MSIL

# 53rd ANNUAL REPORT

## 2018-19


MSIL

**Mysore Sales International Limited**

(A Government of Karnataka Undertaking)

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

## CONTENTS

MSIL

## BOARD OF DIRECTORS

| | |
|---|---|
| Shri. Gaurav Gupta, IAS | Chairman |
| Shri. HP Prakash, IFS | Managing Director |
| Shri. Ganga Ram Baderia, IAS | Director |
| Smt. Gunjan Krishna, IAS | Director |
| Shri. Yashwantha, IAS | Director |
| Shri. Pavan Kumar Malapathi, IAS | Director |
| Shri. R. Ramesh | 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 India, HDFC Bank

**AUDITORS** : **M/s. ABRANA & ANANTHAN,** Chartered Accountants

## Mysore Sales International Limited

**MSIL HOUSE, 36 CUNNINGHAM ROAD,**
**BENGALURU - 560 052**

**CIN: U85110KA1966SGC001612**

# NOTICE

**NOTICE** is hereby given that the Fifty-third Annual General Meeting of the Members of Mysore Sales International Limited will be held on Tuesday, October 15, 2019 at 1.00 p.m. at the registered office of MSIL House, No.36, Cunningham Road, Bengaluru-560 052 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, 2019, (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 143 (6) of the Companies Act, 2013.

**Item No. 2:- To declare a dividend on equity shares:** To declare a dividend of Rs. 5/- per equity share for the financial year ended March 31, 2019.

**Item No. 3-** To consider fixation of remuneration for the year ending March 31, 2019 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 2019-2020, 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."

**SPECIAL BUSINESS:**

**Item No.4- Amendment of Articles of Association of the Company:** To amend the Articles of Association of the Company in conformity with the Companies Act, 2013 including Table F of Schedule-I thereto and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013, read with Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the draft articles contained in the Articles of Association submitted to this Meeting be and are hereby approved and adopted in substitution, to the entire exclusion, of the articles contained in the existing Articles of Association of the Company.

**FURTHER RESOLVED THAT** Managing Director or Company Secretary of the Company be and is hereby severally authorized to do all such acts, deeds, matters and things as may be deemed proper, necessary, or expedient, including filing the requisite forms with Ministry of Corporate Affairs or submission of documents with any other authority, for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

**Item No.5- Contribution of Rs.50 lakhs as grants in aid for establishing the Exhibition**

**and Conference Centre at Gadag–**Pursuant to Government of Karnataka Order No. C1 54 CSC 2015, Bengaluru, dated 13.05.2016, to release the grant in aid of Rs.50 lakhs in favour of The Gadag Co-operative Industrial Estate Limited, Gadag and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT** in accordance with the Government of Karnataka Order No.C1 54 CSC 2015, Bengaluru, dated 13.05.2016, and all other applicable provisions, if any, of the Companies Act, 2013, and enabling provisions of the Memorandum and Articles of Association of the Company, the consent, authority and approval of the Company be and is hereby accorded to contribute / release an amount of Rs.50 Lakhs (Rupees Fifty Lakhs only) as grant in aid to the Gadag Co-Operative Industrial Estate Limited, Gadag, as per the aforesaid Government of Karnataka Order.

**"RESOLVED FURTHER THAT** the Managing Director of the Company be and is hereby authorized to take such steps and do all other acts, deeds and things as may be necessary to give effect to this resolution."

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

Place: Bengaluru
Date: October 11, 2019

**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 Explanatory Statement, pursuant to Section 102 of the Companies Act, 2013 in respect of the Special Business as set out in the notice is annexed hereto.

3. Corporate members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board resolution of the Company, authorizing their representative to attend and vote on their behalf at the meeting.

4. The Company being a Government Company, the Comptroller & Auditor General of India has appointed the Statutory Auditors of the Company for the year 2019-2020 under Section 139 (5) of the Companies Act, 2013.

5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.

6. The new / draft Articles of Association of the Company will be available for inspection by the members at the registered office of the Company during working hours, i.e. 10.00 a.m. to 5.30 p.m. excluding Sunday and 2nd Saturday and 4th Saturday till the conclusion of the AGM.

7. 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: October 11, 2019

## EXPLANATORY STATEMENT

**[Pursuant to section 102 of the Companies Act, 2013]**

### Item No.4

The Articles of Association ("AoA") of the Company are based on the Companies Act, 1956 and several regulations in the existing AoA contain references to specific sections of the Companies Act, 1956. The AoA will be amended to bring the existing AoA in line with the Companies Act, 2013.It is proposed to substitute the existing AoA of the Company by a new set of AoA to make them in conformity with the provisions of Companies Act, 2013 including Table F of schedule I thereto.

Further, consequent to allotment of 22,55,817 equity shares to Governor of Karnataka on February 28, 2018, 53% of shareholding of MSIL is held by Government of Karnataka and 47% of shareholding of MSIL is held by M/s. Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC) and thereafter MSIL is no longer a wholly owned subsidiary of KSIIDC. Formerly the substantial approval powers were vested with KSIIDC in the Articles of Association of MSIL. Due to change in status of the Company, the indicated limits, the substantial approval powers in the Articles of Association conferred with KSIIDC shall be vested with Government of Karnataka by amending the Articles of Association of MSIL.

The Board of Directors in its 315th meeting held on August 20, 2018 had considered the draft AoA and submitted to Government of Karnataka for its approval. The Company has received the Government approval intimation from Commerce and Industries Department vide letter no. CI/104/CMI/2018 dated 25-07-2019.

The resolution seeks the approval of the shareholders in terms of the provisions of Companies Act, 2013 and the Rules made thereunder, for amending the Articles of Association of the Company.

The proposed new draft AoA will be available for inspection at the registered office of the Company during working hours, i.e. 10.00 a.m. to 5.30 p.m. excluding Sunday and 2nd and 4th Saturdays till the conclusion of the General meeting and shall also be made available during the meeting.

No Board of Directors of the Company, Key Managerial Personnel or their relatives are in any way concerned or interested, financial or otherwise in the Special Resolution.

The Board of Directors of the Company recommends the passing of the proposed resolutions stated in Item No. 4 as Special Resolution.

### Item No.5

The Government of Karnataka vide Order No.C1 54 CSC 2015, Bengaluru, dated 13.05.2016 had given in-principle approval for establishing exhibition and conference centre under "Establishment of Urban Hath Scheme"at Gadag District, with account head 2852-80-102-0-01 (059) at cost Rs.1100.00 lakhs, the details are given below:

| Sl. No. | Name of the Department / Corporation / Board | (Rs. in lakhs) |
|---|---|---|
| 1 | Industries and Commerce Department | 300.00 |
| 2 | Rural Development and Panchayat Raj Department, Bengaluru | 200.00 |
| 3 | Karnataka Industrial Area Development Board (K.I.A.D.B), Bengaluru | 100.00 |
| 4 | Karnataka State Small Industries Development Corporation (K.S.S.I.D.C), Bengaluru | 100.00 |
| 5 | Marketing Communication And Advertising Ltd. (M.C&A), Bengaluru | 50.00 |
| 6 | Mysore Sales International Limited (M.S.I.L) Bengaluru | 50.00 |
| 7 | The Gadag Co-Operative Industrial Estate Limited, Gadag-cost of 3 acres Land | 300.00 |
| | **Total** | **1100.00** |

it was indicated to take necessary action by the concerned Department / Corporations / Boards to release the above said grant in favour of The Gadag Co-operative Industrial Estate Limited, Gadag. The said Company has to submit duly approved detailed project and technical report of the exhibition and conference centre to Industries and Commerce Department, RDPR and concerned Board / Corporation to obtain necessary grant for establishing the centre.

The resolution seeks the approval of the shareholders in terms of the provisions of Companies Act, 2013 and enabling provisions of the Memorandum and Articles of Association of the Company, to contribute / release the grant in aid of Rs.50 lakhs in favour of The Gadag Co-operative Industrial Estate Limited, Gadag.

No Board of Directors of the Company, Key Managerial Personnel or their relatives are in any way concerned or interested, financial or otherwise in the Special Resolution.

The Board of Directors of the Company recommends the passing of the proposed resolutions stated in Item No. 5 as Special Resolution.

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

Place: Bengaluru
Date: October 11, 2019

# DIRECTORS' REPORT

To,

The Members,

We are delighted to present the report on our business and operations for the Financial Year ended March 31, 2019.

**1. Financial Highlights**

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

**(Rs. in lakhs)**

| PARITCULARS | 2018-19 | 2017-18 |
|---|---|---|
| Turnover | 204763.86 | 178875.90 |
| Profit/Loss before interest, depreciation, taxes & Prior year adjustments | 4238.30 | 2485.55 |
| Interest | 33.52 | 0.90 |
| Depreciation | 721.80 | 341.85 |
| Profit/(Loss) before Tax | 3482.98 | 2142.80 |
| Provision for taxation<br>- Current<br>- Earlier years<br>- Deferred | <br>1100.00<br>53.69<br>105.33 | <br>939.77<br>-<br>5.22 |
| Profit/(Loss) after Tax | 2223.96 | 1197.91 |
| Other comprehensive Income | 245.16 | 655.96 |
| Net profit for the year | 1978.80 | 541.85 |
| Previous year's balance in Profit & Loss Account | 14422.57 | 13880.72 |
| Balance carried to Balance sheet | 16401.37 | 14422.57 |

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

**(Rs. in lakhs)**

| DIVISION | 2018-19 | 2017-18 |
|---|---|---|
| 1. Beverages | 168943.03 | 140914.32 |
| 2. Chit Funds | 23556.77 | 23001.15 |
| 3. Paper | 8392.58 | 12671.82 |
| 4. Consumer Products | 408.74 | 458.05 |
| 5. Industrial Products | 1890.45 | 1090.03 |
| 6. Tours & Travels | 642.38 | 547.47 |
| 7. Imported Sand | 124.52 | 35.62 |
| 8. Pharmacy | 805.39 | 157.44 |
| **TOTAL** | **204763.86** | **178875.90** |

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:

**(Rs. in lakhs)**

| PARITCULARS | 2018-19 | 2017-18 |
|---|---|---|
| Turnover | 204763.86 | 178875.90 |
| Profit/Loss before interest, depreciation, taxes & Prior year adjustments | 4238.30 | 2485.55 |
| Interest | 33.52 | 0.90 |
| Depreciation | 721.80 | 341.85 |
| Profit/(Loss) Before Tax | 3482.98 | 2142.80 |
| Provision for taxation<br>- Current<br>- Previous<br>- Deferred | <br>1100.00<br>53.69<br>105.33 | <br>939.77<br>-<br>5.22 |
| Profit/(Loss) after Tax | 2223.96 | 1197.81 |
| Other comprehensive Income | 245.16 | 655.96 |
| Total Comprehensive income for the year | 1978.80 | 541.85 |
| Previous year's balance in Profit & Loss Account | 14422.57 | 13880.72 |
| Balance carried to Balance sheet | **16401.37** | **14422.57** |

## 2. State of Company's Affairs and Future Outlook

(i) **Beverage Division:** In addition to 463 retail liquor outlets allotted during the year 2009, the Government of Karnataka had sanctioned additional 900 liquor outlets to MSIL (CL 11-C licences) in 2016 to be opened in all Assembly Constituencies across Karnataka. The Division has taken all the necessary measures to complete this task within fixed time frame through well-coordinated approach with Excise Department and local elected representatives.

## DIRECTORS' REPORT (continued)

A total of 425 licences under 463 quota and 365 licences under 900 quota have been received as on 31st March, 2019. In total, 769 outlets are under operation which is spread all over Karnataka. MSIL Liquor outlets are now spread all across the state especially in rural areas and have received overwhelming response from the public for sale of quality liquor at MRP rate.

Further, the division has achieved a turnover of Rs.168943.03 Lakhs in the year 2018-19 as compared to previous year's achievement of Rs.140914.32 Lakhs in the year 2017-18. Division would continue to put its best efforts to open remaining outlets under 463 and 900 quota at the earliest possible time by identifying suitable locations having good business potential.

(ii) **Chit Funds Division:** The Division has achieved a turnover of Rs.23556.77 lakh as against previous year achievement of Rs.23001.15 lakhs. The turnover has slightly increased as compared to the previous years, indicating a positive sign to develop the Chit Fund Business in the coming year. In order to expand the business a new Chit Fund Branch at Shivamogga was opened.

To improve the efficiency of the Division and also to meet the expectations of the subscribers, a new Chit funds 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 Funds Branches are being opened in Bengaluru to penetrate the market. The Division is having a vision of aiming for achieving a turnover of Rs.600 crores in the forthcoming 3 to 4 years.

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

(iii) **Paper Division:** Paper Division has achieved turnover of Rs. 8392.58 lakh in both paper and stationery during the year under review as against the Budgeted turnover of Rs. 8820.00 lakh by achieving 95.15%. The turnover of Note books (Vidya & Lekhak) during the financial year 2018-19 is Rs. 2893.29 lakh (2405.10 MTs) as against the Budgeted 3320.00 lakh (2750.00 MTs) by achieving 87.15%. 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 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 the 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 have been successfully contributing to major share of the turnover during the ensuing years also.

To achieve the targets, the division inevitably needs the service of young and energetic field force 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 redefining the sales strategies to suit the present trend in the market.

(iv) **Consumer Products Division:** The Division has achieved a turnover of Rs. 408.74 Lakhs (17.96 lakh Delhi + 372.65 lakh Mumbai + CPD 18.13 Lakh) during the year under review as against previous year turnover of Rs.458.05 lakh. In order to revive the business, the Division is in the process of strengthening its product line to tie-up with leading oil manufacturers and also exploring launching of new products to other regions.

## DIRECTORS' REPORT (continued)

The Soundarya products which was launched in the year 2017 for test Marketing is no more marketed by MSIL. As the Survey report indicates high price structure and the Quality of the products does not satisfy the consumer. The product is dispensed and is not marketed anymore.

The division has taken initiative of re-launching of Total Detergent Bar in Tamil Nadu. The division is making all the necessary steps in this regard towards appointment of supplier and Distributors exclusively in Tamil Nadu.

The division is planning to add more products in the coming days to achieve better turnover in the coming years in Karnataka as well.

(v) **Industrial Products Division:** The division has achieved a turnover of Rs.1890.45 lakhs during the Financial year 2018-19 under the main contribution from Furniture Products and 'Class-1' packaged drinking water. 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.

(vi) **Tours and Travels Division:** As an IATA Accredited Travel Agency (IATA No.:1435229). During the year 2018-19 the main activity of the Division has continued to be booking of Air Tickets to Government officials and package tours. The division has achieved turnover of Rs.642.38 lakhs up to 31st March 2019 as against Rs.547.47 lakhs budget during the previous year.

The Division has successfully organized package tours to North Indian tour 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
- RGUHS-Rajeev Gandhi university of Health Sciences
- KSTDC & JLR

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.25.18 lakhs has been recovered. The outstanding dues as on March 31, 2019 is Rs.325.25 lakhs as against Rs.350.43 lakhs reported during the previous year.

(viii) **Pharma Division:** The Pharma Division has achieved a turnover of Rs. 805.39 lakhs during the financial year 2018-19 as against previous year achievement of Rs.157.44 lakhs.

Pharma Division has opened total 72 Pradhan Mantri Bhartiya Janaushadhi Kendra (PMBJK) at Government Taluk / District Hospital across Karnataka as on March 31, 2019. Another 15 Janaushadhi Kendra will be opened shortly. The Company is also in the process of opening of PMBJK wholesale depot at Hubli.

(ix) **Imported Sand:** The Import Division has achieved a turnover of Rs.124.52 Lakhs during the financial year 2018-19.

### 3. Change in the Nature of Business, If any:

There is no change in the nature of business of the Company.

# DIRECTORS' REPORT (continued)

## 4. Dividend

In order to conserve funds and meet the working capital and to finance the fixed assets requirement for opening of new retail liquors outlets, which are to be opened under 900 quota . The Board has not recommended any dividend for the financial year 2018-19.

## 5. Reserves

The reserve of the Company for the financial year 2018-19 and the previous year are as follows:

**(Rs. in lakhs)**

| Particulars | F.Y. 2018-19 | F.Y. 2017-18 |
|---|---|---|
| General Reserve | 17765.57 | 17205.91 |
| Surplus in Statement of Profit and Loss | 1978.80 | 541.85 |

## 6. Share Capital

There is no change in the Share Capital of the Company.

## 7. Directors and Key Managerial Personnel

During the financial year 2018-19, the following changes in the composition of the Board of Directors of the Company had taken place as per the directions 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 K.J. George | 05.07.2018 | 27.02.2019 |
| 2 | Shri. D.C. Gowrishankar | 27.02.2019 | 30.07.2019 |
| 3 | Dr. G .C Prakash, IAS | 07.10.2016 | 20-07-2019 |
| 4 | Smt. Renuka Chidambaram, IAS | 26.07.2017 | 28-08-2018 |
| 5 | Dr. Ekroop Caur, IAS | 13.07.2017 | 15-12-2018 |
| 6 | Shri. Kapil Mohan, IAS | 28-08-2018 | 29-08-2019 |
| 7 | Shri. N. Jayaram, IAS | 27.09.2017 | 28-08-2018 |
| 8 | Shri Pavan Kumar Malapathi, IAS | 15-12-2018 | - |
| 9 | Shri Yashwantha, IAS | 26-03-2019 | - |
| 10 | Smt. Gunjan Krishna IAS | 28-08-2018 | - |
| 11 | Shri. R. Ramesh | 06.03.2018 | - |

The Board placed on its record with deep sense of gratitude for the excellent contribution made by Shri K.J. George, Chairman, Shri D.C. Gowrishakar, Chairman, Dr. G.C. Prakash, IAS, Managing Director Smt. Renuka Chidambaram, IAS, Dr. Ekroop Caur, IAS, and Shri. N. Jayaram, IAS, 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. Gaurav Gupta, IAS | - Chairman |
| 2. Shri. HP Prakash, IFS | -Managing Director |
| 3. Shri. Ganga Ram Baderia, IAS | - Director |
| 4. Smt. Gunjan Krishna, IAS | - Director |
| 5. Shri. Yashwantha, IAS | - Director |
| 6. Shri. Pavan Kumar Malapathi, IAS | - Director |
| 7. Shri. R. Ramesh | - Director |

During the financial year 2018-19, 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 | 20-07-2019 |
| 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 | |

# DIRECTORS' REPORT (continued)

**Composition of Audit Committee of the Board:**

| | | |
|---|---|---|
| 1. | Shri. Ganga Ram Baderia, IAS | - Chairman |
| 2. | Shri. Yashwantha, IAS | - Member |
| 3. | Shri. Pavan Kumar Malapathi, IAS | - Member |
| 4. | Shri. R. Ramesh | - Member |

**Composition of CSR Committee of the Board:**

| | | |
|---|---|---|
| 1 | Shri Kapil Mohan, IAS | - Chairman |
| 2 | Smt Gunjan Krishna, IAS | - Member |
| 3 | Shri R Ramesh | - Member |

## 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 drafts the agenda for each meeting along with explanatory notes, in consultation / consensus with the Managing Director, and distributes the same in advance to the Board of Directors. Four Board Meetings, One Audit Sub-Committee Meeting and no Corporate Social Responsibility Committee Meeting were held during the year ended March 31, 2019 on the following dates:

| Sl. No. | Board Meeting held on | Sl. No. | Audit Sub-Committee Meeting held on |
|---|---|---|---|
| 1 | June 08, 2018 | 1 | November 14, 2018 |
| 2 | August 20, 2018 | | |
| 3 | November 16, 2018 | | |
| 4 | March 08, 2019 | | |

| Sl. No. | Corporate Social Responsibility Committee Meeting held on |
|---|---|
| 1 | Nil |

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 2018-2019**

| Sl. No. | Name of the Director | No. of Board Meetings held | |
|---|---|---|---|
| | | Held | Attended |
| 1. | Shri K.J. George | 2 | 2 |
| 2. | Shri. D.C. Gowrishankar | 1 | 1 |
| 3. | Dr. G .C Prakash , IAS | 4 | 4 |
| 4. | Smt. Renuka Chidambaram , IAS | 2 | 0 |
| 5. | Dr. Ekroop Caur, IAS | 3 | 1 |
| 6. | Shri. Kapil Mohan, IAS | 2 | 2 |
| 7. | Shri. N. Jayaram , IAS | 1 | 0 |
| 8. | Shri Pavan Kumar Malapathi, IAS | 1 | 0 |
| 9. | Shri Yashwantha, IAS | 1 | 0 |
| 10. | Smt. Gunjan Krishna, IAS | 3 | 2 |
| 11. | Shri. R. Ramesh | 4 | 4 |

1. Shri K.J. George ceased to be a Chairman with effect from February 27, 2019
2. Shri. D.C. Gowrishankar, was appointed as a Chairman on February 27, 2019 and ceased to be a Chairman with effect from July 30, 2019.
3. Dr. G.C. Prakash, IAS, ceased to be a Managing Director with effect from July 20, 2019
4. Smt. Renuka Chidambaram, IAS, ceased to be a Director with effect from August 28, 2018
5. Dr. Ekroop Caur, IAS, ceased to be a Director with effect from December 15, 2018
6. Shri. Kapil Mohan, IAS, was appointed as Director on August 28, 2018 and ceased to be a Director with effect from August 29, 2019.
7. Shri N. Jayaram, IAS, ceased to be a Director with effect from August 28, 2018
8. Shri. Pavan Kumar Malapathi, IAS, was appointed as Director on December 15, 2018
9. Shri. Yashwantha, IAS, was appointed as Director on March 26, 2019
10. Smt. Gunjan Krishna, IAS, was appointed as Director on August 28, 2018

## DIRECTORS' REPORT (continued)

### 9. Details of Subsidiary Companies

As on March 31, 2019, 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, 2019.

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.

### 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 M/s Abarna & Ananthan, (BA0245) Chartered Accountants, Bengaluru, as Statutory Auditors for the year 2018-19. 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 2019-2020.

### 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 thereunder Shri. S. Kedarnath, Practicing Company Secretary as Secretarial Auditor have submitted their report for the year ended March 31, 2019. The report of the Secretarial Auditors is enclosed as Annexure IV 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.

# DIRECTORS' REPORT (continued)

### 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 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 by.

#### (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.20,19,017/- (Previous year - Rs.3,15,631/-)

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 spent on these activities which are specified in Schedule VII of the Companies Act, 2013. The Details about the CSR initiatives taken during the year referred to in Section 135(4) of the Companies Act, 2013, in the prescribed format is enclosed as Annexure III to this report.

### 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 2018-19 to improve the employees performance, imparted 42 employees (Executives/ Officer and Employee) to training programme. In future Company has planned for more Training Programmes.

During 2018-19 (up to March 31, 2019) There are 166 employees in your Company (Executives/ Officer 28 & Staff 138) of which 08 employees (02 Officers & 06 Employees) continued to be deputed to Karnataka Beverages 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 has taken up construction of warehouse in land measuring one acre allotted by KIADB at Kapnoor Industrial Area, Kalaburagi. The contractor for construction of the warehouse has been finalised through e-tendering process. The project will be completed in 14 months from the date of awarding the work order to the contractor. This warehouse also will generate additional revenue to the Company once it is completed.

Construction of Karnataka Bhavan at Vashi, Navi Mumbai is completed. The building is inaugurated in the month of December 2017. The Company has selected the agency for operation and management of the Guest House through laid down procedure and 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, 2019, 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, 2019 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, 2019, 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, M/s Abarna & Ananthan, 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**
**Gaurav Gupta, IAS Chairman**

Place: Bengaluru
Date: September 16, 2019

## Annexure I
## FORM NO. MGT 9
## EXTRACT OF ANNUAL RETURN
## As on financial year ended on 31.03.2019

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.<br>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)

| S.N. | Name and Description of main products / services | NIC Code of the Product/service | % to total turnover of the company |
|---|---|---|---|
| 1 | Beverages | 47221 | 82.51 |
| 2 | Chit Funds | 64990 | 12.86 |

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

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

| Sl. No | Name | Address of the Company | CIN / GLN | Holding / Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|---|
| | | | | | | |
| 1. | Karnataka State Industrial And Infrastructure Development Corporation Limited | Khanija Bhavan 49, 4th Floor, Race Course Road, Bengaluru - 1 | U93000KA1964ULL001532 | Associate Company | 47% | Section 2(6) |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2. | Marketing Communication and Advertising Limited, | No.42, MC&A, House, Millers Road, Bengaluru - 52 | U51101KA1972PLC002242 | Subsidiary | 100% | Section 2(87) |
| 3. | Mysore Chrome Tanning Company Limited | C/o MSIL, No. 36, Cunningham Road, Bengaluru -52 | U85110KA1940SGC000261 | Subsidiary | 95.10% | Section 2(87) |
| 4. | Food Karnataka Limited | No.17, Richmond Road, Bengaluru - 25 | U01513KA2003PLC031873 | 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 01-April-2018 / end of the year (31.03.2018)] | | | | No. of Shares held at the end of the year[As on 31-March-2019] | | | | % 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% | N.A. | 2255817 | 2255817 | 53% | |
| d) Bodies Corp. | | 2017660 | 2017660 | 47% | N.A. | 2017660 | 2017660 | 47% | |
| e) Banks / FI | | - | - | - | - | - | - | - | |
| f) Any other | | - | - | - | - | - | - | - | |
| **Total shareholding of Promoter (A)** | | **2017660** | **2017660** | **100%** | **N.A.** | **4273477** | **4273477** | **100%** | |
| **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) FIIs | | - | - | - | - | - | - | - | |
| 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 Shares olding 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 | Governor of Karnataka | 2255817 | 53% | - | 2255817 | 53% | - | |
| 2 | KSIIDC<br>Following 6 Individuals are holding shares on behalf of KSIIDC | 2017570 | 47% | - | 2017570 | 47% | - | |
| | 1) MD, KSIIDC | 30 | | | 40 | | | |
| | 2) MD, MSIL | 10 | | | 10 | | | |
| | 3) N R N Simha | 20 | | | 20 | | | |
| | 4) Y Sreeniva sappa | 10 | | | 10 | | | |
| | 5) N K Parashuram | 10 | | | 10 | | | |
| | 6)D.Viswanath | 10 | | | Nil | | | |

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

| SN | 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 | 47% |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.): | New issue of 2255817 equity shares to Governor of Karnataka on February 28, 2018 resulted decrease of shareholding of promoter (parent company) from 100% to 47%. | | | |
| | At the end of the year | | | 2017660 | 47% |

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### 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:

| SN | 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 | 40 | 0.001% | 40 | 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 lakhs)

| | 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 lakhs)

| SN. | Particulars of Remuneration | Name of MD/WTD/ Manager | | | | Total Amount |
|---|---|---|---|---|---|---|
| | | MD | ---- | ---- | --- | |
| 1 | Gross salary | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 18.53 | - | - | - | 18.53 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 7.81 | - | - | - | 7.81 |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | | | | | |
| 2 | Stock Option | | | | | |
| 3 | Sweat Equity | | | | | |
| 4 | Commission<br>- as % of profit<br>- others, specify… | | | | | |
| 5 | Others, please specify | - | - | - | - | - |
| | Total (A) | 26.34 | - | - | - | 26.34 |
| | Ceiling as per the Act | | | | | |

### B. Remuneration to other directors

(Rs. in lakhs)

| SN. | Particulars of Remuneration | Name of Directors | Total Amount |
|---|---|---|---|
| 1 | Independent Directors: | | |
| 2 | Other Non-Executive Directors | | |
| | Fee for attending board committee meetings – Rs.1,000/- per Meeting | Shri K.J. George | Nil |
| | | Shri. D.C. Gowrishankar | Nil |
| | | Dr. G .C Prakash , IAS | Nil |
| | | Smt. Renuka Chidambaram , IAS | Nil |
| | | Dr. Ekroop Caur, IAS | 3000 |
| | | Shri. Kapil Mohan, IAS | 1000 |
| | | Shri. N. Jayaram , IAS | Nil |
| | | Shri Pavan Kumar Malapathi, IAS | Nil |
| | | Shri Yashwantha, IAS | Nil |
| | | Smt. Gunjan Krishna, IAS | 5000 |
| | | Shri. R. Ramesh | 6000 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Commission | | | | | |
| | Others, please specify | | | | | |
| | Total (1) | | | | | |
| 2 | Fee for attending board committee meetings | | | | | |
| | Commission | | | | | |
| | Others, please specify | | | | | |
| | Total (2) | | | | | 15000 |
| | Total (B)=(1+2) | | | | | |
| | Total Managerial Remuneration | | | | | 15000 |
| | Overall Ceiling as per the Act | | | | | |

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

**(Rs. in lakhs)**

| SN | 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 | | 19.92 | 20.96 | 40.88 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | | 0.61 | 0.61 | 1.22 |
| | (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** | | **20.53** | **21.57** | **42.10** |

## 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 | | | | | |

**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.

**Rs. in lakhs**

| **Name of Subsidiary Company** | **M/s Mysore Chrome Tanning Company Limited** |
|---|---|
| Issued & Subscribed Capital | Rs.75,74 |
| Reserves | Rs. (848.11) |
| Total Assets | Rs. 133.89 |
| Total Liabilities | Rs.906.26 |
| Investments | - |
| Turnover | - |
| Profit/(Loss)before Tax | Rs. 3.80 |
| Provision for Tax | Rs. 1.01 |
| Profit/(Loss) After Tax | Rs. 2.79 |
| Proposed Dividend | Nil |
| **Name of Subsidiary Company** | **M/s Marketing Communication & Advertising Ltd.** |
| Issued & Subscribed Capital | Rs. 357.25 |
| Reserves | Rs. 13807.43 |
| Total Assets | Rs. 23453.91 |
| Total Liabilities | Rs.9289.23 |
| Investments | - |
| Turnover | Rs. 26233.84 |
| Profit/(Loss)before Tax | Rs. 2717.43 |
| Provision for Tax | Rs. 962.50 |
| Profit/(Loss) After Tax | Rs. 1754.93 |
| Proposed Dividend | - |

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## Annexure – III
## Annual Report on CSR Activities
## [Pursuant to Section 135 of the Companies Act, 2013]

The Company constituted Corporate Social Responsibility Committee (CSR) Pursuant to section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014. The disclosures as required under the CSR policy/rules are provided herein below:

1. The Company's CSR Policy is available on http://www.msilonline.com/CSRPOLICYOFMSIL.pdf

   The areas for CSR activities are promoting education and healthcare. The funds were spent on these activities which are specified in Schedule VII of the Companies Act, 2013.

