280
	(iv) Bank balances other than (iii) above	13	774,140,728	748,414,714	659,315,606
	(v) Other Financial assets	6	-	-	-
	(c) Current tax assets (Net)	14	-	-	-
	(d) Other current Assets	8	1,614,139,189	1,442,339,936	1,725,243,022
	Total Current Assets		7,461,041,243	6,084,730,609	5,473,554,070
	TOTAL ASSETS		9,615,678,285	8,006,194,618	7,404,222,603

B	EQUITY AND LIABILITIES				
	Equity				
	(a) Equity Share Capital	15	428,213,402	202,631,702	202,631,702
	(b) Other Equity	16	3,970,724,906	3,850,327,433	3,388,642,105
	Total Equity		4,398,938,308	4,052,959,135	3,591,273,807
	Liabilities				
	Non-Current Liabilities				
	(a) Financial Liabilities				
	(i) Borrowings	17	90,588,573	90,588,573	90,588,573
	(ii) Other Financial Liabilities	18	-	-	-
	(b) Deferred Tax Liabilities	7	15,521,665	7,987,600	5,046,770
	(c) Provisions	19	100,810,937	109,258,592	105,365,375
	(d) Other Non-Current liabilities	20	1,123,888,053	1,099,757,591	1,070,162,830
	Total Non-Current Liabilities		1,330,809,228	1,307,592,356	1,271,163,548
	Current Liabilities				
	(a) Financial Liabilities				
	(i) Borrowings	21	-	-	-
	(i) Trade Payables	22	2,877,488,051	1,578,869,822	1,555,168,156
	(i) Other Financial Liabilities	18	-	-	-
	(b) Provisions	19	552,624,178	617,073,184	593,515,247
	(c) Other Current Liabilities	20	455,818,519	449,700,122	393,101,847
	Total Current Liabilities		3,885,930,749	2,645,643,128	2,541,785,250
	Total Liabilities		5,216,739,977	3,953,235,484	3,812,948,798
	TOTAL EQUITY AND LIABILITIES		9,615,678,285	8,006,194,618	7,404,222,603

The accompanying notes are an integral part of these financial Statements.

For Mysore Sales International Limited

For and on behalf of the Board
For P. Chandrasekar
Chartered Accountants
Firm's Regn. No. 000580S/S200066

Sd/-
K.J. George
Chairman

Sd/-
Dr. G.C. Prakash
Managing Director

Sd/-
Sridevi B N
Company Secretary

Sd/-
Subramanya
Chief Financial Officer

Sd/-
D. Mani Kumar
Partner
Membership No. 212544

Date : 16.11.2018
Place :Bengaluru

MYSORE SALES INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

S.No	Particulars	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
I	Revenue from Operations	23	19,349,520,826	15,985,093,789
II	Other Income	24	223,851,647	228,050,165
III	Total Income (I+II)		19,573,372,473	16,213,143,954
IV	Expenses:			
	Cost of materials consumed	25	74,548,319	104,530,364
	Purchase of Stock in Trade		14,702,694,166	13,059,024,358
	Changes in Inventories of finished goods, work-in-progress and stock in trade	26	-201,892,853	-196,467,991
	Cost of Services		2,693,539,240	1,260,534,454
	Employee benefit expense	27	330,816,707	273,831,629
	Finance costs	28	10,695,671	5,441,117
	Depreciation and amortisation expense	29	38,740,283	34,663,899
	Other expenses	30	1,351,496,108	883,571,495
	Total Expenses (IV)		19,000,637,640	15,425,129,325
V	Profit before exceptional items and Tax (III-IV)		572,734,833	788,014,629
VI	Exceptional items	31	1,283,154	3,073,863
VII	Profit before Tax (V - VI)		571,451,679	784,940,766
VIII	Tax Expense:			
	1) Current tax		237,166,550	281,410,533
	2) Tax for earlier years		9,201,895	13,610,053
	3) Deferred tax		-18,752,585	3,112,451
	Total Tax expenses		227,615,860	298,133,037
IX	Profit for the year (VII-VIII)		343,835,820	486,807,729
	Discontinued Operations			
	Profit / (Loss) before tax for the year from discontinued operations		-1,043,887	201,859
	Tax income (expense) of discontinued operations		-	-
	Profit / (Loss) for the year from discontinued operations		-1,043,887	201,859

A.	Other Comprehensive Income			
	i) Items that will not be reclassified to profit or loss		-	-
	ii) Income tax relating to items that will not be re-classified to profit or loss		-	-
	Total other comprehensive income (A(i-ii)+(B(i-ii)))		-	-
	Total Comprehensive Income for the year Earnings Per Equity Share		342,791,933	487,009,588
	Basic, computed on the basis of profit from continuing operations attributable to equity holders		163.89	241.27
	Diluted, computed on the basis of profit from continuing operations attributable to equity holders		163.89	241.27
	Earnings per share for discontinued operations			
	Basic, computed on the basis of profit from discontinued operations attributable to equity holders		(0.50)	0.10
	Diluted, computed on the basis of profit from discontinued operations attributable to equity holders		(0.50)	0.10
	Earnings per share for continuing and discontinued operations			
	(a) Basic, computed on the basis of profit for the year attributable to equity holders		163.39	241.37
	(b) Diluted, computed on the basis of profit for the year attributable to equity holders		163.39	241.37

The accompanying notes are an integral part of these financial Statements.

For Mysore Sales International Limited

For and on behalf of the Board

For P. Chandrasekar

Chartered Accountants

Firm's Regn. No. 000580S/S200066

Sd/-
K.J. George
Chairman

Sd/-
Dr. G.C. Prakash
Managing Director

Sd/-
Sridevi B N
Company Secretary

Sd/-
Subramanya
Chief Financial Officer

Sd/-
D. Mani Kumar
Partner
Membership No. 212544

Date : 16.11.2018

Place : Bengaluru

MYSORE SALES INTERNATIONAL LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

(Amount in Rupees)

Particulars	For the Year ended March 31, 2018	For the Year ended March 31, 2017
A. Cash flow from operating activities		
Profit before tax	439,666,818	691,652,122
Adjustments for:		
Depreciation and Amortisation	38,740,286	34,663,899
Finance Costs (net)	10,442,675	10,442,675
Interest grant on Government loans	-	-
Net (Gain) / loss arising	-	-
Re-measurement of employee benefit plan	143,000,000	83,451,495
Dividend Income	-	-
Profit on sale of Fixed Assets (net)	-488,427	16,009
Interest Income	-155,212,873	87,632,509
Bad Debts	7,175,104	-
Liability no longer required written back	-11,989,552	-4,783,712
Accretion in value of investments	-	-
Provision for employee benefits	-	-
Prior Period Income	9,201,895	13,610,053
Unrealised Exchange (Gain)/Loss	-	-
Loss / (gain) on sale of investments	-19,279,139	-640,748
Operating profit before working capital changes	461,256,787	916,046,302
Changes in working capital		
Adjustments for increase / (decrease) in	-	-
Trade and other receivables	-865,917,951	12,792,284
Inventories	-276,423,000	-163,644,888
Bank balances other than cash and cash equivalent	-	-
Other Assets	-284,882,543	231,042,996
Other Financial Assets	-29,473,571	19,446,278
Trade Payable	1,299,065,381	22,476,303
Other Liabilities	29,877,302	64,974,680
Other Financial Liabilities	-28,324,785	20,262,930
Cash generated from operations	-156,079,167	207,350,583

Taxes paid	-320,663,890	-278,194,774
Net cash generated from operating activities	-15,486,270	845,202,111
B. Cash flow from investing activities		
Purchase of fixed assets including capital advances	-114,942,840	-94,528,516
Proceeds from sale of fixed assets	459,000	4,610
(Purchase) / Sale of investments	3,000	107,578,750
Investment income	-	-
Interest received	158,226,171	-90,177,190
Dividend received	-	-
Net cash used in investing activities	43745331	-77122346
C. Cash flow from Financing activities		
Proceeds from issue of Share Capital	-1,043,887	201,859
Proceeds from short-term borrowings	31,934,979	3,873,564
Repayment of Long-term loan borrowings	-	-
Finance Cost	-10,442,675	-10,442,675
Dividend paid	-3,572,520	-2,679,390
Dividend Distribution tax paid	-727,281	-545,461
Net cash used in financing activities	16148616	-9592103
Net (decrease) / increase in cash and cash equivalents		
(A+B+C)	44,407,677	758,487,662
Reconciliation		
Cash and cash equivalents as at beginning of the year	2,208,046,193	1,558,087,280
Cash and cash equivalents as at end of the year	2,252,453,868	2,208,046,193
Net (increase) / decrease in cash and cash equivalents	44,407,675	649,958,913

The accompanying notes are an integral part of these financial Statements.

For Mysore Sales International Limited

For and on behalf of the Board

For P. Chandrasekar

Chartered Accountants

Firm's Regn. No. 000580S/S200066

Sd/-

K.J. George

Chairman

Sd/-

Dr. G.C. Prakash

Managing Director

Sd/-

Sridevi B N

Company Secretary

Sd/-

Subramanya

Chief Financial Officer

Sd/-

D. Mani Kumar

Partner

Membership No. 212544

Date : 16.11.2018

Place : Bengaluru

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31-03-2018

1. COMPANY INFORMATION

Mysore Sales International Limited is a premier Government of Karnataka Undertaking, dealing with various products & services. It was established in 1966 as a trading house. Since then, the company has grown primarily as a marketing force with a national presence. It is having a wide network of offices all over Karnataka as well as some important locations in the country. It markets products and services such as dealing in Indian made foreign liquor, conduct of chit funds, manufacturing and marketing of paper products, and Trading/Marketing of Imported Sand, Pharmaceutical, Industrial and consumer products.

2. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION:

The financial statements of the Company have been prepared and presented in accordance with Indian Accounting Standards (Ind AS) and the relevant provisions of the Companies Act, 2013 ('Act') as applicable. The Ind AS are prescribed under section 133 of the Act, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

For all the periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31st March 2018 are the first set of financial statements the Company has prepared in accordance with Ind AS.

The adoption to Ind-AS has been carried out in accordance with Ind AS 101 – First time adoption of Indian Accounting Standards. The transition has been carried out from Indian GAAP, which was the previous GAAP.

The financial statements have been prepared under the historical cost convention on the accrual basis, except for certain financial instruments which are measured at fair values.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

B. USE OF ESTIMATES:

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

C. STATEMENT OF CASH FLOW

The Statement of cash flows is prepared by the "Indirect method" set out in "Ind-AS 7 Statements of cash flows" and presents the cash flows from operating, investing and financing activities of the Company. Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

D. RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary of Government of Karnataka,. "Ind AS 24 - Related Party Disclosure" exempts the company

from making disclosures of transactions with Government are not disclosed.

Name of the Government	Government of Karnataka
Nature of Transaction	Investment in equity shares of Company amounting to Rs. 42,73,47,700/-

A. REVENUE RECOGNITION:

I) SALES, COMMISSION AND SERVICE CHARGES:

- Revenue on product sales and commission income on consignment sales are recognised on despatch.
- Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.
- Foreman's commission, dividend income on Foreman's statutory ticket, interest from defaulted non-prized/prized subscribers, documentation charges from prized subscribers of Chit Fund business and penal interest from hirers are recognised on cash basis due to uncertainty of its collection.

II) OTHER INCOME:

- Interest income on hire purchase sales is recognised on cash basis.
- Commission income due from liquor manufacturers for the period from 1.7.1990 to 13.2.1997, as per High Court directions, is accounted as and when such commission is realised.
- Interest income is recognised on accrual basis.
- Dividend income on investments and dividend from subsidiary companies are accounted for when the right to receive the payment is established.
- The Insurance claim is recognized as Income once the claim gets confirmed from the insurance Company.

B. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost of acquisition or construction, net of accumulated depreciation and accumulated impairment losses if any, except for Free hold land which is stated at cost of acquisition.

The cost of PPE include Purchase Price, non-refundable duties and taxes, freight and other incidental expenses related to acquisition and installation of the respective assets.

- Tangible Fixed Assets are stated at cost of Acquisition or construction net of cen vat credit, grants, depreciation and impairment loss if any. Cost is inclusive of expenses incurred till the asset is put to use.
- Assets acquired on lease are amortised over the lease period.
- In cases of land acquired on lease cum sale, allotment consideration is capitalised along with yearly lease rental, if any.
- Capital work-in-progress represents expenditure incurred in respect of capital projects under development and are carried at cost. Cost includes related acquisition expenses, development costs, borrowing costs (wherever applicable) and other direct expenditure.
- Cost of construction of structures on leased assets are amortised over the period of lease.
- Fixed Assets fully depreciated or retained by maintaining nominal value of Rs. 1 as residual value except in case of Office Equipments other than beverage division depreciated by retaining 5% as residual value.

Intangible Fixed Assets:

- Intangible Assets are stated at acquisition cost net of accumulated amortisation and accumulated impairment losses if any.

Software/technical/licenses are capitalised where it is expected to provide future economic benefits.

C. DEPRECIATION AND AMORTISATION:

- a. Depreciation on tangible fixed assets has been provided on straight line method as per the useful life prescribed in schedule II to the Companies Act 2013. In respect of certain categories of assets, in whose case the life of the assets has been assessed based on the technical advice, taking in to account the nature of the assets, the estimated usage of the asset, the operating conditions of the asset, past history of replacement and maintenance support etc., consider for depreciation computation is given below:-

Category of Asset	Useful life
a. Fire Fighting Equipments	20 years
b. Furniture and Fixtures in liquor outlets	5 years
c. Furniture and Fixtures – Others	10 years
d. Handling Equipments	14 years
e. Weighing Machines	14 years
f. Building- Free Hold	60 years
g. Computer - Tangible	3 years
- Non Tangible	6 Years
h. Office Equipments	5 years
i. Electrical Equipments	10 years
j. Vehicles	8 years

- b. Depreciation on building constructed on lease hold land is provided over remaining period of the lease commencing from the date it was put to use.
- c. Depreciation on fixed assets added/dropped off/dropped during the year has been provided on prorata basis with reference to the date of addition/disposal/dropping.

D. BORROWING COSTS:

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an

adjustment to the interest cost. Borrowing costs are capitalized as a part of the cost of qualifying asset when it is possible that they will result in future economic benefits and the cost can be measured reliably.

Other borrowing costs are recognized as an expense in the period in which they are incurred and charged to the Statement of Profit and Loss.

E. LEASES:

i. Where the company is the lessor

Leases in which the Company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Asset given under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Asset subject to operating lease are included in fixed assets. Lease income on an operating lease is recognized in the statement of profit and loss in accordance with the terms of agreement. Costs, including depreciation are recognized as an expense in the statement of profit and loss. Initial direct cost such as legal costs, brokerage costs, etc., are recognized immediately in the statement of profit and loss.

ii. Where the Company is the lessee

Finance Leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at

the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance cost in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule II to the Companies Act, 2013, whichever is lower. However, if there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule II to the Companies Act, 2013.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, 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 lease term in accordance with the Indian Accounting Standard 17.

The total of future minimum lease payments under non – cancellable operating leases for each of the following periods:

Particulars	Amount In Rs.
Not later than 1 year	1,38,061/-
Later than 1 year and not later than 5 years	3,46,133/-
Later than 5 years	53,74,523/-

F. FOREIGN CURRENCY TRANSACTION:

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Assets and Liabilities related to foreign currency transactions remaining unsettled

at the year end are stated at the contracted rates, when covered under forward foreign exchange contracts, and in other cases at the year end rates.

The exchange differences on settlement of foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account.

The Indian Rupee (INR) is the functional currency of the Company and the Company presents its financial statements in INR.

G. INVENTORIES:

Inventories are valued as under:

Raw materials, stock in transit, traded goods and finished goods (except saleable or disposable stocks of scrap) are valued at the lower of cost or net realisable value. Saleable/disposal stock of scrap is valued at estimated net realisable value. Cost is determined on weighted average basis in case of Paper Division and First In First Out (FIFO) Basis in case of Beverages/ Pharma Division. By-products and damaged stocks are valued at lower of weighted average cost or estimated realisable value. Raw materials and consumables issued to convertors are considered as Finished Goods only at the time of receipt of notebooks from the convertors. Freight inward is not considered for valuation of stock of liquor.

H. INVESTMENTS:

- Current investments are valued and carried at lower of cost or fair value on individual Investment basis. Long-term investments are carried at cost. Permanent diminution, if any, in the value, on individual investment basis, is provided for. Such permanent diminution, if any, is ascertained by reference to its market value.
- For the purposes of provision;-
 - In respect of Investments in equity shares, where current quotation are available valuation is done as per the market value based on the market price of the script at the

year end as available from the trades/ports on the stock exchange.

- II) In respect of shares where current quotations are not available from the stock exchange or where the shares are not quoted on the stocks exchange, these share are valued at break- up value as per the latest available balance sheet except investment made in Subsidiary companies are valued at cost.

I. EMPLOYEE BENEFITS:

a) Short-term employee benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short-term employee benefits. The benefits like salaries, wages, estimated bonus, ex-gratia and short-term compensated absences are recognised in the period in which the employee renders the related service.

b) Defined Benefit Plan:

i) Gratuity: The liability for gratuity, being a defined benefit plan, is determined by actuarial valuation at each balance sheet date and actuarial gains/ losses are charged to Statement of Profit and Loss. The company makes contribution to the MSIL Employee Gratuity Fund Trust managed by LIC.

ii) Compensated absences:

The Company's liability towards leave entitlement benefits is accounted for on the basis of actuarial valuation at each balance sheet date. The actuarial loss/gain is charged to Statement of Profit and Loss.

iii) Death Relief Fund:

The Company's liability towards Death Relief Fund is accounted for on the basis of actuarial valuation at the balance sheet date. The valuation has been arrived at based on company's policy.

c) Defined Contribution Plan:

The Company's defined contribution plans are Employees' Provident Fund (under the

provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1952) and ESI (under the provisions of Employees State Insurance Act, 1948). The company has no further obligations beyond making the company's contributions. The company's contribution to Provident Fund and ESI are made at prescribed rates and are charged to Statement of Profit and Loss.

J. GOVERNMENT GRANTS:

The accounting for Government Grants and Disclosure:

(a) CAPITAL GRANT:

In the case of depreciable assets for the Government Grants, Company followed Capital approach, since it is a financing device and no repayment, the grant is recognized outside profit and loss account, by recognizing the grant amount received/receivable will form part of PPE Asset side of Balance Sheet, equivalent grant amount recognized as Deferred Grant Reserve in Liability side of Balance Sheet, and amortized over the life of the assets as specified in clause No. G of the Accounting policy, the method is in accordance with the Ind AS 20.

(b) REVENUE GRANT:

Grant related to Income whether in the form of monitory or non-monitory grant is recognized in Profit and Loss account as other income and equivalent amount is considered as Expenditure. In order to match with the realized amount related to such grant is accounted as revenue and not credited directly to equity, as specified in Ind AS 20

K. TAXES ON INCOME:

Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961. Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured

using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes down the carrying amount of deferred tax asset 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. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain as the case may be that sufficient future taxable income will be available.

L. EARNINGS PER SHARE:

Basic earnings per share are 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. Partly paid equity shares (if any) are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and consolidation of shares if any.

For the purpose of calculating Diluted Earnings per Share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive equity shares.

M. IMPAIRMENT OF ASSETS:

At each Balance Sheet date, the carrying amount of assets is assessed for any indication of potential impairment loss in the value of the assets. The impairment loss is recognised when the carrying amount of assets exceeds its recoverable amount. Reversal of impairment loss is recognised immediately as income in the Statement of Profit and Loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

N. PROVISIONS / CONTINGENCIES:

A provision is recognised when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made. Provisions made in terms of AS 29 are not discounted to its present value and are determined 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 by way of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are not recognised in the financial statements.

O. TRANSITION TO IND AS

First time adoption to Ind-AS

These financial statements of the Company have been prepared in accordance with Ind AS. For the purpose of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 – First Time adoption of Indian Accounting Standard, with 1 April 2015 as the transition date.

PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK-IN-PROGRESS

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Carrying amounts of:			
Freehold land	20,825,226	20,825,226	20,825,226
Leashold land	30,108,526	30,108,526	28,394,015
Buiding - Freehold	193,888,723	197,499,593	200,347,083
Buiding - Leasehold	262,927,736	3,604,352	3,753,220
Handling Equipment	25,633	31,638	108,333
Electrical Equipment	102,224,417	20,242,982	19,921,539
Computers	6,176,018	5,387,071	4,378,985
Furniture and fixtures	85,657,034	18,491,835	25,747,539
Vehicles	18,495,762	9,953,162	5,329,014
Leased Assets	92	92	92
Office Equipment	42,740,523	40,949,419	5,330,723
Grant Assets	197	197	197
Intangibles	2,777,085	4,291,724	4,473,729
Total	765,846,972	351,385,817	318,609,695
Capital work-in-progress	2,011,291	340,240,465	313,172,589
	767,858,263	691,626,282	631,782,284

Consolidated

Particulars	Freehold land	Leasehold land	Building - Freehold	Building-Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Cost or Deemed cost														
Balance at April 01, 2016	2,08,25,226	2,83,94,015	23,35,48,497	52,91,255	11,74,098	4,82,03,314	2,81,64,386	12,17,15,534	1,01,51,169	24,44,99,975	2,44,30,439	197	84,94,825	77,50,82,930
Additions	-	17,14,511	7,09,161	-	-	33,26,016	39,12,328	40,82,676	59,95,105	-	4,66,68,787	-	12,81,376	6,76,89,960
Disposals	-	-	-	-	-	1,07,034	11,420	1,76,599	-	-	2,40,028	-	-	5,35,081
Balance at March 31, 2017	2,08,25,226	3,01,08,526	23,42,57,658	52,91,255	11,74,098	5,14,22,296	3,20,65,294	12,56,21,611	1,61,46,274	24,44,99,975	7,08,59,198	197	99,76,201	84,22,47,809
Additions	-	-	-	25,94,95,927	-	8,62,66,261	43,34,027	7,93,59,622	1,12,97,803	-	1,26,30,408	-	1,15,645	45,34,99,690
Disposals	-	-	-	-	-	5,53,451	9,30,3577	3,32,504	14,79,473	-	1,20,524	-	-	34,16,309
Balance at March 31, 2018	2,08,25,226	3,01,08,526	23,42,57,658	26,47,87,182	11,74,098	13,71,35,106	3,54,68,964	20,46,48,729	2,59,64,604	24,44,99,975	8,33,69,082	197	1,00,91,843	1,29,23,31,190

Particulars	Freehold land	Leasehold land	Building - Freehold	Building-Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Accumulated depreciation & Impairment														
Balance at 01 April, 2016	-	-	33,201,414	1,538,035	1,065,765	28,281,775	23,785,401	95,967,995	4,822,155	244,499,883	19,099,716	-	4,221,096	456,483,235
Disposals	-	-	-	-	-	37,081	10,986	176,568	-	-	-	-	-	224,635
Depreciation expenses	-	-	3,556,651	148,868	76,695	2,934,620	2,903,808	11,338,349	1,370,957	-	10,810,063	-	1,463,381	34,603,392
Balance at 31 March, 2017	-	-	36,758,065	1,686,903	1,142,460	31,179,314	26,678,223	107,129,776	6,193,112	244,499,883	29,909,779	-	5,684,477	490,861,992
Disposals	-	-	-	-	-	367,211	930,355	338,205	1,364,643	-	117,645	-	-	3,118,059
Depreciation expenses	-	-	3,610,870	172,543	6,005	4,098,586	3,545,078	12,200,124	2,640,373	-	10,836,425	-	1,630,281	38,740,285
Balance at 31 March, 2018	-	-	3,610,870	172,543	6,005	4,098,586	3,545,078	12,200,124	2,640,373	-	10,836,425	-	1,630,281	38,740,285
Carrying amount as on April 01, 2016	20,825,226	28,394,015	200,347,083	3,753,220	108,333	19,921,539	4,378,985	25,747,539	5,329,014	92	5,330,723	197	4,473,729	308,804,954
Carrying amount as on March 31, 2017	20,825,226	30,108,526	197,499,593	3,604,352	31,638	20,242,982	5,387,071	18,491,835	9,953,162	92	40,949,419	197	4,291,724	351,385,817
Carrying amount as on March 31, 2018	20,825,226	30,108,526	193,888,723	262,927,736	25,633	102,224,417	6,176,018	85,657,034	18,495,762	92	42,740,523	197	2,777,085	765,846,972

1. Details of assets offered as security is provided in Note 18 and 19.

Particulars	Freehold land	Leashold land	Building - Freehold	Building - Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Cost or Deemed cost														
Balance at April 01, 2016	7,248,812	10,534,547	207,143,494	5,291,255	1,174,098	43,157,828	18,194,071	101,824,209	6,433,050	244,499,975	19,605,250	197	7,379,513	672,486,299
Additions	-	1,714,511	709,161	-	-	3,209,250	3,125,479	2,477,726	3,289,444	-	46,386,951	-	727,033	61,639,555
Disposals	-	-	-	-	-	107,034	11,420	147,148	-	-	240,028	-	-	505,630
Balance at March 31, 2017	7,248,812	12,249,058	207,852,655	5,291,255	1,174,098	46,260,044	21,308,130	104,154,787	9,722,494	244,499,975	65,752,173	197	8,106,546	733,620,224
Additions	-	-	-	259,495,927	-	85,884,493	3,154,434	76,767,950	11,297,803	-	10,922,696	-	38,940	447,562,243
Disposals	-	-	-	-	-	492,701	46,357	332,504	165,456	-	120,524	-	-	1,157,542
Balance at March 31, 2018	7,248,812	12,249,058	207,852,655	264,787,182	1,174,098	131,651,836	24,416,207	180,590,233	20,854,841	244,499,975	76,554,345	197	8,145,486	1,180,024,925

Particulars	Freehold land	Leashold land	Building - Freehold	Building - Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Accumulated depreciation and impairment														
Balance at 01 April, 2016	-	-	28,886,241	1,538,035	1,065,765	25,371,065	15,037,757	83,843,440	3,389,526	244,499,883	16,167,083	-	3,234,888	423,033,683
Disposals	-	-	-	-	-	37,081	10,986	147,146	-	-	-	-	-	195,213
Depreciation expenses	-	-	3,461,627	148,868	76,695	2,534,535	2,054,196	7,728,444	788,344	-	10,525,841	-	1,202,918	28,521,468
Balance at 31 March, 2017	-	-	32,347,868	1,686,903	1,142,460	27,868,519	17,080,967	91,424,738	4,177,870	244,499,883	26,692,924	-	4,437,806	451,359,938
Disposals	-	-	-	-	-	324,167	46,355	338,205	165,455	-	117,645	-	-	991,827
Depreciation expenses	-	-	3,515,846	172,543	6,005	3,705,127	2,740,979	10,474,502	1,882,674	-	10,415,794	-	1,271,724	34,185,194
Balance at 31 March, 2018	-	-	35,863,714	1,859,446	1,148,465	31,249,479	19,775,591	101,561,035	5,895,089	244,499,883	36,991,073	-	5,709,530	484,553,305
Carrying amount as on April 01, 2016	7,248,812	10,534,547	178,257,253	3,753,220	108,333	17,786,763	3,156,314	17,980,769	3,043,524	92	3,438,167	197	4,144,625	241,869,535
Carrying amount as on March 31, 2017	7,248,812	12,249,058	175,504,787	3,604,352	31,638	18,391,525	4,227,163	12,730,049	5,544,624	92	39,059,249	197	3,668,740	282,260,286
Carrying amount as on March 31, 2018	7,248,812	12,249,058	171,988,941	262,927,736	25,633	100,402,357	4,640,616	79,029,198	14,959,752	92	39,563,272	197	2,435,956	695,471,620

MCTC limited														
Particulars	Freehold land	Leashold land	Buiding - Freehold	Buiding- Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Cost or Deemed cost														
Balance at April 01, 2016	50,985													50,985
Additions														-
Disposals														-
Balance at March 31, 2017	50,985	-	-	-	-	-	-	-	-	-	-	-	-	50,985
Additions	-													-
Disposals	-													-
Balance at March 31, 2018	50,985	-	-	-	-	-	-	-	-	-	-	-	-	50,985

Particulars	Freehold land	Leashold land	Buiding - Freehold	Buiding- Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Accumulated depreciation and Impairment														
Balance at 01 April, 2016	-	-	28,886,241	1,538,035	1,065,765	25,371,065	15,037,757	83,843,440	3,389,526	244,499,883	16,167,083	-	3,234,888	423,033,683
Disposals														-
Depreciation expenses														-
Balance at 31 March, 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals														-
Depreciation expenses														-
Balance at 31 March, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount as on April 01, 2016	50,985	-	-	-	-	-	-	-	-	-	-	-	-	50,985
Carrying amount as on March 31, 2017	50,985	-	-	-	-	-	-	-	-	-	-	-	-	50,985
Carrying amount as on March 31, 2018	50,985	-	-	-	-	-	-	-	-	-	-	-	-	50,985

MC&A Limited

Particulars	Freehold land	Leashold land	Building - Freehold	Building-Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Cost or Deemed cost														
Balance at April 01, 2016	13,525,429.00	17,859,468.00	26,405,003.00			5,045,486.00	9,967,247	19,885,218	3,718,119		4,809,589		1,315,312	102,530,871
Additions						116,766	786,849	1,604,950	2,705,661		281,836		554,343	6,050,405
Disposals								29,451						29,451
Balance at March 31, 2017	13,525,429	17,859,468	26,405,003	-	-	5,162,252	10,754,096	21,460,717	6,423,780	-	5,091,425	-	1,869,655	108,551,825
Additions						381,768	1,179,593	2,591,672			1,707,712		76,702	5,937,447
Disposals						60,750	884,000		1,314,017					2,258,767
Balance at March 31, 2018	13,525,429	17,859,468	26,405,003	-	-	5,483,270	11,049,689	24,052,389	5,109,763	-	6,799,137	-	1,946,357	112,230,505

Particulars	Freehold land	Leashold land	Building - Freehold	Building-Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Accumulated depreciation and impairment														
Balance at 01 April, 2016			4,315,173			2,910,710	8,747,644	12,124,555	1,432,629		2,932,633		986,208	33,449,552
Disposals								29,422						29,422
Depreciation expenses			95,024			400,085	849,612	3,609,905	582,613		284,222		260,463	6,081,924
Balance at 31 March, 2017	-	-	4,410,197	-	-	3,310,795	9,597,256	15,705,038	2,015,242	-	3,216,855	-	1,246,671	39,502,054
Disposals						43,044	884,000		1,199,188					2,126,232
Depreciation expenses			95,024			393,459	804,099	1,725,622	757,699		420,631		358,557	4,555,091
Balance at 31 March, 2018	-	-	4,505,221	-	-	3,661,210	9,517,355	17,430,660	1,573,753	-	3,637,486	-	1,605,228	41,930,913
Carrying amount as on April 01, 2016	13,525,429	17,859,468	22,089,830	-	-	2,134,776	1,219,603	7,760,663	2,285,490	-	1,876,956	-	329,104	69,081,319
Carrying amount as on March 31, 2017	13,525,429	17,859,468	21,994,806	-	-	1,851,457	1,156,840	5,755,679	4,408,538	-	1,874,570	-	622,984	69,049,771
Carrying amount as on March 31, 2018	13,525,429	17,859,468	21,899,782	-	-	1,822,060	1,532,334	6,621,729	3,536,010	-	3,161,651	-	341,129	70,299,592

FK Limited

Particulars	Freehold land	Leashold land	Buiding - Freehold	Buiding- Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Cost or Deemed cost														
Balance at April 01, 2016							3,068	6,107			15,600			24,775
Additions														-
Disposals														-
Balance at March 31, 2017	-	-	-	-	-	-	3,068	6,107	-	-	15,600	-	-	24,775
Additions														-
Disposals														-
Balance at March 31, 2018	-	-	-	-	-	-	3,068	6,107	-	-	15,600	-	-	24,775

Particulars	Freehold land	Leashold land	Buiding - Freehold	Buiding- Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Accumulated depreciation and impairment														
Balance at 01 April, 2016														-
Disposals														-
Depreciation expenses														-
Balance at 31 March, 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals														-
Depreciation expenses														-
Balance at 31 March, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount as on April 01, 2016	-	-	-	-	-	-	3,068	6,107	-	-	15,600	-	-	9,175
Carrying amount as on March 31, 2017	-	-	-	-	-	-	3,068	6,107	-	-	15,600	-	-	24,775
Carrying amount as on March 31, 2018	-	-	-	-	-	-	3,068	6,107	-	-	15,600	-	-	24,775

NOTES -3

INVESTMENT PROPERTY

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Carrying amounts of:			
Investment property	-	-	-
Total	-	-	-

NOTES -4

OTHER INTANGIBLE ASSETS

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Carrying amounts of:			
Software and licenses			-
Total	-	-	-

Particulars	As at March 31, 2018	As at March 31, 2017
Cost or Deemed cost		
Balance at the beginning of the year		
Additions	-	-
Balance at end of the year	-	-

Particulars	As at March 31, 2018	As at March 31, 2017
Accumulated depreciation and impairment		
Balance at the beginning of the year	-	
Depreciation expenses	-	-
Balance at end of the year	-	-
Carrying amount at the end of year	-	-

NOTE 5

INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
I. Quoted Investments			
a) Investments in Equity Instruments at cost	2,861,005	2,861,005	2,861,005
Investment in equity shares of M/s.J K Tyre Industries Limited:			
Fully Paid Equity Shares 329,060 equity shares of Rs.2 each fully, (65,812 @ 10 Per Share)			
Investment in equity shares of M/s. Bengal & Assam Co Limited:			
Fully Paid Equity Shares 3,831 equity shares of Rs.10 each fully, (3,831 @ 10 Per Share)	487,426	487,426	487,426
Total Aggregate Quoted Investments	3,348,431	3,348,431	3,348,431
Aggregate book value of quoted investments	3,348,431	3,348,431	3,348,431
Aggregate market value of quoted investments	58,075,933	49,791,410	7,361,478
II. Un-quoted Investments			
a) Investments in Equity Instruments at cost	70,000,000	70,000,000	70,000,000
Investment in equity shares of M/s. Hassan Mangalore Rail Development Company Limited:			
Fully Paid Equity Shares (7,000,000 @ 10 Per Share)			
Investment in equity shares of M/s.K T Apartment Owners' Association:			
Fully Paid Equity Shares (35 @ 100 Per Share)	3,500	3,500	3,500
Investment in equity shares of M/s. K.T. Mansions Appartments Owners' Association:			
Fully Paid Equity Shares (25 @ 100 Per Share)	2,500	2,500	2,500
Investment in The Karnataka State Co-operative Apex Bank Limited - One -C- Class Ordinary Share:			
Fully Paid Equity Shares of Rs. 1,000,000/- each (E- Class Rs.50,000)	1,000,000	1,000,000	50,000
	71,006,000	71,006,000	70,056,000

Less: Diminution in value of investments	-	-	-
	71,006,000	71,006,000	70,056,000
a) Investments in Government Securities at cost National Saving Certificate **	-	3,000	3,000
Total aggregate of un-quoted Investments	71,006,000	71,009,000	70,059,000
Total Non-Current Investments	74,354,431	74,357,431	73,407,431

5.1 The details of material subsidiaries are given in Note 57 - Related party discloser

NOTE 6

OTHER FINANCIAL ASSETS

Particulars	Non-Current			Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
At Amortised Cost						
a) Security Deposit	-	-	-	-	-	-
b) Interest receivable	-	-	-	-	-	-
c) Dividend from Associate /Subsidiary	-	-	-	-	-	-
d) Advance recoverable in cash		-	-	-	-	-
(i) Unsecured and Considered good	-	-	-	-	-	-
(ii) Considered doubtful		-	-	-	-	-
Less: Provision for Doubtful advances		-	-	-	-	-
e) Other receivable		-	-	-	-	-
Total	-	-	-	-	-	-

NOTE 7

DEFERRED TAX BALANCES

Particulars	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
Deferred tax assets	152,464,971	126,178,322	126,349,94
Deferred tax liabilities	-15,521,665	-7,987,600	-5,046,770
Total	136,943,306	118,190,722	121,303,170

2017-18	Opening balance	Recognised in profit or loss account	Recognised in Other Comprehensive income	Closing balance
Deferred tax (Liabilities) / Asset in relation to				
Property, Plant and equipment	-7,987,600	7,534,065	-	15,521,665
Provision compensated absences and others	-	-		-
Defined benefit obligation	-	-	-	-
Total	-7,987,600	7,534,065	-	-15,521,665
Tax losses	126,178,322	-26,286,649	-	152,464,971
Net Deferred tax Assets / (Liability)	118,190,722	-18,752,584	-	136,943,306
MAT credit entitlement				
Total	118,190,722	-18,752,584	-	136,943,306

2016-17	Opening balance	Recognised in profit or loss account	Recognised in Other Comprehensive income	Closing balance
Deferred tax (Liabilities) / Asset in relation to				
Property, Plant and equipment	-5,046,770	2,940,830	-	-7,987,600
Provision compensated absences and others	-	-		-
Defined benefit obligation	-	-	-	-
Total	-5,046,770	2,940,830	-	-7,987,600
Tax losses	126,349,940	171,618	-	126,178,322
Net Deferred tax Assets / (Liability)	121,303,170	3,112,448	-	118,190,722
MAT credit entitlement				
Total	121,303,170	3,112,448	-	118,190,722

NOTE 8

OTHER ASSETS

Particulars	Non-Current			Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
At Amortised Cost						
a) Security Deposit	963,457	997,857	937,286	-	-	-
b) Advances	-	-	-	1,101,923,784	1,033,910,766	1,302,174,005
c) Interest On Deposits	-	-	-	162,031,957	154,169,462	158,373,911
d) Balance with Customs and Central excise / GST authorities	1,030,023	1,030,023	1,030,023	35,365,938	7,230,530	10,466,025
e) Advance receivable in kind or for value to be received	-	-	-	-	-	-
(i) Unsecured and Considered good	1,022,129,175	892,445,880	957,143,346	6,664,501	5,883,827	12,488,406
(ii) Considered doubtful	-	-	-	-	-	-
f) Prepaid Expenses	-	79,000	60,641	82,524,857	48,326,252	35,245,345
g) Preliminary Expenses	-	-	-	-	-	-
h) Loan and advances to Employees	1,055,957	496,135	1,045,605	386,100	389,500	435,600
i) Advance Income Tax and TDS	12,273,320	12,369,109	18,994,027	215,334,888	198,401,751	213,568,700
j) Central Government Grants	44,332,000	44,332,000	44,332,000			
k) State Government Grants	186,629,910	186,629,910	186,629,910			
l) Retention Money	523,987	523,987	377,418			
m) Funded Status [Net of Provision for gratuity]	2,495,268	1,940,593	-			
n) Earnest Money			5,819,117	4,112,718	2,824,800	
o) Unbilled Revenue			14,421,817	248,900	-	
Less: Expected Credit Loss	-109,546,806	-109,546,806	-109,546,806	-10,333,770	-10,333,770	-10,333,770
Total	1,159,959,377	1,029,301,974	1,099,128,878	1,614,139,189	1,442,339,936	1,725,243,022

NOTE 9

INVENTORIES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
I. Quoted Investments			
a) Raw Materials			
Paper and Straw board	9,666,849	17,681,338	24,206,906
Convertors	1,404,715	2,062,231	28,359,766
b) Finished goods	142,965,839	128,624,181	180,809,076
c) Stock in trade (acquired for trading)	1,112,653,288	840,721,555	592,068,669
d) Goods with Hirers	-	-	-
Less: Expected Credit Loss	-41,259,575	-41,259,575	-41,259,575
Total	1,225,431,116	947,829,730	784,184,842

NOTE 10

Other Investments

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade payables	-	-	-
Employee related	-	-	-
Total	-	-	-

NOTE 11

TRADE RECEIVABLES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade Receivables			
Secured, Considered good	856,730	441,411	1,457,000
Unsecured, Considered good	1,594,019,612	737,658,625	745,266,320
Doubtful	170,503,499	117,316,538	107,587,308
Expected Credit Loss	-170,503,499	-117,316,538	-107,587,308
	1,594,876,342	738,100,036	746,723,320
Current	1,594,876,342	738,100,036	746,723,320
Non-current	-	-	-

NOTE 12

CASH AND CASH EQUIVALENTS

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade Receivables			
a) Balances with banks			
(i) In Current account	1,528,391,642	1,124,854,004	695,003,182
(ii) In Deposit account	673,319,560	1,039,569,700	815,967,137
(ii) In EEFC account	-	-	-
b) Cash on hand	50,465,975	43,410,144	40,461,449
c) Cheques, drafts on hand	-	-	6,537,844
d) Remittances in Transit	276,691	212,345	117,668
Total	2,252,453,868	2,208,046,193	1,558,087,280

NOTE 13

OTHER BANK BALANCES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade Receivables			
a) Balances with banks in earmarked accounts			
(i) Deposits with schedule banks more than 12 months	104,674,263	108,528,749	-
(ii) In margin money accounts for Bank Guarantee issued	669,466,465	639,885,965	659,315,606
Total	774,140,728	748,414,714	659,315,606

NOTE 14

CURRENT TAX ASSET AND LIABILITIES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Tax refund receivable (net)	-	-	-
Total	-	-	-

NOTE 15
EQUITY SHARE CAPITAL

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
AUTHORISED			
Equity Shares:			
75,00,000 Equity shares of Rs.100 each (2017 - 7,500,000 ; 2016 - 7,500,000)	750,000,000	750,000,000	750,000,000
ISSUED, SUBSCRIBED AND FULLY PAID UP			
(2017-2,017,660 ; 2016 - 2,017,660)	427,347,700	201,766,000	201,766,000
Equity Shares of Rs 100- each			
Total	427,347,700	201,766,000	201,766,000

15.1 Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period.

Reconcilitaion	2017-18 No.of shares	Amount in Rs	2016-17 No.of shares	Amount in Rs.	2015-16 No.of shares	Amount in Rs
a) Equity Shares of Rs.100 each fully paid up						
At the beginning of the period	2,026,317	202,631,702	2,026,317	202,631,702	2,026,317	202,631,702
Issued during the period	2,255,817	225,581,700	-	-	-	-
At the end of the period	4,282,134	428,213,402	2,026,317	202,631,702	2,026,317	202,631,702

15.2 Details of shares held by each shareholder holding more than 5 percent of equity shares in the Company:

Reconcilitaion	No. of shares held as at					
	March 31, 2018		March 31, 2017		April 01, 2016	
	Nos.	%	Nos.	%	Nos.	%
Karnataka State Industrial Infrastructure & Development Coproration Limited (20,17,660) of 100 each	201,766,000	47.21%	201,766,000	100%	201,766,000	100%
Government Of Karnataka (22,55,817) of 100 each	225,581,700	52.79%	-	0%	-	0%

The Board of Directors in 315th meeting held on 20.08.2018 accord approval for change in Articles of Associations to vest substational approval powers with Government of Karnataka instead of KSIIDC due to change in the statues of the Company.

NOTE 16
OTHER EQUITY

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Share application money pending for allotment	34,573,679	260,155,379	260,155,379
Securities Premium Account:	600,000	600,000	600,000
General Reserve	2,057,393,531	1,988,238,787	1,924,837,879
Retained earnings (surplus in profit or loss account)	1,877,041,020	1,601,971,531	1,203,048,847
Other Comprehensive Income	1,116,675	-638,265	-
Total	3,970,724,906	3,850,327,433	3,388,642,105
Equity attributable to owners of Mysore Sales of International Limited	3,967,018,504	3,863,558,940	3,400,946,052
Non controlling Interest	3,706,402	3,577,943	4,505,503

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
a) Capital Reserve			
Opening balance	-	-	-
Add: Appropriation from Profit or Loss account	-	-	-
Closing Balance	-	-	-
The capital redemption reserve is created out of the statutory requirement to create such reserve on redemption of Preference shares. These are not available for distribution of dividend and will not be reclassified subsequently to profit or loss.			
b) Securities Premium Account			
Opening balance	-	-	-
Add: Appropriation from Profit or Loss account	-	-	-
Closing Balance	-	-	-
c) General Reserve			
Opening balance	1,981,035,035	1,917,634,129	1,861,818,565
Add: Transfer from General Reserve	69,154,744	63,400,906	55,815,564
Less: IND AS Adjustment	7,203,753	7,203,753	7,203,750
Closing Balance	2,057,393,532	1,988,238,788	1,924,837,879

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income., items included in the general reserve will not be reclassified subsequently to profit or loss except to the extent permitted as per Companies Act, 2013 and rules made thereunder.

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
d) Actuarial movement through Other Comprehensive Income			
Opening balance	-	0	0
Additions/(Deletions)	-	-	-
Closing Balance -	-	-	
e) Retained Earnings			
Opening balance	1,816,582,140	1,417,673,378	1,028,958,709
Less: Transfer to Capital Redemption Reserve	-	-	-
Less: Unamortised carrying value of Fixed Assets	232,193	-1,909,209	-12,698,504
Less: Dividend on Equity Shares	-	-23,749,120	-22,855,990
Less: Tax on Dividend on Equity Shares	11	-4,268,454	-4,579,571
Less: Transfer to Reserves	-69,526,111	-63,373,064	-55,815,564
Profit /(Loss) for the year	344,377,317	492,236,451	484,664,298
Less: IND AS Adjustment	-214,624,531	-214,624,531	-214,624,531
Closing Balance	1,877,041,020	1,601,985,451	1,203,048,847

The amount that can be distributed by the Company as dividends to its equity shareholders is determined based on the separate financial statements of the Company and also considering the requirements of the Companies Act, 2013. Thus, the amounts reported above are not distributable in entirety.