2. The Composition of the CSR Committee:

| | | |
|---|---|---|
| 1 | Shri Kapil Mohan, IAS | - Chairman |
| 2 | Smt Gunjan Krishna, IAS | - Member |
| 3 | Shri R Ramesh | - Member |

3. Average net profit of the company for last three financial years:

**Rs. in lakhs**

| Details | Financial year 2017-18 | Financial Year 2016-17 | Financial Year 2015-16 |
|---|---|---|---|
| Profit as per Sec.198 of Companies Act, 2013 | 16627.31 | 15683.13 | 13985.82 |
| **Average Net Profits** | **4174.28** | | |

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
   a) Total amount to be spent for the financial year – Rs. 83.49 lakhs.
   b) Amount unspent, if any – Nil
   c) Manner in which the amount spent during the financial year is detailed below:

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|
| Sl. No. | CSR project or activity identified | Sector in which the project is covered | Projects or programs (1) Local Area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount on the projects or programs Sub Heads: (1) Direct Expenditure on projects or programs (2) Overheads: | Cumulative expenditure up to the reporting period | Amount spent: Direct or through implanting agency |
| 1 | Chief Minister Relief Fund | Eradicating poverty, malnutrition, promoting preventive health care and making available safe drinking water | Karnataka | Rs. 2.00 Crore | Rs.2.00 Crore | Rs.2.00 Crore | Through CM Relief Fund |

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|
| Sl. No. | CSR project or activity identified | Sector in which the project is covered | Projects or programs (1) Local Area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount on the projects or programs Sub Heads: (1) Direct Expenditure on projects or programs (2) Overheads: | Cumulative expenditure up to the reporting period | Amount spent: Direct or through implanting agency |
| 2 | Distribution of note books and stationery items | Kodagu Calamity Relief | Kodagu | Rs.5.41 Lakhs | Direct expenditure of Rs.5.41 lakhs | Rs.5.41 lakhs | Direct |

6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:
   - ➢ The Company has spent fully.
7. The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

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## Annexure - IV

## FORM NO. MR-3

## SECRETARIAL AUDIT REPORT

**For The Financial Year Ended 31st March 2019**
**[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 of the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's book's, papers, minutes, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the 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 2019, 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 2019, according to the provisions of:

i. The Companies Act, 2013 (the Act) and the Rules made thereunder;

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

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

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

    a. Depositories Act, 1996 and the Regulations made thereunder.

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

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

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

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

    f. 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;

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

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

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

We further report that in accordance with the guidelines issued by the Institute of Company Secretaries of India (ICSI) on the applicability of Industry specific laws as applicable to the Company and based on the list of the said laws provided and records maintained, the Company has, in our opinion, generally complied with the provisions of following laws:-

**1. Industry Specific Laws**

a) The Karnataka Chits Fund Act, 1982

b) Karnataka Excise Act, 1968

c) Karnataka Shops and commercial Establishment Act, 1961

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

e) Essential Commodities Act, 1955

f) Drug Control Act, 1950

**2. General Laws**

a. Industrial and Labour Laws as applicable to the Company

b. 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 except that:

*The Company's CSR Committee has not held any meeting during the financial year to consider the CSR spending as per section 135 of the Act.*

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 Women 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 sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views 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**
**C P No 4422**

Date: September 16, 2019
Place: Bengaluru

*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*

## Form AOC -1

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

### Part A : Subsidiaries

| 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) | Invest-ments | 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 2019 | Indian Rupee | 357.25 | 13807.43 | 23453.91 | 9289.23 | - | 26233.84 | 414.46 | 26648.30 | 2717.43 | 962.30 | 1754.93 | - | - | 100% |
| 2 | The Mysore Chrome Tanning Company Limited | 31st March 2019 | Indian Rupee | 75.74 | (848.11) | 133.89 | 906.26 | - | - | 7.36 | 7.36 | 3.80 | 1.01 | 2.79 | - | - | 95.10% |

## ANNEXURE "A"

To,

The Members,

**MYSORE SALES INTERNATIONAL LIMITED**

Dear Sir,

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

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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

Date: September 16, 2019
Place: Bengaluru

MSIL

## TEN YEARS PERFORMANCE

### FINANCIAL HIGLIGHTS FOR TEN YEARS

**(Rs. in lakhs)**

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Worth | 15737.73 | 16166.68 | 18412.05 | 20637.85 | 23701.53 | 26814.97 | 30051.70 | 33190.30 | 33503.15 | 35481.95 |
| (Share Capital, Reserve) | | | | | | | | | | |
| Paid-up Capital | 366.23 | 366.23 | 366.23 | 366.23 | 2017.66 | 2017.66 | 2017.66 | 2017.66 | 4273.48 | 4273.48 |
| Share Application Money | 2780.96 | 2780.96 | 3907.25 | 3907.25 | 2255.82 | 2255.82 | 2255.82 | 2255.82 | - | - |
| Reserves & Surplus | 12590.54 | 13019.49 | 14138.57 | 16364.37 | 19428.05 | 22541.49 | 25778.22 | 31172.64 | 29229.68 | 31208.47 |
| Borrowings from Banks | - | - | - | - | - | - | - | - | - | - |
| Net Fixed Assets | 3249.19 | 3999.03 | 4071.36 | 4097.95 | 4221.84 | 5624.66 | 5626.25 | 6225.01 | 6974.83 | 7966.36 |
| Turnover | 28637.27 | 50897.06 | 71749.54 | 97828.66 | 120066.32 | 146039.32 | 151490.75 | 161407.69 | 178875.91 | 204763.86 |
| Profit before Tax | (420.32) | 831.09 | 3160.37 | 3528.05 | 4660.26 | 6052.27 | 5400.50 | 5699.87 | 1486.84 | 3237.82 |
| Dividend | - | - | - | 10% | 10% | 10% | 10% | 10% | - | - |
| Net Earning after tax per share (in Rs) | (23.00) | 146.00 | 755.35 | 625.69 | 162.96 | 166.36 | 178.71 | 181.68 | 12.68 | 46.30 |
| Net Worth per Share (in Rs) | 4297.23 | 4414.35 | 3960.57 | 4568.33 | 1062.90 | 1217.21 | 1377.63 | 1644.99 | 783.98 | 830.28 |

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## SUMMARISED PROFIT AND LOSS ACCOUNT FOR TEN YEARS

**(Rs. in lakhs)**

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | 28637.27 | 50897.06 | 71749.54 | 97828.66 | 120066.32 | 146039.32 | 151490.75 | 161407.69 | 178875.91 | 204763.86 |
| Gross Income | 3795.04 | 4946.44 | 8204.97 | 10751.19 | 12325.68 | 14919.86 | 15490.81 | 16453.84 | 17952.46 | 20742.63 |
| Selling & Administrative Expenses | 2495.37 | 3830.23 | 6105.53 | 6646.46 | 6965.11 | 8923.90 | 9636.88 | 10433.61 | 15990.08 | 16723.59 |
| Interest | 26.93 | 26.05 | 28.78 | 51.58 | 30.76 | 48.68 | 145.35 | 2.44 | 0.90 | 33.52 |
| Depreciation | 110.45 | 131.75 | 229.07 | 245.46 | 280.77 | 291.01 | 255.39 | 285.21 | 341.85 | 721.80 |
| Provision/ Write off | 1582.61 | 233.86 | 328.48 | 302.75 | 399.05 | 47.72 | 91.36 | 50.60 | 132.79 | 25.90 |
| **TOTAL** | **4215.36** | **4221.89** | **6691.86** | **7246.25** | **7675.69** | **9311.31** | **10128.98** | **10771.86** | **16465.62** | **17504.81** |
| Profit before tax | (420.32) | 724.55 | 1513.11 | 3504.94 | 4649.99 | 5608.55 | 5361.83 | 5681.98 | 1486.84 | 3237.82 |
| Provision for taxation | - | - | 1080.78 | 1313.16 | 1372.76 | 2252.67 | 1923.22 | 1978.80 | 939.77 | 1153.69 |
| Deferred Tax Credit | 334.73 | (295.60) | (686.75) | (76.58) | (20.96) | (0.62) | (167.21) | 37.48 | 5.22 | 105.33 |
| Profit after tax | (85.59) | 428.95 | 1119.08 | 2268.36 | 3298.19 | 3356.50 | 3605.82 | 3665.70 | 541.85 | 1978.80 |

## SUMMARISED BALANCE SHEET FOR TEN YEARS

**(Rs. in lakhs)**

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|---|---|---|---|---|
| **OWN FUNDS** | | | | | | | | | | |
| Share Capital | 366.23 | 366.23 | 366.23 | 366.23 | 2017.66 | 2017.66 | 2017.66 | 2017.66 | 4273.48 | 4273.48 |
| Share Application Money | 2780.96 | 2780.96 | 3907.25 | 3907.25 | 2255.82 | 2255.82 | 2255.82 | 2255.82 | - | - |
| Reserves & Surplus | 12590.54 | 13019.49 | 14138.57 | 16364.37 | 19428.05 | 22541.49 | 25778.22 | 31172.64 | 29229.68 | 31208.47 |
| **TOTAL** | **15737.73** | **16166.68** | **18412.05** | **20637.85** | **23701.53** | **26814.97** | **30051.70** | **35446.12** | **33503.16** | **35481.95** |
| **LOAN FUNDS** | | | | | | | | | | |
| Short-Term Loan | 784.45 | 753.05 | 77.42 | 53.88 | 53.88 | 53.88 | 53.88 | 53.88 | 53.88 | 53.88 |
| Funds Employed | 784.45 | 753.05 | 77.42 | 53.88 | 53.88 | 53.88 | 53.88 | 53.88 | 53.88 | 53.88 |
| Deferred Tax Liability (Net) | - | - | - | - | - | - | - | - | - | - |
| **TOTAL** | **16522.18** | **16919.73** | **18489.47** | **20691.73** | **23755.41** | **26868.85** | **30105.58** | **35500.00** | **33557.04** | **35535.83** |
| **APPLICATION OF FUNDS** | | | | | | | | | | |
| Fixed Assets | 3249.19 | 3999.03 | 4071.36 | 4097.95 | 4221.84 | 5624.66 | 5626.25 | 6225.01 | 6974.83 | 7966.36 |
| Investments | 1336.06 | 1336.06 | 1336.06 | 1336.06 | 1336.06 | 1336.06 | 1336.51 | 3361.36 | 2900.13 | 2998.03 |
| Deferred Tax Asset (Net) | 357.31 | 61.71 | 748.46 | 825.04 | 846.00 | 846.62 | 1013.83 | 976.35 | 971.13 | 865.80 |
| Working Capital | 11579.61 | 11522.93 | 12333.59 | 14432.68 | 17351.51 | 19061.51 | 22128.99 | 24937.28 | 22710.95 | 23705.64 |
| **TOTAL** | **16522.17** | **16919.73** | **18489.47** | **20691.73** | **23755.41** | **26868.85** | **30105.58** | **35500.00** | **33557.04** | **35535.83** |

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# ACCOUNTS (Ind AS CONSOLIDATION)
# FOR THE YEAR ENDED
# 31ST MARCH 2019

# REVISED INDEPENDENT AUDITORS' REPORT

**To**

**The Members of**

**Mysore Sales International Limited**

**Report on the Consolidated Financial Statements**

## Qualified Opinion

We have audited the accompanying consolidated financial statements of Mysore Sales International Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (holding company and its subsidiaries together referred to as "the Group") and its associate which comprise consolidated Balance Sheet as at March 31, 2019, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described under the "Basis for Qualified Opinion" section of our report, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended, ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the company as at March 31, 2019 and its consolidated profit, consolidated changes in equity and its consolidated cash flows for the year ended on that date.

We have issued an Audit Report dated September 16, 2019 ("the original report") at Bengaluru on the financial statements as adopted by Board of Directors on even date. Pursuant to the observation of Comptroller and Auditor General of India under section 143(6)(a) of the Companies Act, 2013, we have revised the said Audit Report. This revised Audit Report has no impact on the reported figures in the financial statements of the Company. This Audit Report supersedes the original report, which has been suitably revised to consider observations of Comptroller and Auditor General of India.

Our Audit procedure on events subsequent to the date of the original report is restricted solely to the amendment as reported in point no (c), (d) & (e) of Basis for qualified opinion paragraph in respect of the Holding Company.

## Basis for Qualified Opinion:

Mysore Sales International Limited-Holding Company

a. The Balance of Trade receivable, advances, payables and advance from customers have not been reconciled nor confirmed from the counter parties as at the balance sheet date. We were unable to obtain sufficient and appropriate audit evidence about the carrying amount of these accounts as at balance sheet date, in the absence of which we are unable to determine whether any adjustment to these amounts are necessary. The financial impact of these unreconciled or confirmed account balances, if any, could not be determined.

b. The Company had capitalized an amount of Rs.34,10,24,920 incurred towards construction of Karnataka Bhavan in Navi Mumbai based on the completion certificate received from M/s Project Management Service on March 31, 2018. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of property capitalized as at balance sheet date, in the absence of which we are unable to determine impact thereof on the standalone Ind AS financial statements as the Company is still holding unpaid Bills.

c. The finance cost comprising of interest and guarantee commission paid amounting to Rs 69,67,046/- reported under clause C Cash Flow from financing activities in the Cash Flow Statement includes a sum of Rs.33,51,677/- being interest paid towards income tax also, which is not in compliance with Ind AS 7 . This amount is to be reported under operating cash flow in the Cash Flow Statement as per Ind AS 7-Statement of Cash Flows.

d. While discussing the Accounting Policy on Property Plant and Equipment in point no 1.2. (j) it is stated that the useful life of the various assets is the same as that prescribed in Schedule II to the Companies Act 2013. However the useful life of furniture and fixtures in the Liquor outlets is assessed to be 5 years which is in noncompliance with Schedule II to the Companies Act, 2013.

e. The earning per share for continuing operations and discontinued operation is not reported in Consolidated Statement of Profit and Loss. However the same has been disclosed in note 42 -Earnings per share-Disclosure as per Ind AS 33 to the Consolidated Financial Statements.

We draw your attention to the following qualification to the audit opinion of the financial statements of The Mysore Chrome Tanning Company Limited and Marketing Communication & Advertising Limited, the subsidiaries of the Holding Company issued by an independent firm of Chartered Accountants vide their Reports dated May 30,2019 and September 03,2019 respectively reproduced by us as under:

### The Mysore Chrome Tanning Company Limited-MCTL

a. The MCTL is not a going concern as the Company is not carrying on any manufacturing activities since 1986. The Company has accumulated losses of Rs.8,48,11,310/- and net worth stands eroded. As of that date, the Company's current liabilities exceeded its total assets by Rs.7,72,36,858/-.These events or conditions, along with other matters as set forth in Note 36 (viii) indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

b. The MCTL has not provided interest on the loan availed from MSIL, KSIIDC and Government of Karnataka amounting to Rs.5,48,111/- for the current year and Rs.1,21,17,203/- from April 1999. Had this interest been provided, the loss for the year would have been Rs.2,68,801/- against the profit for the year of Rs.2,79,310/- as per the statement of profit and loss account for the year ended 31st March 2019. Current liability is understated to the extent of Rs.5,48,111/- for the current year.

### Marketing Communication & Advertising Limited-MCA

a. The Balance of Trade receivable, advances, payables and advance from customers have not been reconciled nor confirmed from the counter parties as at the balance sheet date. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these accounts as at balance sheet date, in the absence of which we are unable to determine whether any adjustment to these amounts are necessary. The financial impact of these unreconciled or confirmed account balances, if any, could not be determined.

The position of total balances, confirmed balances and percentages of unconfirmed balances are given below:

| Sl No | Particulars | Amount as per Books | Amount for which Confirmation received and reconciled | Percentage of unreconciled/ unconfirmed account balance |
|---|---|---|---|---|
| 1 | Trade Receivable | 135,24,72,321 | 21,85,000 | 99.84% |
| 2 | Trade Advances | 5,51,21,000 | - | 100% |
| 3 | Trade Payable | 82,27,95,847 | - | 100% |
| 4 | Advance Customers | 2,51,91,000 | - | 100% |

b. The trade receivable in Note 10 of the consolidated financial statements includes Rs.6,15,56,000/- which are received through RTGS/NEFT directly to Company's bank account for which no information is available as at balance sheet date. We are unable to obtain sufficient appropriate audit evidence, in the absence of which we are unable to determine whether any adjustments to these trade receivables, advances, payable and advances from customers account balances are necessary. The financial impact of these adjustments which affects the ageing of these account balances, if any, could not be determined.

c. There are discrepancies between purchases/ sales recorded in the books of accounts and the GST returns filed on a month on basis during the year. We are unable to obtain sufficient information or explanation or appropriate audit evidence or reconciliation for such discrepancies, in the absence of which we are unable to determine the financial impact of such noncompliance.

d. The Company has a total 37 employees whereas only 20 employees on payrolls have been considered for actuarial valuation of gratuity and leave encashment as at balance sheet date. The financial impact of non-consideration of the differential 17 employees in actuarial valuation at balance sheet date, if any, could not be determined.

e. The Company in its board meeting dated June 18, 2019 noted, accounts receivable overdue collection of Rs.39,29,000/-collected by the branch manager Mr. M.S. Patil, Vijayapura branch from the client M/s Public Works, Ports and Inland Water Transport Department, Vijayapura was not received by the Company. Accordingly, FIR has been registered with Jalanagar Police Station, Vijayapura on May 30, 2019. Simultaneously action has been initiated for departmental enquiry through public servant [retired judge] as per administration manual of the Company. The financial impact of not considering such accounts receivable collection as at balance sheet date, if any, could not be determined.

f. Pursuant to board resolution in the 257th board meeting for adoption of financial statement for the financial year 2018-19 held on September 03, 2019, it was resolved that subject to the approval of members of the Company, approval be and is hereby accorded to declare 15% dividend on the face value of Rs.100 on the paid up equity share capital of the Company for the financial year ended March 31, 2019. The Company has not made adequate disclosure in the notes to accounts.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143 (10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group and its associate in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with ethical requirements that are relevant to our audit of the Consolidated Ind AS Financial Statements under the provisions of the Act and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics.

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

### Emphasis of the matter:

We draw attention to the following emphasis of matters included in the audit report issued by an independent firm of Chartered Accountants, vide their report dated May 30, 2019 on the financial statements of The Mysore Chrome Tanning Company Limited a subsidiary company of the Holding Company reproduced by us as under:

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### The Mysore Chrome Tanning Company Limited-MCTL

1. Note38 (ix) consolidated financial statements regarding recovery of compensation amount from BDA, amount being unascertainable.
2. Note 16(ii) consolidated financial statements regarding non provision of interest on advances and others, consequent effect of the same not being ascertainable.
3. Note 49(iii) consolidated financial statements regarding non confirmation of loans and advances.
4. The financial statement which, describes the uncertainty related to the outcome of the lawsuit filed against the contingent liabilities of the Company vide Note 48C and other information vide Note 38 (ix) and 16 (ii) stated in notes to the financial statements.

Our opinion is not modified in respect of these matters.

### Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Holding company's Board of Directors is responsible for the preparation of the other information. The other information comprises the Board's Report including its annexures, Corporate Governance information and shareholders information but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group and its associate in accordance with the accounting principles generally accepted in India, including the accounting standards specified under Section 133 of the Act. 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 of 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 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 the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

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

The respective Board of Directors of the companies included in the Group and of its associate are also responsible for overseeing the Company's financial reporting process of the Group and of its associate.

**Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Group and of its associate has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and of its associate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

### Other Matters

We did not audit the financial statements of two subsidiaries and the associate. The financial statements of two subsidiaries reflect total assets of Rs. 235,87,79,577/-as at 31 March 2019, total revenues of Rs.266,55,65,466/-and net cash flows amounting to Rs. (48,63,321/-) for the year ended on that date, as considered in the consolidated financial statements.

The consolidated financial statements also include the group's share of net profit of Rs. 19,29,249/- and other comprehensive income of Rs. Nil for the year ended 31March 2019 as considered in the consolidated financial statements in respect of the associate. These financial statements are unaudited and have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, and our report in terms of sub sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial statements.

Our opinion on the consolidated financial statements and our report on the Other Legal and Regulatory Requirements below is not modified in respect of the above matters based on our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

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

    b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinionproper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors.

    c) The reports on the accounts of the Holding Company and Subsidiaries, audited under Section 143(8) of the Act by other auditors have been sent to us, as applicable and have been properly dealt with in preparing this report.

    d) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the books of accounts maintained for the purpose of preparation of the consolidated financial statements.

    e) Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

f) The matters described in the Basis for Qualified Opinion section above, in our opinion, may not have an adverse effect on the functioning of the Group and its associate.

g) The Group and its associate, being a Government Company, the provisions of Section 164(2) of the Companies Act, 2013 in respect of disqualification of Directors are not applicable.

h) We have also audited the internal financial controls over financial reporting of the Group and its associate as at 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report as per "Annexure A" expressed a qualified opinion;

i) With respect to the other matters to be included in the Auditor's Report in accordance with the requirement of Section 197(16) of the Companies Act, 2013 as amended:

In our opinion, the Group and its associate, being a Government Company, the provisions in relation to payment of managerial remuneration as mandated by Section 197 read with Schedule V to the Companies Act, 2013 is not applicable.

j) 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 disclose the impact of pending litigations on the consolidated financial position of the Group and its associate - Refer Note 38 to the consolidated financial statements.

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

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

**For Abarna & Ananthan**
**Chartered Accountants**
Firm Registration No: 000003S
Sd/-
**(Abarna Bhaskar)**
Partner
Membership No: 025145

Place: Bengaluru
Date:29.09.2019

## ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT
## (Referred to in our report of even date)

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

In conjunction with our audit of the consolidated financial statements of the company as of and for the year ended 31 March, 2019, we have audited the internal financial controls over financial reporting of Mysore Sales International Limited ("the Holding Company"),its subsidiary companies and its Associate, which are companies incorporated in India, as of that date.

### Management's Responsibility for Internal Financial Controls

The Board of Directors of the Holding company, its subsidiary companies and its associate company, which are 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 ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company, subsidiaries and associate, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding company and its subsidiaries and its associate.

### Meaning of Internal Financial Controls Over Financial Reporting

A company's Internal financial controls 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 controls over financial reporting include 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Basis for Qualified Opinion

In our opinion, according to the information and explanations given to us and based on our audit procedures performed, the following material weakness has been identified in the operating effectiveness of the Holding Company's internal Financial Controls Over Financial Reporting as at 31 March 2019:

a) The Company did not have an appropriate internal control system for obtaining external balance confirmation on periodic basis. This could potentially result in inaccurate assets & liabilities disclosed in the books of accounts.

b) Title deeds of the certain immovable property is not available with the Company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

### Qualified Opinion

In our opinion and based on the consideration of the reports of the other auditors on Internal Financial Controls Over Financial Reporting of the two subsidiarycompanies except for the possible effects of the material weakness described above in the Basis for Qualified Opinion paragraph, the Holding Company and two subsidiary companies, which are incorporated in India, have, in all material respects, adequate Internal Financial Controls Over Financial Reporting and such controls were operating effectively as at 31 March 2019, based on internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements of the Group and its associate for the year ended 31 March 2019, and the material weakness has affected our opinion on the consolidated financial statements of the Group and its associate and we have issued a qualified opinion on the consolidated financial statements.

### Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to two subsidiary companies which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.

**For Abarna & Ananthan**
**Chartered Accountants**
Firm Registration No: 000003S
Sd/-
**(Abarna Bhaskar)**
Partner
Membership No: 025145

Place: Bengaluru
Date:29.09.2019

Replies to the Qualification in Statutory Auditors Report for the year 2018-19

<table>
<tr><th>Qualification in Statutory Auditors</th><th>Company's Reply</th></tr>
<tr><td>a. The Balance of Trade receivable, advances, payables and advance from customers have not been reconciled nor confirmed from the counter parties as at the balance sheet date. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these accounts as at balance sheet date, in the absence of which we are unable to determine whether any adjustment to these amounts are necessary. The financial impact of these unreconciled or confirmed account balances, if any could not be determined.</td><td>The Company has sent the balance confirmation as on 31st March 2019 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.<br><br>The Company has capitalized an amount of Rs.341024920/- incurred towards construction of Karnataka Bhavan in Navi Mumbai based on the completion certificate received from M/s Project Management Service on 31st March 2018.<br><br>In this connection the company received the following bills during the current financial year 2019-20.</td></tr>
<tr><td>b. The company had capitalized an amount of Rs,34,10,24,920 incurred towards construction of Karnataka Bhavan in Navi Mumbai based on the completion certificate received from M/s Project management Service on March 31, 2018. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of property capitalized as at balance sheet date, in the absence of which we are unable to determine impact thereof on the standalone IndAS financial statements as the company is still holding unpaid bills</td><td><table>
<tr><th>Particulars</th><th>Amount</th></tr>
<tr><td>a. M/s Hiten Sethi & Associates (Architects fees)</td><td>27,02,578/-</td></tr>
<tr><td>b. M/s Apex Management Consultancy Services (Supervising charges)</td><td>35,28,200/-</td></tr>
<tr><td>c. M/s Ecoshine Facility Solutions (Security Service charges)</td><td>13,14,020/-</td></tr>
<tr><td>Total pending bills</td><td>75,44,798/-</td></tr>
</table>
<br>The Accounts Department has sought certain clarification on the above bills submitted by the party on the said project from the concerned division. After obtaining the satisfactory clarification and recommendation, the actual expenditure will be accounted in the books of accounts in the current financial year 2019-20.</td></tr>
<tr><td>c. The finance cost comprising of interest and guarantee commission paid amounting to Rs.69,67,046/- reported under clause (C) cash flow from financing activities in Cash Flow Statement includes a sum of Rs.33,51,677/- being interest paid towards income tax also, which is not in compliance with Ind AS7. This amount is to be reported under operating cash flow in the Cash Flow Statement as per Ind AS 7 Statement of Cash flows.</td><td>The observation made by the audit team is accepted and necessary modification will be carried out in the Annual Report for Rs. 33,51,677/- being the income Tax related payment under operating cash flow in the cash flow statement as per Ind AS – 7 statement of cash flow.</td></tr>
</table>

| | |
|---|---|
| d. While discussing the Accounting Policy on Property Plant and Equipment in point No.1.2(i) it is stated that the useful life of the various assets is the same as that prescribed in Schedule II to the Companies Act 2013. However, the useful life of furniture and fixtures in the Liquor outlets is assessed to be 5 years which is in non compliance with schedule II to the Companies Act 2013. | The useful life of Furniture & Fixtures in the liquor outlets is assessed to be five years which will be noted and correct disclosure will be given in the Accounting Policy on Property Plant and Equipment in the current year 2019-2020. |

# COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MYSORE SALES INTERNATIONAL LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2019

The preparation of consolidated financial statements of **Mysore Sales International Limited, Bengaluru** for the year ended **31st March 2019** 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 appointed by the Comptroller and Auditor General of India under Section 139(5) read with Section 129 (4) of the Act is responsible for expressing opinion on the financial statements under section 143 read with Section 129 (4) 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 29 September 2019 which superseades their earlier Audit Report dated 16 September 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the of the financial statements of **Mysore Sales International Limited, Bengaluru** for the year ended 31st March 2019 under section 143(6)(a) read with Section 129(4) of the Act. We conducted supplementary audit of the financial statements of **Mysore Sales International Limited, Bengaluru**. **The Mysore Chrome Tanning Limited, Bengaluru, Marketing Communication & Advertising Limited, Bengaluru** but did not conduct supplementary audit of **Food Karnataka Limited, Bengaluru** for the year ended **31st March 2019.** The 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 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 the Statutory Auditor's Report, to give 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 section 143(6)(b) of the Act.

For and on behalf of the
Comptroller & Auditor General of India
Sd/-
**(ANUP FRANCIS DUNGDUNG)**
ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BENGALURU

BENGALURU
Date:30.09.2019

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## MYSORE SALES INTERNATIONAL LIMITED
## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2019
## (ALL AMOUNTS ARE IN RUPEES UNLESS OTHERWISE SPECIFIED)

| S.No | Particulars | Note No. | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|---|---|
| A | ASSETS | | | | |
| | Non-Current Assets | | | | |
| | (a) Property, Plant and equipment | 2 | 519,815,768 | 404,482,989 | 246,300,690 |
| | (b) Capital Work in Progress | 2 | - | 2,011,291 | 340,240,465 |
| | (c) Investment Property | 3 | 348,175,142 | 358,562,122 | 100,768,626 |
| | (d) Other Intangible Assets | 4 | 1,464,099 | 2,777,085 | 4,291,724 |
| | (e) Financial Assets | | | | |
| | (i) Investments | 5 | 283,800,817 | 272,081,480 | 317,525,994 |
| | (ii) Other financial assets | 6 | 672,257,380 | 713,954,415 | 466,166,223 |
| | (f) Deferred Tax Assets | 7 | 130,592,892 | 136,920,257 | 118,162,905 |
| | (g) Other Non-Current Assets | 8 | 122,387,545 | 25,807,016 | 28,121,665 |
| | **Total Non-Current Assets** | | **2,078,493,643** | **1,916,596,655** | **1,621,578,292** |
| | **Current Assets** | | | | |
| | (a) Inventories | 9 | 862,712,071 | 1,222,866,379 | 947,829,730 |
| | (b) Financial Assets | | | | |
| | (i) Trade Receivables | 10 | 1,741,925,716 | 1,599,142,147 | 740,720,454 |
| | (ii) Cash and Cash Equivalents | 11 | 1,035,481,432 | 1,036,338,866 | 1,601,358,818 |
| | (iii) Bank balances other than (ii) above | 12 | 1,859,101,807 | 1,782,832,988 | 1,284,881,647 |
| | (iv) Other Financial assets | 6 | 1,151,021,772 | 1,256,841,086 | 1,186,002,192 |
| | (c) Other current Assets | 8 | 312,082,311 | 349,714,287 | 252,009,512 |
| | **Total Current Assets** | | **6,962,325,109** | **7,247,735,753** | **6,012,802,353** |
| | **TOTAL ASSETS** | | **9,040,818,752** | **9,164,332,408** | **7,634,380,645** |

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| | | | | | |
|---|---|---|---|---|---|
| **B** | **EQUITY AND LIABILITIES** | | | | |
| | **Equity** | | | | |
| | (a) Equity Share Capital | 13 | 427,347,700 | 427,347,700 | 201,766,000 |
| | (b) Other Equity | 14 | 4,444,076,480 | 4,072,807,822 | 4,066,242,389 |
| | (c) Money Received against Share warrants | | | | |
| | **Total Equity** | | **4,871,424,180** | **4,500,155,522** | **4,268,008,389** |
| | **Liabilities** | | | | |
| | Non-Current Liabilities | | | | |
| | (a) Financial Liabilities | | | | |
| | (i) Borrowings | 15 | 17,455,532 | 17,455,532 | 17,455,532 |
| | (ii) Other Financial Liabilities | 16 | 614,131,985 | 651,659,700 | 611,705,647 |
| | (b) Provisions | 17 | 114,784,699 | 100,757,671 | 110,541,747 |
| | (c) Other Non-Current liabilities | 18 | 12,445,844 | 13,208,326 | 11,766,624 |
| | **Total Non-Current Liabilities** | | **758,818,060** | **783,081,229** | **751,469,550** |
| | **Current Liabilities** | | | | |
| | (a) Financial Liabilities | | | | |
| | (i) Borrowings | 19 | - | - | - |
| | (ii) Trade Payables | 20 | 1,721,983,176 | 2,057,957,681 | 817,010,606 |
| | (iii) Other Financial Liabilities | 16 | 1,005,480,338 | 969,321,008 | 991,017,507 |
| | (b) Provisions | 17 | 448,828,919 | 544,120,594 | 622,345,657 |
| | (c) Current tax liabilities (Net) | 21 | 26,862 | 23,242 | 100,807 |
| | (d) Other Current Liabilities | 18 | 234,257,217 | 309,673,132 | 184,428,129 |
| | Total Current Liabilities | | 3,410,576,512 | 3,881,095,657 | 2,614,902,706 |
| | Total Liabilities | | 4,169,394,572 | 4,664,176,886 | 3,366,372,256 |
| | **TOTAL EQUITY AND LIABILITIES** | | **9,040,818,752** | **9,164,332,408** | **7,634,380,645** |

**Significant accounting policies** **Note 1**

The accompanying notes referred to above form an integral part of the financial statements.

As per our Report of Even date

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN-19025145AAAAAK1466
Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

**MYSORE SALES INTERNATIONAL LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2019**

**(ALL AMOUNTS ARE IN RUPEES UNLESS OTHERWISE SPECIFIED)**

| S. No | Particulars | Note No. | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|---|
| I | Revenue from Operations | 22 | 20,818,010,530 | 19,348,048,374 |
| II | Other Income | 23 | 266,899,761 | 224,023,782 |
| III | Total Income (I+II) | | 21,084,910,291 | 19,572,072,156 |
| IV | Expenses: | | | |
| | Cost of materials consumed | 24 | 139,087,755 | 74,548,319 |
| | Purchase of Stock in Trade | 34 | 16,437,286,974 | 14,702,694,166 |
| | Changes in Inventories of finished goods, work-in-progress and stock in trade | 25 | 304,219,437 | (201,892,853) |
| | Employee benefit expense | 26 | 290,659,922 | 313,707,950 |
| | Finance costs | 27 | 14,919,036 | 14,567,818 |
| | Cost of Services | 28 | 1,704,109,918 | 2,693,539,240 |
| | Depreciation and amortisation expense | 29 | 77,148,475 | 38,740,286 |
| | Other expenses | 30 | 1,494,964,613 | 1,391,410,436 |
| | Total Expenses (IV) | | 20,462,396,130 | 19,027,315,362 |
| V | Profit before exceptional items and Tax (III-IV) | | 622,514,161 | 544,756,794 |
| VI | Exceptional items | 31 | 1,283,154 | 1,283,154 |
| VII | Profit before Tax (V - VI) | | 621,231,007 | 543,473,640 |
| VIII | Tax Expense: | 35 | | |
| | 1) Current tax | | 210,100,500 | 232,942,391 |
| | 2) Tax for earlier years | | 5,368,844 | 9,201,895 |
| | 3) Deferred tax | | 6,782,883 | (18,757,352) |
| | Total Tax expenses | | 222,252,227 | 223,386,934 |
| IX | Profit for the year from continuing operations (VII-VIII) | | 398,978,780 | 320,086,706 |
| | Discontinued Operations | | | |
| | Profit / (Loss) before tax for the year from discontinued operations | 32 | (811,309) | (1,043,887) |
| | Tax income (expense) of discontinued operations | | | |
| | Profit / (Loss) for the year from discontinued operations | | **(811,309)** | **(1,043,887)** |

| | | | | |
|---|---|---|---|---|
| | **Other Comprehensive Income** | | | |
| | A. i) Items that will not be reclassified to profit or loss | 33 | | |
| | Defined Benefit actuarial gains / (losses) | | (39,073,592) | (17,827,576) |
| | Fair Valuation in Equity Instruments | | 9,790,090 | (46,120,329) |
| | ii) Income tax relating to items that will not be re-classified to profit or loss | | 455,518 | - |
| | B. i) Items that will be reclassied to profit or loss | | | |
| | ii) Income tax relating to items that will be re-classified to profit or loss | | | |
| **X** | **Total other comprehensive income (A(i-ii)+(B(i-ii))** | | (28,827,984) | (63,947,905) |
| **XI** | **Total Comprehensive Income for the year** | | **369,339,487** | **255,094,914** |
| **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 | | 93.36 | 74.90 |
| | Diluted, computed on the basis of profit from continuing operations attributable to equity holders | | 93.36 | 74.90 |
| | **Earnings per share for discontinued operations** | | | |
| | Basic, computed on the basis of profit from discontinued operations attributable to equity holders | | (0.19) | (0.24) |
| | Diluted, computed on the basis of profit from discontinued operations attributable to equity holders | | (0.19) | (0.24) |
| | **Earnings per share for continuing and discontinued operations** | | | |
| | (a) Basic, computed on the basis of profit for the year attributable to equity holders | | | |
| | (b) Diluted ,computed on the basis of profit for the year attributable to equity holders | | | |

**Significant accounting policies and other explanatory information 1**
The accompanying notes referred to above form an integral part of the financial statements.

As per our Report of Even date

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN-19025145AAAAAK1466
Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

## MYSORE SALES INTERNATIONAL LIMITED
## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2019

| Particulars | For the Year ended March 31, 2019 | For the Year ended March 31, 2018 |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Profit before tax and exceptional items as per Statement of Profit and Loss | 620,419,698 | 542,429,753 |
| **Adjustments for:** | - | - |
| Depreciation and Amortisation | 77,148,475 | 38,740,286 |
| Capital Work in Progess write off | 2,011,291 | - |
| Net (Gain) / loss arising | - | - |
| Re-measurement of employee benefit plan (including gains/ (losses) in defined benefit plans) | (34,306,030) | (18,636,610) |
| Dividend Income | (581,900) | (870,374) |
| Write off of Investments | - | 3,000 |
| Loss on sale of Fixed Assets (net) | 16,421 | (488,427) |
| Interest Income | (149,833,274) | (154,184,295) |
| Bad Debts | - | - |
| Accretion in value of investments | - | - |
| Provision for employee benefits | - | - |
| Interest and guarantee commission Paid | 8,367,046 | 7,686,962 |
| Prior Period Income | - | - |
| Remeasurement (losses)/gains in defined benefit plans | - | - |
| Operating lease rental from Investment property | (39,262,895) | (33,355,812) |
| Loss / (gain) on sale of investments | (29,302) | (27,276) |
| **Operating profit before working capital changes** | **483,949,529** | **381,297,207** |
| **Changes in working capital** | **-** | **-** |
| **Adjustments for increase / (decrease) in** | **-** | **-** |
| Trade and other receivables | (142,783,569) | (858,421,693) |
| Inventories | 360,154,309 | (275,036,650) |
| Changes in Investments due to fair valuation | - | - |
| Other Assets | (1,676,128) | (128,535,595) |
| Other Financial Assets | 90,669,075 | (314,417,357) |
| Trade Payable | (335,974,504) | 1,240,947,075 |
| Other Liabilities | (83,116,209) | 84,564,824 |
| Other Financial Liabilities | (5,094,281) | 20,447,393 |
| Provisions | (86,032,209) | (86,360,817) |
| **Cash generated from operations** | **280,096,015** | **64,484,386** |
| Taxes paid | 271,575,111 | 166,954,493 |
| **Net cash generated from operating activities** | **8,520,904** | **(102,470,107)** |

| | | |
|---|---|---|
| **B. Cash flow from investing activities** | - | - |
| i) Non Cash investing activities | - | - |
| Write back of Excess depreciation accounted on sale of Fixed assets | - | (5,703) |
| Capitalization of CWIP | - | 338,229,174 |
| Write off of NSC bonds | - | - |
| **ii) Other investing activities** | **-** | **-** |
| Purchase of fixed assets including capital advances | (174,387,994) | (453,499,690) |
| Government Grant | 368,089 | - |
| Bank balances other than cash and cash equivalent | (76,268,819) | (497,962,504) |
| Proceeds from sale of fixed assets | 163,613 | 792,379 |
| (Purchase) / Sale of investments | 29,302 | 27,276 |
| Investment income (Rental income on investment Property) | 39,262,895 | 33,355,812 |
| Interest received | 209,239,801 | 147,795,889 |
| Dividend received | 581,900 | 870,374 |
| **Net cash used in investing activities** | **(1,011,213)** | **(430,396,994)** |
| **C. Cash flow from Financing activities** | | |
| **i) Non Cash Financing activities** | | |
| Proceeds from issue of Share Capital | - | 225,581,700 |
| Share application money pending allottment | - | (225,581,700) |
| **Refund of Share application money** | (79) | - |
| **ii) Other Financing activities** | **-** | **-** |
| Finance Cost (Interest and Guarantee commission paid) | (8,367,046) | (7,686,962) |
| Dividend paid | - | (20,176,600) |
| Dividend Distribution tax paid | - | (4,289,289) |
| Proceeds from short-term borrowings | - | - |
| **Repayment of Long Term loan Borrowings** | **-** | **-** |
| **Net cash used in financing activities** | **(8,367,125)** | **(32,152,852)** |
| **Net (decrease) / increase in cash and cash equivalents** | **(857,434)** | **(565,019,952)** |
| **(A+B+C)** | | |
| **Reconciliation** | | |
| Cash and cash equivalents as at beginning of the year | 1,036,338,866 | 1,601,358,818 |
| Cash and cash equivalents as at end of the year | 1,035,481,432 | 1,036,338,866 |
| **Net increase / (decrease) in cash and cash equivalents** | **1,035,481,432** | **1,036,338,866** |

| Cash and cash equivalents comprises of | | |
|---|---|---|
| **Particulars** | **As at March 31, 2019** | **As at March 31, 2018** |
| Balances with banks | | |
| In current accounts | 621,841,472 | 933,952,805 |
| In deposit accounts with original maturity less than 3 months | 297,756,873 | 51,648,850 |
| Cash on hand | 115,357,299 | 50,460,520 |
| Remittances in Transit | 525,788 | 276,691 |
| Cash and cash equivalents (Refer Note 12) | | |
| **Cash and cash equivalents in cash flow statement** | **1,035,481,432** | **1,036,338,866** |

**This the cashflow statement referred to in our report attached**

As per our Report of Even date

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN-19025145AAAAAK1466
Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

MYSORE SALES INTERNATIONAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2019

## 5. STATEMENT OF CHANGES IN EQUITY

(ALL AMOUNTS ARE IN RUPEES UNLESS OTHERWISE SPECIFIED)

### A. EQUITY SHARE CAPITAL

| Particulars | Amount |
|---|---|
| Balance at the beginning of the period 1.4.2017 | 201,766,000 |
| Changes in Equity Share Capital during 2017-18 | 225,581,700 |
| Balance as at 31.03.2018 | 427,347,700 |
| Changes in Equity Share Capital during 2018-19 | - |
| Balance as at 31.03.2019 | 427,347,700 |

## B. OTHER EQUITY

| Particulars | Reserves and Surplus | | | | Other Comprehensive Income | | Non controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | Other reserves General reserves | Retained Earnings | Capital Reserve | Share Application money pending allotment | Fair Valuation of Equity Instruments | Remeasurment of defined benefit plans | | |
| Balance at the beginning of the period 01.04.2017 | 1,917,634,129 | 1,190,573,499 | 7,798,304 | 260,155,379 | | (561,214) | (3,810,660) | 3,371,789,437 |
| Equity of associates attributable owners of Mysore Sales International Limited | | 41,133,167 | | | | | | 41,133,167 |
| Dividends | | (20,176,600) | | | | | | (20,176,600) |
| Dividend Distribution Tax | | (4,268,454) | | | | | | (4,268,454) |
| **Restated Balance as at 01.04.2017** | **1,917,634,129** | **1,207,261,612** | **7,798,304** | **260,155,379** | **-** | **(561,214)** | **(3,810,660)** | **3,388,477,550** |
| Profit for the year | | 492,132,882 | | | | | | 492,132,882 |
| Ind AS adjustments | - | 185,631,957 | | | | | | 185,631,957 |
| Transfer from retained earnings | 63,386,985 | (63,386,985) | | | | | | - |
| Total Comprehensive Income | 1,981,021,114 | 1,821,639,467 | 7,798,304 | 260,155,379 | - | (561,214) | (3,810,660) | 4,066,242,389 |
| Tax on Other Comprehensive Income | - | - | | | | - | | - |
| **Balance after adjustment on transition to Ind AS as on 01.04.2017** | **1,981,021,114** | **1,821,639,467** | **7,798,304** | **260,155,379** | **-** | **(561,214)** | **(3,810,660)** | **4,066,242,389** |
| Total Comprehensive Income | - | 319,030,449 | | - | (46,120,329) | (17,827,576) | 12,368 | 255,094,912 |
| Equity of associates attributable owners of Mysore Sales International Limited | | 678,815 | | | | | | 678,815 |
| Dividends | | (20,176,600) | | - | | | | (20,176,600) |
| Dividend Distribution Tax | | (4,289,289) | | - | - | | | (4,289,289) |
| Transfer to Share Capital | | | | (225,581,700) | - | | | (225,581,700) |
| Ind AS adjustments | | 839,295 | | | | | | 839,295 |
| Transfer from retained earnings | 69,154,744 | (69,154,744) | | | | | | - |
| Tax on Other Comprehensive Income | | - | | | | | | - |
| **Balance at the end of the reporting period 31.03.2018** | **2,050,175,858** | **2,048,567,393** | **7,798,304** | **34,573,679** | **(46,120,329)** | **(18,388,790)** | **(3,798,292)** | **4,072,807,822** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Balance at the beginning of the period 01.04.2018** | **2,050,175,858** | **2,048,567,393** | **7,798,304** | **34,573,679** | **(46,120,329)** | **(18,388,790)** | **(3,798,292)** | **4,072,807,822** |
| Total Comprehensive Income | | 398,153,786 | | | 9,790,090 | (38,618,074) | 13,686 | 369,339,488 |
| Equity of associates attributable owners of Mysore Sales International Limited | | 1,929,249 | | | | | | 1,929,249 |
| Dividends | | | | | | | | - |
| Dividend Distribution Tax | | | | | | | | - |
| Transfer from retained earnings * | 75,966,519 | (75,966,519) | | (79) | | | | (79) |
| Tax on Other Comprehensive Income | | | | | | | | - |
| **Balance at the end of the reporting period 31.03.2019** | **2,126,142,377** | **2,372,683,909** | **7,798,304** | **34,573,600** | **(36,330,239)** | **(57,006,864)** | **(3,784,606)** | **4,444,076,480** |

* 10% of average profit of chit fund division of the parent company is transferred to General Reserve.

As per our Report of Even date

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN-19025145AAAAAK1466
Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

## MYSORE SALES INTERNATIONAL LIMITED

## SUMMARY OF CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

The Group has adopted the accounting policies of the parent Group. However, no policies have been received from the Associate- Food Karnataka Limited.

### 1. Group overview and significant accounting policies

### 1.1 Group overview

Mysore Sales International Limited is a premier Government of Karnataka Undertaking, dealing in various products & services. It was established in 1966 as a trading house. The registered office is located at Bengaluru, Karnataka, India. Since then, the Group 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 in some important cities across the country. It markets products and services such as Indian Made Foreign Liquor, Chit Operations, Paper Products, Imported Sand, Pharmaceutical, Industrial and Consumer products.

### 1.2 Significant accounting policies

#### a. Statement of compliance

The financial statements of the Group have been prepared in accordance with the Indian Accounting Standards (Ind-AS) as notified under section 133 of the Companies Act 2013 read with the Companies (Indian Accounting Standards) Rules 2015 by Ministry of Corporate Affairs ('MCA'). The Group has uniformly applied the accounting policies during the periods presented.

The financial statements for the year ended 31 March 2019 were authorized and approved for issue by the Board of Directors on 16th September 2019.

#### b. Basis of preparation of financial statements

The financial statements have been prepared on going concern basis under the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes in to account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102, 'Share-based Payment', leasing transactions that are within the scope of Ind AS 17, 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 'Inventories', or value in use in Ind AS 36 'Impairment of assets'.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data rely as little as possible on entity specific estimates.

Level 3: Inputs for the assets or liabilities that are not based on the observable marked data (unobservable inputs)

## c. Use of estimates

The preparation of financial statements is in conformity with generally accepted accounting principles which require the management of the Group to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon 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 period. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Application of accounting policies that require significant accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in note 1.3 and 1.4.

## d. Amended standards adopted by the Group

### Ind AS 115 - Revenue from contracts with customers

MCA has notified Ind AS 115 - Revenue from contracts with customer, mandatorily applicable from 01 April 2018 either based on a full retrospective or modified retrospective application. The standard requires the Group to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

As required by Ind AS 115, the Group has affected this standard retrospectively from 01 April 2017. The impact of new standards is disclosed in note 21 of the financial statements. The application of the new accounting policy has required management to make the following judgments:

### Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date, In these circumstance the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

### *Determination of transaction prices*

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract. In determining the impact of variable consideration the Group uses the "most-likely amount" method in IndAS 115, whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

### *Transfer of control in contracts with customers*

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been registered through a sale deed and legal enforceable right to collect payment is established.

### d. Amended standards adopted by the Group (continued.)

In addition, the application of Ind AS 115 has resulted in the following estimation process:

*Allocation of transaction price to performance obligation in contracts with customers*

For registered contracts through a sale deed, but the project is not complete, revenue from such contracts is recognised over time. The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

#### Ind AS 21 - The effects of changes in foreign exchange rates

MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21,mandatorily applicable from 1 April 2018. The amendment clarifies on the accounting of transactions that include the receipt or payment of advance consideration in a foreign currency. The appendix explains that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Group is evaluating the requirements of the new standard and the effect on the financial statements is being evaluated.

### e. Standards, not yet effective and have not been adopted early by the Group

Information on new standards, amendments and interpretations that are expected to be relevant to the financial statements is provided below.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The effective date of application of this amendment is annual period beginning on or after April 1, 2019. The Group does not expect any impact from this amendment.

**Ind AS 116 - Leases**

On 30 March 2019, the Ministry of Corporate Affairs has notified Ind AS 116 - Leases. Ind AS 116 will replace the existing lease standard, Ind AS 17, Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor.

Ind AS 116 introduces a single lessee accounting model and required the lessee to recognise assets and liabilities for all leases with a term more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of profit and loss.

The standard also contains enhanced disclosure requirements for lessee. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17. The effective date of adoption of Ind AS 116 is annual periods beginning on or after 01 April 2019. The Group is evaluating the requirements of the new standard and the effect on the financial statements is being evaluated.

**Ind AS 12, Income Taxes**

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The effective date of application of this amendment is annual period beginning on or after April 1, 2019. The Group does not expect this amendment to have any impact to the consolidated financial statements.

**Ind AS 12, Appendix C - Uncertainty over Income Tax treatments**

On 30 March 2019, the Ministry of Corporate Affairs has notified Ind AS 12, Appendix C - Uncertainty over Income Tax treatments which is to be applied while performing the determination of taxable profits (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or planned to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The effective date of adoption of Ind AS 12, Appendix C is annual periods beginning on or after 01 April 2019. The Group is evaluating the requirements of the new standard and the effect on the financial statements is being evaluated.

**Amendment to Ind AS 19, plan amendment, curtailment or settlement**

On March 30, 2019 the Ministry of Corporate Affairs issued amendments to Ind AS 19, Employee Benefits in connection with accounting for plan amendments, curtailments and settlements.

**The amendments require an entity:**

* To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

* To recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of impact of the asset ceiling.

The effective date of adoption of Ind AS 19, plan amendment, curtailment or settlement is annual periods beginning on or after 01 April 2019. The Group is evaluating the requirements of the new standard and the effect on the financial statements is being evaluated.

**f. Current versus non-current classification**

The Group presents assets and liabilities in the balance sheet based on current / non-current classification.

(i) An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

(ii) All other assets are classified as non-current.

(iii) A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

(iv) All other liabilities are classified as non-current.

(v) Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Based on the nature of service and the time between the acquisition of assets for development and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as one year for the purpose of current and non-current classification of assets and liabilities which pertain to the project and for all other assets and liabilities the Group has considered twelve months.

### g. Foreign currency transactions

*Functional and presentation currency*

The financial statements are presented in Indian Rupee ('Rs') which is also the functional and presentation currency of the Group. All amounts have been reported to the nearest rupee, unless otherwise indicated.

### (a) Initial recognition

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

### (b) Conversion

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

### h. Revenue recognition

The Group has adopted Ind AS 115 with effect from 01 April 2018. However as required by Ind AS 115, the standard has been effected retrospectively with effect from 01 April 2017 and accordingly prior year financial for the year ended 31 March 2018 has been restated. The Group has applied the following accounting policy in the preparation of its standalone financial statements:

### Revenue from contracts with customers

The Grouprecognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1.- Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2.- Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a goods or service to the customer.

Step 3.- Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4.- Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5.- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

**Rental income**

Income from rentals are recognised as an income in the statement of profit and loss on a straight-line basis over the lease term except where scheduled increase in rent compensates the Group with expected inflationary costs. Rental income from sub leasing if any is also recognized in a similar manner and included under other income.

**Dividend income**

Income from dividends are recognised when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

**Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest is accrued on time proportion basis, by reference to the principle outstanding applying effective interest rate.

Interest on delayed receipts, cancellation/forfeiture income and transfer fees from customers are recognised on accrual basis except in cases where ultimate collection is considered doubtful.

**Other items of income are recognized as and when the right to receive arises.**

**Revenue Recognition on cash basis**

Revenue is recognized on accrual basis except for the following items where it is accounted for on cash basis since the realisability is uncertain :-

***Chit Operations :***

All streams of revenue from Chit operations is on cash basis.

***Hire Purchase :***

Interest income on hire purchase sales is recognised on cash basis.

Duty credit / exemption under various promotional schemes of Foreign Trade Policy in force, Tax credit, refund of custom duty on account of survey shortage, and refund of income-tax/service tax / sales-tax /VAT/GST and interest thereon etc.

- Interest on overdue recoverable.
- Liquidated damages on suppliers/underwriters.