Total Other Equity	3,934,434,552	3,590,224,239	3,127,886,726
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Refer the financials of Food karnataka Limited (Reserves and surplus Rs.13,921/-)

NOTE 17

NON-CURRENT BORROWINGS

Particulars	Non- Current portion			Current maturities		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Unsecured-at amortised cost						
i) Bonds/Debentures						
ii) Term Loans from Banks						
iii) Term Loans from others						
Sub-total	-	-	-	-	-	-
Secured-at amortised cost						
i) Bonds/Debentures	Nil	Nil	Nil	Nil	Nil	Nil
ii) Term Loans from Banks	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total	-	-	-	-	-	-
Grand Total	-	-	-	-	-	-

NOTE 18

OTHER FINANCIAL LIABILITIES

Particulars	Current			Non-Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
At Amortised Cost						
a) Current maturities of long-term debt	-	-	-	-	-	-
b) Interest accrued but not due on borrowings -	-	-	-	-	-	-
a) Unclaimed dividends (refer note 20.1 & 20.2)	-	-	-	-	-	-
d) Redeemable Preference Shares	-	-	-	-	-	-
e) Other Liabilities	-	-	-	-	-	-
-Advances and Deposits repayable in cash	-	-	-	-	-	-
-Other Miscellaneous liabilities	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTE 19

PROVISIONS

Particulars	Non-Current			Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
a) Compensated absences (Earned Leave)	69,550,975	79,281,785	76,671,722	50,506,388.00	5,401,467.00	7,178,392.00
b) Provision for Income Tax [net of TDS and Advance Tax]	-	-	-	130,889,891.42	217,188,759.93	192,574,818.00
c) Related to expenses	31,259,962	29,976,807	28,693,653	6,953,110.50	2,169,747.00	1,956,785.00
d) TCS Payable	-	-	-	364,274,788.00	364,274,788.00	364,274,788.00
e) Dividend Payable -	-	-	-	28,038,422.00	27,530,464.00	
Total	100,810,937	109,258,592	105,365,375	552,624,178	617,073,184	593,515,247

NOTE 20

OTHER LIABILITIES

Particulars	Non-Current			Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
a) Excise duty on un-despatched stock	-	-	-	-	-	-
b) Statutory remittances (Contributions to PF, ESIC, TDS, GST, VAT, Service tax etc)	3,671,780	3,674,077	3,693,043	65,320,998	30,064,382	30,983,737
c) Advances and Deposits from Customers / others	787,316,840	796,581,838	768,069,897	136,416,922	61,887,251	195,466,176
d) Deferred revenue arising from Interest free deposit	-	-	-	-	-	-
e) Interest accrued	5,387,534	5,387,534	5,387,534	-	-	-
h) Others	9,780,310	8,317,531	11,089,309	252,528,066	357,095,956	165,999,401
i) Central Government Grants Released	74,332,000	44,332,000	44,332,000	1,552,533	652,533	652,533
j) State Government Grants Released	243,399,589	241,464,611	237,591,047	-	-	-
Total	1,123,888,053	1,099,757,591	1,070,162,830	455,818,519	449,700,122	393,101,847

NOTE 21

SHORT-TERM BORROWINGS

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Secured - at amortised cost	-	-	-
Loan repayable on demand (refer note a below)			

NOTE 22

TRADE PAYABLES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade payables	2,877,488,051	1,578,869,822	1,555,168,156
Employee related	-	-	-
Total	2,877,488,051.42	1,578,869,822	1,555,168,156

NOTE 23
REVENUE FROM OPERATIONS

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(a) Sale of Products (Including Excise Duty)		
Sales		
Liquor	14,091,432,931	13,304,301,833
Note Books & Stationery	1,267,181,720	407,475,507
Pharmaceutical	15,743,571	1,209,000
Others	158,370,212	38,004,089
Income Earned on Chit Fund Business		
Foreman's Commission	112,568,284	113,413,700
Dividend	14,545,304	15,039,038
Default Interest	14,188,678	12,579,646
Commission and service charges	1,085,622	823,456
Revenue from Excise Adhesive Labels	654,139,552	655,171,481
Revenue from Services	-	-
i) Media Advertisements	1,264,112,742	883,473,605
ii) Event Organising & Others	1,708,592,552	535,755,877
(b) Other operating revenues	47,559,658	17,846,557
Total	19,349,520,826	15,985,093,789

NOTE 24
OTHER INCOME

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(a) Interest income		
On bank deposits	152,894,394	174,962,751
On Other deposits	2,370,072	1,995,209
(b) Dividend Income		
From equity investments designated	-	-
(c) Other gains or losses		
- Net gain on foreign currency transaction	315,631	-
(d) Other non-operating income		
Liability no longer required written back	11,989,552	4,783,712
Income from JV	27,252	31,751
Dividend	870,374	824,905
Rent	33,355,812	28,925,050
Discount Received	100,921	2,214,130
Profit on sale of Assets	585,912	4,581
Other Miscellaneous income	21,341,727	14,308,076
	223,851,647	228,050,165

NOTE 25
COST OF MATERIAL CONSUMED

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Raw Material	74,548,319	104,530,364
Total	74,548,319	104,530,364

NOTE 26
CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Opening Stock:		
Traded Goods	840,721,555	592,068,669
Finished goods	128,624,181	180,809,076
	969,345,736	772,877,745
Closing Stock:		
Traded Goods	1,028,272,750	840,721,555
Finished goods	142,965,839	128,624,181
	1,171,238,589	969,345,736
Decrease / (Increase) in stocks	-201,892,853	-196,467,991
Excise duty adjustment for movement in Finished goods inventory	-	-
Net change (Increase) / Decrease	-201,892,853	-196,467,991

NOTE 27
EMPLOYEE BENEFIT EXPENSE

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(a) Salaries, Wages and Bonus	215,070,312	209,054,691
(b) Contribution to Provident and other Funds	28,095,140	15,901,619
(c) Compensated Absences	34,967,969	14,201,068
(d) Gratuity	18,315,298	871,670
(e) Superannuation	970,120	1,104,858
(f) Workmen and Staff welfare expenses	33,397,868	32,697,724
Total	330,816,707	273,831,629

NOTE 28

FINANCE COST

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(i) Interest costs		
(a) Bank Loans and others	342,777	354,110
(b) Government Loans	-	-
(ii) Other borrowing costs	10,352,894	5,087,007
Total	10.695.671	5.441.117

NOTE 29

DEPRECIATION AND AMORTISATION EXPENSE

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Depreciation/amortisation on		
a) Property, Plant and Equipment	38,740,283	34,663,899
b) Investment property		
c) Intangible assets		
Total	38.740.283	34.663.899

NOTE 30
OTHER EXPENSES

Particulars	Year ended March 31, 2018		Year ended March 31, 2017	
Conversion charges - Notebooks		10,955,747		14,018,664
Packing Material & Secondary Freight		65,946,000		67,905,227
Outsourcing expenses	360,555,358		269,666,665	
Rent	101,878,393		70,720,214	
Repairs & Maintenance :				
- Building	17,612,939		10,206,488	
- Vehicle	1,709,738		800,029	
- Others	22,434,930	41,757,607	12,629,159	23,635,676
Insurance	8,091,249		7,724,119	
Rates & Taxes	397,388,223		228,278,551	
Miscellaneous Expenses		30,193,653		14,627,446
Advertisement	33,662,630		16,431,582	
Business Promotion Expenses		2,268,565		2,577,899
Payment to the Auditor :		-		-
- For Audit	1,226,766		497,125	
- Tax Audit	90,860		80,500	
Postage, Telex & Telephones		12,046,114		10,381,547
Printing & stationery	11,942,368		10,972,718	
Legal and Professional Charges		33,668,830		34,684,478
Travelling and Conveyance		26,164,576		20,984,624
Project Development Cost		-		2,750,000
Power and Fuel	13,225,645		12,193,826	
Security Services	4,180,788		5,063,217	
Commission	50,751,030		17,062,172	
Chief Minister's Relief Fund (CSR)		58,155,113		26,629,046
Donations				
Under Sec 80 G	-		225,000	
Other than 80 G		10,000,000		11,525,000
Directors Sitting fees		358,280		126,000
Bad & Doubtful Debts		63,612,222		9,729,230
Foreign exchange fluctuation		-		-
Loss on Sale of Assets		97,485		20,590
Provision for doubtful debts/advances		13,278,607		5,060,379
Total		1,351,496,108		883,571,495

NOTE 31

EXCEPTIONAL ITEMS

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Exceptional items of (Debit)	1,283,154	1,285,202
Prior Period expenses	-	1,788,661
Exceptional items of (Credit)		
Exceptional items (Net)	1,283,154	3,073,863

NOTE 32

INCOME TAXES RELATING TO CONTINUING OPERATIONS

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Current tax		
for Current year	237,166,550	281,410,533
for Previous years	9,201,895	13,610,053
Deferred tax		
for Current year	-18,752,585	3,112,451
Total	227,615,860	298,133,037

NOTE 33

PAYMENT TO AUDITORS

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
a) Audit Fees	1,226,766	497,125
b) Fees for other services	90,860	80,500
Total	1,317,626	577,625

NOTE 34

DIRECTOR'S REMUNERATION

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
a) Remuneration	4,418,003.00	2,888,559.00
b) Sitting Fees	152,160	53,000
c) Medical	1,055,640	759,715
Total	5,625,803	3,701,274

35. Pending execution of lease cum sale agreement with Karnataka Industrial Area Development Board in respect of land allotted near Bangalore Air Cargo Complex (BACC), the Company has capitalized the payments made towards lease hold land amounting to Rs.52,11,063/- (Rs.52,11,063/-) based on the possession certificate issued by KIADB.

36. City & Industries Development Corporation of Maharashtra (CIDCO) has entered into a deed of 'Agreement to Lease' with Government of Karnataka (GoK) for a plot of land measuring 2520 sq meters in Navi Mumbai to enter and occupy the land on the condition that the licensee (GoK) construct a State Guest House.

In turn on 01.10.2008 GoK has entered into an agreement with MSIL for construction of Karnataka Bhavan on Build Own Operate Transfer (BOOT) basis effective for 30 years (extendable on mutual consent) from the date of completion of the building as per the terms and conditions specified therein.

The amount of Rs 34,10,24,920/-incurred towards construction of Karnataka Bhavan in Navi Mumbai is capitalized based on the completion certificate received from M/s Project Management Service effective from 31st March 2018.

37. Fixed Assets include 86 capacitor banks, leased out to Klenn & Marshall Manufacturers and Exporters Ltd., value of which is depreciated over the period and the written down value on the balance sheet date is Rs. 86/- (Rs 86/-). As the lessee failed to pay the lease rentals as stipulated, the company referred the matter to arbitration claiming arrears of lease rentals amounting to Rs. 8,09,63,895/- together with interest thereon. The sole arbitrator gave ex-parte award dated October 2, 2009 allowed the claims of the company and awarded Rs. 35,05,60,211/- towards arrears of lease rent and interest thereon.

The company learned that Klenn & Marshall, the lessee, are listed under vanishing company by Ministry of Corporate Affairs, Government of India and also that the lessee had obtained multiple finance from other financial institutions. As per the company's opinion, since the amount is not recoverable, the company has not recognized the lease rentals in respect of this lease since 2005-06 and Rs. 8,09,63,895/- (Rs 8,09,63,895/-) due towards lease rentals up to 2004-05 has been fully written off in the books. The Company has not recognised the amount awarded in view of uncertainty of realisation. However the company has filed criminal complaint against retired officers/officials in the jurisdictional police station and referred the case to COD as per the order by Committee on Public Undertakings of the Karnataka Legislative assembly. We have been informed by CID that charge sheet has been prepared against all the accused and on approval from their higher ups, the same will be filed before the competent court. On filing of charge sheet by CID further status will be intimated

38. Joint Working Agreements:

The Company has entered into Joint Working Agreements with HAL & CONCOR to carry out air cargo business. MSIL & CONCOR had withdrawn from JWA with effect 31ST March 2014 and 15th January 2011 respectively.

Company has also entered into a Joint Venture agreement with ESSPL for leasing solar water heaters to non-domestic sector.

The above Joint working/Joint Venture agreements envisage pooling of resources for carrying out its business activity and ownership of the assets vests with the respective parties.

Share of income/(-) loss for current year from joint working agreements are

Particulars	2017-2018	2016-2017
ESSPL	27,276/-	31,751 /-

39. Ind AS - 19 - "Employees Benefits": Disclosures of employees benefits as defined in the Ind AS are given below:-

(A) Gratuity:

The Company has a defined benefit gratuity plan. The scheme is funded by the company and is managed by a separate trust. The liability for the same is recognised on the basis of actuarial valuation. The Company provided the Gratuity benefit through annual contribution to a fund managed by Life Insurance Corporation. The following table sets forth the status of the Gratuity plan of the Company and the amount recognized in the Balance Sheet and Statement of Profit and Loss.

(Amount in Rupees)

	2017-2018	2016-2017
a) Expenses recognised in the Statement of Profit and Loss:		
i) Current Service Cost	22,86,303/-	25,82,955/-
ii) Interest Cost	1,04,73,439/-	1,03,02,847/-
iii) Expected return Plan Assets	(94,42,902/-)	(1,03,48,615/-)
iv) Actuarial (Gain)/loss recognised in the year	1,77,69,604/-	2,72,716/-
Total (i to iv)	2,10,86,444/-	28,09,903/-
b) The amount recognised in the Balance Sheet:		
Present value of obligations as at the end of the year (i)	13,94,22,538/-	13,09,17,987/-
Fair Value of Plan Assets at the end of the year (ii)	13,34,74,440/-	13,24,28,155/-
Funded status (i) – (ii)	(59,48,098/-)	15,10,168/-
Net asset/(liability) recognised in the Balance Sheet	(59,48,098/-)	15,10,168/-
c) Changes in the present value of the defined benefit obligations:		
Present value of obligation as at 01.04.2017	13,09,17,987/-	12,87,85,591/-
Current service cost	22,86,303/-	25,82,955/-
Interest cost	1,04,73,439/-	1,03,02,847/-
Benefits paid	(2,20,24,795)	(1,10,26,122)
Actuarial (Gain)/ Loss on obligations	1,77,69,604/-	2,72,716/-
Present value of obligations as at 31.3.2018	13,94,22,538/-	13,09,17,987/-
d) Changes in the fair value of plan assets:		
Fair value of plan assets as at 01.04.2017	13,24,28,155/-	12,83,64,083/-
Expected return on plan assets	94,42,902/-	1,03,48,615/-
Contributions	1,36,28,178/-	47,41,579/-
Benefits paid	(2,20,24,795/-)	(1,10,26,122)
Actuarial gain (loss) on plan assets	Nil	Nil
Fair value of plan assets as at 31.03.2018	13,34,74,440/-	13,24,28,155/-

e) Actuarial Assumptions:

Principal assumptions used for actuarial valuation are:

i) Mortality	LIC(94-96)	Ultimate Mortality Table
ii) Discount Rate	7.50%	8%
iii) Salary Escalation	7%	7%

B) Compensated Absences Encashment:-

Basis of Actuarial Valuation for Compensated Absences Encashment: Liability as on 31.03.2018		
Retirement Age	60	60
Mortality	Indian Assured Lives (2006-08) Ultimate Mortality Table	
Rate of Interest	7.31% p.a	7.31% p.a
Salary increase	7% p.a	7% p.a
Attrition rate	1% p.a	1% p.a
Benefits Payable	As per Company Rules	

(C) Death Relief Fund:

Basis of Actuarial Valuation for Compensated Absences Encashment: Liability as on 31.03.2018.	
Particulars	2017-2018
Interest rate	7.31%
Attrition rate	1%
Retirement Age	60 years
Benefits payable	As per Company Policy

40. The Company had entered into Hire Purchase agreement with government employees (Hirers) and arranged the supplies of vehicles and consumer durables. Outstanding installment dues including interest from the hirers are shown under "stock with hirers". Hire purchase business has been discontinued from July 2008.
41. The Company has sent letters of confirmation for all Accounts Receivables and Payables. Confirmations received from parties have been verified with book balance and discrepancies noticed have been duly reconciled. Balances of those parties who have not confirmed in writing within the given date have been taken as confirmed
42. The Company had in the past received demand notices from Income tax Department for non collection of tax at source amounting to Rs. 30,23,31,283/- (Rs. 30,23,31,283/-) and interest thereon amounting to Rs. 30,67,65,640/-(Rs. 30,67,65,640/-). The Company had paid Rs. 24,05,81,902/- (Rs.24,05,81,902/-) and furnished bank guarantee for Rs. 36,17,49,381/- (Rs. 36,17,49,381/-) . Further Income Tax department has also adjusted refund of Rs.42,40,233/- due in respect of financial year 2006-07 against the pending demand. The matter is presently pending in Supreme Court.

43. Short-term loans and advances in Note 17 include:

Rs.77,23,849/- (Rs 77,23,849/-) being the service tax refund receivable from Service Tax Department .The Department claimed in all Rs 1,47,99,829/- (Rs 1,47,99,829/-) towards service tax for the period from 16.08.2002 to 30.06.2008 on baggage and export cargo, destination charges and cargo handing over charges collected by the company in respect of import and export cargo. The company filed an appeal against the above claims before the Commissioner (Appeals) Central Excise , Bengaluru, who allowed relief to the extent of Rs. 6,18,363/-. The company paid the amount of Rs. 77,23,849/-. The department has also filed an appeal before Customs Excise & Service Tax Appellate Tribunal

(CESTAT) against the order of commissioner (appeals) for allowing relief of Rs. 6,18,363/- to the company. CESTAT referred 3 cases back to the department which was rejected by Commissioner (Appeals). MSIL has filed further appeals before CESTAT on July 2012. Fresh Orders and demand are still awaited. Appeals for the years 2005-06 to 2008-09 are still pending before CESTAT. The total demands up to 31.03.2009 amounting to Rs.1,47,99,829/- (Rs.1,47,99,829/-) excluding penalty, interest etc., has not been provided in the books.

44. The Company had entered into an agreement on November 13th, 2009 with a Supplier, Mallappa Mineral Industries (MMI), for procurement of 50,000 MT iron ore of 52% Fe content for export to China at Rs.1,000/- per MT and in turn entered into an agreement with overseas buyer, Fremery Holdings Limited, for export FOB Goa at US\$ 28 (Rs.1,288/-) per MT. The Company projected profit of Rs.88/- per MT after factoring in service charge of RS.200/- per MT payable.

The agreement with the overseas buyer envisaged Lay-can period between November 25th to 30th, completion of shipment on or before December 15th 2009 and FE content of 52%. One of the conditions of the agreement was that all disputes are to be referred to arbitration with venue at Hong Kong.

An irrevocable Letter of Credit in favour of MMI for Rs. 5 Crores was established. The supplier, having failed to mobilize funds to procure ore, sought advance from MSIL. As the ship had already arrived at the port on December 10th 2009, to avoid demurrage, the Company had advanced Rs. 2.15 Crores against post dated cheques and commitment to create equitable mortgage on properties which the company could not complete. In view of continued failure to supply the ore, the Company had deposited the cheques for collection but these were dishonoured and hence a criminal case under Negotiable Instruments Act, 1881 was filed on 25.02.2010, now the case is pending before the Chief Metropolitan Court, Bangalore and it is at the 'Evidence' stage.

When MMI failed to supply, the Company approached another supplier, Saram Exports, who had agreed on the same terms and conditions. MSIL advanced Rs. 4.5 Cr to the new supplier and the ship loaded with 46,846.48 MT ore sailed on January 14th 2010 after a delay of 29 days. MSIL had to incur additional customs duty of Rs.32,22,680/- due to increase by Government of India. The supply by Saram Exports was dispatched on an urgent basis as the time available for shipping was over and could not wait for Test Report. Subsequently the test report revealed that Fe content of the shipment was only 49.37%.

The Company raised an invoice on the buyer and negotiated the documents through LC which could not be negotiated as it was lapsed. On the cargo reaching Hong Kong port, Chinese Inspection Quality Report revealed an Fe content of 45.9% and hence the buyer rejected the ore as sub standard. Subsequently, overseas buyer was authorized to sell the ore and realize the proceeds. The ore was sold at US\$ 35 per MT on CFR basis realising US\$ 16,39,626.80 vide invoice dated March 23rd 2010. MSIL requested the foreign buyer to remit the sale proceeds who in turn claimed US\$ 24,25,051.88 towards its claim against the Company, which the company didn't agree.

Considering the above facts and adopting exchange rate of US \$ 1 = Rs.46/- and freight between Goa to China at US \$ 24, the Company had accounted sales, cost of sales, contractual claims against the company and claims of the company provisionally in the books for the year ended March 31, 2010. Claims of the overseas buyer in respect of expenses incurred in China and liability under FEMA are not considered at this stage. Fremery Holdings Limited had claimed US\$ 19,74,545 (Rs. 11,79,98,809/-/- Considering exchange rate of Rs.59.76/- US\$) after adjusting realisation of US\$ 5,02,071 by way of sale of iron ore. As per the arbitration award, MSIL is liable to pay Fremery Holdings Limited \$18,80,851 (Rs.12,46,72,209) and interest amounting to Rs. 2,77,72,466/-.

The Company accepted the liability to be US \$ 67,473/- (Rs. 44,72,429/-) after deducting sale proceeds amounting to US \$ 16,39,627 from US\$ 17,07,100 (Rs. 10,68,47,359/- pertaining to demurrage and freight. The balance amount of US\$ 18,13,378 (Rs. 12,01,99,779/- considering exchange rate of Rs. 66.285 US\$) is disputed by the company and disclosed under contingent liability. The application filed u/s 34 of the Indian Arbitration Act before the City Civil

Court, Bengaluru to set aside the Arbitration award is at the 'hearing' stage. In the light of irregularities reported by the Committee on Public Undertakings of the Karnataka Legislative Assembly in the above transactions, the company has filed criminal complaint in the jurisdictional police station and the police are investigating the case. In respect of these criminal complaint police have framed the charge sheet and filed the case before the ACMM Court , Bangalore.

Cubbon Park Police, filed a criminal complaint before the competent court under IPC 420 against Mr Ashok Udupi (A1), Mr Deepak Agarwal (A2) M/s Fremery Holdings Limited , Hong Kong (A3) Officers of MSIL Mr Ramakanth Hebballi (A4) and Mr Purushotham Simha (A5). Though the matter was listed a couple of times before the ACMM court at the same time adjourned and meantime A4 and A5 have taken bail from the court. In case of A1 who is since expired, now the case will be heard against A2 to A5.

Under Sec 138 of Negotiable Instruments Act, a cheque bounce case has been filed before the Additional Magistrate's Court against Sri Malthesh of M/s Mallappa Mineral Industries, for recovery of Rs. 9 crore. The cross examination of the Company's witness is almost completed. However, Mr Malthesh brought a stay and further proceedings from the Hon'ble High Court of Karnataka. Once the stay is vacated, the proceedings will be resumed before the Magistrate's Court.