## i. Inventories

Inventories are valued at the lower of cost and net realisable value except scrap and by-products which are valued at net realisable value.Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### Inventories are valued as under:

(i) Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. 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.

(ii) Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis. Raw materials and consumables issued to convertors are considered as Finished Goods only at the time of receipt of notebooks from the convertors.

(iii) Freight inward is not considered for valuation of stock of liquor.

(iv) Obsolete inventories, slow moving and defective inventories are identified and written down to net realisable value.

## j. Property, Plant and Equipment (PPE)

### Recognition and initial measurement

Properties plant and equipment are stated at their cost of acquisition. On transition to Ind AS i.e., on 01 April 2016, the Group had elected to measure all its property, plant and equipment at the previous GAAP carrying value (deemed cost) The cost comprises purchase price, borrowing cost if capitalization criteria are met, any expected costs of decommissioning and any directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

### Subsequent measurement

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognized in statement of profit and loss as incurred.

### Depreciation and useful lives

Depreciation/amortization on property, plant & equipment is provided on the straight line method, based on the useful life of asset specified in Schedule II to the Companies Act, 2013. The Management estimates the useful lives of the assets as per the indicative useful life prescribed in Schedule II to the Companies Act, 2013. Residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

| Particulars | Life in years |
|---|---|
| Building | 60 |
| Fire fighting equipment | 10 |
| Electrical equipment | 10 |
| Furniture and fixtures | 10 |
| Vehicles | 8 |
| Furniture and fixtures - Liquor | 5 |
| Handling equipment | 5 |
| Weighing Machines | 5 |
| Office equipment | 5 |
| Computers | 3 |
| Leasehold assets | Over the primary lease period – except for land |

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress.

Depreciation on fixed assets added/ disposed off/ discarded during the year has been provided on prorata basis with reference to the date of addition/ disposal/ discarding.

### Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

### k. Intangible assets

#### Recognition and initial measurement

Intangible assets (software) are stated at their cost of acquisition. On transition to Ind AS i.e., on 01 April 2016, the Group had elected to measure at the previous GAAP carrying value (deemed cost) .The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

#### Subsequent measurement (amortization)

The cost of capitalized software is amortized over a period of 6 years from the date of its acquisition on a straight line basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognized..

The residual values, useful lives and methods of amortization of intangible assets are reviewed at each reporting date end and adjusted prospectively, if appropriate.

#### Capital Work in Progress

Capital work-in-progress is stated at cost which includes expenses incurred during construction period, interest on amount borrowed for acquisition of qualifying assets and other expenses incurred in connection with project implementation in so far as such expenses relate to the period prior to the date of use of asset. Capital advances given towards purchase/ acquisition of PPE outstanding at each balance sheet date are disclosed separately as Other Non-Current Assets.

#### Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties. After initial recognition, the Group measures investment property at cost.

Investment properties are derecognized upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected post disposal. Any gain or loss arising on de recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Investment properties are depreciated in accordance to the class of asset that it belongs to and the life of the asset is as conceived for the same class of asset of the Group.

### l. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in the Statement of Profit and Loss in the period in which they are incurred.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

The Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any interest income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets, to the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset. In case if the Group borrows generally and uses the funds for obtaining a qualifying asset, borrowing costs eligible for capitalization are determined by applying a capitalization rate to the expenditures on that asset.

The Group suspends capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

### m. Cash and cash equivalents

Cash and cash equivalent in the Balance Sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to insignificant risk of changes in value.

### n. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets such assets are classified as operating leases.

#### As a Lessee

#### Finance Lease

Assets under finance leases are capitalized at lower of fair value or the present value of the minimum lease payments at the inception of the lease term and a liability is created for an equivalent period. If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Lease payments under such leases are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. The finance cost is charged to the statement of profit and loss.

**Operating Lease**

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

#### As a Lessor

The Group normally enters into operating leases in which rental income from operating leases is recognized on a straight line basis over the term of the relevant lease.

### o. Employee benefits

***Defined contribution plan***

The Group's defined contribution plans are Employees' Provident Fund (under the provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1952) ESI (under the provisions of Employees State Insurance Act, 1948) and Superannuation. The Group has no further obligations beyond making the Group's contributions. The Group's contribution to Provident Fund, ESI and Superannuation are made at prescribed rates and are charged to Statement of Profit and Loss. The Superannuation asset are managed by a Trust which invests with LIC.

***Death Relief Fund***

The Group's liability towards Death Relief Fund is accounted on the basis of actuarial valuation as at the reporting date.

***Defined benefit plan***

The Group has a defined benefit plan for payment of Gratuity as per the Gratuity Act 1972. The Gratuity Plan provides a lump sum payment to employees who have completed five years or more of service at retirement, disability or termination of employment, being an amount based on the respective employee's last drawn salary and the number of years of employment with the Group. The Group makes contribution to the Employee Gratuity Fund Trust managed by LIC.

The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets if any. This cost is included in employee benefit expense in the statement of profit and loss

The liability or asset recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets if any.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and are never reclassified to profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit and loss as past service cost.

### p. Earned Leave

As per policy of the Group, employees can carry forward unutilized accrued leave and utilize it in next service period or receive cash compensation. The compensated absences fall due wholly within twelve months after the end of the period in which the employees render the related service and are also expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a current employee benefit. The Group records an obligation for such compensated absences in the year in which the employee renders the services that increase his entitlement.

The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the reporting period. The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each reporting period.

### Other short-term 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.

Short-term employee benefits comprising employee costs including performance bonus is recognized in the statement of profit and loss on the basis of the amount paid or payable for the period during which services are rendered by the employee.

### Tax expense

#### *Income taxes*

Income tax expense represents the sum of the tax currently payable and deferred tax

### Current tax

Current tax is the amount of tax payable based on the taxable profit for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act,1961 and other applicable tax laws in the countries where the Group operates and generates taxable income.

The Group offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously

### Deferred tax

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognized as deferred tax asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Group.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

***Current and deferred tax for the period***

Current and deferred tax are recognized in profit or loss, except when they are related to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

### q. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

(i) The after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

(ii) The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

### r. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation.

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Decommissioning costs are measured as the best estimate of the expenditure to settle the obligation or to transfer the obligation to a third party. Provisions for decommissioning obligations are required to be recognized at the inception of the arrangement. The estimated costs to be incurred at the end of the arrangement are discounted to its present value using the market rate of return.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Contingent Liability is disclosed in the case of**

(i) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.

(ii) a present obligation arising from a past event, when a reliable estimate of the obligation cannot be made, and

(iii) a possible obligation arising from past events where the probability of outflow of resources is not remote.

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

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

## s. Financial instruments

### Financial assets

***Initial recognition and measurement***

All financial assets are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

***Subsequent measurement***

***Debt Instruments***

***Debt instruments at amortized cost***

A 'Debt instruments' is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the statement of profit and loss.

***Debt Instruments at fair value through other comprehensive income (FVTOCI)***

A debt instrument is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Fair value movements are recognized in other comprehensive income (OCI).

***Debt instruments at Fair value through profit and loss (FVTPL)***

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

***Equity investments***

All equity investments in the scope of Ind AS 109,' Financial Instruments', are measured at fair value. Equity instruments which are held for trading and contingent consideration has been recognized by an acquirer in a business combination to which Ind AS 103,' Business Combinations' applies, are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in OCI with subsequent changes in the fair value.

The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, impairment gains or losses and foreign exchange gains and losses, are recognized in the OCI.

There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

***Derecognition of financial assets***

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

**t. Financial liabilities**

***Initial recognition***

All financial liabilities are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortized cost.

***Subsequent measurement***

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

***Derecognition of financial liabilities***

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

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**u. Financial guarantee contracts**

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

***Loans and Borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (hereinafter referred as EIR) method. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss

### v. Impairment of financial assets

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the twelve month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in the statement of profit and loss.

### w. Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit and loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### x. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Segment accounting policies are in line with the accounting policies of the Group. In addition, the following specific accounting policies have been followed for segment reporting.

(i) Segment revenue includes sales and other income directly identifiable with / allocable to the segment including inter-segment revenue.

(ii) Expenses that are directly identifiable with / allocable to segments are considered for determining the Segment Result. The expenses, which relate to the Group as a whole and not allocable to segments, are included under "Other unallocable corporate expenditure".

(iii) Income that relates to the Group as a whole and not allocable to segments is included in "Unallocable income".

(iv) Segment result includes margins on inter-segment and sales which are reduced in arriving at the profit of the Group.

(v) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment

(vi) Performance is measured based on segment profit (before tax), as included in the internal management reports that are reviewed by the Group's CMD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### y. Cash flow statement

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

The loans from/to related parties are in nature of current accounts. Accordingly, receipts and payments from/to related parties have been shown on a net basis in the cash flow statement.

### z. Events after Reporting Date

Assets and liabilities are adjusted for events occurring after the reporting period that provides additional evidence to assist the estimation of amounts relating to conditions existing at the end of the reporting period.

Dividends declared by the Group after the reporting period are not recognized as liability at the end of the reporting period. Dividends declared after the reporting period but before the issue of financial statements are not recognized as liability since no obligation exists on the balance sheet date. Such dividends are disclosed in the notes to the financial statements.

### aa. Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Errors of material amount relating to prior period(s) are disclosed by a note with nature of prior period errors, amount of correction of each such prior period presented retrospectively, to the extent practicable along with change in basic and diluted earnings per share.

However, where retrospective restatement is not practicable for a particular period then the circumstances that lead to the existence of that condition and the description of how and from where the error is corrected are disclosed in Notes to Accounts.

### ab. Non-Current Assets Held For Sale And Discontinued Operations

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, assets arising from employee benefits and deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

A discontinued operation is a component of the Group's business that represents a separate line of business that has been disposed off or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

### ac. Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, it is presented by deducting the grant from the carrying amount of the asset.When the Group receives grants of non-monetary assets, it is treated at a nominal value.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

### ad. Other Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as Long-term investments.

Long-term investments are fair valued at the end of the reporting date. Provision for diminution, if any, in the value of each long-term investment is made to recognize a decline other than of a temporary nature. Current investments are stated at lower of cost or fair value.

Profit / loss on sale of investments is recognized with reference to the cost of the investment.

### ae. Derivative Financial Instruments and Hedge Accounting

The Group holds derivative financial instruments such as foreign exchange forwards to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Derivatives are recognized and measured at fair value.

### Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized in other comprehensive income and presented within equity in the cash flow hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of profit and loss.

### af. Business combinations - common control

Amalgamation involving entities that are controlled by the Group are accounted for using the pooling of interests method as follows

The assets and liabilities of the combining entities are reflected at their carrying amounts.

No adjustments are made to reflect fair values, or recognize any new assets or liabilities. Adjustments are only made to harmonize accounting policies.

The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.

The balance of the retained earnings appearing in the financial statements of the transferor is aggregated wiith the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.

The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.

The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

### 1.3 Significant estimates in applying accounting policies

a. Revenue-The Group recognizes revenue when the amount can be reasonably ascertained and the recoverability is assured.

b. Inventories-The Group recognizes inventories when it is reasonably certain that they can be monitised.

c. Recoverability of advances/receivables- At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

d. Useful lives of depreciable/amortizable assets- Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software and other assets.

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

f. Fair value measurements-Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

### 1.4 Critical judgments in applying accounting policies

a. Recognition of deferred tax assets-The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

b. Recognition of deferred tax liability on undistributed profits- The extent to which the Group can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgment.

c. Evaluation of indicators for impairment of assets - The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses a discounting rate to arrive at net present value.Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

d. Provisions – At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding warranties and guarantees. However the actual future outcome may be different from this judgement.

e. Classification of leases – The Group enters into leasing arrangements for various assets. The classification of the leasing arrangement as a finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialized nature of the leased asset.

MSIL

**MYSORE SALES INTERNATIONAL LIMITED**
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**
**Note 2- PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK-IN-PROGRESS**
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **Carrying amounts of:** | | | |
| Freehold land | 15,902,995 | 15,902,995 | 15,902,995 |
| Leashold land | 29,039,963 | 22,098,549 | 22,098,549 |
| Buiding - Freehold | 111,702,036 | 107,731,061 | 109,663,175 |
| Buiding - Leasehold | 3,306,747 | 3,455,484 | 3,604,352 |
| Handling Equipment | 4,445 | 25,633 | 31,638 |
| Electrical Equipment | 142,520,043 | 102,224,418 | 20,242,982 |
| Computers | 4,686,069 | 6,172,950 | 5,384,003 |
| Furniture and fixtures | 151,559,370 | 83,682,257 | 18,209,017 |
| Vehicles | 15,631,376 | 18,495,760 | 9,953,160 |
| Leased Assets | 92 | 92 | 92 |
| Office Equipment | 43,270,754 | 41,675,803 | 39,778,191 |
| Grant Assets | 196 | 196 | 197 |
| Motor Vehicles | | | |
| Digiflex Printing Machine | 942,613 | 1,049,120 | 1,155,628 |
| Dark Room Equipments | - | | |
| Partitions | 1,249,067 | 1,968,671 | 276,711 |
| **Total** | **519,815,768** | **404,482,989** | **246,300,690** |
| **Capital work-in-progress** | | **2,011,291** | **340,240,465** |
| | **519,815,768** | **406,494,280** | **586,541,155** |

| Particulars | Freehold land | Leasehold land | Buiding - Freehold | Buiding - Leasehold | Handling Equipment | Electrical Equipment | Computers | Furniture and fixtures | Motor Vehicles | Leased Assets | Office Equipment | Grant Assets | Digiflex Printing Machine | Dark Room Equip-ments | Partitions | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Deemed cost** | | | | | | | | | | | | | | | | |
| Balance at April 01, 2018 | 15,902,995 | 22,098,549 | 114,073,372 | 3,604,352 | 31,638 | 109,590,755 | 18,431,284 | 102,966,835 | 21,952,187 | 92 | 54,516,047 | 196 | 1,811,250 | 450,906 | 10,589,255 | 476,019,714 |
| Additions | - | 6,941,414 | 5,700,996 | - | - | 53,660,830 | 2,212,509 | 97,012,705 | - | - | 15,172,865 | - | - | - | - | 180,701,320 |
| Disposals | - | - | - | - | - | 45,800 | - | - | - | - | 134,234 | - | - | - | - | 180,034 |
| Balance at March 31, 2019 | 15,902,995 | 29,039,963 | 119,774,368 | 3,604,352 | 31,638 | 163,205,785 | 20,643,793 | 199,979,540 | 21,952,187 | 92 | 69,554,678 | 196 | 1,811,250 | 450,906 | 10,589,255 | 656,541,000 |

| Particulars | Freehold land | Leasehold land | Buiding - Freehold | Buiding - Leasehold | Handling Equipment | Electrical Equipment | Computers | Furniture and fixtures | Motor Vehicles | Leased Assets | Office Equipment | Grant Assets | Digiflex Printing Machine | Dark Room Equip-ments | Partitions | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Accumulated depreciation and impairment | | | | | | | | | | | | | | | | |
| Balance at April 01, 2018 | - | - | 6,342,311 | 148,868 | 6,005 | 7,366,337 | 12,258,334 | 19,284,578 | 3,456,427 | - | 12,840,244 | - | 762,130 | 450,906 | 8,620,584 | 71,536,724 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation expenses | - | - | 1,730,021 | 148,737 | 21,188 | 13,319,406 | 3,699,390 | 29,135,593 | 2,864,384 | - | 13,443,680 | - | 106,507 | - | 719,604 | 65,188,510 |
| Balance at 31 March, 2019 | - | - | 8,072,332 | 297,605 | 27,193 | 20,685,743 | 15,957,724 | 48,420,171 | 6,320,811 | - | 26,283,924 | - | 868,637 | 450,906 | 9,340,188 | 136,725,234 |
| Carrying amount as on Marchl 31,2019 | 15,902,995 | 29,039,963 | 111,702,036 | 3,306,747 | 4,445 | 142,520,043 | 4,686,069 | 151,559,370 | 15,631,376 | 92 | 43,270,754 | 196 | 942,613 | - | 1,249,067 | 519,815,768 |
| Carrying amount as on April 01,2018 | 15,902,995 | 22,098,549 | 107,731,061 | 3,455,484 | 25,633 | 102,224,418 | 6,172,950 | 83,682,257 | 18,495,760 | 92 | 41,675,803 | 196 | 1,049,120 | - | 1,968,671 | 404,482,990 |
| Carrying amount as on April 01,2017 | 15,902,995 | 22,098,549 | 109,663,175 | 3,604,352 | 31,638 | 20,242,982 | 5,384,003 | 18,209,017 | 9,953,160 | 92 | 39,778,191 | 197 | 1,155,628 | - | 276,711 | 246,300,691 |

MYSORE SALES INTERNATIONAL LIMITED
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION
Note 3- INVESTMENT PROPERTY
(All amounts are in Rupees unless otherwise specified)

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **Carrying amounts of:** | | | |
| Freehold land | 4,922,231 | 4,922,231 | 4,922,231 |
| Leashold land | 8,009,977 | 8,009,977 | 8,009,977 |
| Buiding - Freehold | 84,420,546 | 86,157,662 | 87,836,418 |
| Buiding - Leasehold | 250,822,388 | 259,472,252 | - |
| **Total** | | | |
| Balance at the beginning of the year | 358,562,121 | 100,768,625 | 100,768,625 |
| **Balance at end of the year** | **348,175,142** | **358,562,122** | **100,768,626** |

| Particulars | Buiding - Freehold | Buiding - Leasehold | Freehold land | Lease hold land |
|---|---|---|---|---|
| **Cost or Deemed cost** | | | | |
| **Balance at April 01, 2016** | 87,836,418 | | 4,922,231 | 8,009,977 |
| **Balance at April 01, 2017** | 87,836,418 | - | 4,922,231 | 8,009,977 |
| **Balance at April 01, 2018** | 87,836,418 | 259,495,927 | 4,922,231 | 8,009,977 |
| Additions | - | | - | - |
| Disposals | - | | - | - |
| Balance at March 31, 2019 | 87,836,418 | 259,495,927 | 4,922,231 | 8,009,977 |

| Particulars | Buiding - Freehold | Buiding - Leasehold | Freehold land | Lease hold land |
|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | |
| **Balance at April 01, 2018** | 1,678,756 | 23,675 | - | - |
| **Disposals** | | | | |
| **Depreciation expenses** | 1,737,115 | 8,649,864 | - | - |
| **Balance at March 31, 2019** | **3,415,871** | **8,673,539** | **-** | **-** |
| Carrying amount as on April 01,2018 | 86,157,662 | 259,472,252 | 4,922,231 | 8,009,977 |
| Carrying amount as on April 01,2017 | 87,836,418 | - | 4,922,231 | 8,009,977 |

i The Company is in the process of estimating the fair value of the investment property.
ii Amounts recognized in Statement of Profit and Loss for Investment Properties

| Particulars | 31.03.2019 | 31.03.2018 |
|---|---|---|
| Rental income derived from investment properties (Refer Note (i)) | 39,262,895 | 33,355,812 |
| Direct operating expenses (including repairs and maintenance) generating rental income | (19,513,713) | (103,920) |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income | - | - |
| Profit arising from investment properties before depreciation and indirect expenses | 19,749,183 | 33,251,893 |
| Less – Depreciation | (10,386,979) | (1,702,431) |
| Profit arising from investment properties before indirect expenses | 9,362,204 | 31,549,462 |

**iii Contractual obligations**

There are no contractual commitments pending for the acquisition of the investment property as at the balance sheet date.

**iv Other Information**

Refer to Note no 39

**v Leasing Arrangements**

Operating Lease:

| Minimum lease receipts under Non-cancellable Operating Lease: | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Within one year | 39,189,726 | 39,262,895 | 25,973,718 |
| Later than one year and not later than five years | 22,472,218 | 39,262,895 | 78,525,790 |
| Later than five years | - | - | - |

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**

**Note 4- OTHER INTANGIBLE ASSETS**

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **Cost or Deemed cost** | | | |
| **Opening Balance** | **5,654,037** | **5,538,395** | **8,694,825** |
| Additions | 260,000 | 115,642 | 1,281,376 |
| Disposals | - | - | - |
| **Closing Balance** | **5,914,037** | **5,654,037** | **9,976,201** |
| **Accumulated depreciation and impairment** | | | |
| **Balance at April 01** | **2,876,952** | **1,246,671** | **4,221,096** |
| Disposals | - | - | - |
| Depreciation expenses | 1,572,986 | 1,630,281 | 1,463,381 |
| **Balance at 31 March, 2019** | **4,449,938** | **2,876,952** | **5,684,477** |
| **Carrying amount as on March** | **1,464,099** | **2,777,085** | **4,291,724** |

**MYSORE SALES INTERNATIONAL LIMITED**
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**
**Note 5- INVESTMENTS - NON CURRENT**
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **I. Quoted Investments** | | | |
| a) Investments in Equity Instruments at fair value | | | |
| (i) Investment in equity shares of M/s.J K Tyre Industries Limited: | | | |
| -Fair value<br>(Fully Paid Equity Shares 329,060 equity shares of Rs.2 each fully, (65,812 @ 10 Per Share)) | 6,032,328 | 10,445,023 | 8,658,227 |
| (ii) Investment in equity shares of M/s.Bengal & Assam Co Limited: | 6,539,517 | 8,227,877 | 6,522,737 |
| -Fair value<br>(Fully Paid Equity Shares 3,831equity shares of Rs.10 each fully, (3,831 @ 10 Per Share)) | | | |
| Total Aggregate Quoted Investments | 12,571,845 | 18,672,900 | 15,180,964 |
| II. Un-quoted Investments | | | |
| a) Investments in Equity Instruments in Associates and Joint venture- at cost | | | |
| Associates | | | |
| Investment in equity shares of M/s.Food Karnataka Limited: | 44,241,231 | 42,311,982 | 41,633,167 |
| Fully Paid Equity Shares (50,000 @ 10 Per Share) | | | |

| | | | |
|---|---|---|---|
| **b) Other Investments- At cost** | | | |
| i) Investment in shares of M/s.K T Apartment Owners' Association: | | | |
| Fully Paid Shares (35 @ 100 Per Share) | 3,500 | 3,500 | 3,500 |
| ii) Investment in shares of M/s.K T Mansions Appartments Owners' Association: | | | |
| Fully Paid Shares (25 @ 100 Per Share) | 2,500 | 2,500 | 2,500 |
| c) Investments in Government Securities -At cost | | | |
| National Saving Certificate ** | - | - | 3,000 |
| d) Others- At fair value | | | |
| i. Investment in equity shares of M/s.Hassan Mangalore Rail Development Company Limited: | | | |
| - Fair value | 224,301,885 | 208,314,837 | 257,923,487 |
| (Actual cost of Rs.7,00,00,000/- of Fully Paid Equity Shares (7,000,000 @ 10 Per Share)) | | | |
| ii. Investment in The Karnataka State Co-operative Apex Bank Limited - One -C- Class Ordinery Share: | | | |
| - Fair value | 2,679,856 | 2,775,762 | 2,779,376 |
| (Actual cost of Rs.10,00,000/- of Fully Paid Equity Shares of Rs. 1,000,000/- each (E- Class Rs.50,000)) | | | |
| | **271,228,972** | **253,408,580** | **302,345,030** |
| Less: Diminution in value of investments | - | - | - |
| | **271,228,972** | **253,408,580** | **302,345,030** |
| **Total aggregate of un-quoted Investments** | 271,228,972 | 253,408,580 | 302,345,030 |
| **Total Non-Current Investments** | **283,800,817** | **272,081,480** | **317,525,994** |

**MYSORE SALES INTERNATIONAL LIMITED**
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**
**Note 6 - OTHER FINANCIAL ASSETS**
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | Non-Current As at March 31, 2019 | Current As at March 31, 2019 | Non-Current As at March 31, 2018 | Current As at March 31, 2018 | Non-Current As at April 1, 2017 | Current As at April 1, 2017 |
|---|---|---|---|---|---|---|
| At Amortized Cost | | | | | | |
| a) Loans and advances to employees | | | | | | |
| (i) Secured and Considered good | 215,181 | - | 36,875 | - | 27,846 | 204,134 |
| (i) Unsecured and Considered good | 692,258 | 625,200 | 1,019,082 | 386,100 | 468,289 | 489,401 |
| b) Other advances recoverable in kind or for value to be received | - | - | - | - | - | - |
| (i) Unsecured and Considered good | 826,218,027 | 1,035,205,286 | 890,277,244 | 1,085,455,267 | 784,194,574 | 1,042,958,744 |
| (ii) Considered doubtful | 102,755,000 | - | 106,253,000 | - | 92,080,000 | - |
| Less: Diminution on account of fair valuation- Ind AS Adjustment | (242,071,924) | - | (268,130,277) | (2,175) | (276,696,474) | (41,216) |
| Less: Provision for loss given assets | (11,703,184) | - | (10,899,937) | - | (10,256,650) | - |
| Less: Provision for Expected loss | (6,328,000) | - | (9,750,170) | - | (10,237,139) | - |
| Less: Probability of default | (4,893,434) | - | (6,835,168) | - | (7,441,086) | - |
| Less: Allowance for doubtful debts (Expected Credit Loss)- Transitioned IND AS | (219,484,892) | (13,927,458) | (219,093,612) | (13,927,458) | (219,093,612) | (22,156,683) |

| | | | | | | |
|---|---|---|---|---|---|---|
| c) Security Deposit (Unsecured considered good) | - | - | - | - | - | - |
| (ii) Unsecured and Considered good | 107,772,225 | 9,825,919 | 83,187,974 | 8,438,686 | 73,368,818 | 4,473,248 |
| (iii) Considered doubtful | - | - | - | - | - | - |
| Less: Allowance for doubtful debts (Expected Credit Loss) | - | - | - | - | - | - |
| Deferred expense on above deposits - Ind AS Adjustment . | 5,105,878 | - | 9,157,695 | - | 7,259,238 | - |
| d) Term Deposit | 93,009,118 | - | 106,994,263 | - | 300,000 | - |
| e) Other Advances recoverable in kind or for value to be received | - | - | - | - | - | - |
| Unsecured and Considered good | 196,129 | 11,499,525 | 13,360,359 | 6,664,502 | 13,360,359 | 5,883,544 |
| f) Interest Receivable On Deposits | - | 101,151,342 | - | 160,557,869 | - | 154,158,300 |
| g) Other receivable | 20,774,998 | 6,641,958 | 18,377,087 | 9,268,295 | 18,832,060 | 32,720 |
| Total | 672,257,380 | 1,151,021,772 | 713,954,415 | 1,256,841,086 | 466,166,223 | 1,186,002,192 |

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**MYSORE SALES INTERNATIONAL LIMITED**
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**
**Note 7- DEFERRED TAX ASSETS**
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 | Year ended April 1, 2017 |
|---|---|---|---|
| Deferred tax assets | 157,971,603 | 149,331,862 | 122,397,865 |
| Deferred tax Liablity | 27,378,711 | 12,411,605 | 4,234,960 |
| **Total( NET)** | **130,592,892** | **136,920,257** | **118,162,905** |

**REPRESENTED BY**
**A. Parent Company**

| Particulars | Opening balance | Recognised in profit or loss account | Recognised in Other Comprehensive income | Closing balance |
|---|---|---|---|---|
| Provision for Employee Benefits | 109,524,915 | (3,898,959) | - | 105,625,956 |
| Provision Compensated absences and others | 108,536,959 | (3,898,959) | | |
| Defined benefit obligation | 987,956 | - | - | |
| Deferred tax (Liabilities) / Asset in relation to | | | | |
| Property,Plant and Equipment | (12,411,605) | (10,533,111) | | (22,944,716) |
| Net Deferred tax Assets / (Liability) | 97,113,310 | (10,533,111) | - | (22,944,716) |
| MAT credit entitlement | | | | |
| Total | 97,113,310 | (10,533,111) | - | -22,944,716 |

### B. Wholly Owned Subsidiary (MCA)

| Particulars | Opening balance | Recognised in profit or loss account | Recognised in Other Comprehensive income | Closing balance |
|---|---|---|---|---|
| Deferred tax (Liabilities) / Asset in relation to | 42,917,007 | (3,509,342) | 455,518 | 46,881,867 |
| Employee benefits (Provision Compensated absences and others) | 2,338,047 | (984,815) | | 3,322,862 |
| Taxes on Other comprehensive income | | | 455,518 | 455,518 |
| Amount disallowed u/s 40(a)(ia) | 80,983 | 52,678 | | 28,305 |
| Provision for doubtful debts/ Advances | 40,497,977 | (2,577,205) | | 43,075,182 |
| Deferred tax (Liabilities) / Asset in relation to | (3,110,060) | (240,886) | - | (2,869,174) |
| Property,Plant and Equipment | (3,110,060) | (240,886) | | (2,869,174) |
| Net Deferred tax Assets / (Liability) | 39,806,947 | (3,750,228) | 455,518 | 44,012,693 |
| MAT credit entitlement | | | | |
| **Total** | **39,806,947** | **-3,750,228** | **455,518** | **44,012,693** |

**MYSORE SALES INTERNATIONAL LIMITED**
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**
**Note 8- OTHER ASSETS**
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | Non-Current As at March 31, 2019 | Current As at March 31, 2019 | Non-Current As at March 31, 2018 | Current As at March 31, 2018 | Non-Current As at April 1, 2017 | Current As at April 1, 2017 |
|---|---|---|---|---|---|---|
| Prepaid Expenses | - | 90,852,223 | - | 82,458,201 | - | 47,831,377 |
| Balance with Customs and Central excise / GST authorities | 1,030,023 | 16,120,001 | 1,030,023 | 35,358,787 | 10,423,047 | 7,197,810 |
| Advance Income Tax and TDS | 120,441,109 | 90,049,464 | 20,693,754 | 212,848,250 | 12,925,593 | 196,236,550 |
| Other Receivables | 916,413 | 115,060,623 | 4,083,239 | 19,049,048 | 4,773,025 | 743,775 |
| **Total** | **122,387,545** | **312,082,311** | **25,807,016** | **349,714,287** | **28,121,665** | **252,009,512** |

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MYSORE SALES INTERNATIONAL LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

Note 9- INVENTORIES

(All amounts are in Rupees unless otherwise specified)

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **a) Raw Materials** | | | |
| Paper and Straw board | 21,795,672 | 9,666,849 | 17,681,338 |
| Convertors | 19,978,801 | 1,404,715 | 2,062,231 |
| b) Work-in-Process | - | - | - |
| c) Finished goods | 145,325,227 | 142,965,839 | 128,624,181 |
| d) Stock in trade (acquired for trading) -Traded Goods | 721,693,925 | 1,112,653,288 | 840,721,555 |
| Less: Provision for Expired/Damaged Stock- awaiting regulatory approval | (4,821,979) | (2,564,737) | - |
| e) Stores and spares | - | - | - |
| f) Goods in Transit | - | - | - |
| g) Stock with hirers | 32,524,682 | 35,042,641 | 37,930,820 |
| Less: Expected Credit Loss for stock with hirers | (32,524,682) | (35,042,641) | (37,930,820) |
| Less: Expected Credit Loss - Transitioned Ind AS | (41,259,575) | (41,259,575) | (41,259,575) |
| **Total** | **862,712,071** | **1,222,866,379** | **947,829,730** |

In terms of agreement for purchse of Imported natural river sand the tendered prices are at CIF rate at Bengaluru Since the materials of 99,119.41 MTs lying at port the value of closing stock of sand is arrived at landed price at port and not at CIF value

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

NOTE 10- TRADE RECEIVABLES

(All amounts are in Rupees unless otherwise specified)

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **Trade Receivables** | | | |
| Secured, Considered good | 719,879 | 856,730 | 441,411 |
| Unsecured, Considered good | 1,794,690,217 | 1,651,769,797 | 793,763,423 |
| Doubtful | 187,395,682 | 181,128,254 | 117,329,269 |
| Expected Credit Loss- Transitioned Ind AS | (106,968,760) | (106,968,760) | (106,968,760) |
| Expected Credit Loss | (133,911,302) | (127,643,874) | (63,844,889) |
| Total | 1,741,925,716 | 1,599,142,147 | 740,720,454 |
| Current | 1,741,925,716 | 1,599,142,147 | 740,720,454 |
| Non-current | - | - | - |

i) The credit period on sale of goods of the parent company ranges from 0 to 90 days. No interest is charged on trade receivables.

ii) The Group uses available information in the public domain and on its own internal assesment and trading records before accepting any customer.

iii) Trade receivables of the parent company are further analysed as follows:

| Particulars | As at March 31, 2019 |
|---|---|
| Within Credit period upto 90 days | 90,504,999 |
| More than 90 days | 422,217,575 |
| **Total** | **512,722,574** |

iv) Of the trade receivables balance above, customer balances which represent more than 5% of the total balance of trade receivable are given below:

| Particulars | As at March 31, 2019 |
|---|---|
| Department of KREIS (Karanataka Residential Educational Institutions Society) | 317,759,213 |
| Deapartment of Employment Training | 40,359,150 |
| **Total** | **358,118,363** |

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**
**Note 11- CASH AND CASH EQUIVALENTS**
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **a) Balances with banks** | | | |
| (i) In Current account | 621,841,472 | 933,952,805 | 1,045,125,313 |
| (ii) In Deposit account with original maturity less than 3 Months | 297,756,873 | 51,648,850 | 512,621,010 |
| b) Cash on hand | 115,357,299 | 50,460,520 | 43,400,150 |
| c) Remittances in Transit | 525,788 | 276,691 | 212,345 |
| **Total** | **1,035,481,432** | **1,036,338,866** | **1,601,358,818** |

## Note 12 - OTHER BANK BALANCES
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **a) Balances with banks in earmarked accounts** | | | |
| -In margin money accounts for Bank Guarantee issued | 727,265,455 | 677,234,246 | 639,585,965 |
| b) Deposits in schedule banks having maturity period within 12 months | 1,131,836,352 | 1,105,598,742 | 645,295,682 |
| **Total** | **1,859,101,807** | **1,782,832,988** | **1,284,881,647** |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION
## Note 13- EQUITY SHARE CAPITAL
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **AUTHORISED** | | |
| Equity Shares: | | |
| 75,00,000 Equity shares of Rs.100 each | 750,000,000 | 750,000,000 |
| ISSUED, SUBSCRIBED AND FULLY PAID UP | | |
| 42,37,477 Equity Shares of Rs 100- each | 427,347,700 | 427,347,700 |
| **Total** | **427,347,700** | **427,347,700** |

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

| Reconcilitaion | 2018-19 No.of shares | Amount in Rs | 2017-18 No.of shares | Amount in Rs |
|---|---|---|---|---|
| Equity Shares of Rs.100 each fully paid up | | | | |
| At the beginning of the period | 4,273,477 | 427,347,700 | 4,273,477 | 427,347,700 |
| Issued during the perdiod | - | - | - | - |
| **At the end of the period** | **4,273,477** | **427,347,700** | **4,273,477** | **427,347,700** |

**13.2 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, 2019 | | No. of shares held as at March 31, 2018 | |
|---|---|---|---|---|
| | Nos. | % | Nos. | % |
| Government of Karnataka(22,55,817) of 100 each | 2,255,817 | 52.79% | 2,255,817 | 52.79% |
| Karnataka State Industrial Infrastructure & Development Coproration Limited (20,17,660) of 100 each | 2,017,660 | 47.21% | 2,017,660 | 47.21% |

**13.3 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.

The Company has not issued any equity shares under ESOP (Employee Stock Option).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**
**Note 14 - OTHER EQUITY**
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **Share application money pending allotment** | 34,573,600 | 34,573,679 | 260,155,379 |
| General Reserve | 2,126,142,377 | 2,050,175,858 | 1,981,021,114 |
| Movement through other comprehensive income | (93,337,105) | (64,509,119) | (561,214) |
| Retained earnings (surplus in profit or loss account) | 2,372,683,910 | 2,048,567,392 | 1,821,639,467 |
| Capital Reserve | 7,798,304 | 7,798,304 | 7,798,304 |
| Non Controlling Interest | (3,784,606) | (3,798,292) | (3,810,660) |
| **Total** | **4,444,076,480** | **4,072,807,822** | **4,066,242,389** |
| Equity of MSIL attributable owners of Mysore Sales International Limited | 3,132,793,849 | 2,931,734,739 | 3,117,614,667 |
| Equity of subsidiaries attributable owners of Mysore Sales International Limited | 1,271,326,006 | 1,103,059,393 | 911,305,215 |
| Equity of associates attributable owners of Mysore Sales International Limited | 43,741,231 | 41,811,982 | 41,133,167 |
| Non Controlling Interest | (3,784,606) | (3,798,292) | (3,810,660) |
| **Grand Total** | **4,444,076,480** | **4,072,807,822** | **4,066,242,389** |

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **a) Securities Premium Account** | | | |
| Opening balance | 24,613,200 | 24,613,200 | 24,613,200 |
| Closing Balance | 24,613,200 | 24,613,200 | 24,613,200 |
| **b) General Reserve** | | | |
| Opening balance | 2,050,175,858 | 1,981,021,114 | 1,917,634,129 |
| Add: Appropriation from Profit or Loss account | 75,966,519 | 69,154,744 | 63,386,985 |
| **Closing Balance** | **2,126,142,377** | **2,050,175,858** | **1,981,021,114** |

The general reserve is created from time to time by transfer of profits from retained earnings and is not an item of Total Comprehensive Income, The general reserve will not be reclassified subsequently to profit or loss except to the extent permitted as per the Companies Act, 2013 and rules made thereunder.

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **c) Movement through Other Comprehensive Income** | | | |
| Opening balance | (64,509,119) | (561,214) | - |
| Additions/(Deletions) | (28,827,986) | (63,947,905) | (561,214) |
| **Closing Balance** | **(93,337,105)** | **(64,509,119)** | **(561,214)** |
| **d) Retained Earnings** | | | |
| **Opening balance** | **2,002,585,972** | **1,776,324,491** | **1,188,317,282** |
| Less: Dividend on Equity Shares | - | (20,176,600) | (20,176,600) |
| Less: Tax on Dividend on Equity Shares | - | (4,289,289) | (3,541,173) |
| Profit /(Loss) for the year | 398,167,472 | 319,042,819 | 489,480,011 |
| Appropriation from Profit or Loss account | (75,966,519) | (69,154,744) | (63,386,985) |
| Less: IND AS Adjustment | | 839,295 | 185,631,957 |
| **Closing Balance** | **2,324,786,925** | **2,002,585,972** | **1,776,324,491** |
| **Total Other Equity** | **4,444,076,480** | **4,072,807,822** | **4,066,242,389** |

MSIL

MYSORE SALES INTERNATIONAL LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

Note 15 - BORROWINGS

(All amounts are in Rupees unless otherwise specified)

| Particulars | Non-Current As at March 31, 2019 | Current maturities As at March 31, 2019 | Non-Current As at March 31, 2018 | Current maturities As at March 31, 2018 | Non-Current As at April 1, 2017 | Current maturities As at April 1, 2017 |
|---|---|---|---|---|---|---|
| Non-current | | | | | | |
| (i) Secured | | | | | | |
| a) Loan from Government of Karnataka | 302,300 | | 302,300 | | 302,300 | |
| b) Interest Accrued & due on above | 961,763 | | 961,763 | | 961,763 | |
| (ii) Unsecured | | | | | | |
| a)Loan from Karnataka Industrial Infrastructure Development Corporation Limited | 2,856,250 | | 2,856,250 | | 2,856,250 | |
| b) Loan from Government of Karnataka | 900,000 | | 900,000 | | 900,000 | |
| c) Interest Accrued & due on above loans | 12,435,219 | | 12,435,219 | | 12,435,219 | |
| | **17,455,532** | | **17,455,532** | | **17,455,532** | |
| Current | | | | | | |
| from related party | - | | - | | - | |
| Others | - | | - | | - | |
| **Total Borrowings** | **17,455,532** | | **17,455,532** | | **17,455,532** | |

The Subsidiary Company received a sum of Rs. 4,00,000/- in 1974-75 to set up a Raw Materials Depot and a Development loan of Rs. 5,00,000/- in 1975-76 from Government of Karnataka. No orders have been received from the government specifying the terms and conditions for the said amounts. However, interest at the rate of 12% p.a. has been provided in the accounts up to 31.03.1999. The Subsidiary Company has not set up the Raw Materials Depot.

## MYSORE SALES INTERNATIONAL LIMITED
## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION
## Note 16 - OTHER FINANCIAL LIABILITIES
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | Non-Current As at March 31, 2019 | Current maturities As at March 31, 2019 | Non-Current As at March 31, 2018 | Current maturities As at March 31, 2018 | Non-Current As at April 1, 2017 | Current maturities As at April 1, 2017 |
|---|---|---|---|---|---|---|
| At Amortised Cost | | | | | | |
| a) Security Deposit (Unsecured considered good) | | | | | | |
| Unsecured and Considered good | 110,216,245 | 21,782,891 | 68,298,275 | 65,521,346 | 67,742,771 | 9,257,354 |
| Deferred income on above deposits | 11,638,353 | - | 5,326,271 | - | 1,719,254 | - |
| b) Interest Accrued | 5,387,534 | - | 5,387,534 | - | 5,387,534 | - |
| c) Creditors for Capital Goods | - | 1,041,731 | - | 709,972 | - | 892,077 |
| d) Payable to VTPC(ASIDE Grant) | - | 24,705,144 | - | 24,705,144 | - | 24,705,144 |
| e) Other payables (*) | 720,890,703 | 957,950,572 | 788,469,199 | 878,384,546 | 801,886,592 | 956,162,932 |
| Less: Impact on account of fair valuation | **(234,000,850)** | **-** | **(215,821,579)** | **-** | **265,030,504)** | **-** |
| **Total** | **614,131,985** | **1,005,480,338** | **651,659,700** | **969,321,008** | **611,705,647** | **991,017,507** |

"* i) The State Government in principle has permitted the Sale of land belonging to the Company to KSRTC. As a first step, the Subsidiary Company sold 2 acres and 20 guntas of land for a consideration of Rs. 2,77,78,000/- and has entered into an agreement for sale of 5 acres and 20 guntas of land for a consideration of Rs. 7,22,22,000/-. The sum paid by KSRTC, net of expenses, stands at Rs. 7,21,33,041/- as advance consideration and the same has been considered under other liabilities in the Balance Sheet.

ii) Includes Rs. 10,00,000/- received from Government of Karnataka during the year 1985- 86 under Special Component Plan has been shown under current liabilities, as the Government has not specified any repayment terms thereto. No interest provision has been made on the same.

## Note 17 - PROVISIONS
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | Non-Current As at March 31, 2019 | Current maturities As at March 31, 2019 | Non-Current As at March 31, 2018 | Current maturities As at March 31, 2018 | Non-Current As at April 1, 2017 | Current maturities As at April 1, 2017 |
|---|---|---|---|---|---|---|
| a) Provision for employee benefits::- | | | | | | |
| Provision for Gratuity (Net) | 1,056,960 | 10,326,224 | - | 6,114,735 | - | (1,178,778) |
| Provision for Leave Encashment (Net) | 79,901,469 | 16,631,611 | 68,214,555 | 35,433,103 | 79,281,785 | 7,466,837 |
| b) Provision for Insurance Claim | 33,826,270 | - | 32,543,116 | - | 31,259,962 | - |
| c) Provision - Others | - | 57,596,296 | - | 44,320,986 | - | 53,902,442 |
| d) Provision for Income Tax [net of TDS and Advance Tax] | - | - | - | 93,976,982 | - | 197,880,370 |
| e) Provision for TCS Relating to Arrack Dealers | - | 364,274,788 | - | 364,274,788 | - | 364,274,788 |
| **Total** | **114,784,699** | **448,828,919** | **100,757,671** | **544,120,594** | **110,541,747** | **622,345,657** |

## Note 18 - OTHER LIABILITIES
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | Non-Current As at March 31, 2019 | Current maturities As at March 31, 2019 | Non-Current As at March 31, 2018 | Current maturities As at March 31, 2018 | Non-Current As at April 1, 2017 | Current maturities As at April 1, 2017 |
|---|---|---|---|---|---|---|
| a) Statutory remittances (Contributions to PF, ESIC, TDS,GST,VAT,Service tax etc) | 3,671,780 | 68,605,539 | 3,671,780 | 76,037,349 | 3,674,077 | 15,347,117 |
| b) Salary Payable | - | 49,438,843 | - | 60,386,480 | - | 44,076,270 |
| c) Employee Death relief fund | 8,774,064 | - | 9,536,546 | - | 8,092,547 | 2,300,000 |
| d) Others | - | 116,212,835 | - | 173,249,303 | - | 122,704,741 |
| **Total** | **12,445,844** | **234,257,217** | **13,208,326** | **309,673,132** | **11,766,624** | **184,428,128** |

## Note 19- SHORT TERM BORROWINGS
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Secured - at amortised cost | | | |
| Loan repayable on demand | - | - | - |

## Note 20 - TRADE PAYABLES
(All amounts are in Rupees unless otherwise specified)

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Dues of micro enterprises and small enterprises | 5,674,575 | 713,973 | 1,873,927 |
| Dues of creditors other than micro enterprises and small enterprises | 1,716,308,601 | 2,057,243,708 | 815,136,679 |
| Employee related | - | - | - |
| **Total** | **1,721,983,176** | **2,057,957,681** | **817,010,606** |

**Other Information**
**Refer to Note no 47**

## Note 21 - CURRENT TAX ASSETS (NET)
(All amounts are in Rupees unless otherwise specified)

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Current tax assets | 73,638 | 67,258 | 84,693 |
| Current tax liabilities | 100,500 | 90,500 | 185,500 |
| **Net current income tax liability at the end** | **26,862** | **23,242** | **100,807** |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION
## Note 22 - REVENUE FROM OPERATIONS
(All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| (a) Sale of Products (Including Excise Duty) | | |
| Sales | | |
| Liquor | 16,894,303,353 | 14,091,432,931 |
| Note Books & Stationery | 839,258,077 | 1,267,181,720 |
| Pharmaceutical | 80,538,310 | 15,743,571 |
| Others | 242,371,668 | 158,370,212 |
| Less: Inter Division Transfer | (506,260) | - |
| Income Earned on Chit Fund Business | | |
| Foreman's Commission | 114,714,225 | 112,568,284 |
| Dividend | 11,127,112 | 14,545,304 |
| Default Interest | 15,897,060 | 14,188,678 |
| Commission and service charges | 466,855 | 1,085,622 |
| b) Revenue from Excise Adhesive Labels | 708,567,148 | 654,139,552 |
| c) Revenue from Services | | |
| Media Advertisements | 958,027,844 | 1,262,640,289 |
| Event Organising & Others | 933,596,141 | 1,708,592,552 |
| d) Other operating revenues | 19,648,997 | 47,559,658 |
| **Total** | **20,818,010,530** | **19,348,048,374** |

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## Note 23 - OTHER INCOME
(All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| (a) Interest income | | |
| On bank deposits | 148,518,441 | 152,813,627 |
| On others deposits | 1,402,538 | 1,422,261 |
| (b) Dividend Income | 581,900 | 870,374 |
| (c) Other gains or losses | | |
| - Profit on sale of Fixed Assets (net) | - | 326,465 |
| - Net gain arising on financial assets designated | - | - |
| - Net gain on foreign currency transaction | 2,019,017 | 315,631 |
| (d) Other non-operating income | | |
| Operating lease rental from Investment property | 38,898,575 | 32,997,012 |
| Liability no longer required written back | 2,183,592 | 11,989,552 |
| Income from JV | 29,302 | 27,276 |
| Discount Received | 6,579,013 | 100,921 |
| Profit on sale of Assets | 9,999 | 259,447 |
| Insurance claims received | - | 21,192,973 |
| Sale of Tender Forms | 52,001 | 140,000 |
| Miscellaneous income | 15,932,586 | - |
| Income on account of diminution in the value of Financial assets relating to chit (net) | 48,800,456 | - |
| Income on account of diminution in the value of Deposits (net) | 1,892,341 | 1,568,243 |
| **Total** | **266,899,761** | **224,023,782** |

## Note 24 - COST OF MATERIAL CONSUMED
(All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Inventories at the beginning of the year | 11,071,564 | 19,743,569 |
| Purchases during the year | 169,790,664 | 65,876,314 |
| Inventories at the end of the year | 41,774,473 | 11,071,564 |
| **Total** | **139,087,755** | **74,548,319** |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### Note 25 - CHANGES IN INVENTORY (All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **Opening 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 |
| **Closing Stock:** | | |
| Traded Goods | 721,693,925 | 1,028,272,750 |
| Finished goods | 145,325,227 | 142,965,839 |
| | 867,019,152 | 1,171,238,589 |
| Decrease / (Increase) in stocks | 304,219,437 | (201,892,853) |
| Excise duty adjustment for movement in Finished goods inventory | - | - |
| **Net change (Increase) / Decrease** | **304,219,437** | **(201,892,853)** |

### Note 26 - EMPLOYEE BENEFIT EXPENSE
(All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **(a) Salaries, Wages and Bonus** | 218,718,537 | 214,783,204 |
| (b) Contribution to Providend and other Funds | 20,856,887 | 28,095,140 |
| (c) Compensated Absences | 13,850,058 | 33,840,001 |
| (d) Gratuity | 9,011,571 | 1,971,841 |
| **(e) Workmen and Staff welfare expenses** | 22,168,910 | 32,919,676 |
| (f) Leave encashment | 5,107,114 | 1,127,968 |
| (g) Superannuation | 946,845 | 970,120 |
| **Total** | **290,659,922** | **313,707,950** |

### Note 27 - FINANCE COST (All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **(i) Interest costs** | | |
| Bank Loans and others | 4,751,677 | 4,214,872 |
| (ii) Other borrowing costs | | |
| (a) Bank Charges | 6,551,990 | 6,880,856 |
| **(b) Guarantee commission** | 3,615,369 | 3,472,090 |
| **Total** | **14,919,036** | **14,567,818** |

### Note 28 - COST OF SERVICE
(All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **Media Advertisements** | 817,419,069 | 1,077,326,774 |
| Event Organising & Others | 886,690,849 | 1,616,212,466 |
| **Total** | **1,704,109,918** | **2,693,539,240** |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### Note 29 - DEPRECIATION AND AMORTISATION EXPENSE

(All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **Depreciation/amortisation on** | | |
| a) Property, Plant and Equipment | 65,491,494 | 35,766,131 |
| b) Investment property | 10,386,979 | 1,702,431 |
| c) Intangible assets | 1,270,002 | 1,271,724 |
| **Total** | **77,148,475** | **38,740,286** |

### Note 30 - OTHER EXPENSES

(All amounts are in Rupees unless otherwise specified)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **Conversion charges - Notebooks** | 19,964,642 | 10,955,746 |
| Packing Material & Secondary Freight | 85,215,944 | 65,946,000 |
| Outsourcing expenses | 503,825,329 | 326,804,356 |
| Rent Expense (Including provision for rent equalization reserve) | 112,315,687 | 101,519,593 |
| Rent equilisation | 1,305,869 | - |
| Repairs & Maintenance : | 2,968,685 | 3,695,346 |
| - Building | 30,754,032 | 17,612,939 |
| - Vehicle | 1,963,325 | 1,709,738 |
| - Others | 24,939,033 | 18,739,584 |
| Insurance | 9,616,215 | 8,091,249 |
| Rates & Taxes | 404,888,896 | 397,352,345 |
| Income Tax | 2,881,057 | - |
| Miscellaneous Expenses | 23,384,193 | 30,122,919 |
| Advertisement | 20,164,862 | 32,190,177 |
| Payment to the Auditor : | | |
| - For Audit | 780,410 | 1,159,816 |
| - Tax Audit | 90,860 | 90,860 |
| Postage, Telex & Telephones | 10,060,742 | 9,744,817 |
| Printing & stationery | 14,120,693 | 11,978,817 |
| Legal and Professional Charges | 44,306,642 | 33,527,626 |
| Travelling | 18,592,548 | 26,031,053 |
| Electricity & Water | 16,007,290 | 11,377,668 |

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Security Services | 8,112,569 | 4,180,788 |
| Commission | 42,835,448 | 50,751,030 |
| Chief Minister's Relief Fund (CSR) | 3,770,049 | 58,155,113 |
| Donations | 35,560,972 | 10,000,000 |
| Directors Sitting fees | 46,200 | 349,280 |
| Bad & Doubtful Debts | 763,337 | 10,425,261 |
| Provision for doubtful trade and other receivables | 6,250,060 | 53,186,961 |
| Foreign exchange fluctuation | - | - |
| Loss on Sale of Assets | 26,420 | 97,486 |
| Communication costs | 2,138,966 | 2,307,963 |
| Power,fuel & water | 1,844,942 | 1,847,977 |
| Business promotion and Development expenses | 2,840,858 | 2,268,565 |
| Manpower/sub contract charges | 37,777,795 | 33,751,002 |
| Bank Charges | 475,348 | 252,944 |
| Provision for doubtful debts/advances | 2,590,381 | 13,278,607 |
| Expense on account of diminution in the value of Financial assets relating to chit (net) | - | 40,154,087 |
| Expenses on account of diminution in the value of Deposits (net) | 1,784,316 | 1,752,727 |
| **Total** | **1,494,964,613** | **1,391,410,436** |

## Note 31 - EXCEPTIONAL ITEMS
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Exceptional items of (Debit) | | |
| Insurance Claims | 1,283,154 | 1,283,154 |
| **Exceptional items of (Credit)** | | |
| **Exceptional items (Net)** | **1,283,154** | **1,283,154** |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

## Note 32 - PROFIT OR LOSS FROM DISCONTINUED OPERATIONS

**(All amounts are in Rupees unless otherwise specified)**

Discontinuing Operations.

The company has discontinued it's HP operations on July 2008, which was also a separate segment as per AS-17, Segment Reporting. The company accounts interest income from HP operations on cash basis. The scheduled EMI periods terminate in 2013-14.

The following statement shows the revenue and expenses related to Hire Purchase division.