45. The company had received a loan of Rs.5,00,00,000/- (Rs.5,00,00,000/-) from the Government of Karnataka during the year 1997-98. The company had provided interest of Rs.5,27,42,466/- up to 31-03-2004.

In the financial year 2004-05, the company had approached the Government of Karnataka to convert the above amounts totalling to Rs.15,09,48,779/- into equity. The proposal was cleared by finance department, Government of Karnataka in 17-09-2004. The department of Directorate of Pension Small Saving asset management by its letter dated 20-07-2012 approved the company's proposal. This amount has been transferred from Share Application Money to Share Capital valuing of Rs. 22,55,81,700/- (2255817 nos of shares at the rate Rs. 100/- per share) in favour of Government of Karnataka during the financial year 2017-2018.

46. Other liabilities include Rs. 2,10,46,347/- (Rs.2,10,46,347/-) of advances received from various Government departments in respect of contract to supply imported cement.
47. a) Honourable Supreme Court, vide order dated 13.2.2003 had directed that MSIL is eligible by way of commission on liquor sales effected by five liquor manufacturers. The finalization officer appointed as per directions of High Court of Karnataka, and upheld by Supreme Court, had quantified Rs. 25.18 crores as commission due from Skoll Breweries Limited (previously known as Mysore Breweries Limited), which is not accounted in the absence of certainty of realization in accordance with the accounting policy mentioned in Note 2.D (II) (b).

Hon'ble Supreme Court vide order dated 13th Feb 2003, had directed that if the appellants have collected commission and not paid to MSIL then, the books of accounts of the appellants shall be verified and the commission amount so collected to be recovered from the appellants M/s Mysore Breweries Ltd. Further, the court also ordered that in case if the dispute is not resolved between the parties, the matter may be reported to authorized officer to be appointed by Govt., of Karnataka, not below the rank of Principle Secretary, as authorized officer to resolve the dispute.

M/s Skoll Breweries (erstwhile M/s Mysore Breweries Ltd) disputed the findings of the authorized officer of MSIL, who had conducted the proceedings to give sufficient opportunity as per the directions of the Hon'ble High Court of Karnataka, found that M/s Skoll Breweries to pay the commission of Rs.25.18 crore to MSIL. Since the order of the authorized officer is disputed by Skoll Breweries, a civil petition has been filed before the City Civil Court for recovery of the commission amount. On behalf of the Company PW1 cross examination is completed and the next date of hearing is fixed on 15th Nov 2018, wherein PW2 on behalf of MSIL will be cross examined by Skoll Breweries.

b) For the claim made by M/s Wescare (India) Limited, in the previous year Company disclosed under contingent liability amounting to Rs. 1,19,23,000/- , and Company filed a case under arbitration against Wescare in the year 2015-16. The arbitration award was disposed off by the arbitrator on 27.04.2016. The arbitrator allowed on company's claim of lease rentals along with interest till 31.03.2009 amounting to Rs. 155.59 lakhs and disallowed rest of the claim of Rs. 239.37 lakhs. (Refere Note no. 51 SI.No. 10 in contingent liability)

While awarding the arbitrator failed to consider disposal of windmill turbines but awarded adjustments of dues of MSIL as well as M/s Vaata Smart Limited from the security deposit which is not in line with the lease agreement.

On the opinion of Company advocate, the arbitral award was challenged by the Company before the judicature of Madras High Court by filling original petition on 27.04.2016, the matter is being heard before the Honorable High court of Madras. Further, in order to counter the orders passed by the High Court in another connected matters an application was moved before the court for unilaterally allowing Wescare to take inventory of the dismantled windmill turbines. The next date of hearing is not yet intimated. In the absence of uncertainty of outcome of the case filed in Madras High Court, the Company has not recognized any claims in the books. The matter was heard by Hon'ble High Court of Madras Judicature on couple of occasions and the matter now is posted for further bearing during December 2018

48. Investments in Note.11 include 50,000 shares of Rs.10 each held in Food Karnataka Limited. The Government of Karnataka ,vide its order no AHD 172 AFT 2010 dated 05-03-2011, ordered transfer of the shares to Karnataka State Agricultural Produce Processing and Export Corporation which was also been approved in the Board Meeting of the company held on 30.6.2011. The transfer is pending finalization of the transfer price.

49. Other non - current liabilities include contribution to Death Relief Fund by MSIL and employees amounting to Rs. 63,88,736/- (Rs. 76,40,692/-) and Rs. 31,47,810/- (Rs. 27,51,855/-) respectively. As per the scheme of the Company in case of death of an employee while in employment, the legal heir / s of the deceased get Rs.3,00,000/-. In case of retirement or employee demits the office, he will get his contribution together with Company's contribution standing to his credit.

50. The Company holds consignment stocks valued at Rs. 1,96,008/- (Rs 45,307/-) on behalf of the consignors as on the last day of the financial year.

51. Defined Contribution Plans

The Company Provided Fund which are defined contribution plan for qualifying employees. Under the Scheme the Company requires to contribute a specified percentage of pay roll cost to fund the benefits. The Company recognize in the statement of profit and loss the details given below. The contribution payable to these plans by the Company are at rates specified in the rules of the scheme.

i) Death Relief fund Rs 7,22,610/- (Rs3,19,618/-)

ii) Gratuity Rs 1,84,69,973/- (Rs. 5,30,824/-)

iii) Superannuation Rs 1,02,95,411/- (Rs.28,46,730/-)

iv) Company's contribution to PF Rs 1,49,86,178/- (Rs. 1,05,48,540/-)

52. Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2nd October 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company has identified Micro, Small and Medium enterprises as per section 22 of the Micro, Small and Medium Enterprises Development Act 2006 during the FY 2017-2018

Particulars	As at 31st March, 2018	As at 31st March, 2017
The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year.		
• Principal Amount	Rs.	Rs.
• Interest payable under MSMED Act, 2006	Rs. 12,066/-	Rs. 15,920/-
• Total	Rs. 12,066/-	Rs. 15,920/-
The amount of interest paid by the company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of payment made to the supplier beyond the appointed day during the accounting year ending 31st March, 2018.	NIL	NIL
The amount of interest due and payable for the period of delay in making payment (which have been paid beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprises Development Act, 2006 *	Rs. 12,066/-	Rs. 15,920/-
The amount of interest accrued and remaining unpaid at the end of the accounting year – March 2018.*	Rs. 12,066/-	Rs. 15,920/-
The amount of further interest remaining due and payable even in the succeeding years, 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 u/s 23 of the Micro Small and Medium Enterprises Development Act, 2006.*	Rs. 12,066/-	Rs. 15,920/-

*The above information has been furnished to the extent such parties have been identified as MSME by the company which are net of discounts / waivers as a part of business practice. The same has been relied upon by the auditors.

53. Capital work in progress of Rs. 20,11,291/- (Rs. 34,02,40,465/-) includes:

- i) Navi Mumbai – Build Own Operate Transfer (BOOT) Rs. Nil /-. (Rs. 33,82,29,174/-)
- ii) Construction of Warehouse in Kalaburagi Rs. 13,39,496/- (Rs. 13,39,496/-)
- iii) Construction of Warehouse in Dharwad Rs 4,65,672/- (Rs. 4,65,672/-)
- iv) Construction of Office at Cunningham Road Rs 2,06,123/- (Rs. 2,06,123/-)

54. The Company is in possession of 16 Nos. (16 Numbers) of Art Paintings, the value of which is not ascertained.

55. Contingent Liabilities include :

(Amount in Rupees)

SI No	Contingent Liabilities	2017-2018	2016-2017
1	KIADB Penalty	1,20,000	1,20,000
2	TCS Interest from AY 2001-02 to 2003-04	17,86,95,401	16,27,00,399
3	Guarantees / Counter Guarantees given by the Company to Banks	38,55,44,381	36,49,68,381
4	Insurance Claim on Fire Policy –pending cases – Note (i) below	2,07,73,297	2,07,73,297
5	Insurance Claim on Fire Policy –decreed cases - Note (i) below	4,88,70,362	4,88,70,362
6	Interest on Insurance Claim - Note (i) below	4,87,58,984	4,49,09,522
7	Claim against KIADB Land near BACC by land user	30,19,863	30,19,863
8	Claim made by party in the business of Iron ore Export (including interest)	14,78,53,074	14,63,83,432
9	Claims made by Directorate of Pension, Small savings Asset Monitoring	46,09,86,366	46,09,86,366
10	Claim against lease of windmill by Wescare (India) Limited	1,19,23,000	1,19,23,000

- i) Certain Insurance companies who have settled the claims of their customers on account of fire accident at Bangalore Air Cargo Complex, owned by the company, during 2000-01, have filed several suits against the company for recovery of claims settled by them under the principles of subrogation. The company contested the claims in the city civil courts. Aggrieved by the orders of the city civil courts in case of decreed suits, the company appealed to High court of Karnataka. The Honourable High Court in its order dated 09-03-2009 has decreed that MSIL and Department of Customs are jointly and severally responsible to pay this amount to the claimants. Aggrieved by the orders of the High court, the company along with Department of Customs appealed against the order of the high court to Supreme Court. The Honourable Supreme Court after hearing the parties to dispute, directed vide its order dated 06-11-2009, that all the parties concerned being government agencies, should discuss mutually and settle the claim amicably. In a few cases on similar matter, the civil courts have applied the same rationale of the High Court and have decreed that MSIL and Department of Customs are jointly and severally liable for settlement of the insurance claim. The Company has provided one fourth of the liability of Rs 3,25,43,115 /- (Rs. 3,12,59,962/-) including interest capitalized at 6% in the books and balance amount of Rs. 9,76,29,346/- (Rs. 9,37,79,884/-) is shown as contingent liability. Since the claims for recovery from company's insurer and on the Department of Customs are under process. The Company has insured the Cargo lying in BACC warehouse with its Insurance Company at the rate of US \$20 per kg as per trade circular dated issued by Customs.
- (ii) The company had claimed Income Tax refunds for the Assessment Years 2010-11 , 2012-13, 2014-15 and 2015-16. As per the Income Tax Department's Order, the following are the tax demands:

Year	Amount (In Rs.)
2010-11	3,42,45,480.00
2012-13	26,18,238.00
2014-15	1,08,45,920.00
2015-16	18,65,460.00

The company has gone on appeal for the above mentioned demands and hence the same has not been accounted for in the books. The above figures do not include the interest from the date of Assessment Order till 31st March, 2018.

56. Disclosure as required under Ind AS – 17 “Accounting for Leases” is given below:

The Company has entered into operating lease under a Joint venture with Emmvee Solar System Private Ltd. for leasing out Solar Water Heater to non-domestic customers.

Lease Payments in aggregate	As at 31.3.2018	As at 31.3.2017
1. Not later than 1 year	Nil	Nil
2. Later than 1 year but not later than 5 years	Rs 43,770/-	Rs. 43,770
3. Later than five years	Nil	Nil

57. Related Party Disclosures as per Ind AS - 24 and key management personnel viz., Directors as disclosed below.

Remuneration to Chairman and Managing Director

Particulars	2017-2018	2016-2017
Salaries And Allowances	Rs. 31,85,273/-	Rs.16,22,939/-
Medical Expenses	Rs. 7,94,642/-	Rs. 3,85,633/-

Statement of related parties disclosures for the Financial Year 2017-18

Particulars	Amount of Investment	Services / Sales Transaction - 2017-18		Dividend Received	Balance As on 31.03.2018	
		Income	Expenditure		Receivable	Payable
Marketing Communication & Advertising Ltd	59738400	458060	12347414	3572520	-	4265805
The Mysore Chrome Tanning Company Ltd	5000	-	-	-	-	-
Food Karnataka Ltd	500000	-	-	-	-	-
Government of Karnataka	427347700	-	-	-	-	-

58.a) Disclosures pursuant to Ind AS - 108 on Segment Information for the year ended 31.03.2018 is annexed. Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed under “Others”.

Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed under “Others”.

b) For consolidation of Ind AS Financials we have considered figures from Ind AS financials of 3 subsidiary companies, where in the Ind AS financials provided by subsidiary company Food Karnataka Ltd are pending for approval by their Board.

59. Tax expense

The following table provides the reconciliation of tax expense as required under Ind AS 12:

Particulars	31 March 2018	31 March 2017
Accounting profit before tax for the year		
Tax on accounting profit	235559393	568091483
At the rate of 34.608% (31 March 2017: 34.608%)	93773075	197773538
Income exempt from tax: Dividend income	4442894	3504295
Effect of lower tax on Capital gains	0	0
Non-deductible expenses for tax purposes		
Income tax on Perquisites of employees	0	0
Corporate Social Responsibility	54079716	20000000
Temporary differences		
Depreciation	23457212	5945962
Change in fair value of investments	0	0
Change in fair value of forward contracts	0	0
Gratuity expense	0	0
Leave encashment	23763049	7676473
Others	0	0
Tax on profit computed for tax purposes (arrived)	270957800	571467690
Effective income tax rate (in %)	34.608	34.608
Income tax expense reported in the financial statements	93773075	197773538

Signature to notes 1 to 59

The accompanying notes are an integral part of these financial Statements.

For Mysore Sales International Limited

For and on behalf of the Board
For P. Chandrasekar
Chartered Accountants
Firm's Regn. No. 000580S/S200066

Sd/-
K.J. George
Chairman

Sd/-
Dr. G.C. Prakash
Managing Director

Sd/-
Sridevi B N
Company Secretary

Sd/-
Subramanya
Chief Financial Officer

Sd/-
D. Mani Kumar
Partner
Membership No. 212544

Date : 16.11.2018

Place :Bengaluru

**IND AS
STANDALONE
ACCOUNTS FOR
THE YEAR ENDED
31ST MARCH 2018**

REVISED INDEPENDENT AUDITOR'S REPORT

To

The Members of

Mysore Sales International Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS Standalone Financial Statements of Mysore Sales International Limited which comprises the Balance Sheet as at 31st March 2018, the Statement of Profit and Loss (including the statement of Other Comprehensive Income), Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information on that date and submitted our report on 16th November, 2018. Subsequently the audit report have undergone revision in the light of observations of the Comptroller and Auditor General of India. This supersedes our earlier report dated 16th November, 2018.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone 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, 2015. 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.

Auditors' responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. While conducting the Audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the IND AS financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Companies Act 2013, those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Ind AS financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Ind AS financial statements.

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

Basis for Qualified Opinion

- The Ind AS financial statements as prepared by the company in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder, except as mentioned below –
 - a. Ind AS 1 "Presentation of Financial Statements"

– disclosure on Statement of Changes in Other Equity is one of the financial statements to be prepared by the Company as per the aforesaid stipulation of Ind AS 1 has not been prepared by the Company.

b. Ind AS 8 “Accounting policies, changes in Accounting Estimates and Errors”- disclosure requirement is not made on the new Ind AS 115 that has been issued but is not yet effective along with its impact on financial statements on first application.

c. Ind AS 37 “Provisions, contingent Liabilities and contingent asset disclosure is not as per the requirement.

d. Ind AS 101 “First-time adoption of Indian Accounting Standards” are not in compliance, including the following -

I. Preparation of reconciliation of Equity in accordance with previous GAAP and Notified Ind AS on the date of transition to Ind AS and last period presented in accordance with previous GAAP

II. Company adopted historical cost has deemed cost for an item of property, plant and equipment, an investment property or an intangible asset, however company not disclosed the method adopted as per requirement.

e. Ind AS 107 “Financial Instruments Disclosures” – disclosures of classification of financial instruments are not in compliance as per the requirements.

f. Ind AS 108 “Segment Reporting” Disclosure on the Profit and Loss / Asset and Liabilities of each reportable segment, geographical information are not as per the requirement.

g. Ind AS 109 “Financial Instruments” – recognition, measurement and impairment of financial instruments are not as per requirement

h. Ind AS 7 “Statement of Cash Flows” Disclosure is not as per the requirement. Further the Company has recognized Rs.23,66,03,292/- as profit for the year in the cash flow statement as against profit before tax of Rs.23,71,92,473/-, recognized

in the statement of profit and loss, the difference of Rs.5,89,181/- has not been reconciled.

i. Ind AS 1 “Presentation of Financial Statements” are not in compliance, including the following:

1. Classification of expenses based on nature and function
2. Classification of items into current and non-current
3. Disclosure of reclassified items
4. An explicit and unreserved statement on compliance with Ind AS

j. Ind AS 111 “Joint Arrangements” Disclosures is not as per the requirement.

Consequential impact of the above matters on the Ind AS financial statements are not ascertainable.

k. The Actuarial valuation of Gratuity not compliant to Ind AS 19, to the extent of non-recognition of actuarial loss of Rs.1.77 crores in other comprehensive income as at the end of 31st March, 2018. This has resulted in overstatement of employee benefit expenses and understatement of other comprehensive income by Rs.1.77 crores. Further due to increase in the revised gratuity limit there is a demand from LIC to pay Rs.4.08 crores. In view of this provision for gratuity is understated and profit for the year overstated by Rs.4.08 crores.

l. In the absence of confirmation of balances in respect of few Trade Payables, Other Current Liabilities, Trade Receivables and Advances / Trade Deposits pertaining to all divisions, consequent impact on reconciliations, thereof, if any, on the profit / loss and the assets / liabilities is not ascertainable.

m. Penalty for delays in execution of (Karnataka Bhavan, Navi Mumbai) project as per the agreement not levied. Consequently, other income, profit, provision for tax and non-current asset-CWIP are overstated and other current assets are understated. However, we are unable to quantify the impact thereof on the Ind AS financial statements.

n. The provision for Leave encashment is not correctly classified under Current and Non-

current provisions as per Actuarial valuation report which has resulted in understatement/overstatement of current/Non-current Provisions.

- o. The provision for Death relief fund is not correctly classified under Current and Non-current provisions as per Actuarial valuation report which has resulted in understatement/overstatement of current/Non-current Provisions. Further an amount of Rs.40.13 lakh not shown under other comprehensive income in Statement of Profit and Loss, this has resulted in understatement of Other Comprehensive Income and Total Comprehensive Income by Rs.40.13 lakh.
- p. The total amount of inventory and Trade payable in the Balance sheet is overstated to the extent of Rs.8.44 Crores . The disclosure in foot note to Note No.9 is not correct to that extent.
- q. The company disclosed the total comprehensive income for the year on the face of the statement of profit and loss Rs.14,37,37,591/- instead of Rs.14,16,49,817/-. The difference of Rs.20,87,774/- is due to loss from discontinued operations wrongly added to the profit for the year from continuing operations.
- r. The total impact on account of above qualifications (para no. k and o) are (i) total comprehensive income for the year has been overstated to the extent of Rs. 3.68 crores and (ii) inventory and trade payables overstated by Rs. 8.44 crores.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, the aforesaid Standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs(financial position) of the Company, as at 31st March 2018, and its Profit (financial performance including other comprehensive income), and its cash flow for the year ended on that date.

Emphasis of the matter:

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

- We draw attention to Note No. 61 Contingent liability includes the claim made by The Director, Directorate of Pension, Small Savings Asset Monitoring towards short remittance of sale proceeds and interest on delayed remittance, amounting to Rs.46,09,86,366/- vide their letter dt.08.03.2017. Since Full and Final settlement made and intimated by the Company vide letter dt. 18.10.2016 , where in Company stated clearly that the payment of Rs.3,52,60,961/- is towards full and final settlement and no further claim payable by the Company pertaining to the above transaction, the letter also acknowledged. As per the information provided during the year no further development is taken place.
- We draw attention to Note No.61 (i) The Company has made a provision of Rs 3.25 crores against Rs 13.02 crores (inclusive of interest upto 31-03-2018 at 6% per annum) decreed in favour of the insurance companies being 25% of the total claim. The Company assumes only 1/4th of the liability as insurance companies and Customs Department are also parties to the transaction.
- The items in Note No.61 (excluding SI No.4) to the financial statements, Contingent Liabilities, which describe the uncertainty related to the outcome of the claims / arbitration proceedings and lawsuits filed by / against the Company.
- We draw attention to Note No.15.2 where in the right issue of equity shares have been allotted to GOK during February 2018 where in the ownership and control shifted from KSSIDC to GOK.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory requirements

- 1) As required by the Companies (Auditor's Report) order, 2016 ("the Order") issued by the Central Government in terms of sub section 11 of section 143 of the Act, we give in the Annexure - A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

- 2) As required under the Provisions of section 143(5) of the Companies Act, 2013, we have given in Annexure - C , a report on the Directions as well as Additional Company specific Directions issued under the aforesaid section by the Comptroller and Auditor General of India, based on the verification of Records of the Company and based on information and explanations given to us.
- 3) As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable, that:
- a. We have sought and except for the effects / possible effects of the matter described in the Basis for Qualified Opinion above, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the financial statements.
 - b. Except for the effects / possible effects of the matter described in the Basis for Qualified Opinion paragraph above, 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. Except for the effects / possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the Balance Sheet, the Statement of Profit and Loss, the changes in other equity and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the standalone IND AS financial statements.
 - d. On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
 - e. With respect to the adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B and
 - f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 43, 49 & 61 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For M/s. P. CHANDRASEKAR LLP

Chartered Accountants

Firm Reg no : 000580S/S200066

Sd/-

Place: Bengaluru

Date: 11.12.2018

Mani Kumar.D

Partner

Membership No.212544

“Annexure A” to the Revised Independent Auditor’s Report of even date on the Standalone Ind AS Financial Statements of MYSORE SALES INTERNATIONAL LIMITED

(Referred to in paragraph 1 under the heading “Report on the other legal and regulatory requirements of our report of even date)

i) In respect of Fixed Assets:

- (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, fixed assets have been physically verified during the year by the Management..
- (c) Title deeds of immovable properties are held in the name of the Company.

ii) In respect of Inventories:

- (a) The management has conducted physical verification of Inventory, at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
 - (b) In our opinion the procedures for the physical verification of Inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory, no material discrepancies were noticed on physical verification of inventory.
- iii) (a) As explained to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act. Therefore, the provisions of clause (iii) of paragraph 3 of the CARO 2016 are not applicable to the company.
- (b) In respect of loans, investments, guarantees and security, provisions of section 185 and 186 of the Companies Act 2013, have been complied with.