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| **Revenue** | | |
| Interest | 261,362 | 1,051,725 |
| Miscellaneous income | 2,815,907 | 2,869,171 |
| Total revenue | 3,077,269 | 3,920,896 |
| Operating expenses | 3,888,577 | 4,964,783 |
| **Profit/(Loss) from discontinuing operations** | **(811,309)** | **(1,043,887)** |
| Taxable income from discontinuing operations | (811,309) | (1,043,887) |
| Tax expense on discontinuing operations | (280,778) | (361,268) |

## Note 33 - OTHER COMPREHENSIVE INCOME

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| Items that will not be reclassified to profit or loss | | |
| Fair valuation of | | |
| - Investment in equity shares of M/s.J K Tyre Industries Limited: | (4,412,695) | 1,786,796 |
| - Investment in equity shares of M/s.Bengal & Assam Co Limited: | (1,688,360) | 1,705,140 |
| - Investment in The Karnataka State Co-operative Apex Bank Limited - One -C- Class Ordinery Share: | (95,905) | (3,614) |
| - Investment in equity shares of M/s.Hassan Mangalore Rail Development Company Limited: | 15,987,048 | (49,608,651) |
| -Acturial gain or loss on provision for gratuity | (39,073,592) | (17,827,576) |
| Taxes on above | 455,518 | - |
| **Total** | **(28,827,984)** | **(63,947,905)** |

| (Income)/ expense | 2018-19 | 2017-18 |
|---|---|---|
| On account of Fair valuation of | | |
| a. Amount Recoverable From Prized Chit Subs. | (26,058,353) | (8,566,197) |
| b. Foreman Investment in Subsituted Tickets | (2,175) | (39,041) |
| c. Non Prized Collection | (18,179,271) | 49,208,925 |
| d. Provision for Expected credit loss | (3,422,170) | (486,969) |
| e. Provision for probability of default | (1,941,734) | (605,918) |
| f. Provision for Loss giving assets | 803,247 | 677,287 |
| **Total** | **(48,800,456)** | **40,188,087** |

| | Interest (Income)/ expense for the year 2018-19 | 2018-19 | 2017-18 |
|---|---|---|---|
| A | I. Interest expense | | |
| | - Rent deposit received | 1,695,076 | 342,627 |
| | - Earnest Money received | 2,788,949 | 4,792 |
| | - Security deposit received | 68,701 | 201,419 |
| | | - | - |
| | II. Interest Income | - | - |
| | - Rent deposit paid | (6,445,068) | (2,117,081) |
| | **Total** | **(1,892,341)** | **(1,568,243)** |

| | Amortisation of deferred (Income)/Expense | 2018-19 | 2017-18 |
|---|---|---|---|
| B | I. Amortisation of deferred Income | | |
| | - Rent deposit received | (1,700,185) | (390,013) |
| | - Earnest Money received | (2,788,751) | (4,990) |
| | - Security deposit received | (69,852) | (201,419) |
| | | - | - |
| | II. Amortisation of deferred expense | - | - |
| | - Rent deposit paid | 6,343,105 | 2,349,148 |
| | | | |
| | **Total** | **1,784,316** | **1,752,727** |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### Note 34 - Purchases of Stock-in-Trade

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | For the year 2019 | For the year 2018 |
|---|---|---|
| (i) Liquor | 15,103,027,552 | 12,751,376,720 |
| (ii) Notebooks and Stationery | 518,007,513 | 1,025,501,790 |
| (iii) Pharmaceutical | 70,963,369 | 38,320,878 |
| (iv) Others | 217,532,265 | 386,940,221 |
| Less: Inter-division Transfer | (506,260) | - |
| Cost of material purchases | 528,262,535 | 500,554,557 |
| **Total** | **16,437,286,974** | **14,702,694,166** |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### Note 35 - INCOME TAXES RELATING TO CONTINUING OPERATIONS

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| Current tax | | |
| for Current year | 210,100,500 | 232,942,391 |
| for Previous years | 5,368,844 | 9,201,895 |
| Deferred tax | | |
| for Current year | 6,782,883 | (18757352) |
| **Total** | **222,252,227** | **223,386,934** |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 36 Consolidation Procedure:

i The Consolidated Financial Statements (“CFS”) have been prepared on the basis of audited financial statements of the Parent Company viz.,Mysore Sales International Limited (MSIL), its subsidiaries viz., Marketing Communication & Advertising Limited (Share Holding 100%) and Mysore Chrome Tanning Company Limited, Bengaluru (Share Holding 95.10%) and unaudited financial statements of the Associate Company viz., Food Karnataka Limited, Bengaluru (Share Holding 50%).

ii The financial statements of the Parent and its Subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group transactions and unrealized profit / loss. In respect of the Associate, consolidation has been done on the basis of equity method.

iii The financial statements of the Subsidiaries and Associate are drawn up to the same reporting date as that of the Parent Company.

iv The difference between the cost to the parent company of its investment in the subsidiary companies and the parent company’s portion of the equity in the subsidiary with reference to the date of acquisition of controlling interest is recognised in the financial statements as Goodwill / Capital Reserve. The parent company’s share of post acquisition profit / losses of the subsidiaries is adjusted in the revenue reserves.

v Non Controlling interests in the net results of operations and the net assets of the subsidiaries represent that part of the profit / loss and the net assets not attributable to the parent company.

vi Additional information disclosed in individual financial statements of the parent and subsidiaries and associate having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

**vii Marketing Communication & Advertising Limited**

Marketing Communication & Advertising Limited is a subsidiary of Mysore Sales International Limited, wherein 100% of Share Capital is held by the parent company. The main business of the Company is to carry on the business of acting, conducting, representing, owning, preparing, sponsoring, supervising, consulting, advising, servicing, contracting, sub-contracting, importing, exporting, buying, selling, leasing, hiring, installing, demonstrating, general agents, commission agents, sub-agents, wholesale, retail, distribution agents, stockiest, dealers, marketing services, consultancy services, service providers in all kinds, types & description of advertising, contractors both for outdoor & in newspapers, magazines, books, screens, walls, buses, railway carriage, electronic media, print media, hoardings, banners, event management, exhibitions, interior decoration, market survey, hoardings, cartons and packaging materials, printing, sound systems lighting, electrical/electronic equipments, fittings, cable laying and all other related activities. The Company is also functioning at various branch level viz., Hubballi, Kalaburgi, Vijayapura, Belagavi, Bellari, Mangaluru, Mysuru, Mandya, Tumakuru, Davanagere, Kolar, Hassan, Shivamogga and also in Mumbai. Sale of Excise Adhesive labels exclusively for distilleries, in Karnataka through Excise Department is also a business carried out.

**viii Mysore Chrome Tanning Company Limited**

Mysore Chrome Tanning Company Limited is a subsidiary of Mysore Sales International Limited, wherein 95.10% of Share Capital is held by the parent company. Presently, the Company is not engaged in any business activities. Government of Karnataka in its order No. CI47 CIS 91(ii) Bangalore dated 31st October 1991 has ordered for closure of the Company. Modalities are being worked out by the Company in consultation with the Government. The comapany is not a going concern as it has not been carrying on any manufacturing activities since 1986. The Company has accumulated losses and the networth stands eroded as on date, this indicates that a material uncertainity exists that may cast significant doubt on the company's ability to continue as a going concern.

**ix Food Karnataka Limited**

Food Karnataka Limited is an associate of Mysore Sales International Limited, wherein 50% of Share Capital is held by the parent company. We have received the Balance Sheet and Statement of Profit & Loss along with schedules, signed by the Managing Director and the same has been considered for consolidation.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 37) IND AS Transition Notes

The financial statements for the year ended March 31, 2018 were the first Ind AS financial statements prepared with comparatives under Ind AS. Accordingly, the transition to Ind AS has been carried out in accordance with Ind AS 101- 'First time adoption' of Indian Accounting Standards with date of transition being April 1, 2016. But since the auditor has opined that Ind AS was not implemented in totatility in their report dated 11 December 2018, the Company is desirous to reinstate the balances and has accordingly made adjustments to restate the opening balances as at April 1,2017 as below:

**(i) Property, Plant and Equipment- Deemed Costs**

As permitted by Ind AS 101, the Company had elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment. The carrying values of property, plant and equipment has been reinstated as at April 1, 2017 as the deemed costs.

**(ii) Investment property**

As per the requirement of Ind AS 40, Company has identified and reclassified the let out portion of freehold land and building and leasehold land and buildings in accordance with various lease agreements from Property, Plant and Equipment to Investment Property from 1st April 2017.

Reclassification from PPE to Investment Property
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Balance sheet | | | |
| Property, plant and equipment | 447,294,552 | 334,473,541 | 177,822,919 |
| Investment property | 348,175,141 | 358,562,121 | 100,768,625 |

**(iii) Fair Valuation of Security Deposits**

As per the requirement of Ind AS 113, Security Deposits (including Dealership Deposits, Container Deposits, Earnest Money Deposits, Rent Deposits ) accepted and also deposits paid to third parties have been fair valued at a discount rate of 8%.

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Deposits received | 142,358,187 | 137,866,589 | 74,293,100 |
| Deffered Income thereon | 11,638,353 | 5,387,534 | 1,719,254 |
| **Effect of Fair Valuation:** | | | |
| Amortization of deferred income for the year | 4,558,789 | 596,422 | - |
| Interest expenses for the year | 4,552,727 | 548,838 | - |
| Fair Value of Deposits as at reporting date | 130,719,834 | 132,479,055 | 72,573,846 |
| Depsoits paid | 116,609,403 | 95,716,419 | 81,739,767 |
| Deffered Expense thereon | 5,105,878 | 9,157,695 | 7,259,238 |
| **Effect of Fair Valuation:** | | | |
| Amortization of deferred expense for the year | 6,343,105 | 2,349,148 | - |
| Interest income for the year | 6,445,068 | 2,117,081 | - |
| Fair Value of Deposits as at reporting date | 111,503,525 | 86,558,724 | 74,480,529 |

### (iv) Fair Valuation of Amounts in Chit

The company as a "Foreman" to the chit receives and pays "chit subscription" from "subscribers"" as per the monthly or periodical pooling of the chit. Contributions received from Subscribers prior to winning the monthly auctions are disclosed as "Non-Prized Collections" under Liability-Current and Non Current. Contributions by subscribers post winning the auction are disclosed as "Prized Collections" under Assets-Current and Non Current. Further, if any subscriber defaults post winning the auction, the company as "Foreman" steps into the shoe of the defaulter and balance from such defaulters are disclosed as "Foreman in Substituted Chit" under Assets-Current. As per the requirement of Ind AS 113, all non current portion of the Non-Prized Collections, Prized Amounts recoverable and Amounts reported as Foreman in Substituted chits have been fair valued based on the following assumptions:"

For amounts recoverable from Prized Collections, segregation based on the recoverability of each chit has been made under the following categories:

a) Running chits- good and recoverable as at reporting date

b) Partially defaulted chits- which are defaulted, secured and recoverable as at reporting date

c) Defaulted chits -terminated chits which are in default and secured as at reporting date

On each reporting date, all provisions are reviewed and it's impact is passed through the Statement of Profit & Loss.

**a) Running chits- Good and Recoverable**

For running chits considered good and recoverable, fair valuation is done based on the chit duration applying 8% as discount rate. Further, against such chits, probability of defaults (based on the past trend and at a weighted average rate) is provided for on a yearly basis.

Impact of the same is as under:
**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Amounts Recoverable -"Prized Collection" | 1,531,728,000 | 1,563,403,000 | 1,525,709,000 |
| Effect of Fair Valuation | (242,071,924) | (268,130,277) | (276,696,474) |
| Provision for default -based on probability of actual defaults | (4,893,434) | (6,835,168) | (7,441,086) |
| **Fair Value of Amounts Recoverable-"Prized Collection" as at reporting date (A)** | **1,284,762,642** | **1,288,437,555** | **1,241,571,440** |

**b) Partially Recoverable chits- Default in running accounts**

In case of defaulted chits which are continuing (ie the chit duration has not completed as at the reporting date), fair valuation has been done taking into consideration the average period of recovery of such defaulted chits which is determined at 21 months based on the past recoverability of such defaulted chits. The amounts recoverable have been fair valued for delayed recovery applying a discount rate of 8 %. The differential amount is reported as the "Provision for defaulted chits".

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Amounts Recoverable -"Prized Collection" | 48,521,000 | 63,155,000 | 56,992,000 |
| Less: Provision for default( based on ECL) | (6,328,000) | (9,750,170) | (10,237,139) |
| **Fair Value of Amounts Recoverable -"Prized Collection" as at reporting date (B)** | **42,193,000** | **53,404,830** | **46,754,861** |

**c) Default by Subscribers in terminated Chits**

"In case of defaulted chits for which chit duration has been completed, fair valuation has been done taking into consideration the average recoverability of such defaulted chits. Based on the above, the average recoverability of such recovery period is arrived at as 36 months based on the experience and the amounts recoverable have been fair valued for delayed recovery applying 8% as discount rate. The differential amount is the "Provision for defaulted chits".

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Amounts Recoverable -"Prized Collection" | 54,234,000 | 43,098,000 | 35,088,000 |
| Less: Provision for default( based on ECL) | (11,703,184) | (10,899,937) | (10,256,650) |
| **Fair Value of Amounts Recoverable -"Prized Collection" as at reporting date** | **42,530,816** | **32,198,063** | **24,831,350** |
| **Total (A+B+C)** | **1,369,486,459** | **1,374,040,449** | **1,313,157,652** |

d) **The amounts reported under Non current - Non-prized Collections have been fair valued at a discount rate of 8%.**

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Amounts Payable -" Non-Prized Collection" | 1,504,179,000 | 1,536,362,000 | 1,491,164,000 |
| Effect of Fair Valuation | (234,000,849) | (215,821,579) | (265,030,504) |
| **Fair Value of Amounts Payable-"Non- Prized Collection" as at reporting date** | **1,270,178,151** | **1,320,540,421** | **1,226,133,496** |

e) The amounts reported under Non current - Foreman in Substituted Chits have been fair valued at a discount rate of 8%.

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Amounts Recoverable -"Investment in Substituted Chits" | 17,166,670 | 20,319,604 | 13,389,863 |
| Effect of Fair Valuation | - | (2,175) | (41,216) |
| Fair Value of Amounts Recoverable -"Investment in Substituted Chits" | **17,166,670** | **20,317,429** | **13,348,647** |

**(v) Other Comprehensive Income**

"As per the requirements of Ind AS, all items of income and expense recognized in a period should be included in profit and loss account, unless a standard requires or permits otherwise Items of income and expenses that are not recognized in profit or loss are shown as profit or loss under "other comprehensive income"-"OCI" as at April 1, 2017. The details are as under:

**(a) Defined benefit liability - employees**

"As per the requirement of Ind AS 19, re-measurement of actuarial gains and losses under defined benefit liability are recognized under other comprehensive income and equity. In the transitioned Ind AS, the actuarial losses has been routed through the Other Comprehensive Income and equity as on 31st March 2018 and 31st March 2019 being Rs 1,94,75,900 and Rs 3,43,06,030 respectively"

**(b) Fair Valuation of Equity Instruments**

"Fair valuation of long-term investments in equity instruments held (not being in the nature of investments in subsidiaries and associates) are to be recognized through other comprehensive income. However, under the transitioned Ind AS, the company had not valued the same as per the requirements of Ind AS 113."

The impact of the same is as under:

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Value of Investments at cost | 74,348,431 | 74,348,431 | 74,348,431 |
| Effect of fair valuation | 165,205,155 | 155,415,067 | 201,535,396 |
| Fair Value of the investment | 239,553,586 | 229,763,498 | 275,883,827 |
| Impact to Opening reserves/ OCI | 9,790,088 | (46,120,329) | 201,535,396 |

**(vi) Proposed Dividend and DDT thereon**

The Equity as at April 1, 2017 has been restated for the dividend and DDT distributed during the financial year 2017-18.

**(vii) Retained Earnings**

Retained Earnings as on April 1, 2017 and as on March 31, 2018 has been adjusted for the adjustments as explained above.

**(viii) Government Grants - Pharmacy Division**

"Ind AS 20 provides for the option of deducting the grant received from the carrying amount of the asset from 1 April 2018:

As the company has accounted the Government Grant in line with the option indicated above from April 1, 2017 no further adjustment is required to reinstate the deferred income or fair value for the prior periods.

**(ix) Forward Contract-Sand**

The company had entered into a forward contract with Bank of Baroda for payment of $10,24,881 at a fixed all in rate of Rs. 65.34/$. This liability is on account of import of sand from Malaysia. Valuation of the liability is at the contracted date and not the bank rate as at the reporting date for the year ended 31st March, 2018.

**38 Property Plant and Equipment**

i In the absence of the updated Fixed Assets register information is not readily available on the extent of land holding.

ii Refer Significant accounting policy No. 1.2(j) in respect of deemed cost of assets as on the transition date, estimated useful life of assets, method of accounting of depreciation and amortisation charged.

iii The Company confirms that no impairment of assets as per Ind AS 36 is required based on the annual assessment carried out in this regard.

iv Property, Plant and Equipment 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.

v 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.

vi Property, Plant and Equipment - Depreciation on Property, Plant and Equipment

vii The Company has adopted the provisions of the Companies Act 2013 with respect to depreciation calculations from the financial year ending March 2019.

viii The land value of Rs.50,985/- shown in the accounts includes the value of 1 acre and 3 guntas occupied by slum dwellers and declared as a slum area by the special Deputy Commissioner, Benglauru

ix Legal proceedings have been initiated for recovery of compensation amount from Bangalore Development Authority, Bengaluru, on land for an area of 5,777 Sq. Yds acquired for road purpose

x The company had paid Rs. 1,78,59,468/- being cost of the land to KIADB as per lease cum sale agreeement dated 05-Mar-2014. The company had taken this land on lease for a period of 10 years. As per the lease agreement, the company is also required to pay yearly rent of Rs. 995/- per annum and maintenance charges of Rs. 9,920/- per annum and this land is classified under leasehold land. Pursuant to the letter dated 05-01-2018 from KIADB with regard to demand of payment of land cost of Rs. 69,41,414 as per clause No. 10(i) of lease cum sale agreement has been accrued in books.

**39 Investment Property**

i The Company is in the process of estimating the fair value of the investment property.

ii Amounts recognised in Statement of Profit and Loss for Investment Properties

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | 31.03.2019 | 31.03.2018 |
|---|---|---|
| Rental income derived from investment properties (Refer Note (i)) | 39,262,895 | 33,355,812 |
| Direct operating expenses (including repairs and maintenance) generating rental income | (19,513,713) | (103,920) |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income | - | - |
| Profit arising from investment properties before depreciation and indirect expenses | 19,749,183 | 33,251,893 |
| Less – Depreciation | (10,386,979) | (1,702,431) |
| **Profit arising from investment properties before indirect expenses** | **9,362,204** | **31,549,462** |

**iii Karnataka Bhavan, Mumbai**

a) 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 Bhawan in Navi Mumbai is capitalized based on the completion certificate received from M/s Project Management Service effective from 31st March 2018.

b) The Company had entered on 27th September 2018 into a lease rental agreement with a moratorium of 4 months given to build the necessary infrastructure to commence the Hotel operations with a stipulation that the moratorium can be extended. We were not provided with any information on the extension of the moratorium period.

c) The Company is having unpaid bills relating to the above project ; the Company is unable to confirm that these are the final bills.

d) The Income Tax Department while passing the AO for the AY 2014-15 had disallowed an amount of Rs 1.93 crores of revenue expenditure by the Company in connection with this project.

iv 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 capitalised the payments made towards leasehold land amounting to Rs.52,11,063/- (Rs.52,11,063/-) based on the possession certificate issued by KIADB.

v Leasing Arrangements
Operating Lease:

**(All amounts are in Rupees unless otherwise specified)**

| Minimum lease receipts under Non-cancellable Operating Lease: | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Within one year | 39,189,726 | 39,262,895 | 33,355,812 |
| Later than one year and not later than five years | 22,472,218 | 39,262,895 | 78,525,790 |
| Later than five years | - | - | - |

**40. Employee benefits**

(All amounts are in Rupees unless otherwise specified)

**A. Disclosure of Employee Benefits as per Ind AS 19 of Parent Company**

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| **Defined benefit liability - Gratuity** | **9,412,981** | **6,114,735** | **(1,510,168)** |
| Liability for Earned Leave | 86,444,118 | 96,518,866 | 78,583,941 |
| Liability for Death Relief fund | 8,774,064 | 9,536,546 | 10,392,547 |
| **Total employee benefit liabilities** | **104,631,163** | **112,170,147** | **87,466,320** |
| Non-current | 67,363,117 | 104,108,352 | 71,776,683 |
| Current | 37,268,045 | 8,061,795 | 15,689,637 |
| **Total employee benefit liabilities** | **104,631,162** | **112,170,147** | **87,466,320** |

MSIL

**ii. Amount recognized in Balance Sheet**

| Particulars | GRATUITY- DEFINED BENEFIT | | EARNED LEAVE- DEFINED CONTRIBUTION | | DEATH RELIEF FUND- DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Present Value of Obligation at the end of the year | 147,991,777 | 139,984,967 | 86,444,118 | 96,518,866 | 8,774,064 | 9,536,546 |
| Fair Value of Plan Assets at the end of the year | 138,578,796 | 133,870,232 | - | - | - | - |
| Funded Status | 9,412,981 | 6,114,735 | - | - | - | - |
| Liability recognized in Balance Sheet (as per actuarial valuation ) | 9,412,981 | 6,114,735 | 86,444,118 | 96,518,866 | 8,774,064 | 9,536,546 |

**iii. Reconciliation of the net defined benefit liability-Change in Present Value of Obligation**

| Particulars | GRATUITY- DEFINED BENEFIT | | EARNED LEAVE- DEFINED CONTRIBUTION | | DEATH RELIEF FUND- DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 |
| Present Value of Obligation at the beginning of the year | 139,984,967 | 130,917,987 | 96,518,866 | 78,583,941 | 9,536,546 | 10,392,547 |
| Interest Cost | 8,430,939 | 9,040,881 | 5,927,408 | 5,325,608 | 623,230 | 758,503 |
| Current service cost | 4,734,365 | 2,404,830 | 10,266,146 | 14,384,657 | 634,365 | 703,526 |
| Prior service Cost | - | - | - | - | - | - |
| Benefits paid | (39,429,597) | (22,024,795) | (23,924,806) | (15,905,076) | (1,291,914) | (665,658) |
| Remeasurement of obligation | | | (2,343,497) | 14,129,736 | (728,163) | (1,652,372) |
| Actuarial loss/(gain) on obligation recognised in the statement of Other Comprehensive Income | 34,271,103 | 19,646,064 | - | - | - | - |
| **Balance as at the end of the year** | **147,991,777** | **139,984,967** | **86,444,117** | **96,518,866** | **8,774,064** | **9,536,546** |

iv. Change in Fair Value of Plan Assets

| Particulars | GRATUITY- DEFINED BENEFIT | | EARNED LEAVE- DEFINED CONTRIBUTION | | DEATH RELIEF FUND- DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 |
| Fair Value of Plan Assets the beginning of the year | 133,870,232 | 132,428,155 | - | | - | |
| Interest Cost | - | | - | | - | |
| Employer Contribution | 34,945,937 | 13,628,178 | 23,924,806 | 15,905,076 | 1,291,914 | 665,658 |
| Benefits paid | (39,429,597) | (22,024,795) | (23,924,806) | (15,905,076) | (1,291,914) | (665,658) |
| Return on plan assets excluding actual return on plan assets | 9,227,151 | 9,668,530 | - | - | - | - |
| Actuarial loss/(gain) on obligation | 34,927 | (170,163) | - | | | |
| **Balance as at the end of the year** | **138,648,650** | **133,529,905** | **-** | **-** | **-** | **-** |

v. Expense recognised in Statement of Profit & Loss

| Particulars | GRATUITY- DEFINED BENEFIT | | EARNED LEAVE- DEFINED CONTRIBUTION | | DEATH RELIEF FUND- DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Current service cost | 4,734,365 | 2,404,830 | 10,266,146 | 14,384,657 | 634,365 | 703,526 |
| Past service cost | - | - | - | - | - | - |
| Remeasurement of obligation | - | - | 2,343,497 | (14,129,736) | 728,163 | 1,652,372 |
| Net Interest on Net Defined Benefit Obligations | (796,212) | (627,649) | 5,927,408 | 5,325,608 | 623,230 | 758,503 |
| Expense recognised in Statement of Profit & Loss before tax | 3,938,153 | 1,777,181 | 18,537,051 | 5,580,529 | 1,985,758 | 3,114,401 |

vi. Remeasurements recognised in Other Comprehensive Income

| Particulars | GRATUITY- DEFINED BENEFIT | | EARNED LEAVE- DEFINED CONTRIBUTION | | DEATH RELIEF FUND- DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Actuarial (loss)/gain on obligation | 34,306,030 | 19,475,900 | - | - | - | - |

**vii. ASSETS**

The gratuity assets are managed by LIC of India.

**viii. Assumptions**

With the objective of presenting the plan assets and plan liabilities of the defined benefits plans and post retirement benefits at their fair value on the balance sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date The significant actuarial assumptions were as follows:

**ix. Defined Benefit Obligation**

| Particulars | GRATUITY- DEFINED BENEFIT | | EARNED LEAVE- DEFINED CONTRIBUTION | | DEATH RELIEF FUND- DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Discount Rate | 7.01% | 7.54% | 7.01% | 7.54% | 7.01% | 7.54% |
| Salary Escalation Rate | 7.00% | 7.00% | 7.00% | 7.00% | 0.00% | 0.00% |
| Attrition Rate | 5.00% | 1.00% | 5.00% | 1.00% | 1.00% | 1.00% |

**x. Sensitivity Analysis**

| Particulars | 31.03.2019 | | 31.03.2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Gratuity (Increase)/decrease in Defined Benefit Obligations | | | | |
| Discount Rate (100 bps movement) | (3,662,397) | 3,889,065 | (4,133,183) | 4,439,079 |
| Salary escalation rate (100 bps movement) | 3,930,849 | (3,784,670) | 4,614,538 | (4,372,355) |
| Attrition Rate (100 bps movement) | 199,945 | (209,545) | (189,680) | 201,235 |
| Earned Leave(Increase)/decrease in Defined Benefit Obligations | | | | |
| Discount Rate (100 bps movement) | (2,490,502) | 2,676,443 | (3,557,953) | 6,884,224 |
| Salary escalation rate (100 bps movement) | 2,504,483 | (2,374,493) | 5,596,438 | 2,518,914 |
| Attrition Rate (100 bps movement) | (126,555) | 34,434 | (134,922) | 146,066 |
| Death Relief Fund (Increase)/decrease in Defined Benefit Obligations | | | | |
| Discount Rate (100 bps movement) | (216,108) | 229,568 | (354,226) | 126,671 |
| Salary escalation rate (100 bps movement) | - | - | - | - |
| Attrition Rate (100 bps movement) | 49,576 | (51,902) | (58,233) | (-187,434) |

B. of Employee Benefits as per Ind AS 19- Wholly owned Subsidiary Company

| Particulars | As at 31 March, 2019 | As at 31 March, 2018 |
|---|---|---|
| | Rs. | Rs. |
| **Actuarial Assumptions** | | |
| Attrition Rate | 5.00% | 5.00% |
| Discount Rate | 7.22% | 7.45% |
| Rate of Increase in Compensation Levels | 6.00% | 6.00% |
| Rate of Return on Plan Assets | 7.22% | 7.45% |
| Expected Average Remaining Working Lives of Employees | 5.79 | 5.73 |
| Retirement Age | 60 | 60 |
| Number of Employees | 20 | 21 |
| Monthly Salary | 1,100,700 | 910,863 |
| Average Monthly Salary | 55,035 | 43,374 |
| Average Age | 53.63 | 52.95 |
| Average Past Service | 27.55 | 26.66 |
| Prescribed Ceiling on Gratuity | 2,000,000 | 2,000,000.00 |
| Mortality Table | Indian Assured Lives (2006-08) Ultimate Mortality Rate | Indian Assured Lives (2006-08) Ultimate Mortality Rate |

**Gratuity Plan**

| Particulars | As at 31 March, 2019 Rs. | As at 31 March, 2018 Rs. |
|---|---|---|
| **ii. Reconciliation of opening & closing balances of the present value of the defined obligation** | | |
| Obligations at period beginning | 14,135,336 | 13,514,007 |
| Service Cost | 527,490 | 2,197,213 |
| Interest Cost | 914,807 | 970,874 |
| Benefits paid | (2,929,746) | (964,270) |
| Actuarial (Gains)/Loss | 4,940,328 | (1,582,488) |
| Obligations at period end | 17,588,215 | 14,135,336 |
| **iii. Asset recognized in Balance Sheet** | | |
| Present Value of Obligation as at the end of the year | 17,588,215 | 14,135,336 |
| Fair Value of Plan Assets as at the end of the year | 15,784,650 | 16,630,604 |
| Net Asset/(Liability) Recognized in Balance Sheet | (1,803,565) | 2,495,268 |
| **iv. Cost Recognised in P&L (Ind As 19 para 57 c)** | | |
| Current Service Cost | 527,490 | 437,080 |
| Past Service Cost | - | 1,235,583 |
| Interest Cost | (208,592) | (179,014) |
| **Expense Recognized in Statement of Profit & Loss** | **318,898** | **1,493,649** |

| v. Remeasurement effects recognized in other comprehensive income (oci) (Para 57(d)) | | |
|---|---|---|
| Opening Balance | | 561,214 |
| Actuarial (Gain) / Losses due to Demographic Assumption changes in DBO | 17,153 | - |
| Actuarial (Gain) / Losses due to Financial Assumption changes | 98,596 | (315,088) |
| Actuarial (Gain)/ Losses due to Experience on DBO | 4,824,580 | (1,267,400) |
| Return on Plan Assets (Greater) / Less than Disount rate | (172,767) | (65,836) |
| **Total actuarial (gain)/loss included in OCI { Ind As 19 Para 57(d)}** | **4,767,562** | **(1,087,110)** |
| | | |
| **Total cost recognised in P&L and OCI (Defined Benefit Cost) (para 120)** | | |
| Cost Recognised in P&L (Ind As 19 para 57 c) | 312,669 | 1,971,841 |
| Remeasurement Effect Recognised in OCI; Para 120 c | 4,767,562 | (1,648,324) |
| **Total Defined Benefit Cost (para 120 a,b & c)** | **5,080,231** | **323,517** |
| | | |
| **vi. Movement in the Asset recognized in the Balance Sheet** | | |
| Opening Net Asset | 2,495,268 | 1,940,593 |
| Cost Recognised in P&L (Ind As 19 para 57 c) | (312,669) | (1,971,841) |
| Remeasurement Effect Recognised in OCI; Para 120 c | (4,767,562) | 1,648,324 |
| Contribution Paid | 781,397 | 878,192 |
| **Closing Net Asset** | **(1,803,566)** | **2,495,268** |
| **Liability recognized in the Balance Sheet** | | |
| Current Liability | 6,014,525 | 2,905,018 |
| Non-Current Liability | 11,573,690 | 11,230,318 |
| | **17,588,215** | **14,135,336** |
| * 17 employees on pay rolls have not been considered for actuarial valuation of gratuity and leave encashment. | | |

## 41. Movement in Provisions for the year 2018-19
## (All amounts are in Rupees unless otherwise specified)

| Particulars | Insurance Claim | Others |
|---|---|---|
| As at 1 April | 32,543,117 | 44,320,986 |
| Additional provision recognised during the year | 1,283,155 | 57,596,296 |
| Amount used during the year | | |
| Amount reversed during the year | - | (44,320,986) |
| **As at 31 March** | **33,826,272** | **57,596,296** |

### Movement in Provisions for the year 2017-18

| Particulars | Insurance Claim | Others |
|---|---|---|
| As at 1 April | 31,259,962 | 53,902,442 |
| Additional provision recognised during the year | 1,283,155 | 44,320,986 |
| Amount used during the year | - | - |
| Amount reversed during the year | - | (53,902,442) |
| **As at 31 March** | **32,543,117** | **44,320,986** |

### 42. Earnings per Equity Share- Disclosure as per Ind AS 33
### (All amounts are in Rupees unless otherwise specified)

**Amount in Rs.**

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| a. From continuing operations | | |
| Basic earnings per share | 93.36 | 74.90 |
| Diluted earnings per share | 93.36 | 74.90 |
| b. From discontinuing operations | | |
| **Basic earnings per share** | **(0.19)** | **(0.24)** |
| **Diluted earnings per share** | **(0.19)** | **(0.24)** |

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 | 398,978,780 | 320,086,704 |
| Profit attributable to equity holders from discontinued operations | (811,309) | (1,043,887) |
| Number of equity shares of Rs.100 each outstanding at the beginning of the year | 4,273,477 | 2,017,660 |
| Number of equity shares of Rs.100 each outstanding at the end of the year | 4,273,477 | 4,273,477 |
| Weighted Average number of Equity Shares | 4,273,477 | 4,273,477 |

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 * | 4,273,477 | 4,273,477 |
| Shares deemed to be issed for no consideration | - | - |
| Weighted average number of equity shares used in calculation of diluted earnings per share | 4,273,477 | 4,273,477 |

* The equity shares were issued during Financial year 2017-18 by converting the outstanding loans with Government of Karnataka vide GoK Order CI 66, CMI 2014 dated 13th July, 2017.