- iv) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public therefore the provisions of clause (v) of paragraph 3 of the CARO 2016 are not applicable to the Company.
- v) The Central Government has not prescribed the maintenance of cost records under section 148 (1) of the Companies Act 2013.
- vi) According to the information and explanations given to us, in respect of statutory dues:
 - a. According to the information and explanations given to us and on the basis of our examination of books of account, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-tax, Sales Tax, Service Tax, Cess and any other statutory dues with the appropriate authorities.
 - b. There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, sales tax, value added tax, cess and other statutory dues in arrears as at 31st March, 2018 for a period of more than six months from the date they become payable.
 - c. Details of dues of Service tax and Income tax which have not been deposited as on 31st March, 2018 on account of disputes are given below:

SL. No.	Name of the Statute	Nature of dues	Forum where Dispute is pending	Period to which amount relates	Amt.Rs. In Cr.	Amt. Deposited Rs.in Cr.*	Balance Rs. In Cr.
1	Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2005-06 and 2006-07	0.48	0.10	0.38
2	Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2002-03 and 2003-04	0.26	0.20	0.06
3	Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2003-04 to 2005-06	0.37	0.37	0.00
4	Finance Act, 1994	Service Tax	Commissioner (LTU)	June 2007 to March 2011	0.13	0.00	0.13
5	Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2007-08 and 2008-09	0.36	0.10	0.26
6	Income Tax Act, 1961	Income tax, tax collection at source income tax-tax collection at source Income Tax – interest on tax collection at source	Supreme Court	1995-96 to 2000-01	20.05	20.05	0.00
			High Court, Bangalore	2001-02 to 2003-04	10.17	4.00	6.17
			Supreme Court	1994-95 to 1999-2000	30.67	0.00	30.67
7	Income Tax Act, 1961	Disallowance under Income Tax Act	CIT (appeals)	AY 2010-11	3.42	0.00	3.42
	Income Tax Act, 1961	Disallowance under Income Tax Act	CIT (appeals)	AY 2012-13	0.26	0.00	0.26
	Income Tax Act, 1961	Disallowance under Income Tax Act	CIT (appeals)	AY 2014-15	1.08	0.00	1.08
	Income Tax Act, 1961	Disallowance under Income Tax Act	CIT (appeals)	AY 2015-16	0.19	0.00	0.19

*excluding interest

- vii) As per the information and explanations given to us and based on records verified by us, we state that the company has not defaulted in repayment of loans or borrowings to a financial institution, bank or Government.
- viii) As per the information and explanations given to us and based on records verified by us, during the year company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and term loans.
- ix) In our opinion, according to the information provided to us, based on our audit checks and on an overall examination of the books and records of the company, no fraud on or by the company has been noticed or reported during the year.
- x) Managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
- xi) In our opinion and as per the information and explanations given to us, the provisions of special statute applicable to Chit Fund business have been complied with by the Company in respect of Chit Fund business. Further, the Company is not a Nidhi company. Therefore, the provisions of clause (xii) of paragraph 3 of CARO 2016 are not applicable to the company.
- xii) The transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 and the details have been disclosed in the financial statements as required by the applicable accounting standards.
- xiii) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xiv) The company has not entered into any non-cash transactions with directors or persons connected with him for the period under review.
- xv) The company is not a Non-Banking Finance Company. Therefore, the provisions of Clause (xvi) of paragraph 3 of the CARO 2016 are not applicable to the company.

For M/s. P. CHANDRASEKAR LLP

Chartered Accountants

Firm Reg no : 000580S/S200066

Sd/-

Place: Bengaluru

Date: 11.12.2018

Mani Kumar.D

Partner

Membership No.212544

“Annexure B” to the Revised Independent Auditor’s Report of even date on the Standalone IND AS Financial Statements of MYSORE SALES INTERNATIONAL LIMITED

Report on the Internal Financial Controls under Clause (f) 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 MYSORE SALES INTERNATIONAL LIMITED (“the Company”) as of March 31, 2018 in conjunction with our audit of the standalone IND AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the

extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of IND AS financial statements for external purposes in accordance with generally accepted accounting principles. A Company’s internal financial control

over financial reporting includes those policies and procedures that:

- 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, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For M/s. P. CHANDRASEKAR LLP

Chartered Accountants

Firm Reg no : 000580S/S200066

Sd/-

Place: Bengaluru

Date: 11.12.2018

Mani Kumar.D

Partner

Membership No.212544

“Annexure C” to the Revised Independent Auditor’s Report

(Referred to paragraph 2 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date to the members of Mysore Sales International Limited on the Standalone Ind AS Financial Statements for the year ended 31st March, 2018)

On the Directions issued by the Comptroller and Auditor General of India under sub section 6 of Section 143 of the Companies Act, 2013, based on the verification of records of the Company and according to information and explanations given to us, we report that:

Sl. No.	Directions	Reply of Auditor	Impact on Ind AS Financial Statements
1	Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	As per the information and explanations and required necessary documents produced for our verification, the Company is having clear title /lease deeds for all free hold and lease hold land respectively.	NIL
2	Whether there are any cases of waiver/ write off of debts/loans/ interest etc., if yes, the reasons there for and the amount involved.	Receivables from the customers of Paper division and Chitfund division subscribers to the extent of Rs.71.75 lakh have been written off as Bad debts during the year 2017-18. Reason for written off as bad debts is on account of Non – Recovery of old outstanding amounts.	Rs.71.75 lakh
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from Government or other authorities.	YES Paper Division is maintaining raw material in the form of paper and other related material with converters for which Company is maintaining proper records. During the year Company Pharma Division received non monetary grant for 62 Jan Aushadi in the form of inventory from Bureau of Pharma PSU's of India BPPI amounting to Rs.62 lakhs and grant receivable on account of capital assets amounting to Rs.92.61 lakhs for Jan Aushadi against 69 outlets, for which Company is maintaining proper records.	NIL

Additional Company Specific Directions:

Sl. No.	Directions	Reply of Auditor	Impact on Ind AS Financial Statements
a	Comment on the monitoring system in the computerised environment and effectiveness of the process of physical verification of stock	<p>In Liquor Division the receipt, sale of liquor stocks are effectively monitored in computerised environment, it is recommended to review the reasons for discrepancy noticed during physical verification of inventory and its compliance. In Paper Division the inventory is monitored in computerised environment. There is an effective and satisfactory controls on inventory.</p> <p>In the case of Pharma Division inventory is monitored in computerised environment, considering the huge number of pharma stocks it is recommended to improve the frequency of verification of stocks.</p> <p>In Import Export Division the imported Sand is maintained at port for which the Company obtained inventory holding certificate, no physical verification of stock is carried out by Company.</p>	Not ascertainable
b	Whether the Company has an effective system for recovery of dues in respect of its sales activities and the dues outstanding and recoveries there against have been properly recorded in the books of accounts?	<p>Periodic Balance confirmation is not obtained, same is referred in Basis for our qualified opinion.</p> <p>However the Company has an effective system for recovery of dues and records are maintained in computerised environment.</p>	Not ascertainable
c	Whether the Company has effective system for physical verification, valuation of stock, treatment of non-moving items and accounting the effect of shortage / excess noticed during physical verification	<p>Though the Company has effective system for physical verification of outlet inventory in Liquor Division through internal auditors, the shortage and excess quantity noticed during the physical verification requires to be analysed and to find the reasons for such discrepancy immediate corrective action is to be taken in the system. However the accounting treatment for the effects of shortage / excess are treated properly in the books.</p>	Not ascertainable

d	Examine the cost benefit analysis of major capital expenditure / expansion including IRR and payback period.	During the year major capital expenditure recognised in the books is expenses pertaining to Building constructed on leasehold land at Navi Mumbai- Karnataka Bhavan, total cost incurred in completion of the building is Rs.34.10 Crores, the asset is capitalised in the books on last day of the year as per the completion certificate, we were informed that Management is in the process of calling E-Tender to let out the Building. Under these circumstance, we are unable to ascertain and analyse the cost benefit of this capital expenditure incurred on Building.	Not ascertainable
e	If the audited entity has computerised its operations or part of it, assess and report, how much of the data in the company is in electronic format, which of the area such as accounting, sales personnel information, pay roll, inventory etc. have been computerised and the company has evolved proper security policy for data / software / hardware ?	Barring sales personnel information, major activities such as accounting, inventory, pay roll have been computerised and company has evolved proper security policy for data / software by keeping external back up division wise, at frequent intervals also Company is taking AMC services for software on need basis. For hardware inventory controls are in existence. No discrepancy noticed during the year.	NIL

For M/s. P. CHANDRASEKAR LLP

Chartered Accountants

Firm Reg no : 000580S/S200066

Sd/-

Mani Kumar.D

Partner

Membership No.212544

Place: Bengaluru

Date: 11.12.2018

MYSORE SALES INTERNATIONAL LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2018

S. No	Particulars	Note No.	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
A.	ASSETS				
	Non-Current Assets				
	(a) Property, Plant and equipment	2	695,471,620	282,260,286	249,452,616
	(b) Capital Work in Progress	2	2,011,291	340,240,465	313,172,589
	(c) Investment Property	3	-	-	-
	(e) Other Intangible Assets	4	-	-	-
	(f) Financial Assets				
	(i) Investments				
	(a) Other Investments	5	134,597,831	134,600,831	133,650,831
	(b) Investment in Associates		-	-	-
	(ii) Other financial assets	6	-	-	-
	(g) Deferred Tax Assets	7	109,524,915	101,870,057	103,046,488
	(h) Other Non-Current Assets	8	912,836,871	780,408,280	845,516,167
	Total non-Current Assets		1,854,442,528	1,639,379,919	1,644,838,691
	Current Assets				
	(a) Inventories	9	1,196,200,950	901,280,863	745,168,549
	(b) Financial Assets				
	(i) Other Investments	10	-	-	-
	(ii) Trade Receivables	11	216,627,525	141,620,843	34,004,814
	(iii) Cash and Cash Equivalents	12	1,316,254,627	1,361,275,407	971,588,921
	(iv) Bank balances other than (iii) above	13	773,750,228	748,114,714	659,015,606
	(v) Other Financial assets	6	-	-	-
	(c) Current tax assets (Net)	14	-	-	-
	(d) Other current Assets	8	1,497,346,149	1,352,994,015	1,542,774,175
	Total Current Assets		5,000,179,479	4,505,285,842	3,952,552,065
	TOTAL ASSETS		6,854,622,007	6,144,665,761	5,597,390,756

B	EQUITY AND LIABILITIES				
	Equity				
	(a) Equity Share Capital	15	427,347,700	201,766,000	201,766,000
	(b) Other Equity	16	2,847,699,783	2,931,631,652	2,588,779,141
	Total Equity		3,275,047,483	3,133,397,652	2,790,545,141
	Liabilities				
	Non-Current Liabilities				
	(a) Financial Liabilities				
	(i) Borrowings	17	-	-	-
	(ii) Other Financial Liabilities	18	-	-	-
	(b) Deferred Tax Liabilities	7	12,411,605	4,234,961	1,663,730
	(c) Provisions	19	94,063,934	103,263,658	98,729,345
	(d) Other Non-Current liabilities	20	800,893,671	805,583,312	779,843,149
	Total Non-Current Liabilities		907,369,210	913,081,931	880,236,224
	Current Liabilities				
	(a) Financial Liabilities				
	(i) Borrowings	21	-	-	-
	(i) Trade Payables	22	1,816,767,702	1,113,960,906	1,114,986,890
	(i) Other Financial Liabilities	18	-	-	-
	(b) Provisions	19	508,376,369	590,963,856	587,687,669
	(c) Other Current Liabilities	20	347,061,244	393,261,416	223,934,833
	Total Current Liabilities		2,672,205,315	2,098,186,178	1,926,609,392
	Total Liabilities		3,579,574,525	3,011,268,109	2,806,845,616
	TOTAL EQUITY AND LIABILITIES		6,854,622,007	6,144,665,761	5,597,390,756

The accompanying notes are an integral part of these financial Statements.

For Mysore Sales International Limited

For and on behalf of the Board

For P. Chandrasekar

Chartered Accountants

Firm's Regn. No. 000580S/S200066

Sd/-
K.J. George
Chairman

Sd/-
Dr. G.C. Prakash
Managing Director

Sd/-
Sridevi B N
Company Secretary

Sd/-
Subramanya
Chief Financial Officer

Sd/-
D. Mani Kumar
Partner
Membership No. 212544

Date : 16.11.2018

Place : Bengaluru

MYSORE SALES INTERNATIONAL LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

S.No	Particulars	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
I	Revenue from Operations	23	15,675,116,322	13,892,846,269
II	Other Income	24	186,993,700	185,515,629
III	Total Income (I+II)		15,862,110,022	14,078,361,898
IV	Expenses:			
	Cost of materials consumed	25	74,548,319	104,530,364
	Purchase of Stock in Trade		14,202,139,609	12,508,660,759
	Changes in Inventories of finished goods, work-in-progress and stock in trade	26	-219,211,554	-188,935,417
	Employee benefit expense	27	283,240,578	230,845,036
	Finance costs	28	10,442,675	5,330,871
	Depreciation and amortisation expense	29	34,185,195	28,521,468
	Other expenses	30	1,238,289,574	818,447,377
	Total Expenses (IV)		15,623,634,396	13,507,400,458
V	Profit before exceptional items and Tax (III-IV)		238,475,626	570,961,440
VI	Exceptional items	31	1,283,154	3,071,816
VII	Profit before Tax (V - VI)		237,192,473	567,889,624
VIII	Tax Expense:			
	1) Current tax		93,976,982	197,773,538
	2) Tax for earlier years		-	-
	3) Deferred tax		521,787	3,747,661
	Total Tax expenses		94,498,769	201,521,199
IX	Profit for the year from continuing operations (VII-VIII)		142,693,704	366,368,425
	Discontinued Operations			
	Profit / (Loss) before tax for the year from discontinued operations		-1,043,887	201,859
	Tax income (expense) of discontinued operations		-	-
	Profit / (Loss) for the year from discontinued operations		-1,043,887	201,859

	Other Comprehensive Income			
	A. i) Items that will not be reclassified to profit or loss		-	-
	ii) Income tax relating to items that will not be re-classified to profit or loss		-	-
X	Total other comprehensive income (A(i-ii)+(B(i-ii)))		-	-
XI	Total Comprehensive Income for the year		141,649,817	366,570,284
XII	Earnings Per Equity Share			
	Earnings per share for continuing operations			
	Basic, computed on the basis of profit from continuing operations attributable to equity holders		68.01	181.58
	Diluted, computed on the basis of profit from continuing operations attributable to equity holders		68.01	181.58
	Earnings per share for discontinued operations			
	Basic, computed on the basis of profit from discontinued operations attributable to equity holders		-0.50	0.10
	Diluted, computed on the basis of profit from discontinued operations attributable to equity holders		-0.50	0.10
	Earnings per share for continuing and discontinued operations			
	(a) Basic, computed on the basis of profit for the year attributable to equity holders	32	67.52	181.68
	(b) Diluted ,computed on the basis of profit for the year attributable to equity holders	32	67.52	181.68

The accompanying notes are an integral part of these financial Statements.

For Mysore Sales International Limited

For and on behalf of the Board
For P. Chandrasekar
Chartered Accountants
Firm's Regn. No. 000580S/S200066

Sd/-
K.J. George
Chairman

Sd/-
Dr. G.C. Prakash
Managing Director

Sd/-
Sridevi B N
Compnay Secretary

Sd/-
Subramanya
Chief Financial Officer

Sd/-
D. Mani Kumar
Partner
Membership No. 212544

Date : 16.11.2018
Place :Bengaluru

MYSORE SALES INTERNATIONAL LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

Particulars	For the Year ended March 31, 2018	For the Year ended March 31, 2017
A. Cash flow from operating activities		
Profit before tax	236,603,292	567,889,626
Adjustments for:		
Depreciation and Amortisation	34,185,195	28,521,468
Finance Costs (net)	10,442,675	10,442,675
Interest grant on Government loans	-	-
Net (Gain) / loss arising	-	-
Re-measurement of employee benefit plan	-	-
Dividend Income	-	-
Profit on sale of Fixed Assets (net)	-161,962	20,590
Interest Income	-115,309,207	132,275,772
Bad Debts	7,175,104	-
Liability no longer required written back	-11,989,552	-4,783,712
Accretion in value of investments	-	-
Provision for employee benefits	-	-
Prior Period Income	-	-
Unrealised Exchange (Gain)/Loss	-	-
Loss / (gain) on sale of investments	-	-
Operating profit before working capital changes	160,945,545	734,366,419
Changes in working capital		
Adjustments for increase / (decrease) in	-	
Trade and other receivables	-82,181,786	-107,616,029
Inventories	-293,741,701	-156,112,314
Bank balances other than cash and cash equivalent	-	-
Other Assets	-256,314,539	134,136,877
Other Financial Assets	-29,490,000	19,429,641
Trade Payable	702,217,603	-1,025,984
Other Liabilities	-26,784,084	178,385,254
Other Financial Liabilities	-	
Cash generated from operations	174,651,038	801,563,864
Taxes paid	-214,492,070	-179,993,186
Net cash generated from operating activities	-39,841,032	621,570,678

B. Cash flow from investing activities		
Purchase of fixed assets including capital advances	-109,005,393	-88,417,604
Proceeds from sale of fixed assets	-	-
(Purchase) / Sale of investments	3,000	107,578,749
Investment income	-	-
Interest received	115,309,207	-132,275,772
Dividend received	-	-
Net cash used in investing activities	6,306,814	-221,643,376
C. Cash flow from Financing activities		
Proceeds from issue of Share Capital	-1,043,887	201,859
Proceeds from short-term borrowings	-	-
Repayment of Long-term loan borrowings	-	-
Finance Cost	-10,442,675	-10,442,675
Dividend paid	-	-
Dividend Distribution tax paid	-	-
Net cash used in financing activities	-11,486,562	-10,240,816
Net (decrease) / increase in cash and cash equivalents (A+B+C)	-45,020,780	389,686,486
Reconciliation		
Cash and cash equivalents as at beginning of the year	1,361,275,407	971,588,921
Cash and cash equivalents as at end of the year	1,316,254,627	1,361,275,407
Net (increase) / decrease in cash and cash equivalents	-45,020,780	-389,686,486

The accompanying notes are an integral part of these financial statements

The accompanying notes are an integral part of these financial Statements.

For Mysore Sales International Limited

For and on behalf of the Board
For P. Chandrasekar
Chartered Accountants
Firm's Regn. No. 000580S/S200066

Sd/-
K.J. George
Chairman

Sd/-
Dr. G.C. Prakash
Managing Director

Sd/-
Sridevi B N
Company Secretary

Sd/-
Subramanya
Chief Financial Officer

Sd/-
D. Mani Kumar
Partner
Membership No. 212544

Date : 16.11.2018
Place : Bengaluru

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31-03-2018

1. COMPANY INFORMATION

Mysore Sales International Limited is a premier Government of Karnataka Undertaking, dealing with various products & services. It was established in 1966 as a trading house. Since then, the company has grown primarily as a marketing force with a national presence. It is having a wide network of offices all over Karnataka as well as some important locations in the country. It markets products and services such as dealing in Indian made foreign liquor, conduct of chit funds, manufacturing and marketing of paper products, and Trading/ Marketing of Imported Sand, Pharmaceutical, Industrial and consumer products.

2. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION:

The financial statements of the Company have been prepared and presented in accordance with Indian Accounting Standards (Ind AS) and the relevant provisions of the Companies Act, 2013 ('Act') as applicable. The Ind AS are prescribed under section 133 of the Act, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

For all the periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31 March 2018 are the first set of financial statements the Company has prepared in accordance with Ind AS.

The adoption to Ind-AS has been carried out in accordance with Ind AS 101 – First time adoption of Indian Accounting Standards. The transition has been carried out from Indian GAAP, which was the previous GAAP.

The financial statements have been prepared under the historical cost convention on the accrual basis, except for certain financial instruments which are measured at fair values.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

B. USE OF ESTIMATES:

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

C. STATEMENT OF CASH FLOW

The Statement of cash flows is prepared by the "Indirect method" set out in "Ind-AS 7 Statements of cash flows" and presents the cash flows from operating, investing and financing activities of the Company. Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

D. RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary of Government of Karnataka,. "Ind AS 24 - Related Party Disclosure" exempts the company from making disclosures of transactions with Government are not disclosed.

Name of the Government	Government of Karnataka
Nature of Transaction	Investment in equity shares of Company amounting to Rs. 42,73,47,700/-

A. REVENUE RECOGNITION:

I) SALES, COMMISSION AND SERVICE CHARGES:

- Revenue on product sales and commission income on consignment sales are recognised on despatch.
- Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.
- Foreman's commission, dividend income on Foreman's statutory ticket, interest from defaulted non-prized/prized subscribers, documentation charges from prized subscribers of Chit Fund business and penal interest from hirers are recognised on cash basis due to uncertainty of its collection.

II) OTHER INCOME:

- Interest income on hire purchase sales is recognised on cash basis.
- Commission income due from liquor manufacturers for the period from 1.7.1990 to 13.2.1997, as per High Court directions, is accounted as and when such commission is realised.
- Interest income is recognised on accrual basis.
- Dividend income on investments and dividend from subsidiary companies are accounted for when the right to receive the payment is established.
- The Insurance claim is recognized as Income once the claim gets confirmed from the insurance Company.

B. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost of acquisition or construction, net of accumulated

depreciation and accumulated impairment losses if any, except for Free hold land which is stated at cost of acquisition.

The cost of PPE include Purchase Price, non-refundable duties and taxes, freight and other incidental expenses related to acquisition and installation of the respective assets.

- Tangible Fixed Assets are stated at cost of Acquisition or construction net of cen vat credit, grants, depreciation and impairment loss if any. Cost is inclusive of expenses incurred till the asset is put to use.
- Assets acquired on lease are amortised over the lease period.
- In cases of land acquired on lease cum sale, allotment consideration is capitalised along with yearly lease rental, if any.
- Capital work-in-progress represents expenditure incurred in respect of capital projects under development and are carried at cost. Cost includes related acquisition expenses, development costs, borrowing costs (wherever applicable) and other direct expenditure.
- Cost of construction of structures on leased assets are amortised over the period of lease.
- Fixed Assets fully depreciated or retained by maintaining nominal value of Rs. 1 as residual value except in case of Office Equipments other than beverage division depreciated by retaining 5% as residual value.

Intangible Fixed Assets:

- Intangible Assets are stated at acquisition cost net of accumulated amortisation and accumulated impairment losses if any.

Software/technical/licenses are capitalised where it is expected to provide future economic benefits.

C. DEPRECIATION AND AMORTISATION:

- Depreciation on tangible fixed assets has been provided on straight line method as per the useful

life prescribed in schedule II to the Companies Act 2013. In respect of certain categories of assets, in whose case the life of the assets has been assessed based on the technical advice, taking in to account the nature of the assets, the estimated usage of the asset, the operating conditions of the asset, past history of replacement and maintenance support etc., consider for depreciation computation is given below:-

Category of Asset	Useful life
a. Fire Fighting Equipments	20 years
b. Furniture and Fixtures in liquor outlets	5 years
c. Furniture and Fixtures – Others	10 years
d. Handling Equipments	14 years
e. Weighing Machines	14 years
f. Building- Free Hold	60 years
g. Computer - Tangible - Non Tangible	3 years 6 Years
h. Office Equipments	5 years
i. Electrical Equipments	10 years
j. Vehicles	8 years

- b. Depreciation on building constructed on lease hold land is provided over remaining period of the lease commencing from the date it was put to use.
- c. Depreciation on fixed assets added/dropped off/discarded during the year has been provided on prorata basis with reference to the date of addition/disposal/discarding.

D. BORROWING COSTS:

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs are capitalized as a part of the cost of qualifying asset when it is possible that they will result in

future economic benefits and the cost can be measured reliably.

Other borrowing costs are recognized as an expense in the period in which they are incurred and charged to the Statement of Profit and Loss.

E. LEASES:

i. Where the company is the lessor

Leases in which the Company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Asset given under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Asset subject to operating lease are included in fixed assets. Lease income on an operating lease is recognized in the statement of profit and loss in accordance with the terms of agreement. Costs, including depreciation are recognized as an expense in the statement of profit and loss. Initial direct cost such as legal costs, brokerage costs, etc., are recognized immediately in the statement of profit and loss.

ii. Where the Company is the lessee

Finance Leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the

finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance cost in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule II to the Companies Act, 2013, whichever is lower. However, if there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule II to the Companies Act, 2013.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, 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 lease term in accordance with the Indian Accounting Standard 17.

The total of future minimum lease payments under non – cancellable operating leases for each of the following periods:

Particulars	Amount In Rs.
Not later than 1 year	1,38,061/-
Later than 1 year and not later than 5 years	3,46,133/-
Later than 5 years	53,74,523/-

F. FOREIGN CURRENCY TRANSACTION:

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Assets and Liabilities related to foreign currency transactions remaining unsettled at the year end are stated at the contracted rates,

when covered under forward foreign exchange contracts, and in other cases at the year end rates.

The exchange differences on settlement of foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account.

The Indian Rupee (INR) is the functional currency of the Company and the Company presents its financial statements in INR.

G. INVENTORIES:

Inventories are valued as under:

Raw materials, stock in transit, traded goods and finished goods (except saleable or disposable stocks of scrap) are valued at the lower of cost or net realisable value. Saleable/disposal stock of scrap is valued at estimated net realisable value. Cost is determined on weighted average basis in case of Paper Division and First In First Out (FIFO) Basis in case of Beverages/Pharma Division. By-products and damaged stocks are valued at lower of weighted average cost or estimated realisable value. Raw materials and consumables issued to convertors are considered as Finished Goods only at the time of receipt of notebooks from the convertors. Freight inward is not considered for valuation of stock of liquor.

H. INVESTMENTS:

- a. Current investments are valued and carried at lower of cost or fair value on individual Investment basis. Long-term investments are carried at cost. Permanent diminution, if any, in the value, on individual investment basis, is provided for. Such permanent diminution, if any, is ascertained by reference to its market value.
- b. For the purposes of provision;-
 - I) In respect of Investments in equity shares, where current quotation are available valuation is done as per the market value based on the market price of the script at the

year end as available from the trades/ports on the stock exchange.

- II) In respect of shares where current quotations are not available from the stock exchange or where the shares are not quoted on the stocks exchange, these share are valued at break- up value as per the latest available balance sheet except investment made in Subsidiary companies are valued at cost.

I. EMPLOYEE BENEFITS:

a) Short-term employee benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, estimated bonus, ex-gratia and short term compensated absences are recognised in the period in which the employee renders the related service.

b) Defined Benefit Plan:

i) Gratuity: The liability for gratuity, being a defined benefit plan, is determined by actuarial valuation at each balance sheet date and actuarial gains/losses are charged to Statement of Profit and Loss. The company makes contribution to the MSIL Employee Gratuity Fund Trust managed by LIC.

ii) Compensated absences:

The Company's liability towards leave entitlement benefits is accounted for on the basis of actuarial valuation at each balance sheet date. The actuarial loss/gain is charged to Statement of Profit and Loss.

iii) Death Relief Fund:

The Company's liability towards Death Relief Fund is accounted for on the basis of actuarial valuation at the balance sheet date. The valuation has been arrived at based on company's policy.

c) Defined Contribution Plan:

The Company's defined contribution plans are Employees' Provident Fund (under the provisions

of Employees Provident Funds and Miscellaneous Provisions Act, 1952) and ESI (under the provisions of Employees State Insurance Act, 1948). The company has no further obligations beyond making the company's contributions. The company's contribution to Provident Fund and ESI are made at prescribed rates and are charged to Statement of Profit and Loss.

J. GOVERNMENT GRANTS:

The accounting for Government Grants and Disclosure:

(a) CAPITAL GRANT:

In the case of depreciable assets for the Government Grants, Company followed Capital approach, since it is a financing device and no repayment, the grant is recognized outside profit and loss account, by recognizing the grant amount received/receivable will form part of PPE Asset side of Balance Sheet, equivalent grant amount recognized as Deferred Grant Reserve in Liability side of Balance Sheet, and amortized over the life of the assets as specified in clause No.G of the Accounting policy, the method is in accordance with the Ind AS 20.

(b) REVENUE GRANT:

Grant related to Income whether in the form of monitory or non-monitory grant is recognized in Profit and Loss account as other income and equivalent amount is considered as Expenditure. In order to match with the realized amount related to such grant is accounted as revenue and not credited directly to equity, as specified in Ind AS 20

K. TAXES ON INCOME:

Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961. Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes down the carrying amount of deferred tax asset 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. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain as the case may be that sufficient future taxable income will be available.

L. EARNINGS PER SHARE:

Basic earnings per share are 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. Partly paid equity shares (if any) are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and consolidation of shares if any.

For the purpose of calculating Diluted Earnings per Share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive equity shares.

M. IMPAIRMENT OF ASSETS:

At each Balance Sheet date, the carrying amount of assets is assessed for any indication of potential impairment loss in the value of the assets. The impairment loss is recognised

when the carrying amount of assets exceeds its recoverable amount. Reversal of impairment loss is recognised immediately as income in the Statement of Profit and Loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

N. PROVISIONS / CONTINGENCIES:

A provision is recognised when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made. Provisions made in terms of AS 29 are not discounted to its present value and are determined 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 by way of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are not recognised in the financial statements.

O. TRANSITION TO IND AS

First time adoption to Ind-AS

These financial statements of the Company have been prepared in accordance with Ind AS. For the purpose of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 – First Time adoption of Indian Accounting Standard, with 1 April 2015 as the transition date.

PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK-IN-PROGRESS

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Carrying amounts of:			
Freehold land	7,248,812	7,248,812	7,248,812
Leashold land	12,249,058	12,249,058	10,534,547
Buiding - Freehold	171,988,941	175,504,787	178,257,253
Buiding - Leasehold	262,927,736	3,604,352	3,753,220
Handling Equipment	25,633	31,638	108,333
Electrical Equipment	100,402,358	18,391,525	17,786,763
Computers	4,640,617	4,227,164	3,156,314
Furniture and fixtures	79,029,199	12,730,050	17,980,769
Vehicles	14,959,750	5,544,622	3,043,524
Leased Assets	92	92	92
Office Equipment	39,563,272	39,059,249	3,438,167
Grant Assets	196	197	197
Intangibles	2,435,956	3,668,740	4,144,625
Total	695,471,620	282,260,286	249,452,616
Capital work-in-progress	2,011,291	340,240,465	313,172,589
	697,482,911	622,500,751	562,625,205

Consolidated

Particulars	Freehold land	Leashold land	Buildng - Freehold	Building-Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Cost or Deemed cost														
Balance at April 01, 2016	7,248,812	10,534,547	207,143,494	5,291,255	1,174,098	43,157,828	18,194,071	101,824,209	6,433,050	244,499,975	19,605,250	197	7,379,513	672,486,299
Additions	-	1,714,511	709,161	-	-	3,209,950	3,125,479	2,477,726	3,289,444	-	46,386,951	-	727,033	61,639,555
Disposals	-	-	-	-	-	107,034	11,420	147,148	-	-	240,028	-	-	505,630
Balance at March 31, 2017	7,248,812	12,249,058	207,852,655	5,291,255	1,174,098	46,260,044	21,308,130	104,154,787	9,722,494	244,499,975	65,752,173	197	8,106,546	733,620,224
Additions	-	-	-	259,495,927	-	85,884,493	3,154,434	76,767,950	11,297,803	-	10,922,696	-	38,940	447,562,243
Disposals	-	-	-	-	-	492,701	46,357	332,504	165,456	-	120,524	1	-	1,157,543
Balance at March 31, 2018	7,248,812	12,249,058	207,852,655	264,787,182	1,174,098	131,651,837	24,416,207	180,590,234	20,854,841	244,499,975	76,554,345	196	8,145,486	1,180,024,928

Particulars	Freehold land	Leashold land	Buildng - Freehold	Building-Leasehold	Handling Equipment	Electrical Equipment	Computers	Furniture and fixtures	Vehicles	Leased Assets	Office Equip-ment	Grant Assets	Intan-gibles	Total
Accumulated Depreciation & Impairment														
Balance at 01 April, 2016	-	-	28,886,241	1,538,035	1,065,765	25,371,065	15,037,757	83,843,440	3,389,526	244,499,883	16,167,083	-	3,234,888	423,033,683
Disposals	-	-	-	-	-	37,081	10,986	147,146	-	-	-	-	-	195,213
Depreciation expenses	-	-	3,461,627	148,888	76,695	2,534,535	2,054,196	7,728,444	788,344	-	10,525,841	-	1,202,918	28,521,468
Balance at 31 March, 2017	-	-	32,347,868	1,686,903	1,142,460	27,886,519	17,080,967	91,424,738	4,177,872	244,499,883	26,692,924	-	4,437,806	451,359,939
Disposals	-	-	-	-	-	324,167	46,355	338,205	165,455	-	117,645	-	-	991,827
Depreciation expenses	-	-	3,515,846	172,543	6,005	3,705,127	2,740,979	10,474,502	1,882,674	-	10,415,794	-	1,271,724	34,185,194
Balance at 31 March, 2018	-	-	35,863,714	1,859,446	1,148,465	31,249,479	19,775,591	101,561,035	5,895,091	244,499,883	36,991,073	-	5,709,530	484,553,306
Carrying amount as on April 01, 2016	7,248,812	10,534,547	178,257,253	3,753,220	108,333	17,786,763	3,156,314	17,990,769	3,043,524	92	3,438,167	197	4,144,625	241,869,535
Carrying amount as on March 31, 2017	7,248,812	12,249,058	175,504,787	3,604,352	31,638	18,391,525	4,227,163	12,730,049	5,544,622	92	39,059,249	197	3,668,740	282,260,285
Carrying amount as on March 31, 2018	7,248,812	12,249,058	171,988,941	262,927,736	25,633	100,402,368	4,640,616	79,029,199	14,959,750	92	39,563,272	196	2,435,956	695,471,622

NOTES-3

INVESTMENT PROPERTY

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Carrying amounts of:			
Investment property	-	-	-
Total	-	-	-

NOTES-4

OTHER INTANGIBLE ASSETS

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Carrying amounts of:			
Software and licenses			-
Total	-	-	-

Particulars	As at March 31, 2018	As at March 31, 2017
Cost or Deemed cost		
Balance at the beginning of the year		
Additions	-	-
Balance at end of the year	-	-

Particulars	As at March 31, 2018	As at March 31, 2017
Accumulated depreciation and impairment		
Balance at the beginning of the year	-	
Depreciation expenses	-	-
Balance at end of the year	-	-
Carrying amount at the end of year	-	-

NOTE-5
INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
I. Quoted Investments			
a) Investments in Equity Instruments at cost			
Investment in equity shares of M/s. J K Tyre Industries Limited:			
Fully Paid Equity Shares 329,060 equity shares of Rs.2 each fully, (65,812 @ 10 Per Share)	2,861,005	2,861,005	2,861,005
Investment in equity shares of M/s.Bengal & Assam Co Limited:			
Fully Paid Equity Shares 3,831 equity shares of Rs.10 each fully, (3,831 @ 10 Per Share)	487,426	487,426	487,426
Total Aggregate Quoted Investments	3,348,431	3,348,431	3,348,431
Aggregate book value of quoted investments	3,348,431	3,348,431	3,348,431
Aggregate market value of quoted investments	58,075,933	49,791,410	7,361,478
II. Un-quoted Investments			
a) Investments in Equity Instruments at cost			
Investment in equity shares of M/s. Marketing Communication & Advertising Limited (wholly owned subsidiary):			
Fully Paid Equity Shares (357,252 @ 100 Per Share)	59,738,400	59,738,400	59,738,400
Investment in equity shares of M/s. Hassan Mangalore Rail Development Company Limited:			
Fully Paid Equity Shares (7,000,000 @ 10 Per Share)	70,000,000	70,000,000	70,000,000
Investment in equity shares of M/s. Food Karnataka Limited:			
Fully Paid Equity Shares (50,000 @ 10 Per Share)	500,000	500,000	500,000

Investment in equity shares of M/s.Mysore Chrome Tanning Company Limited (subsidiary company):			
Fully Paid Equity Shares (720,875 @ 10 Per Share), (issued at nominal value of Rs.5000 as per Government order)	5,000	5,000	5,000
Investment in equity shares of M/s.K T Apartment Owners' Association: Fully Paid Equity Shares (35 @ 100 Per Share)	3,500	3,500	3,500
Investment in equity shares of M/s.K T Mansions Appartments Owners' Association: Fully Paid Equity Shares (25 @ 100 Per Share)	2,500	2,500	2,500
Investment in The Karnataka State Co-operative Apex Bank Limited - One -C- Class Ordinary Share: Fully Paid Equity Shares of Rs. 1,000,000/- each (E- Class Rs.50,000)	1,000,000	1,000,000	50,000
	131,249,400	131,249,400	130,299,400
Less: Diminution in value of investments	-	-	-
	131,249,400	131,249,400	130,299,400
a) Investments in Government Securities at cost			
National Saving Certificate **	-	3,000	3,000
Total aggregate of un-quoted Investments	131,249,400	131,252,400	130,302,400
Total Non-Current Investments	134,597,831	134,600,831	133,650,831

5.1 The details of material subsidiaries are given in Note 42 - Related party

NOTE 6

OTHER FINANCIAL ASSETS

Particulars	Non-Current			Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
At Amortised Cost						
a) Security Deposit	-	-	-	-	-	-
b) Interest receivable	-	-	-	-	-	-
c) Dividend from Associate /Subsidiary	-	-	-	-	-	-
d) Advance recoverable in cash		-	-	-	-	-
(i) Unsecured and Considered good	-	-	-	-	-	-
(ii) Considered doubtful	-	-	-	-	-	-
Less: Provision for Doubtful advances	-	-	-	-	-	-
e) Other receivable	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTE 7

DEFERRED TAX BALANCES

Particulars	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
Deferred tax assets	109524915	101870057	103046488
Deferred tax liabilities	12411605	4234961	1663730
Total (NET)	97113310	97635096	101382758

2017-18	Opening balance	Recognised in profit or loss account	Recognised in Other Comprehensive income	Closing balance
Deferred tax (Liabilities) / Asset in relation to				
Property, Plant and equipment	-12,411,605	-12,411,605	-	-
Provision compensated absences and others	108,536,959	108,536,959	-	-
Defined benefit obligation	987,956	987,956	-	-
Total	97,113,310	97,113,310	-	-
Tax losses	-	-	-	-
Net Deferred tax Assets / (Liability)	97,113,310	97,113,310	-	-
MAT credit entitlement				
Total	97,113,310	97,113,310	-	-

2016-17	Opening balance	Recognised in profit or loss account	Recognised in Other Comprehensive income	Closing balance
Deferred tax (Liabilities) / Asset in relation to				
Property, Plant and equipment	-4,234,961	8,176,644	-	-12,411,605
Provision compensated absences and others	100,882,102	-7,654,857	-	108,536,959
Defined benefit obligation	987,959	-	-	987,956
Total	97,635,100	521,787	-	97,113,310
Tax losses	-	-	-	-
Net Deferred tax Assets / (Liability)	97,635,100	521,787	-	97,113,310
MAT credit entitlement				
Total	97,635,100	521,787	-	97,113,310

NOTE 8

OTHER ASSETS

Particulars	Non-Current			Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
At Amortised Cost						
a) Security Deposit	-	-	-	-	-	-
b) Advances	-	-	-	1,035,211,411	983,035,322	1,162,167,263
c) Interest On Deposits	-	-	-	137,290,861	127,890,163	134,632,922
d) Balance with Customs and Central excise / GST authorities	-	-	-	33,206,694	2,450,829	227,046
e) Advance receivable in kind or for value to be received	-	-	-	-	-	-
(i) Unsecured and Considered good	1,022,129,175	889,733,910	954,431,376	6,664,502	5,883,544	12,488,406
(ii) Considered doubtful	-	-	-	-	-	-
f) Prepaid Expenses	-	-	-	82,458,201	47,831,377	35,133,337
g) Preliminary Expenses	-	-	-	-	-	-
h) Loan and advances to Employees	254,502	221,176	631,597	-	-	-
i) Advance Income Tax and TDS	-	-	-	212,848,250	196,236,550	208,458,971
Less: Expected Credit Loss	-109,546,806	-109,546,806	-109,546,806	-10,333,770	-10,333,770	-10,333,770
Total	912,836,871	780,408,280	845,516,167	1,497,346,149	1,352,994,015	1,542,774,175

NOTE 9

INVENTORIES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
a) Raw Materials			
Paper and Straw board	9,666,849	17,681,338	24,206,906
Convertors	1,404,715	2,062,231	28,359,766
b) Finished goods	142,965,839	128,624,181	180,809,076
c) Stock in trade (acquired for trading)	1,083,423,122	794,172,688	553,052,376
Less: Expected Credit Loss	-41,259,575	-41,259,575	-41,259,575
Total	1,196,200,950	901,280,863	745,168,549

In terms of agreement for purchase of Imported natural river sand the tendered prices are at CIF rate at Bengaluru. Since the materials of 102937.77 MTs lying at port the value of closing stock of sand is arrived at landed price at port and not at CIF value

NOTE 10

Other Investments

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade payables	-	-	-
Employee related	-	-	-
Total	-	-	-

NOTE 11

TRADE RECEIVABLES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade Receivables			
Secured, Considered good	856,730.00	441,411.00	1,457,000.00
Unsecured, Considered good	269,255,175.00	194,663,812.00	86,032,194
Doubtful	-	-	-
Expected Credit Loss	-53,484,380	-53,484,380	-53,484,380
	216,627,525	141,620,843	34,004,814
Current	216,627,525	141,620,843	34,004,814
Non-current	-	-	-

The credit period on sale of goods ranges from 0 to 120 days. No interest is charged on trade receivables. The Company uses available information in the public domain and on its own internal assesment and trading records before accepting any customer.

NOTE 12

CASH AND CASH EQUIVALENTS

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade Receivables			
a) Balances with banks			
(i) In Current account	622,182,319	280,455,782	109,027,309
(ii) In Deposit account	643,527,731	1,037,392,159	815,636,651
(ii) In EEFC account	-	-	-
b) Cash on hand	50,267,886	43,215,121	40,269,449
c) Cheques,drafts on hand	-	-	6,537,844
d) Remittances in Transit	276,691	212,345	117,668
Total	1,316,254,627	1,361,275,407	971,588,921

NOTE 13

OTHER BANK BALANCES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade Receivables			
a) Balances with banks in earmarked accounts			
(i) Deposits with schedule banks more than 12 months	104,674,263	108,528,749	-
(ii) In margin money accounts for Bank Guarantee issued	669,075,965	639,585,965	659,015,606
Total	773,750,228	748,114,714	659,015,606

NOTE 14

CURRENT TAX ASSET AND LIABILITIES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Tax refund receivable (net)	-	-	-
Total	-	-	-

NOTE 15

EQUITY SHARE CAPITAL

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
AUTHORISED			
Equity Shares:			
75,00,000 Equity shares of Rs.100 each (2017 - 7,500,000; 2016 - 7,500,000)	750,000,000	750,000,000	750,000,000
ISSUED, SUBSCRIBED AND FULLY PAID UP			
(2017- 2,017,660; 2016 - 2,017,660)	4,273,477	201,766,000	201,766,000
Equity Shares of Rs 100- each			
Total	4,273,477	201,766,000	201,766,000

15.1 Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period.

Reconcilitaion	2017-18 No.of shares	Amount in Rs	2016-17 No.of shares	Amount in Rs.	2015-16 No.of shares	Amount in Rs
a) Equity Shares of Rs.100 each fully paid up						
At the beginning of the period	20,17,660	20,17,66,000	20,17,660	20,17,66,000	20,17,660	20,17,66,000
Issued during the perdioid	22,55,817	22,55,81,700	-	-	-	-
At the end of the period	42,73,477	42,73,47,700	20,17,660	20,17,66,000	20,17,660	20,17,66,000

15.2 Details of shares held by each shareholder holding more than 5 percent of equity shares in the Company:

Reconcilitaion	No. of shares held as at					
	March 31, 2018		March 31, 2017		April 01, 2016	
	Nos.	%	Nos.	%	Nos.	%
Karnataka State Industrial Infrastructure & Development Coproration Limited (20,17,660) of 100 each	2,017,660	47.21%	2,017,660	100%	2,017,660	100%
Government Of Karnataka (22,55,817) of 100 each	2,255,817	52.79%	-	0%	-	0%

15.3 Term attached to Equity Shares:

The Company has one class of equity share having a par value of Rs.100 per share. Each holder of equity share is entitled to one vote per share. The dividend when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General meeting. Repayment of capital on liquidation will be in proportion to the number of equity shares held.

NOTE 16
OTHER EQUITY

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Share application money pending allotment	79	225,581,779	225,581,779
General Reserve	1,720,590,509	1,671,435,765	1,628,048,780
Investments in equity / MF through FVTPL	-	-	-
Revenue arising from Interest free rental deposit	-	-	-
Effective interest rate	-	-	-
Deferred tax adjustment	-	-	-
Reserve for equity instruments through other comprehensive income	-	-	-
Actuarial movement through other comprehensive income (net of tax)	-	-	-
Retained earnings (surplus in profit or loss account)	1,127,109,195	1,034,614,108	735,148,582
Total	2,847,699,783	2,931,631,652	2,588,779,141

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
a) Capital Reserve			
Opening balance	-	-	-
Add: Appropriation from Profit or Loss account	-	-	-
Closing Balance	-	-	-
The capital redemption reserve is created out of the statutory requirement to create such reserve on redemption of Preference shares. These are not available for distribution of dividend and will not be reclassified subsequently to profit or loss.			
b) Securities Premium Account			
Opening balance	-	-	-
Add: Appropriation from Profit or Loss account	-	-	-
Closing Balance	-	-	-
c) General Reserve			
Opening balance	1,671,435,765	1,628,048,780	1,592,233,216
Add: Transfer from General Reserve	49,154,744	43,386,985.0	35,815,564
Less: IND AS Adjustment	-	-	-
Closing Balance	1,720,590,509	1,671,435,765	1,628,048,780

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income., items included in the general reserve will not be reclassified subsequently to profit or loss except to the extent permitted as per Companies Act,2013 and rules made thereunder.