## 43. Segment Information

## Disclosures pursuant to Ind AS - 108

### A. Parent Company

**Revenues and expenses directly attributable to segments are reported under each reportable segment where the turnover of the segment is 5% or more of the total turn over.**
**All other items are reported under Others.**

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | | Paper | Beverages | Others | Total |
|---|---|---|---|---|---|
| 1 | Revenue | 839,258,077 | 16,894,303,353 | 689,758,752 | 18,423,320,182 |
| 2 | Segment Results | 69,782,803 | 391,438,179 | (98,593,874) | 362,627,108 |
| 3 | Finance Cost | 305,062 | 5,273,864 | 7,938,995 | 13,517,921 |
| 4 | Profit Before TAX | 69,477,741 | 386,164,315 | (106,532,869) | 349,109,187 |
| 5 | Income Taxes for the year | | | (115,368,844) | (115,368,844) |
| 6 | Deferred Tax | | | (10,533,111) | (10,533,111) |
| 7 | Profit After Tax | 69,477,741 | 386,164,315 | (232,434,824) | 223,207,232 |
| | | | | | |
| | **OTHER INFORMATION :** | | | | |
| 1 | Segment Assets | 911,992,151 | 1,577,756,243 | 4,124,225,754 | 6,613,974,148 |
| 2 | Segment Liabilities | 519,871,267 | 155,490,577 | 2,504,376,015 | 3,179,737,859 |
| 3 | Capital Expenditure | 905,772 | 66,693,501 | 105,964,001 | 173,563,274 |
| 4 | Depreciation | 2,940,742 | 25,910,893 | 43,328,639 | 72,180,274 |

**Notes:**

A. The products included in each of the reported segments are as follows:

i) Paper includes Note Books and Stationery

ii) Sale of Liquor is reported under Beverages Division

iii) Others include Chit Fund, Consumer and Industrial Products, BACC, Export & Import and Hire-purchase, Pharmaceutical & Tours & Travels

B. Segment Revenue relating to each of the above business segments represents sales, income from services, interest income, rental income and other related income.

**B. Wholly owned Subsidiary Company (MC&A)**

**(All amounts are in Rupees unless otherwise specified)**

| Particulars | Excise Labels | Media Advertisements | Event Organising & Others | Total |
|---|---|---|---|---|
| | 31-Mar-19 | 31-Mar-19 | 31-Mar-19 | |
| Segment Revenue | | | | |
| Sales | 708,567,148 | 961,571,373 | 933,596,141 | 2,603,734,662 |
| Unallocated | | | | - |
| Corporate Revenue | - | - | 19,648,997 | 19,648,997 |
| Other Income | - | - | 41,445,375 | 41,445,375 |
| **Total (A)** | **708,567,148** | **961,571,373** | **953,245,138** | **2,623,383,659** |
| Segment Expenses (Cost B) | | | | - |
| | 551,568,798 | 817,419,069 | 886,690,849 | 2,255,678,716 |
| **Segment Result (A) -(B)** | **156,998,350** | **144,152,304** | **66,554,289** | **367,704,943** |
| Unallocated | | | | - |
| Corporate Expenses | - | - | - | - |
| PBIDTA | | | | - |
| Finance Cost | - | - | - | - |
| Depreciation | - | - | - | - |
| **Profit Before Tax** | **156,998,350** | **144,152,304** | **66,554,289** | **367,704,943** |
| Income Tax | - | - | - | - |
| Deferred Tax | - | - | - | - |
| **Net Profit** | **156,998,350** | **144,152,304** | **66,554,289** | **367,704,943** |
| Segments Assets | | | | - |
| Unallocated | | | | - |
| Corporate Assets | - | - | - | - |
| Segment Liabiltity | | | | - |
| Unallocated | | | | - |
| Corporate Liabilities | - | - | - | - |

Capital Employed by the Company for its different segment is interchangable and hence Capital Employed for segment reporting has not been made.

## 44 Operating Leases

**Disclosure under Ind AS 116**

**Reference to Significant Accounting Policies- Note No.1**

### A Leases as a Lessor

The Company leases out it's investment property on operating lease basis.

(i) Future minimum lease receivable

At 31 March, the future minimum lease payments under non-cancellable leases are receivable as follows

(All amounts are in Rupees unless otherwise specified)

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Not later than one year | 39,189,726 | 39,262,895 | 33,355,812 |
| Later than one year and not later than five years | 22,472,218 | 39,262,895 | 78,525,790 |
| Later than five years | - | - | - |

The company has not recognized any income as contingent rent

(ii) Amounts recognised in the Statement to Profit & Loss- under Other Income

During the year ended 31 March 2019, property rentals of Rs 392.63 lakhs (31 March 2018: Rs. 333.56 lakhs) have been included in Other Income (Note No 24) in Statement of Profit & Loss as follows:

(All amounts are in Rupees unless otherwise specified)

| Particulars | For the year ended 31.03.2019 | For the year ended 31.03.2018 |
|---|---|---|
| Income from Investment Property | 39,262,895 | 33,355,812 |

(i) Future minimum lease payments

At 31 March, the future minimum lease payments to be made under non-cancellable operating leases are as follows

(All amounts are in Rupees unless otherwise specified)

| Particulars | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Not later than one year | 77,545,495 | 112,088,467 | 101,214,934 |
| Later than one year and not later than five years | 116,531,344 | 113,394,337 | 226,788,674 |
| Later than five years | | | |

(ii) Amounts recognised in the Statement to Profit & Loss- under Other Expenses Note No 28

(All amounts are in Rupees unless otherwise specified)

| Particulars | For the year ended 31.03.2019 | For the year ended 31.03.2018 |
|---|---|---|
| Lease expense-Minimum lease payments | 112,088,467 | 101,231,734 |

## 45. Risk Management

**i. Capital management**

The Group's capital management is intended to maximise the return to shareholders for meeting the long and short-term objectives of the Group 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:

(All amounts are in Rupees unless otherwise specified)

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| Equity | 4,871,424,180 | 4,500,155,522 | 4,268,008,389 |
| Debt | 17,455,532 | 17,455,532 | 17,455,532 |
| Cash and cash equivalents | - | - | - |
| **Net debt** | **17,455,532** | **17,455,532** | **17,455,532** |
| Total capital (Equity + Net debt) | 4,888,879,712 | 4,517,611,054 | 4,285,463,921 |
| Net debt to capital ratio | 0.004 | 0.004 | 0.004 |

**ii. 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.

**iii. Liquidity risk management**

The Company manages liqudity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding contratual maturities of financial liabilities as at 31 March 2019.

The table below provides details of financial assets at at 31 March 2019:

(All amounts are in Rupees unless otherwise specified)

| Particulars | Carrying amount |
|---|---|
| Trade Payables | 1,721,983,176 |
| Other Financial liabilities | 1,616,360,321 |

The table below provides details of financial assets at at 31 March 2019:

(All amounts are in Rupees unless otherwise specified)

| Particulars | Carrying amount |
|---|---|
| Trade receivables | 1,741,925,716 |
| Other Financial assets | 3,423,529,446 |

## 46. Financial Instruments and risk management

**(All amounts are in Rupees unless otherwise specified)**

### i) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

| Notes | Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fair value - Profit & Loss (FVPL) | Fair value- FVOCI | Fair Value - Amortized cost | Fair value - Profit & Loss (FVPL) | Fair value- FVOCI | Fair Value - Amortized cost | Fair value - Profit & Loss (FVPL | Fair value- FVOCI | Fair Value - Amortized cost |
| I | **Financial assets measured at fair value** | | | | | | | | | |
| A | Investments | | 239,553,586 | | | 229,763,498 | | | 275,883,827 | |
| B | EMD & Security Deposits | | | 117,598,144 | | | 91,626,660 | | | 77,842,066 |
| C | Deferred Income | | | 5,105,878 | | | 9,157,695 | | | 7,259,238 |
| D | Other advances receoverable in kind or for value to be received | | | 1,411,188,508 | | | 1,490,900,147 | | | 1,324,545,385 |
| | | **-** | **239,553,586** | **1,533,892,530** | **-** | **229,763,498** | **1,591,684,502** | **-** | **275,883,827** | **1,409,646,689** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **II Financial assets not measured at fair value** | | | | | | | | | | |
| A | Investments | | | 6,000 | | | 6,000 | | | 9,000 |
| B | Trade receivables* | | | 1,741,925,716 | | | 1,599,142,147 | | | 740,720,454 |
| C | Cash and cash equivalents* | | | 1,035,481,431 | | | 1,036,338,866 | | | 1,601,358,818 |
| D | Other Bank Balances* | | | 1,859,101,807 | | | 1,782,832,988 | | | 1,284,881,647 |
| E | Loans*: | | | | | | | | | |
| (i) | Advance to Employees | | | 1,532,639 | | | 1,442,057 | | | 1,189,670 |
| (ii) | Advance to Suppliers | | | - | | | - | | | - |
| (iii) | Other advances receoverable in kind or for value to be received | | | 66,276,567 | | | 82,471,429 | | | 67,998,948 |
| (iv) | Other Advances | | | 27,416,956 | | | 27,645,382 | | | 18,864,780 |
| F | Other Financial Assets | | | | | | | | | |
| (i) | Interest accrued on Loans/ Deposits | | | 101,151,342 | | | 160,557,869 | | | 154,158,300 |
| (ii) | Others - Deposits held more than 12 months | | | 93,009,118 | | | 106,994,263 | | | 300,000 |
| | | - | - | **4,925,901,576** | - | - | **4,797,431,002** | - | - | **3,869,481,616** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **III. Financial liabilities measured at fair value** | | | | | | | | | | |
| A | EMD & Security Deposits | | | 128,747,136 | | | 130,567,620 | | | 70,635,547 |
| B | Deferred Income | | | 11,638,353 | | | 5,326,271 | | | 1,719,254 |
| C | Others - | | | 411,753,651 | | | 497,511,422 | | | 461,811,996 |
| | | | - | **552,139,140** | | - | **633,405,313** | | - | **534,166,797** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **IV.** | **Financial liabilities not measured at fair value** | | | | | | | | | |
| A | Trade payables | | | 1,721,983,176 | | | 2,057,957,681 | | | 817,010,606 |
| B | Other Financial Liabilities | | | 1,058,833,648 | | | 978,935,863 | | | 1,056,794,214 |
| (i) | Other Liabilities | | | | | | | | | |
| (ii) | Interest accrued on Loans/ Deposits | | | 5,387,534 | | | 5,387,534 | | | 5,387,534 |
| (iii) | EMD & Security Deposits | | | 3,252,000 | | | 3,252,000 | | | 6,364,578 |
| C | Borrowings | | | 17,455,532 | | | 17,455,532 | | | 17,455,532 |
| | | | | | | | | | | |
| | | **-** | **-** | **2,806,911,890** | **-** | **-** | **3,062,988,609** | **-** | **-** | **1,903,012,463** |

* The Company has not disclosed the fair values for financial instruments such as short-term trade receivables, because their carrying amounts are a reasonable approximation of fair value

## ii. Fair value hierarchy

The hierarchy levels used for Fair value measurements of Financial instruments wherever applicable is given below:

| | | Note No | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| I | Financial Assets and Liabilities measured at Fair value - recurring fair value measurements | | | | | | | | | | |
| A | Financial Assets and Liabilities | 6 & 16 | | | | | | | | | |
| | Financial Investments at FVOCI - Unquoted | | 12,571,845 | 226,981,741 | | 18,672,900 | 211,090,598 | | 15,180,964 | 260,702,863 | |

Level 1 : Level 1 hierarchy includes Financial instruments measured using quoted prices.

Level 2 : The fair value of Financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specifc estimates.

Level 3 : If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

47 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 2018-2019

(All amounts are in Rupees unless otherwise specified)

| Particulars | As at 31st March, 2019 | As at 31st March, 2018 |
|---|---|---|
| The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year. | | |
| Principal Amount | - | 153,204 |
| Interest payable under MSMED Act, 2006 | - | 12,066 |
| **Total** | **-** | **12,066** |
| 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. | - | - |
| 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 * | - | 12,066 |
| The amount of interest accrued and remaining unpaid at the end of the accounting year | - | 12,066 |
| 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.* | - | 12,066 |

*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.

## 48 CONTINGENT LIABILITIES AND COMMITMENTS

**(All amounts are in Rupees unless otherwise specified)**

**A. Parent Company**

| SL.No | Particulars | 2018-2019 | 2017-18 |
|---|---|---|---|
| i | Guarantees / Counter Guarantees given by the Company to Banks | 394,815,474 | 385,544,381 |
| ii | Insurance Claim on Fire Policy –pending cases | 20,773,297 | 20,773,297 |
| | Insurance Claim on Fire Policy –decreed cases | 48,870,362 | 48,870,362 |
| | Interest on Insurance Claim | 52,608,448 | 48,758,984 |
| iii | Claim made by party in the business of Iron ore Export (including interest) | 157,019,850 | 147,853,074 |
| iv | Claims made by Directorate of Pension, Small savings Asset Monitoring | 460,986,366 | 460,986,366 |
| v | Claim against lease of windmill by Wescare (India) Limited | 11,923,000 | 11,923,000 |
| vi | Income Tax Demands | 38,310,940 | 49,575,098 |
| vii | Service Tax Demands | 17,600,000 | 14,700,000 |

The above amounts have not been provided as the Company has disputed the claims.

i Bank Guarantee has been given for the demand relating to TCS on Arrack of Rs 36,17,49,381 and other routine business matters of Rs 3,30,66,093.

"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/-); the Income Tax department had adjusted the refund of Rs.42,40,233/- due in respect of financial year 2006-07 against this pending demand.; had made a provision for Rs 25,25,407 and had provided bank guarantee for Rs.36,17,49,381/- (Rs.36,17,49,381/-). Though the matter was taken up by the Hon'ble Supreme Court on couple of occasions during 2018–19 it did not reach final hearing."

ii "(i) Few Insurance companies who had settled the claims of their customers on account of the 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 principle of subrogation. The company had contested the claims in the City Civil Court. Aggrieved by the orders of the City Civil Court in case of decreed suits, the company had appealed to High court of Karnataka. The Honourable High Court in its order dated 09-03-2009 had decreed that MSIL and the 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 had appealed against the order of the High Court to the 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 3,38,26,269 /- ( Rs.3,25,43,115/-) including interest capitalized at 6% in the books and the balance amount of Rs 10,14,78,810/- (Rs.9,76,29,346/-) is shown as contingent liability. The process of recovery from Insurance companies and the Department of Customs is on going.

The amount relating to non decreed cases is Rs. 2,07,73,297/- (Rs.2,07,73,297) is reported under contingent liability. 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."

iii 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, Bengaluru. In the hearing held on 8th August 2019 it was informed by the Advocate for the accused that the accused had expired and the Death Certificate will be produced in the next hearing.

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.

iv **Directorate of Small Savings:** A letter dated 20 June 2019 was received from the Directorate of Pension, Small Savings Asset Monitoring towards short remittance of sale proceeds of lottery and interest on delayed remittance, amounting to Rs 46,09,86,366 drawing reference to their earlier letter no Pr.AG(G&SSA)/ OAD - 111 / G / 2016-17 / 103 dated 31 March 2017. However the company vide its letter dated 18th October 2016 had communicated that it had already remitted a sum of Rs 3,52,60,961 17th October 2016 towards full and final settlement and that no further claim is payable by the company in relation to the above subject. The letter is also acknowledged by the Directorate of Small Savings. As the Directorate of Small Savings is once again demanding the dues, the above amount is reported under Contingent Liability.

v 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.

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 hearing during Nov/Dec, 2019.

vi **As per the Income Tax Department's Order, the following are the tax demands :**

**(All amounts are in Rupees unless otherwise specified)**

| Asst Year | Amount (In Rs.) | Remarks |
|---|---|---|
| 2010-11 | 34,245,480 | ITAT has remanded the matter to CIT (A) for fresh consideration |
| 2014-15 | 2,200,000 | Against the CIT Order - allowance of Leave Salary |
| 2015-16 | 1,865,460 | Appeal is pending with CIT (A) |
| **TOTAL** | **38,310,940** | |

**vii Service Tax**

The total amount of Service tax disputed before CESTAT is Rs 2,67,00,000 for various years from 2002-03. However, the company has deposited Rs 91,00,000 against these dues. The balance amount is shown under “Contingent Liability”.

**B. Wholly owned Subsidiary- MC&A**

i Bank Guarantees Rs.1,04,17,481/- (2018: Rs.1,04,78,281/-) are guarantees issued by bank to Prasara Bharathi, South Western Railways, Hubli, Department of Information & Public Relations, Karnataka Road Development Corporation, New Mangalore Port Trust, Mysore Urban Development Authority, Mysore Department of Kannada and culture and The Comptroller UAS, Dharwad towards business for which the Company is contingently liable. These guarantees are issued against the pledge of Bank Deposits worth Rs.1,04,73,667/-.

ii The Company has preferred a Special Leave Petition before the Hon’ble Supreme Court [Civil Appeal No (s). 9320/2010] against the Order of the Hon’ble High Court of Karnataka upholding the Labour Court’s decision directing the reinstatement of an erstwhile employee late Mr.H S Hanumanthaiah with 25% back wages from 23-Jul-1984. During the year the Supreme Court of India vide order dated 12-Oct-2017 has opined that there is no merit in the matter. In addition the appeal against the respondent was abated. Consequently, the appeal stands dismissed as abated. The Company sought opinion from the Advocate regarding further course of action to be taken by the Company as per the Order of the Hon’ble Supreme Court of India. The Advocate has opined that the special leave petition has been disposed of recording the fact that the respondent has died during the pendency of the appeal. If and when any claim is made on his behalf, by his legal representatives or survivors, at the stage, further opinion may be sought as to the course of action to be pursued in the matter. A copy of the opinion is enclosed herewith for your kind reference. Till now, Company has not received any claim from his legal representatives or survivors.

iii Inspection was conducted by Commercial Tax Officer, Commercial Tax Deparment on 25-Nov-2013 for the financial year 2010-11 to 2013-14 (up to November 2013) and issued an endorsement dated 26-May-2014 relating to input tax credit availed by the Company which was not paid by vendors giving an opportunity to furnish the reply to the observations mentioned in the endorsement. The Company has furnished the reply given by the concerned Vendors. The audit for the year 2010-11 is conducted by CTO during the year, Order under section 39(1) R/W Section 36 of the KVAT Act 2003 stating an amount of Rs.41,02,257/- including interest and penalty of Rs.22,20,488/- is payable in consequence to vendors defaulted in payment of VAT at their end for which input tax credit was availed by the Company during the year 2010-11. The Company has filed appeal before Joint Commissioner of Commercial Taxes (Appeals), City Division I, Bengaluru and paid on protest an amount of Rs. 6,12,537/-.The total amount paid is shown under Current Assets and accordingly there is no provision carried in the books.

iv Post Balance Sheet Date, Vide demand notice No. 197709736 dated July 29, 2019 the department is hereby propose to reject the claim of refund of Rs.10,30,023/- and propose to levy additional tax liability of Rs. 2,71,258/- along with penalty at 10% of Rs. 27,126/- and interest at 1.5% per month of Rs. 2,15,944/- on proposed additional liability under section 3(1), 72(2) and 36(1) of the KVAT Act, 2003 respectively for the FY 2014-15.

v Post Balance Sheet Date, Vide demand notice No. 142163741 dated April 10, 2019 the department is hereby propose to levy additional tax liability of Rs. 74,60,493/- along with penalty at 10% of Rs. 7,46,049/- and interest at 1.5% per month of Rs. 72,62,792/- on proposed additional liability under section 3(1),3(2), 72(2) and 36(1) of the KVAT Act, 2003 respectively for the FY 2013-14.

vi The Company has received an Order issued by the Hon'ble Civil court, Bengaluru on 16-Jan-2017 for the case filed by Mr. Ramesh (the complainent), against Defendent 1 [The Secretary, Department of Animal Husbandry and Fisheries], Defendent 2 [The Commissioner, Department of Animal Husbandry and Fisheries], Defendent 3 [ Managing Director, the Company]. The Civil court has decreed the suit against all defendants and ordered all defendants jointly to pay Rs. 2,82,13,003/- and future interest rate at 9% till the realization of the said amount within the four months from the date of order.

The Decree Holder, i.e. Mr. Ramesh, Proprietor of M/s Prajwal Associates has filed an Execution Petition No.147/2018 in the month of January 2018 for recovery of the decreed amount from all the defendents. In view of this, the Company addressed several letters to other defendents to release the amount as per the Court Order. As per the Court Order, the other defendents has released an amount of Rs. 140.00 lakhs directly to the Decree holder i.e. Mr. Ramesh, Proprietor of M/s. Prajwal Associates.

"The Company has received a letter dated 23-Mar-2018 from other defendents in this regard.The other defendents released the outstanding amount of Rs.115.00 lakhs to the Company on 04-Apr-2018. Subsequently, the Company, after deducting the TDS and Agency Commission at the rate of 10% and 5%, has released an amount of Rs.104.88 lakhs to M/s. Prajwal Associates, Business Associates of the Company who have executed the work of erection of Single Sided Unipole Hoardings on 12-Apr-2018. As regards the Compliance of the Hon'ble Court's Order to issue Work Order for erection of 24 Hoardings and to indicate the places for erection of the said 24 Hoardings, the Commissioner, Department of Animal Husbandry and Veterinary Services vide, his Office Work Order dated 31-May-2018 has informed to erect 24 Hoardings and indicated the places for erection of the said Hoardings. Also informed the Company to submit the bill for erection of the said 24 Hoarding for payment. Accordingly, the Company has issued Work Order dated 31-May-2018 to the Decree Holder(M/s Prajwal Associates) for erection of 24 Hoardings."

RFA.160/2019 [New Case connected to the above matter] The Company sent a bill for Rs.72/- to the Commissioner, Department of Animal Husbandry and Veterinary Services for payment. However, the Department released the said payment. In the meantime, the Decree Holder filed an application for arrest and Detention of Judgment Debtors. Accordingly, the Court issued a show cause notice as to why Judgment Debtors cannot be arrested and ordered to appear before the Court. As per the Court Order all the Judgment Debtors appeared before the Court and enquiry is going on. In the meantime, on 23.01.2019, the Department of Animal Husbandry and Veterinary Services filed an appeal against the Judgment and Decree passed in OS No. 4946/2015.after several hearings the Hon'ble Court pleased to deduct Rs. 56,387/- excess amount paid over the decretal amount by the department and Rs.29,58,003/- awarded by the lower court towards interest paid by the Decree Holder to the Bank Of Baroda out of the payable amount of Rs.72/- and pay the balance amount of Rs.41,85,610/- to the Decree holder and also advised the parties to settle the matter accordingly. On the 24.07.2019, all the parties filed a Joint Memo of reporting settlement as advised by the Hon'ble High Court of Karnataka. Accordingly, the Hon'ble Court has disposed the appeal filed by the Department of Animal Husbandry and Veterinary Services. As per the settlement, the Managing Director, MC&A received a Banker Cheque for Rs.41,85,610/- in the court hall from the Department of Animal Husbandry and Veterinary Services.Further, the Hon'ble Court has ordered the Company to release the payment to Decree holder within ten days from the date of the order after enchasing the Bankers Cheque as per the terms of the contract with respect commission payable to the Company. A Copy of the Court order is enclosed herewith for ready reference. The said settlement order of the Hon'ble High Court will be submitted before the lower court where the Execution Case No.147/2018 is filed.

vii On 28.05.2019, Company received a Legal Notice from the Advocate V. B. Shivakumar on behalf his Client M/s Monuments Advertisers Pvt., Ltd., for payment of Rs.57,18,240/-. In the said legal notice, a copy of the Order dated 24.04.2019 of the Hon'ble High Court of Karnataka passed in Writ Petition No.478887/2018. The said Writ Petition was filed by the Managing Director, M/s. Monuments Advertisers Pvt., Ltd., against the State of Karnataka , The Managing Director, Karnataka Udyoga Mitra and the Managing Director, Marketing Communications & Advertising limited for recovery of Rs. Rs.57,18,240/-. In the said Order, the court has directed the company to consider and decide the claim of the Petitioner with regard to amount of Rs.57,18,200/- by speaking order within a period of two months from the date of receipt of the certified copy of the order. But company did not receive the order either from the Court or the Government Advocate. Further it is to bring to your kind notice that the company did not receive the court notice for appearance or submission of objections. It is observed from the Order of the court that the Court felt that it is not necessary to issue notice to respondent Karnataka Udyoga Mitra and Marketing Communications & Advertising limited.The company has sent a reply to the Legal notice denying the liability until the payment is received from Karnataka Udyoga Mitra as company did not issued the work order for execution of the said work.