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01,2016
d) Actuarial movement through Other Comprehensive Income			
Opening balance	-	0	0
Additions/(Deletions)	-	-	-
Closing Balance -	-	-	
e) Retained Earnings			
Opening balance	1,034,614,108	735,148,582	661,916,028
Less: Transfer to Capital Redemption Reserve		-	-
Less: Unamortised carrying value of Fixed Assets	-	-	-12,698,504
Less: Dividend on Equity Shares	-	-20,176,600	-20,176,600
Less: Tax on Dividend on Equity Shares	11	-3,541,173	-4,034,110
Less: Transfer to Reserves	-49,154,744	-43,386,985	-35,815,564
Profit /(Loss) for the year	141,649,817	366,570,284	360,581,863
Less: IND AS Adjustment			-214,624,531
Closing Balance	1,127,109,193	1,034,614,108	735,148,582

The amount that can be distributed by the Company as dividends to its equity shareholders is determined based on the separate financial statements of the Company and also considering the requirements of the Companies Act, 2013. Thus, the amounts reported above are not distributable in entirety.

Total Other Equity	2,847,699,702	2,706,049,873	2,363,197,362
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NOTE 17 NON-CURRENT BORROWINGS

Particulars	Non-Current portion			Current maturities		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Unsecured - at amortised cost						
-Loan from Govt. of Karnataka	3,02,300	3,02,300	3,02,300	-	-	-
-Interest accrued & due above unsecured	9,61,763	9,61,763	9,61,763	-	-	-
-Loan from Karnataka Industrial Infrastructure & Development Corporation Limited	28,56,250	28,56,250	28,56,250	-	-	-
-Loan from Govt. of Karnataka	9,00,000	9,00,000	9,00,000	-	-	-
- Interest accrued & due on above loans	1,24,35,219	1,24,35,219	1,24,35,219	-	-	-
- Karnataka Road Transport Corporation	7,21,33,041	7,21,33,041	7,21,33,041	-	-	-
- Special Component Plan	10,00,000	10,00,000	10,00,000	-	-	-
Sub Total	9,05,88,573	9,05,88,573	9,05,88,573	-	-	-
Grand Total	9,05,88,573	9,05,88,573	9,05,88,573	-	-	-

NOTE 18

OTHER FINANCIAL LIABILITIES

Particulars	Current			Non-Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
At Amortised Cost						
a) Current maturities of long-term debt	-	-	-	-	-	-
b) Interest accrued but not due on borrowings -	-	-	-	-	-	-
a) Unclaimed dividends (refer note 20.1 & 20.2)	-	-	-	-	-	-
d) Redeemable Preference Shares	-	-	-	-	-	-
e) Other Liabilities	-	-	-	-	-	-
-Advances and Deposits repayable in cash	-	-	-	-	-	-
-Other Miscellaneous liabilities	-	-	-	-	-	-
Total	-	-	-	-	-	-

20.1 These amounts represent warrants issued to the shareholders which remained un-presented as on March 31,2018.

20.2 During the year there are no amount due to be transferred to Investor Education and Protection fund

NOTE 19

PROVISIONS

Particulars	Non-Current			Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
a) Compensated absences (Earned Leave)	62,803,972	73,286,851	70,035,692	44,176,501	6,580,245	6,363,321
b) Gratuity	-	-	-	5,948,098	(1,510,168)	421,508
c) Provision for Income Tax [net of TDS and Advance Tax]				93,976,982	197,880,370	192,322,439
d) Related to expenses	31,259,962	29,976,807	28,693,653			
e) TCS Payable				364,274,788	364,274,788	364,274,788
F) Dividend Payable				-	23,738,621	24,305,613
Total	94,063,934	103,263,658	98,729,345	508,376,369	590,963,856	587,687,669

NOTE 20

OTHER LIABILITIES

Particulars	Non-Current			Current		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
a) Excise duty on un-despatched stock	-	-	-	-	-	-
b) Statutory remittances (Contributions to PF, ESIC, TDS, GST, VAT, Service tax etc)	-	-	-	24,705,144	24,705,144	24,705,144
c) Advances and Deposits from Customers / others	785,725,827	791,878,247	763,366,306	70,502,123	12,259,800	34,491,344
d) Deferred revenue arising from Interest free deposit	-	-	-	-	-	-
e) Interest accrued	5,387,534	5,387,534	5,387,534	-	-	-
h) Others	9,780,310	8,317,531	11,089,309	251,853,977	356,296,472	164,738,345
Total	800,893,671	805,583,312	779,843,149	347,061,244	393,261,416	223,934,833

NOTE 21

SHORT-TERM BORROWINGS

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Secured - at amortised cost			
Loan repayable on demand (refer note a below)			

a) Working capital facilities in the form of open cash credit from State bank of India is secured by Working Capital.

NOTE 22

TRADE PAYABLES

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Trade payables	1,816,767,702	1,113,960,906	1,114,986,890
Employee related	-	-	-
Total	1,816,767,702	1,113,960,906	1,114,986,890

Trade payables are non-interest bearing and are normally settled between 30-60 days

The Company has requested its suppliers to confirm the status as to whether they are covered under the Micro, Small and Medium Enterprises Development Act, 2006. In the absence of confirmations from the suppliers, disclosure, if any, relating to unpaid amounts as at the year end together with interest paid / payable as required under the Act has not been given.

NOTE 23
REVENUE FROM OPERATIONS

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(a) Sale of Products (Including Excise Duty)		
Sales		
Liquor	14,091,432,931	13,304,301,833
Note Books & Stationery	1,267,181,720	407,475,507
Pharmaceutical	15,743,571	1,209,000
Others	158,370,212	38,004,089
Income Earned on Chit Fund Business		
Foreman's Commission	112,568,284	113,413,700
Dividend	14,545,304	15,039,038
Default Interest	14,188,678	12,579,646
Commission and service charges	1,085,622	823,456
(b) Other operating revenues	-	-
Total	15,675,116,322	13,892,846,269

NOTE 24
OTHER INCOME

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(a) Interest income		
On bank deposits	115,309,207	132,275,772
(b) Dividend Income		
From equity investments designated	-	-
(b) Other gains or losses		
- Net gain on foreign currency transaction	315,631	-
(c) Other non-operating income		
Liability no longer required written back	11,989,552	4,783,712
Income from JV	27,276	31,751
Dividend	4,442,894	3,504,295
Rent	33,355,812	28,925,050
Discount Received	100,921	2,214,130
Profit on sale of Assets	259,447	-
Other Miscellaneous income	21,192,960	13,780,919
	186,993,700	185,515,629

NOTE 25
COST OF MATERIAL CONSUMED

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Raw Material	74,548,319	104,530,364
Total	74,548,319	104,530,364

NOTE 26
COST OF MATERIAL CONSUMED

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Opening Stock:		
Traded Goods	794,172,688	553,052,376
Finished goods	128,624,181	180,809,076
	922,796,869	733,861,452
Closing Stock:		
Traded Goods	999,042,584	794,172,688
Finished goods	142,965,839	128,624,181
	1,142,008,423	922,796,869
Decrease / (Increase) in stocks	-219,211,554	-188,935,417
Excise duty adjustment for movement in Finished goods inventory	-	-
Net change (Increase) / Decrease	-219,211,554	-188,935,417

NOTE 27
EMPLOYEE BENEFIT EXPENSE

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(a) Salaries, Wages and Bonus	177,626,048	176,002,655
(b) Contribution to Provident and other Funds	25,675,489	13,433,229
(c) Compensated Absences	33,840,001	12,899,398
(d) Gratuity	18,469,973	530,824
(e) Workmen and Staff welfare expenses	27,629,066	27,978,930
Total	283,240,578	230,845,036

NOTE 28
FINANCE COST

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(i) Interest costs		
(a) Bank Loans and others	89,781	243,864
(b) Government Loans	-	-
(ii) Other borrowing costs	10,352,894	5,087,007
Total	10,442,675	5,330,871

NOTE 29
DEPRECIATION AND AMORTISATION EXPENSE

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Depreciation/amortisation on		
a) Property, Plant and Equipment	34,185,195	28,521,468
b) Investment property		
c) Intangible assets		
Total	34.185.195	28.521.468

NOTE 30
OTHER EXPENSES

Particulars	Year ended March 31, 2018		Year ended March 31, 2017	
Conversion charges - Notebooks		10,955,747		14,018,664
Packing Material & Secondary Freight		65,946,000		67,905,227
Outsourcing expenses		326,804,356		242,345,257
Rent		101,231,734		70,075,422
Repairs & Maintenance :				
- Building	17,612,939		10,206,488	
- Vehicle	1,709,738		800,029	
- Others	18,739,584	38,062,261	9,354,897	20,361,414
Insurance		8,091,249		7,724,119
Rates & Taxes		395,332,983		222,227,524
Miscellaneous Expenses		28,108,030		13,391,013
Advertisement		44,537,591		29,630,590
Payment to the Auditor :				
- For Audit		1,136,576		402,500
- Tax Audit		90,860		80,500
Postage, Telex & Telephones		9,744,817		8,644,997
Printing & stationery		10,356,522		9,220,959
Legal and Professional Charges		32,221,097		33,475,903
Travelling		24,577,193		19,411,074
Electricity & Water		11,377,668		10,547,856
Security Services		4,180,788		5,063,217
Commission		50,751,030		17,062,172
Chief Minister's Relief Fund (CSR)		54,079,716		20,000,000
Donations				
Under Sec 80 G	-		225,000	
Other than 80 G	-		1,500,000	
Directors Sitting fees	152,160		53,000	
Bad & Doubtful Debts	7,175,104		-	
Foreign exchange fluctuation		-		-
Loss on Sale of Assets		97,485		20,590
Provision for doubtful debts/advances		13,278,607		5,060,379
Total		1,238,289,574		818,447,377

NOTE 31

EXCEPTIONAL ITEMS

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Exceptional items of (Debit)	1,283,154	1,285,202
Prior Period expenses	-	1,788,661
Exceptional items of (Credit)		
Exceptional items (Net)	1,283,154	3,073,863

NOTE 32

EARNINGS PER SHARE

Particulars	2017-18	2016-17
Basic Earnings per share for continuing operations	68.01	181.58
Diluted Earnings per share for continuig operations	68.01	181.58
Basic Earnings per share for discontinued operations	(0.50)	0.10
Diluted Earnings per share for discontinued operations	-0.50	0.10

39.1 Basic Earnings per share

The earnings and weighted average number of equity shares used in the calculation of basic earnings per share as follows

Profit attributable to equity holders from continuing operations	142,693,704	366,368,425
Profit attributable to equity holders from discontinued operations	-1,043,887	201,859
Number of equity shares of Rs.100 each outstanding at the beginning of the year	2,017,660	2,017,660
Number of equity shares of Rs.100 each outstanding at the end of the year	4,273,477	2,017,660
Weighted Average number of Equity Shares	2,098,004	2,017,660

The weighted average number of equity shares for the purpose of diluted earnings per share reconciles to the weighted average number of equity shares used in the calculation of basic earnings per share as follows:

Weighted average number of equity shares used in calculation of basic earnings per share	2,098,004	2,017,660
Shares deemed to be issued for no consideration	-	-
Weighted average number of equity shares used in calculation of diluted earnings per share	2,098,004	2,017,660

NOTE 33
PAYMENT TO AUDITORS

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
a) Audit Fees	1,136,576	402,500
b) Fees for other services	90,860	80,500
Total	1,227,436	483,000

NOTE 34
DIRECT OPERATING EXPENSES ARISING FROM INVESTMENT PROPERTY

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Property that generated rental income during the	-	-
Property that did not generate rental income during	-	-
Total	-	-

NOTE 35
DIRECTOR'S REMUNERATION

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
a) Remuneration	3,185,273	1,622,939
b) Sitting Fees	152,160	53,000
c) Medical	794,642	385,633
Total	4,132,075	2,061,572

NOTE 36
OPERATING LEASE ARRANGEMENTS (Company as Lessor)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Rental income	-	-
Total	-	-

NOTE 37
INCOME TAXES RELATING TO CONTINUING OPERATIONS

Particulars	2017-18	2016-17
Current tax		
for Current year	9,39,76,982	19,77,73,538
for Previous years	-	-
Deferred tax		
for Current year	5,21,787	37,47,661
Total	9,44,98,769	20,15,21,199

Note (i) Experience Adjustments

38: Experience Adjustments

Particulars	For the period ending		
	31-Mar-16	31-Mar-17	31-Mar-18
(Gain) / Loss on Plan Liabilities	-	-806,765	670,315
% of Opening Plan Liabilities	0.00%	-7.48%	7.67%
Gain / (Loss) on Plan Assets	-	-	-53,892
% of Opening Plan Assets	0.00%	0.00%	-0.69%

39. Notes:

- Experience adjustment has been provided only to the extent of details available.
- Estimates of future salary increase take account of inflation, seniority, promotion and other relevant factors.
- The discount rate is based on the prevailing market yields of Government of India Bonds as at the Balance Sheet date for the estimated term of the obligation.
- The Company's gratuity funds are managed by the M/s. Life Insurance Corporation and therefore the composition of the fund assets is not presently ascertained.
- The Company's best estimate of the contribution expected to be paid to the plan during the next year is Rs.2,338,369.

Note (ii) Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and attrition rate. The sensitivity analysis below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period., while holding all other assumptions constant. The results of sensitivity analysis is given below:

Particulars	March 31, 2018	March 31, 2017	April 01, 2016
Discount rate			
- 0.50% increase	-	-	-
- 0.50% decrease	-	-	-
Salary growth rate			
- 0.50% increase	-	-	-
- 0.50% decrease	-	-	-
Attrition rate			
- 0.50% increase	-	-	-
- 0.50% decrease	-	-	-

NOTE 40

40.1 Capital management

The Company's capital management is intended to maximise the return to shareholders for meeting the long and short-term objectives of the Company through the leveraging of the debit and equity balance

The Company determines the amount of capital required on the basis of annual and long-term operating plans and strategic investment plans. The funding requirements are met through long and short-term borrowings. The Company monitors the capital structure on the basis of debt to equity ratio and the maturity of the overall debt of the Company.

The following table summarises the capital of the Company:

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Equity	3,275,047,483	3,133,397,652	2,790,545,141
Debt	-	-	-
Cash and cash equivalents	1,316,254,627	1,361,275,407	971,588,921
Net debt	1,316,254,627	1,361,275,407	971,588,921
Total capital (Equity + Net debt)	4,591,302,110	4,494,673,059	3,762,134,062
Net debt to capital ratio	0.29	0.30	0.26

40.2 Capital management

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Financial assets			
Measured at fair value through profit or loss			
a) Mandatorily measured:			
i) Equity investments	-	-	-
Measured at amortised cost			
i) Cash and bank balances	1,316,254,627.00	1,361,275,407.00	971,588,921.00
i) Other financial assets at amortised cost	-	-	-
Measured at			
i) Investments in equity instruments designated upon initial recognition	-	-	-
Measured at cost			
i) Investments in equity instruments in subsidiaries and associate	134,597,831.00	134,597,831.00	133,647,831.00
Financial liabilities			
Measured at amortised cost	-	-	-
Measured at	-	-	-

40.3 Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from its operating activities (predominantly trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to the customer credit risk management. The Company uses financial information and past experience to evaluate credit quality of majority of its customers and individual credit limits are defined in accordance with this assessment. Outstanding receivables and the credit worthiness of its counter parties are periodically monitored and taken up on case to case basis. There is no material expected credit loss based on the past experience. However, the Company assesses the impairment of trade receivables on case to case basis and has accordingly created loss allowance.

The credit risk on cash and bank balances is limited because the counter parties are banks with high credit ratings assigned by accredited rating agencies.

The table below provides details of financial assets at at 31 March 2018:

Particulars	Carrying amount
Trade receivables	216,627,525
Other Financial assets	-

40.4 Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Particulars	Fair value hierarchy	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets							
Financial assets at amortised cost:							
Trade receivables	Level 2	216,627,525	216,627,525	141,620,843	141,620,843	34,004,814	34,004,814
Cash and cash equivalents	Level 2	1,316,254,627	1,316,254,627	1,361,275,407	1,361,275,407	971,588,921	971,588,921
Bank balances other than cash and cash equivalents	Level 2	773,750,228	773,750,228	748,114,714	748,114,714	659,015,606	659,015,606
Other financial assets	Level 2	-	-	-	-	-	-

Particulars	Fair value hierarchy	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Liabilities Financial Liabilities at amortised cost:							
Borrowings	Level 2	-	-	-	-	-	-
Trade payables	Level 2	1,816,767,702	1,816,767,702	1,113,960,906	1,113,960,906	1,114,986,890	1,114,986,890
Other financial liabilities	Level 2	-	-	-	-	-	-

1. In case of trade receivables, cash and cash equivalents, trade payables, short-term borrowings and other financial assets and liabilities it is assessed that the fair values.
2. The fair values of the financial assets and financial liabilities included above have been determined in accordance with generally accepted pricing models based on a discounted.

41. Pending execution of lease cum sale agreement with Karnataka Industrial Area Development Board in respect of land allotted near Bangalore Air Cargo Complex (BACC), the Company has capitalized the payments made towards lease hold land amounting to Rs.52,11,063/- (Rs.52,11,063/-) based on the possession certificate issued by KIADB.

42. City & Industries Development Corporation of Maharashtra (CIDCO) has entered into a deed of 'Agreement to Lease' with Government of Karnataka (GoK) for a plot of land measuring 2520 sq meters in Navi Mumbai to enter and occupy the land on the condition that the licensee (GoK) construct a State Guest House.

In turn on 01.10.2008 GoK has entered into an agreement with MSIL for construction of Karnataka Bhavan on Build Own Operate Transfer (BOOT) basis effective for 30 years (extendable on mutual consent) from the date of completion of the building as per the terms and conditions specified therein.

The amount of Rs 34,10,24,920/- incurred towards construction of Karnataka Bhavan in Navi Mumbai is capitalized based on the completion certificate received from M/s Project Management Service effective from 31st March 2018.

43. Fixed Assets include 86 capacitor banks, leased out to Klenn & Marshall Manufacturers and Exporters Ltd., value of which is depreciated over the period and the written down value on the balance sheet date is Rs. 86/- (Rs 86/-). As the lessee failed to pay the lease rentals as stipulated, the company referred the matter to arbitration claiming arrears of lease rentals amounting to Rs. 8,09,63,895/- together with interest thereon. The sole arbitrator gave ex-parte award dated October 2, 2009 allowed the claims of the company and awarded Rs. 35,05,60,211/- towards arrears of lease rent and interest thereon.

The company learned that Klenn & Marshall, the lessee, are listed under vanishing company by Ministry of Corporate Affairs, Government of India and also that the lessee had obtained multiple finance from other financial institutions. As per the company's opinion, since the amount is not recoverable, the company has not recognized the lease rentals in respect of this lease since 2005-06 and Rs. 8,09,63,895/- (Rs 8,09,63,895/-) due towards lease rentals up to 2004-05 has been fully written off in the books. The Company has not recognised the amount awarded in view of uncertainty of realisation. However the company has filed criminal complaint against retired officers/officials in the jurisdictional police station and referred the case to COD as per the order by Committee on Public Undertakings of the Karnataka Legislative assembly. We have been informed by CID that charge sheet has been prepared against all the accused and on approval from their higher ups, the same will be filed before the competent court. On filing of charge sheet by CID further status will be intimated

44. Joint Working Agreements:

The Company has entered into Joint Working Agreements with HAL & CONCOR to carry out air cargo business. MSIL & CONCOR had withdrawn from JWA with effect 31ST March 2014 and 15th January 2011 respectively.

Company has also entered into a Joint Venture agreement with ESSPL for leasing solar water heaters to non-domestic sector.

The above Joint working/Joint Venture agreements envisage pooling of resources for carrying out its business activity and ownership of the assets vests with the respective parties.

Share of income / (-) loss for current year from joint working agreements are

Particulars	2017-2018	2016-2017
ESSPL	27,276/-	31,751 /-

45. Ind AS - 19 - “Employees Benefits”: Disclosures of employees benefits as defined in the Ind AS are given below:-

(A) Gratuity:

The Company has a defined benefit gratuity plan. The scheme is funded by the company and is managed by a separate trust. The liability for the same is recognised on the basis of actuarial valuation. The Company provided the Gratuity benefit through annual contribution to a fund managed by Life Insurance Corporation. The following table sets forth the status of the Gratuity plan of the Company and the amount recognized in the Balance Sheet and Statement of Profit and Loss.

(Amount in Rupees)

	2017-2018	2016-2017
a) Expenses recognised in the Statement of Profit and Loss:		
i) Current Service Cost	22,86,303/-	25,82,955/-
ii) Interest Cost	1,04,73,439/-	1,03,02,847/-
iii) Expected return Plan Assets	(94,42,902/-)	(1,03,48,615/-)
iv) Actuarial (Gain)/loss recognised in the year	1,77,69,604/-	2,72,716/-
Total (i to iv)	2,10,86,444/-	28,09,903/-
b) The amount recognised in the Balance Sheet:		
Present value of obligations as at the end of the year (i)	13,94,22,538/-	13,09,17,987/-
Fair Value of Plan Assets at the end of the year (ii)	13,34,74,440/-	13,24,28,155/-
Funded status (i) – (ii)	(59,48,098/-)	15,10,168/-
Net asset/(liability) recognised in the Balance Sheet	(59,48,098/-)	15,10,168/-
c) Changes in the present value of the defined benefit obligations:		
Present value of obligation as at 01.04.2017	13,09,17,987/-	12,87,85,591/-
Current service cost	22,86,303/-	25,82,955/-
Interest cost	1,04,73,439/-	1,03,02,847/-
Benefits paid	(2,20,24,795)	(1,10,26,122)
Actuarial (Gain)/ Loss on obligations	1,77,69,604/-	2,72,716/-
Present value of obligations as at 31.3.2018	13,94,22,538/-	13,09,17,987/-

d) Changes in the fair value of plan assets:		
Fair value of plan assets as at 01.04.2017	13,24,28,155/-	12,83,64,083/-
Expected return on plan assets	94,42,902/-	1,03,48,615/-
Contributions	1,36,28,178/-	47,41,579/-
Benefits paid	(2,20,24,795/-)	(1,10,26,122)
Actuarial gain (loss) on plan assets	Nil	Nil
Fair value of plan assets as at 31.03.2018	13,34,74,440/-	13,24,28,155/-

e) Actuarial Assumptions:

Principal assumptions used for actuarial valuation are:		
i) Mortality	LIC(94-96) Ultimate Mortality Table	
ii) Discount Rate	7.50%	8%
iii) Salary Escalation	7%	7%

B) Compensated Absences Encashment:-

Basis of Actuarial Valuation for Compensated Absences Encashment: Liability as on 31.03.2018

Retirement Age	60	60
Mortality	Indian Assured Lives (2006-08) Ultimate Mortality Table	
Rate of Interest	7.31% p.a	7.31% p.a
Salary increase	7% p.a	7% p.a
Attrition rate	1% p.a	1% p.a
Benefits Payable	As per Company Rules	

(C) Death Relief Fund:

Basis of Actuarial Valuation for Compensated Absences Encashment: Liability as on 31.03.2018.

Particulars	2017-2018
Interest rate	7.31%
Attrition rate	1%
Retirement Age	60 years
Benefits payable	As per Company Policy

46. The Company had entered into Hire Purchase agreement with government employees (Hirers) and arranged the supplies of vehicles and consumer durables. Outstanding installment dues including interest from the hirers are shown under "stock with hirers". Hire purchase business has been discontinued from July 2008.
47. The Company has sent letters of confirmation for all Accounts Receivables and Payables. Confirmations received from parties have been verified with book balance and discrepancies noticed have been duly reconciled. Balances of those parties who have not confirmed in writing within the given date have been taken as confirmed
48. The Company had in the past received demand notices from Income tax Department for non collection of tax at source amounting to Rs. 30,23,31,283/- (Rs. 30,23,31,283/-) and interest thereon amounting to Rs. 30,67,65,640/- (Rs. 30,67,65,640/-). The Company had paid Rs. 24,05,81,902/- (Rs.24,05,81,902/-) and furnished bank guarantee for Rs. 36,17,49,381/- (Rs. 36,17,49,381/-) . Further Income Tax department has also adjusted refund of Rs.42,40,233/- due in respect of financial year 2006-07 against the pending demand. The matter is presently pending in Supreme Court.
49. Short-term loans and advances in Note 17 include:
Rs. 77,23,849/- (Rs. 77,23,849/-) being the service tax refund receivable from Service Tax Department. The Department claimed in all Rs 1,47,99,829/- (Rs 1,47,99,829/-) towards service tax for the period from 16.08.2002 to 30.06.2008 on baggage and export cargo, destination charges and cargo handing over charges collected by the company in respect of import and export cargo. The company filed an appeal against the above claims before the Commissioner (Appeals) Central Excise , Bangalore, who allowed relief to the extent of Rs. 6,18,363/-. The company paid the amount of Rs. 77,23,849/-. The department has also filed an appeal before Customs Excise & Service Tax Appellate Tribunal (CESTAT) against the order of commissioner (appeals) for allowing relief of Rs. 6,18,363/- to the company. CESTAT referred 3 cases back to the department which was rejected by Commissioner (Appeals). MSIL has filed further appeals before CESTAT on July 2012. Fresh Orders and demand are still awaited. Appeals for the years 2005-06 to 2008-09 are still pending before CESTAT. The total demands up to 31.03.2009 amounting to Rs.1,47,99,829/- (Rs.1,47,99,829/-) excluding penalty, interest etc., has not been provided in the books.
50. The Company had entered into an agreement on November 13th, 2009 with a Supplier, Mallappa Mineral Industries (MMI), for procurement of 50,000 MT iron ore of 52% Fe content for export to China at Rs.1,000/- per MT and in turn entered into an agreement with overseas buyer, Fremery Holdings Limited, for export FOB Goa at US\$ 28 (Rs.1,288/-) per MT. The Company projected profit of Rs.88/- per MT after factoring in service charge of RS.200/- per MT payable.

The agreement with the overseas buyer envisaged Lay-can period between November 25th to 30th, completion of shipment on or before December 15th 2009 and FE content of 52%. One of the conditions of the agreement was that all disputes are to be referred to arbitration with venue at Hong Kong.

An irrevocable Letter of Credit in favour of MMI for Rs. 5 Crores was established. The supplier, having failed to mobilize funds to procure ore, sought advance from MSIL. As the ship had already arrived at the port on December 10th 2009, to avoid demurrage, the Company had advanced Rs. 2.15 Crores against post dated cheques and commitment to create equitable mortgage on properties which the company could not complete. In view of continued failure to supply the ore, the Company had deposited the cheques for collection but these were dishonoured and hence a criminal case under Negotiable Instruments Act, 1881 was filed on 25.02.2010, now the case is pending before the Chief Metropolitan Court, Bangalore and it is at the 'Evidence' stage.

When MMI failed to supply, the Company approached another supplier, Saram Exports, who had agreed on the same terms and conditions. MSIL advanced Rs. 4.5 Cr to the new supplier and the ship loaded with 46,846.48 MT ore sailed on January 14th 2010 after a delay of 29 days. MSIL had to incur additional customs duty of Rs.32,22,680/- due to increase by Government of India. The supply by Saram Exports was dispatched on an urgent basis as the time available for shipping was over and could not wait for Test Report. Subsequently the test report revealed that Fe content of the shipment was only 49.37%.

The Company raised an invoice on the buyer and negotiated the documents through LC which could not be negotiated as it was lapsed. On the cargo reaching Hong Kong port, Chinese Inspection Quality Report revealed an Fe content of 45.9% and hence the buyer rejected the ore as sub standard. Subsequently, overseas buyer was authorized to sell the ore and realize the proceeds. The ore was sold at US\$ 35 per MT on CFR basis realising US\$ 16,39,626.80 vide invoice dated March 23rd 2010. MSIL requested the foreign buyer to remit the sale proceeds who in turn claimed US\$ 24,25,051.88 towards its claim against the Company, which the company didn't agree.

Considering the above facts and adopting exchange rate of US \$ 1 = Rs.46/- and freight between Goa to China at US \$ 24, the Company had accounted sales, cost of sales, contractual claims against the company and claims of the company provisionally in the books for the year ended March 31, 2010. Claims of the overseas buyer in respect of expenses incurred in China and liability under FEMA are not considered at this stage. Fremery Holdings Limited had claimed US\$ 19,74,545 (Rs. 11,79,98,809/-/- Considering exchange rate of Rs.59.76/- US\$) after adjusting realisation of US\$ 5,02,071 by way of sale of iron ore. As per the arbitration award, MSIL is liable to pay Fremery Holdings Limited \$18,80,851 (Rs.12,46,72,209) and interest amounting to Rs. 2,77,72,466/-.

The Company accepted the liability to be US \$ 67,473/- (Rs. 44,72,429/-) after deducting sale proceeds amounting to US \$ 16,39,627 from US\$ 17,07,100 (Rs. 10,68,47,359/- pertaining to demurrage and freight. The balance amount of US\$ 18,13,378 (Rs. 12,01,99,779/- considering exchange rate of Rs. 66.285 US\$) is disputed by the company and disclosed under contingent liability. The application filed u/s 34 of the Indian Arbitration Act before the City Civil Court, Bangalore to set aside the Arbitration award is at the 'hearing' stage. In the light of irregularities reported by the Committee on Public Undertakings of the Karnataka Legislative Assembly in the above transactions, the company has filed criminal complaint in the jurisdictional police station and the police are investigating the case. In respect of these criminal complaint police have framed the charge sheet and filed the case before the ACMM Court , Bangalore.

Cubbon Park Police, filed a criminal complaint before the competent court under IPC 420 against Mr Ashok Udupi (A1), Mr Deepak Agarwal (A2) M/s Fremery Holdings Limited , Hong Kong (A3) Officers of MSIL Mr Ramakanth Hebballi (A4) and Mr Purushotham Simha (A5). Though the matter was listed a couple of times before the ACMM court at the same time adjourned and meantime A4 and A5 have taken bail from the court. In case of A1 who is since expired, now the case will be heard against A2 to A5.

Under Sec 138 of Negotiable Instruments Act, a cheque bounce case has been filed before the Additional Magistrate's Court against Sri Malthesh of M/s Mallappa Mineral Industries, for recovery of Rs. 9 crore. The cross examination of the Company's witness is almost completed. However, Mr Malthesh brought a stay and further proceedings from the Hon'ble High Court of Karnataka. Once the stay is vacated, the proceedings will be resumed before the Magistrate's Court.

51. The company had received a loan of Rs.5,00,00,000/- (Rs.5,00,00,000/-) from the Government of Karnataka during the year 1997-98. The company had provided interest of Rs.5,27,42,466/- up to 31-03-2004.

In the financial year 2004-05, the company had approached the Government of Karnataka to convert the above amounts totaling to Rs.15,09,48,779/- into equity. The proposal was cleared by finance department, Government of Karnataka in 17-09-2004. The department of Directorate of Pension Small Saving asset management by its letter dated 20-07-2012 approved the company's proposal. This amount has been transferred from Share Application Money to Share Capital valuing of Rs. 22,55,81,700/- (2255817 nos of shares at the rate Rs. 100/- per share) in favour of Government of Karnataka during the financial year 2017-2018.

52. Other liabilities include Rs. 2,10,46,347/- (Rs. 2,10,46,347/-) of advances received from various Government departments in respect of contract to supply imported cement.
53. a) Honourable Supreme Court, vide order dated 13.2.2003 had directed that MSIL is eligible by way of commission on liquor sales effected by five liquor manufacturers. The finalization officer appointed as per directions of High Court of Karnataka, and upheld by Supreme Court, had quantified Rs. 25.18 crores as commission due from Skol Breweries Limited (previously known as Mysore Breweries Limited), which is not accounted in the absence of certainty of realization in accordance with the accounting policy mentioned in Note 2.D (II) (b).

Hon'ble Supreme Court vide order dated 13th Feb 2003, had directed that if the appellants have collected commission and not paid to MSIL then, the books of accounts of the appellants shall be verified and the commission amount so collected to be recovered from the appellants M/s Mysore Breweries Ltd. Further, the court also ordered that in case if the dispute is not resolved between the parties, the matter may be reported to authorized officer to be appointed by Govt., of Karnataka, not below the rank of Principle Secretary, as authorized officer to resolve the dispute.

M/s Skoll Breweries (erstwhile M/s Mysore Breweries Ltd) disputed the findings of the authorized officer of MSIL, who had conducted the proceedings to give sufficient opportunity as per the directions of the Hon'ble High Court of Karnataka, found that M/s Skoll Breweries to pay the commission of Rs.25.18 crore to MSIL. Since the order of the authorized officer is disputed by Skoll Breweries, a civil petition has been filed before the City Civil Court for recovery of the commission amount. On behalf of the Company PW1 cross examination is completed and the next date of hearing is fixed on 15th Nov 2018, wherein PW2 on behalf of MSIL will be cross examined by Skoll Breweries.

b) For the claim made by M/s Wescare (India) Limited, in the previous year Company disclosed under contingent liability amounting to Rs. 1,19,23,000/- , and Company filed a case under arbitration against Wescare in the year 2015-16. The arbitration award was disposed off by the arbitrator on 27.04.2016. The arbitrator allowed on company's claim of lease rentals along with interest till 31.03.2009 amounting to Rs. 155.59 lakhs and disallowed rest of the claim of Rs. 239.37 lakhs. (Refere Note no. 51 SI.No. 10 in contingent liability)

While awarding the arbitrator failed to consider disposal of windmill turbines but awarded adjustments of dues of MSIL as well as M/s Vaata Smart Limited from the security deposit which is not in line with the lease agreement.

On the opinion of Company advocate, the arbitral award was challenged by the Company before the judicature of Madras High Court by filling original petition on 27.04.2016, the matter is being heard before the Honorable High court of Madras. Further, in order to counter the orders passed by the High Court in another connected matters an application was moved before the court for unilaterally allowing Wescare to take inventory of the dismantled windmill turbines. The next date of hearing is not yet intimated. In the

absence of uncertainty of outcome of the case filed in Madras High Court, the Company has not recognized any claims in the books. The matter was heard by Hon'ble High Court of Madras Judicature on couple of occasions and the matter now is posted for further bearing during December 2018

54. Investments in Note.11 include 50,000 shares of Rs.10 each held in Food Karnataka Limited. The Government of Karnataka ,vide its order no AHD 172 AFT 2010 dated 05-03-2011, ordered transfer of the shares to Karnataka State Agricultural Produce Processing and Export Corporation which was also been approved in the Board Meeting of the company held on 30.6.2011. The transfer is pending finalization of the transfer price.
55. Other non - current liabilities include contribution to Death Relief Fund by MSIL and employees amounting to Rs. 63,88,736/- (Rs. 76,40,692/-) and Rs. 31,47,810/- (Rs. 27,51,855/-) respectively. As per the scheme of the Company in case of death of an employee while in employment, the legal heir / s of the deceased get Rs.3,00,000/-. In case of retirement or employee demits the office, he will get his contribution together with Company's contribution standing to his credit.
56. The Company holds consignment stocks valued at Rs. 1,96,008/- (Rs 45,307/-) on behalf of the consignors as on the last day of the financial year.
57. Defined Contribution Plans
- The Company Provided Fund which are defined contribution plan for qualifying employees. Under the Scheme the Company requires to contribute a specified percentage of pay roll cost to fund the benefits. The Company recognize in the statement of profit and loss the details given below. The contribution payable to these plans by the Company are at rates specified in the rules of the scheme.
- i) Death Relief fund Rs 7,22,610/- (Rs3,19,618/-)
 - ii) Gratuity Rs 1,84,69,973/- (Rs. 5,30,824/-)
 - iii) Superannuation Rs 1,02,95,411/- (Rs.28,46,730/-)
 - iv) Company's contribution to PF Rs 1,49,86,178/- (Rs. 1,05,48,540/-)
58. Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2nd October 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company has identified Micro, Small and Medium enterprises as per section 22 of the Micro, Small and Medium Enterprises Development Act 2006 during the FY 2017-2018

Particulars	As at 31st March, 2018	As at 31st March, 2017
The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year.		
• Principal Amount	Rs.	Rs.
• Interest payable under MSMED Act, 2006	Rs. 12,066/-	Rs. 15,920/-
• Total	Rs. 12,066/-	Rs. 15,920/-
The amount of interest paid by the company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of payment made to the supplier beyond the appointed day during the accounting year ending 31st March, 2018.	NIL	NIL
The amount of interest due and payable for the period of delay in making payment (which have been paid beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprises Development Act, 2006 *	Rs. 12,066/-	Rs. 15,920/-
The amount of interest accrued and remaining unpaid at the end of the accounting year – March 2018.*	Rs. 12,066/-	Rs. 15,920/-
The amount of further interest remaining due and payable even in the succeeding years, 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 u/s 23 of the Micro Small and Medium Enterprises Development Act, 2006.*	Rs. 12,066/-	Rs. 15,920/-

*The above information has been furnished to the extent such parties have been identified as MSME by the company which are net of discounts / waivers as a part of business practice. The same has been relied upon by the auditors.

59. Capital work in progress of Rs. 20,11,291/- (Rs. 34,02,40,465/-) includes:
- Navi Mumbai – Build Own Operate Transfer (BOOT) Rs. Nil /-. (Rs. 33,82,29,174/-)
 - Construction of Warehouse in Kalaburagi Rs. 13,39,496/- (Rs. 13,39,496/-)
 - Construction of Warehouse in Dharwad Rs 4,65,672/- (Rs. 4,65,672/-)
 - Construction of Office at Cunningham Road Rs 2,06,123/- (Rs. 2,06,123/-)
60. The Company is in possession of 16 Nos. (16 Numbers) of Art Paintings, the value of which is not ascertained.

61. Contingent Liabilities include :

(Amount in Rupees)

SI No	Contingent Liabilities	2017-2018	2016-2017
1	KIADB Penalty	1,20,000	1,20,000
2	CS Interest from AY 2001-02 to 2003-04	17,86,95,401	16,27,00,399
3	Guarantees / Counter Guarantees given by the Company to Banks	38,55,44,381	36,49,68,381
4	Insurance Claim on Fire Policy – pending cases – Note (i) below	2,07,73,297	2,07,73,297
5	Insurance Claim on Fire Policy – decreed cases - Note (i) below	4,88,70,362	4,88,70,362
6	Interest on Insurance Claim - Note (i) below	4,87,58,984	4,49,09,522
7	Claim against KIADB Land near BACC by land user	30,19,863	30,19,863
8	Claim made by party in the business of Iron ore Export (including interest)	14,78,53,074	14,63,83,432
9	Claims made by Directorate of Pension, small savings Asset Monitoring	46,09,86,366	46,09,86,366
10	Claim against lease of windmill by Wescare (India) Limited	1,19,23,000	1,19,23,000

- i) Certain Insurance companies who have settled the claims of their customers on account of fire accident at Bangalore Air Cargo Complex, owned by the company, during 2000-01, have filed several suits against the company for recovery of claims settled by them under the principles of subrogation. The company contested the claims in the city civil courts. Aggrieved by the orders of the city civil courts in case of decreed suits, the company appealed to High court of Karnataka. The Honourable High Court in its order dated 09-03-2009 has decreed that MSIL and Department of Customs are jointly and severally responsible to pay this amount to the claimants. Aggrieved by the orders of the High court, the company along with Department of Customs appealed against the order of the high court to Supreme Court. The Honourable Supreme Court after hearing the parties to dispute, directed vide its order dated 06-11-2009, that all the parties concerned being government agencies, should discuss mutually and settle the claim amicably. In a few cases on similar matter, the civil courts have applied the same rationale of the High Court and have decreed that MSIL and Department of Customs are jointly and severally liable for settlement of the insurance claim. The Company has provided one fourth of the liability of Rs 3,25,43,115 /- (Rs. 3,12,59,962/-) including interest capitalized at 6% in the books and balance amount of Rs. 9,76,29,346/- (Rs. 9,37,79,884/-) is shown as contingent liability. Since the claims for recovery from company's insurer and on the Department of Customs are under process. The Company has insured the Cargo lying in BACC warehouse with its Insurance Company at the rate of US \$20 per kg as per trade circular dated issued by Customs.
- (ii) The company had claimed Income Tax refunds for the Assessment Years 2010-11 , 2012-13, 2014-15 and 2015-16. As per the Income Tax Department's Order, the following are the tax demands:

Year	Amount (In Rs.)
2010-11	3,42,45,480.00
2012-13	26,18,238.00
2014-15	1,08,45,920.00
2015-16	18,65,460.00

The company has gone on appeal for the above mentioned demands and hence the same has not been accounted for in the books. The above figures do not include the interest from the date of Assessment Order till 31st March, 2018.

62. Disclosure as required under Ind AS-17 "Accounting for Leases" is given below:

The Company has entered into operating lease under a Joint venture with Emmvee Solar System Private Ltd. for leasing out Solar Water Heater to non-domestic customers.

Lease Payments in aggregate	As at 31.3.2018	As at 31.3.2017
1. Not later than 1 year	Nil	Nil
2. Later than 1 year but not later than 5 years	Rs 43,770/-	Rs. 43,770
3. Later than five years	Nil	Nil

63. Related Party Disclosures as per Ind AS - 24 and key management personnel viz., Directors as disclosed below.

Remuneration to Chairman and Managing Director

Particulars	2017-2018	2016-2017
Salaries And Allowances	Rs.31,85,273/-	Rs.16,22,939/-
Medical Expenses	Rs.7,94,642/-	Rs.3,85,633/-

Statement of related parties disclosures for the Financial Year 2017-18

Particulars	Amount Investment	Services / Sales Transaction - 2017-18		Dividend Received	Balance As on 31.03.2018	
		Income	Expenditure		Receivable	Payable
Marketing Communication & Advertising Ltd	59738400	458060	12347414	3572520	-	4265805
The Mysore Chrome Tanning Company Ltd	5000	-	-	-	-	-
Food Karnataka Ltd	500000	-	-	-	-	-
Government of Karnataka	427347700	-	-	-	-	-

64. Disclosures pursuant to Ind AS - 108 on Segment Information for the year ended 31.03.2018 is annexed.

Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed under "Others".

Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed under "Others".

65. Tax expense

The following table provides the reconciliation of tax expense as required under Ind AS 12:

Particulars	31 March 2018	31 March 2017
Accounting profit before tax for the year		
Tax on accounting profit	235559393	568091483
At the rate of 34.608% (31 March 2017: 34.608%)	93773075	197773538
Income exempt from tax: Dividend income	4442894	3504295
Effect of lower tax on Capital gains	0	0
Non-deductible expenses for tax purposes		
Income tax on Perquisites of employees	0	0
Corporate Social Responsibility	54079716	20000000
Temporary differences		
Depreciation	23457212	5945962
Change in fair value of investments	0	0
Change in fair value of forward contracts	0	0
Gratuity expense	0	0
Leave encashment	23763049	7676473
Others	0	0
Tax on profit computed for tax purposes (arrived)	270957800	571467690
Effective income tax rate (in %)	34.608	34.608
Income tax expense reported in the financial statements	93773075	197773538

The accompanying notes are an integral part of these financial Statements.

For Mysore Sales International Limited

For and on behalf of the Board
For P. Chandrasekar

Chartered Accountants

Firm's Regn. No. 000580S/S200066

Sd/-
K.J. George
Chairman

Sd/-
Dr. G.C. Prakash
Managing Director

Sd/-
Sridevi B N
Company Secretary

Sd/-
Subramanya
Chief Financial Officer

Sd/-
D. Mani Kumar
Partner
Membership No. 212544

Date : 16.11.2018

Place :Bengaluru

Form No. MGT-11**Proxy Form**

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: U85110KA1966SGC001612

Name of the Company: Mysore Sales International Limited

Registered office: 'MSIL House', No.36, Cunningham Road, Bengaluru – 560 052

Name of the Member (s):

Registered address:

E-Mail ID:

Folio No/Client ID:

DP ID:

I/ We being the member of, holding.....shares, hereby appoint

1. Name:

Address:

E-mail Id:

Signature:, or failing him

2. Name:

Address:

E-mail Id:

Signature:,

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 52nd Annual General Meeting of Mysore Sales International Limited, to be held on Friday, the December 14, 2018 at the Board Room of KSIIDC, Khanija Bhavan, 4th Floor, East Wing, No. 49, Race Course Road, Bengaluru - 560 001 at 12.00 Noon and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No. 1 to 2

Signed this day of..... 20....

Signature of Shareholder

Signature of Proxy holder(s)

Affix
Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the AGM

Mysore Sales International Limited
MSIL House, 36, Cunningham Road, Bengaluru– 560 052

ATTENDANCE SLIP

(52nd General Meeting of the Company to be held on Friday, December 14, 2018 at 12.00 noon)

Name of the Shareholder:

Regd. Folio No.:

No. of Shares held:

Note: Shareholder / Proxy must hand over the duly signed attendance slip at the venue.

Signature of Shareholder / Proxy

52nd General Meeting of the Company to be held on Friday, December 14, 2018 at 12.00 noon at the Board Room of KSIIDC, Khanija Bhavan, 4th Floor, East wing, No.49, Race Course Road, Bengaluru-56 001

ROUTE MAP



By order of the Board
For Mysore Sales International Limited

Sridevi B.N.
Company Secretary





MSIL

Mysore Sales International Limited

(A Government of Karnataka Undertaking)

MSIL House, 36, Cunningham Road, Bengaluru - 560 052

Phone: 080-2226 4021 / 25 Fax: 080-2225 3311

e-Mail: msilho@msionline.com Website: www.msionline.com