## C. Subsidiary- MCTCL

i As the Deputy Commissioner of Income Tax (Assessment), Special Range –4, Bengaluru has gone on an appeal to the Hon'ble High Court, Bengaluru against the orders of Income Tax Appellate Tribunal, Bengaluru for the assessment year 1990-1991, there is a contingent liability of Rs. 10,519 (Rs. 10,519/-) towards the additional income tax.

ii Interest accrued on loans from MSIL, KSIIDC and Government of Karnataka has not been acknowledged as debt from April 1999 and therefore has not been recognized as a liability in the Balance Sheet. The Company has approached them for waiver. The liability understated is to the extent of Rs. 1,21,17,203/- (Rs. 1,15,69,092/-).

## 49 Other Notes

(All amounts are in Rupees unless otherwise specified)

## A Parent Company

### i 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 | 2018-2019 | 2017-2018 |
|---|---|---|
| ESSPL | 29,302/- | 27,276 /- |

ii 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.

iii Balances in the accounts of sundry creditors, sundry debtors, business associates including joint ventures and advances/deposits are subject to confirmation and reconciliation. Consequential impact of such reconciliation and confirmation, if any, on the net profit and on the assets/liabilities is not ascertainable.

iv IT Demand of Rs 41,49,600 for AY 2012-13 and Rs 12,19,244 for AY 2016-17 has not been contested by the Company and has not been paid till date. However a provision has made during the current financial year for the above amounts.

v 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.

vi 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.

vii 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 cross examination of both PW1 & PW3 has been completed on 04.06.2019. However instead of adducing evidence the defendants brought an interim stay on the proceedings from the Hon'ble High Court to cross exam PW3 again. Company has filed Vakalathnama in the High Court and petition to be filed for vacation of stay after filing rejoinder during August, 2019.

viii Investments in Note.5 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.

x Capital work in progress is Nil (PY Rs 20,11,291).

xi The Company is in possession of 16 numbers of art paintings the value of which is not ascertained.

xii CAG observations not attended to in respect of the following :

i Recovery of liquidated dmages from the contractor for the delay in completion of the Porject - Karnataka Bhavan was not done

ii Receipt for payment of Cess under BCWW Cess Act 1996 by the Contractor was not collected.

## xiii GOVERNMENT GRANTS

During the current year the Company has opened 3 Jan Aushadi outlets which are eligible for Government grants. An amount of Rs 3,68,089 was received towrads Grant for investment in Fixed Assets.

In addition the Company is also eligible to receive Free pharmaceutical stock worth Rs 1 Lakh for each of the outlet which had not been received. This amount is not accounted for by the Company as a receivable.

For the outlets that became functional in the current Funancial year an amount of Rs. 3,61,123/- was received as grant towards the investment in Fixed Assets.

The Parent Company had also received an amount of Rs. 26,55,639/- in the current year towards the outlets opened in the previous year.

## xiv GST on License fees - Liquor Division

An amout of Rs 5,97,40,200 is included under Other Assets Note no 8 being the GST paid on License fees by the Liquor Division during the period April to October 2018. A refund claim has been preferred for this amount.

## xv Unreconciled Related Party Transactions

The below items after netting off, the unreconciled amount is taken to Other Receivable/ Other Payable.

| Particulars | Amount as per MSIL Books | Amount as per MCA Books | Unreconciled Amount |
|---|---|---|---|
| Payable to MCA | 539,912 | 809,176 | (269,264) |
| Rent received from MCA | 364320 | - | 364320 |
| Rent deposit received from MCA | 200000 | - | 200000 |
| EMD Received from MCA | 1652448 | 1137000 | 515448 |
| RDR Received from MCA | 120250 | 523987 | (403737) |

# ACCOUNTS
# (Ind AS STANDALONE)
# FOR THE YEAR ENDED
# 31ST MARCH 2019

# REVISED INDEPENDENT AUDITOR'S REPORT

**To the Members of Mysore Sales International Limited**

**Report on the Audit of the Standalone Ind AS Financial Statements**

## Qualified Opinion

We have audited the accompanying standalone Ind AS financial statements of Mysore Sales International Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2019, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described under the "Basis for Qualified Opinion" section of our report the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and profit including other comprehensive income, its cash flows and changes in equity for the year ended on that date.

We have issued an Audit Report dated September 16, 2019 ("the original report") at Bengaluru on the financial statements as adopted by Board of Directors on even date. Pursuant to the observation of Comptroller and Auditor General of India under section 143(6)(a) of the Companies Act, 2013, we have revised the said Audit Report. This revised Audit Report has no impact on the reported figures in the financial statements of the Company. This Audit Report supersedes the original report, which has been suitably revised to consider observations of Comptroller and Auditor General of India.

Our Audit procedure on events subsequent to the date of the original report is restricted solely to the amendment as reported in point no (c) and (d) of Basis for qualified Opinion paragraph.

## Basis for qualified Opinion

a. The Balance of Trade receivable, advances, payables and advance from customers have not been reconciled nor confirmed from the counter parties as at the balance sheet date. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these accounts as at balance sheet date, in the absence of which we are unable to determine whether any adjustment to these amounts are necessary. The financial impact of these unreconciled or confirmed account balances, if any, could not be determined.

b. The Company had capitalized an amount of Rs.34,10,24,920 incurred towards construction of Karnataka Bhavan in Navi Mumbai based on the completion certificate received from M/s Project Management Service on March 31, 2018. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of property capitalized as at balance sheet date, in the absence of which we are unable to determine impact thereof on the standalone Ind AS financial statements as the Company is still holding unpaid bills.

c. The finance cost comprising of interest and guarantee commission paid amounting to Rs 69,67,046/- reported under clause (C) Cash Flow from financing activities in the Cash Flow Statement includes a sum of Rs.33,51,677/- being interest paid towards income tax also, which is not in compliance with Ind AS 7. This amount is to be reported under operating cash flow in the Cash Flow Statement as per Ind AS 7-Statement of Cash Flows.

d. While discussing the Accounting Policy on Property Plant and Equipment in point no 1.2. (j) it is stated that the useful life of the various assets is the same as that prescribed in Schedule II to the Companies Act 2013. However, the useful life of furniture and fixtures in the Liquor outlets is assessed to be 5 years which is in noncompliance with Schedule II to the Companies Act, 2013.

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

## Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to the Board's Report, Corporate Governance and Shareholder's Information but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management for Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Those Board of Directors are also responsible for overseeing the company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

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

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

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

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

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

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

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

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section

(11) of section 143 of the Companies Act, 2013, 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 Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) Except for the 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) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rule issued thereunder;

(e) The matters described in the Basis for Qualified Opinion section above, in our opinion, may not have an adverse effect on the functioning of the Company.

(f) Being a Government Company, Section 164(2) of the Companies Act, 2013 regarding 'whether any director is disqualified from being appointed as a director is not applicable to the Company;

(g) We have also audited the internal financial controls over financial reporting of the Company as at 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report as per **"Annexure B"** expressed a qualified opinion;

(h) Since the provisions of Section 197 of the Act doesn't apply to the Company, reporting requirements under Section 197(16) of the Act is not applicable.

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

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements –Refer Note 49 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.

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

3. As required under Section 143(5) of the Act, which is applicable to the Company, findings on the directions issued by Comptroller and Auditor General of India is annexed (Refer-Annexure - C).

**for ABARNA & ANANTHAN**
**Chartered Accountants**
**Firm's registration number: 000003S**
**Sd/-**
**(Abarna Bhaskar)**
**Partner**
**Membership number: 025145**

Place: Bengaluru
Date: 29.09.2019

## “ANNEXURE – A” TO THE INDEPENDENT AUDITOR’S REPORT

The Annexure referred to in Independent Auditors’ Report to the members of the Company on the standalone Ind AS financial statements for the year ended 31 March 2019, we report that:

1.(a) The Company has maintained the data on fixed assets electronically.

(b) The Company has a program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with the program, certain fixed assets were verified during the year and as informed to us, no material discrepancies have been noticed on such verification during the year. Physical verification report with the values of fixed assts as reported in the books of account was not made available to us for our verification.

(c) According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds provided to us, we report that, the title deeds, comprising the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. Further in respect of immovable properties of land that have been taken on lease and disclosed as property, plant and equipment in the financial statements, the lease agreements are in the name of the Company, where the Company is lessee in the agreement. The Title deeds in respect of the following properties were not made available to us for our verification.

| Freehold Property | |
|---|---|
| **Name of Property** | **Location of Property** |
| MSIL House-Cunningham Road | Cunningham Road,Bengaluru |
| Oberoi Apartment | New Delhi |
| Khivraj Motors Ltd Property | Chennai |
| K T Apartment | Bengaluru |
| Mumbai Pali Road, Bandra Property | Bandra Mumbai |
| Arun Commercial Premises Co-operative Society | Mumbai |
| **Leasehold Property** | |
| **Name of Property** | **Location of Property** |
| World Trade Centre-Mumbai-Shop-3 | Mumbai |
| Bangalore Air Cargo Complex | Bengaluru |

2. According to the information and explanations given to us, Inventory held by the Company and other stocks lying with contractors and other parties has been physically verified by the Management at reasonable intervals during the year and that no material discrepancies have been noticed on such verification.

3. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of paragraph 3 (iii) (a) (b) and (c) of the Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, the Company has not given any loan or made any investments or given any guarantee or security on which the provisions of the sections 185 and 186 of the Companies Act, 2013.

5. The Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2019 and therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.

6. According to the information and explanations given to us, the Company is not required to maintain Cost Records pursuant to the Companies (Cost records and Audit) Rules,

2014, as amended and prescribed by the Central Government under section 148(1) of the Companies Act, 2013.

7. (a) According to the information and explanations given to us and on the basis of our examination of the records, in our opinion, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Taxes, Cess and other Statutory Dues with the appropriate authorities.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, Goods and Service Tax, Cess and any other statutory dues were outstanding as at March 31, 2019 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income tax, duty of customs sales tax, duty of excise, service tax, goods and service tax and value added tax which have not been deposited with the appropriate authorities on account of any dispute except as detailed below:

| SI No. | Name of the Statute | Nature of dues | Period to which amount relates | Amt. Rs. in Cr. | Forum where Dispute is pending |
|---|---|---|---|---|---|
| 1 | Finance Act, 1994 | Service Tax | 2005-06 and 2006-07 | 0.38 | Customs, Excise and Service Tax Appellate Tribunal |
| 2 | Finance Act, 1994 | Service Tax | 2002-03 and 2003-04 | 0.06 | Customs, Excise and Service Tax Appellate Tribunal |
| 3 | Finance Act, 1994 | Service Tax | 2007-08 and 2008-09 | 0.26 | Customs, Excise and Service Tax Appellate Tribunal |
| 4 | Finance Act, 1994 | Service Tax | 2013-14 to 2014-15 | 0.39 | Customs, Excise and Service Tax Appellate Tribunal |
| 5 | Finance Act, 1994 | Service Tax | 2015-16 | 0.67 | Commissioner (LTU) |
| 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 | 1995-96 to 2000-01<br>2001-02 to 2003-04<br>1994-95 to 1999-2000 | 20.05<br>10.17<br>30.67 | Supreme Court<br>High Court, Bengaluru<br>Supreme Court |
| 7 | Income Tax Act, 1961 | Disallowance under Income Tax Act | AY 2010-11 | 3.42 | CIT (appeals) |
| 8 | Income Tax Act, 1961 | Disallowance under Income Tax Act | AY 2015-16 | 0.19 | CIT (appeals) |

8. In our opinion and according to the information and explanations given to us, the Company has not availed any loans from the Banks. Hence the provisions of this clause is not applicable to the Company. The Company has not issued any debentures.

9. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

10. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

11. Being a Government company, the provisions of Section 197 read with schedule V to the Act, relating to the managerial remuneration are not applicable.

12. The Company is not a Nidhi company and therefore the provisions of Clause 3 (xii) of the Order is not applicable to the Company.

13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.

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

15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

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

**for ABARNA & ANANTHAN**
**Chartered Accountants**
**Firm's registration number: 000003S**
**Sd/-**
**(Abarna Bhaskar)**
**Partner**
**Membership number: 025145**

Place: Bengaluru
Date: 29.09.2019

## "ANNEXURE – B" TO THE INDEPENDENT AUDITOR'S REPORT

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

We have audited the internal financial controls over financial reporting of Mysore Sales International Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

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

### Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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.

## Basis for Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weakness have been identified as at March 31, 2019

a) The Company did not have an appropriate internal control system for obtaining external balance confirmation on periodic basis. This could potentially result in inaccurate assets & liabilities disclosed in the books of accounts.

b) The title deeds of the certain immovable property are not available with the Company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

## Qualified Opinion

In our opinion, except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, 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.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 standalone financial statements of the Company and the material weakness has affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements,

**for ABARNA & ANANTHAN**
**Chartered Accountants**
**Firm's registration number: 000003S**
**Sd/-**
**(Abarna Bhaskar)**
**Partner**
**Membership number: 025145**

Place: Bengaluru
Date: 29.09.2019

## "ANNEXURE – C" TO THE INDEPENDENT AUDITORS' REPORT

### Report under Section 143(5) of the Companies Act, 2013 relating to the directions issued by the Comptroller and Auditor General of India

| Sl. No. | Directions | Compliance |
|---|---|---|
| 1 | Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated. | The Company does all accounting transactions through IT system only but different software is followed for different types of business like Chits, Beverages, Paper Divisions. For all other segments, Tally is used by the company for accounting of transactions. |
| 2 | Whether there is any restructuring of an existing loan or cases of waiver/ write off to debts/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. | No loan is taken by this entity. |
| 3 | Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation. | Yes. According to the information and explanations provided to us and basedon the verification of records, the funds received towards the specific schemes from central/state agencies have been appropriately accounted and utilized. |
| | **Additional Company Specific Directions:** | |
| 4 | (a) Comment on the monitoring system in the computerized environment and effectiveness of the process of physical verification of Stock. | Stocks are accounted in the computerised environment and concurrent auditors certify the same periodically. |
| 5 | (a) 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? | 93.50% of Sales is on cash basis(Beverages Division). The Company has an effective system of recovery of its dues in respect of its other remaining division sales activities and Chit activities and records are maintained in computerised environment. |
| | (b) 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. | There is effective system of physical verification of stock by the internal auditors of the Company.<br><br>Accounting for the effects of shortage / excess are treated properly in books. Valuation of stock is not reflected properly in the system except Beverages Division, since stock is not accounted through stock register. |

| | | |
|---|---|---|
| | (c) Examine the cost benefit analysis of major capital expenditure/expansion including IRR and payback period. | There are no major capitalisation during the period under review. However, capitalisation of Karnataka Bhavan, Navi Mumbai for Rs.34.10 crores was done during 2017-18. The Rental Income is yet to commence on the day of reporting. |
| | (d) If the audited entity has computerized 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 computerized and the company has evolved proper security policy for data/ software/ hardware? | The company processes all the accounting transactions on a day to day basis through IT system.<br><br>The Company has adequate security policy for data / software /hardware.<br><br>Accounting, payroll, sale personnel information etc. have been fully computerized |

**for ABARNA & ANANTHAN**
**Chartered Accountants**
**Firm’s registration number: 000003S**
**Sd/-**
**(Abarna Bhaskar)**
**Partner**
**Membership number: 025145**

Place: Bengaluru
Date: 29.09.2019

## MYSORE SALES INTERNATIONAL LTD BANGALORE

**Replies to Qualification in statutory auditor's report for the year 2018-19**
**(Refer Basis for qualified opinion on revised audit report page No 1& 2)**

<table>
<tr><th>Audit Query</th><th>Company's Reply</th><th>Remarks</th></tr>
<tr><td>a. The Balance of Trade receivable, advances, payables and advance from customers have not been reconciled nor confirmed from the counter parties as at the balance sheet date. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these accounts as at balance sheet date, in the absence of which we are unable to determine whether any adjustment to these amounts are necessary. The financial impact of these unreconciled or confirmed account balances, if any could not be determined.</td><td>The Company has sent the balance confirmation as on 31st March 2019 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</td><td></td></tr>
<tr><td>b. The company had capitalized an amount of Rs,34,10,24,920 incurred towards construction of Karnataka Bhavan in Navi Mumbai based on the completion certificate received from M/s Project management Service on March 31, 2018. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of property capitalized as at balance sheet date, in the absence of which we are unable to determine impact thereof on the standalone IndAS financial statements as the company is still holding unpaid bills</td><td>The Company has capitalized an amount of Rs.341024920/- incurred towards construction of Karnataka Bhavan in Navi Mumbai based on the completion certificate received from M/s Project Management Service on 31st March 2018.<br><br>In this connection the company received the following bills during the current financial year 2019-20.<br><table>
<tr><th>Particulars</th><th>Amount</th></tr>
<tr><td>a. M/s HitenSethi& Associates</td><td></td></tr>
<tr><td>(Architects fees)</td><td>27,02,578/-</td></tr>
<tr><td>b. M/s Apex Management Consultancy</td><td></td></tr>
<tr><td>Services (Supervising charges)</td><td>35,28,200/-</td></tr>
<tr><td>c. M/s Ecoshine Facility Solutions</td><td></td></tr>
<tr><td>(Security Service charges)</td><td>13,14,020/-</td></tr>
<tr><td>Total pending bills</td><td>75,44,798/-</td></tr>
</table><br>The Accounts Department has sought certain clarification on the above bills submitted by the party on the said project from the concerned division. After obtaining thesatisfactory clarification and recommendation, the actual expenditure will be accounted in the books of accounts in the current financial year 2019-20.</td><td></td></tr>
</table>

| | | |
|---|---|---|
| c. The finance cost comprising of interest and guarantee commission paid amounting to Rs.69,67,046/- reported under clause ( C ) cash flow from financing activities in Cash Flor Statement includes a sum of Rs.33,51,677/- being interest paid towards income tax also, which is not in compliance with Ind AS7. This amount is to be reported under operating cash flow in the Cash Flow Statement as per Ind AS 7 Statement of Cash flows. | The observation made by the audit team is accepted and necessary modification will be carried out in the Annual Report for Rs. 33,51,677/- being the income Tax related payment under operating cash flow in the cash flow statement as per Ind AS – 7 statement of cash flow. | |
| d. While discussing the Accounting Policy on Property Plant and Equipment in point No.1.2 (i) it is stated that the useful life of the various assets is the same as that prescribed in Schedule II to the Companies Act 2013. However, the useful life of furniture and fixtures in the Liquor outlets is assessed to be 5 years which is in non compliance with schedule II to the Companies Act 2013. | The use full life of Furniture & Fixtures in the liquor outlets is assessed to be five years which will be noted and correct disclosure will be given in the Accounting Policy on Property Plant and Equipment in the current year 2019-2020. | |

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF MYSORE SALES INTERNATIONAL LIMITED, BENGALURU FOR THE YEAR ENDED 31 MARCH 2019**

The preparation of financial statements of **Mysore Sales International Limited, Bengaluru** for the year ended **31st March 2019** 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 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 **29 September 2019** which superseades their earlier Audit Report dated **16 September 2019.**

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the of the financial statements of **Mysore Sales International Limited, Bengaluru** for the year ended **31st March 2019** 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 examinaton of some of the accounting records.

In view of the revision made in the **Statutory Auditor's Report,** to give 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 section 143(6)(b) of the Act.

For and on behalf of the
Comptroller & Auditor General of India
Sd/-
**(ANUP FRANCIS DUNGDUNG)**
ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BENGALURU

BENGALURU
Date:30.09.2019

# MYSORE SALES INTERNATIONAL LIMITED

## BALANCE SHEET AS AT MARCH 31, 2019

**(ALL AMOUNTS ARE IN RUPEES UNLESS OTHERWISE SPECIFIED)**

| S. No | Particulars | Note No. | As at March 31, 2019 | As at March 31, 2018 | As at April 1 , 2017 |
|---|---|---|---|---|---|
| A | **ASSETS** | | | | |
| | **Non-Current Assets** | | | | |
| | (a) Property, Plant and equipment | 2 | 447,294,548 | 334,473,541 | 177,822,917 |
| | (b) Capital Work in Progress | 2 | - | 2,011,291 | 340,240,465 |
| | (c) Investment Property | 3 | 348,175,143 | 358,562,122 | 100,768,626 |
| | (d) Other Intangible Assets | 4 | 1,165,954 | 2,435,956 | 3,668,740 |
| | (e) Financial Assets | | | | |
| | (i) Investments | 5 | 299,802,985 | 290,012,900 | 336,136,227 |
| | (ii) Other financial assets | 6 | 670,806,310 | 712,229,029 | 466,342,444 |
| | (f) Deferred Tax Assets | 7 | 86,580,199 | 97,113,310 | 97,635,097 |
| | (g) Other Non-Current Assets | 8 | 103,226,002 | 9,434,486 | 9,434,486 |
| | **Total non-Current Assets** | | **1,957,051,141** | **1,806,272,635** | **1,532,049,002** |
| | **Current Assets** | | | | |
| | (a) Inventories | 9 | 856,788,168 | 1,193,636,213 | 901,280,863 |
| | (b) Financial Assets | | | | |
| | (i) Trade Receivables | 10 | 512,722,574 | 216,627,525 | 141,620,843 |
| | (ii) Cash and Cash Equivalents | 11 | 770,432,515 | 724,375,747 | 836,504,258 |
| | (iii) Bank balances other than (ii) above | 12 | 1,295,160,231 | 1,260,954,846 | 1,272,885,863 |
| | (iv) Other Financial assets | 6 | 1,061,505,919 | 1,164,270,253 | 1,106,434,045 |
| | (c) Other current Assets | 8 | 246,893,793 | 333,073,726 | 246,518,757 |
| | **Total Current Assets** | | **4,743,503,200** | **4,892,938,310** | **4,505,244,629** |
| | **TOTAL ASSETS** | | **6,700,554,341** | **6,699,210,945** | **6,037,293,631** |

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| S. No | Particulars | Note No. | As at March 31, 2019 | As at March 31, 2018 | As at April 1 , 2017 |
|---|---|---|---|---|---|
| B | **EQUITY AND LIABILITIES** | | | | |
| | **Equity** | | | | |
| | (a) Equity Share Capital | 13 | 427,347,700 | 427,347,700 | 201,766,000 |
| | (b) Other Equity | 14 | 3,120,847,491 | 2,922,967,588 | 3,117,263,609 |
| | (c) Money Received against Share warrants | | - | - | |
| | **Total Equity** | | **3,548,195,191** | **3,350,315,288** | **3,319,029,609** |
| | **Liabilities** | | | | |
| | **Non-Current Liabilities** | | | | |
| | (a) Financial Liabilities | | | | |
| | (i) Borrowings | 15 | - | - | - |
| | (ii) Other Financial Liabilities | 16 | 539,719,642 | 577,247,361 | 534,146,325 |
| | (b) Deferred Tax Liabilities | 7 | | - | - |
| | (c) Provisions | 17 | 106,420,330 | 95,347,088 | 104,546,813 |
| | (d) Other Non-Current liabilities | 18 | 8,774,064 | 9,536,546 | 8,092,547 |
| | **Total Non-Current Liabilities** | | **654,914,036** | **682,130,995** | **646,785,685** |
| | **Current Liabilities** | | | | |
| | (a) Financial Liabilities | | | | |
| | (i) Borrowings | 19 | - | - | - |
| | (ii) Trade Payables | 20 | 899,187,329 | 993,738,702 | 349,639,406 |
| | (iii) Other Financial Liabilities | 16 | 1,006,020,249 | 973,586,813 | 993,127,878 |
| | (b) Provisions | 17 | 445,290,761 | 542,392,385 | 619,836,522 |
| | (c) Other Current Liabilities | 18 | 146,946,775 | 157,046,762 | 108,874,531 |
| | **Total Current Liabilities** | | **2,497,445,114** | **2,666,764,662** | **2,071,478,337** |
| | **Total Liabilities** | | **3,152,359,150** | **3,348,895,657** | **2,718,264,022** |
| | **TOTAL EQUITY AND LIABILITIES** | | **6,700,554,341** | **6,699,210,945** | **6,037,293,631** |

**Significant accounting policies and other explanatory information Note 1**
**The accompanying notes referred to above form an integral part of the financial statements.**

As per our Report of Even date attached

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN:19025145AAAAAJ9669

Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

## MYSORE SALES INTERNATIONAL LIMITED

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2019

**(ALL AMOUNTS ARE IN RUPEES UNLESS OTHERWISE SPECIFIED)**

| S. No | Particulars | Note No. | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|---|
| I | Revenue from Operations | 21 | 18,198,170,400 | 15,675,116,322 |
| II | Other Income | 22 | 225,082,273 | 188,561,955 |
| III | **Total Income (I+II)** | | **18,423,252,673** | **15,863,678,277** |
| IV | **Expenses:** | | | |
| | Cost of materials consumed | 23 | 139,087,755 | 74,548,319 |
| | Purchase of Stock in Trade | 32 | 15,909,024,439 | 14,202,139,609 |
| | Changes in Inventories of finished goods, work-in-progress and stock in trade | 24 | 280,913,174 | (219,211,554) |
| | Employee benefit expense | 25 | 241,173,043 | 264,770,604 |
| | Finance costs | 26 | 13,517,921 | 10,442,675 |
| | Depreciation and amortisation expense | 27 | 72,180,274 | 34,185,195 |
| | Other expenses | 28 | 1,416,963,726 | 1,280,196,401 |
| | **Total Expenses (IV)** | | **18,072,860,332** | **15,647,071,249** |
| **V** | **Profit before exceptional items and Tax (III-IV)** | | 350,392,341 | 216,607,028 |
| VI | Exceptional items | 29 | 1,283,154 | 1,283,154 |
| VII | Profit before Tax (V - VI) | | 349,109,187 | 215,323,874 |
| **VIII** | **Tax Expense:** | | | |
| | 1) Current tax | 33 | 110,000,000 | 93,976,982 |
| | 2) Tax for earlier years | | 5,368,844 | - |
| | 3) Deferred tax | | 10,533,111 | 521,787 |
| | **Total Tax expenses** | | **125,901,955** | **94,498,769** |
| **IX** | **Profit for the year from continuing operations (VII-VIII)** | | **223,207,232** | **120,825,105** |
| | **Discontinued Operations** | | | |
| | Profit / (Loss) before tax for the year from discontinued operations | 30 | (811,308) | (1,043,887) |
| | Tax income (expense) of discontinued operations | | - | |
| | Profit / (Loss) for the year from discontinued operations | | (811,308) | (1,043,887) |

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| S. No | Particulars | Note No. | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|---|
| | **Other Comprehensive Income** | | | |
| | A. i) Items that will not be reclassified to profit or loss | 31 | | |
| | Defined Benefit actuarial gains / (losses) | | (34,306,030) | (19,475,900) |
| | Fair Valuation in Equity Instruments | | 9,790,088 | (46,120,329) |
| | ii) Income tax relating to items that will not be re-classified to profit or loss | | - | - |
| | B. i) Items that will be reclassified to profit or loss | | - | - |
| | ii) Income tax relating to items that will be re-classified to profit or loss | | - | - |
| **X** | **Total other comprehensive income (A(i-ii)+(B(i-ii))** | | **(24,515,942)** | **(65,596,229)** |
| **XI** | **Total Comprehensive Income for the year** | | **197,879,982** | **54,184,989** |
| **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 | | 52.42 | 28.27 |
| | Diluted, computed on the basis of profit from continuing operations attributable to equity holders | | 52.42 | 28.27 |
| | **Earnings per share for discontinued operations** | | | |
| | Basic, computed on the basis of profit from discontinued operations attributable to equity holders | | (0.19) | (0.24) |
| | Diluted, computed on the basis of profit from discontinued operations attributable to equity holders | | (0.19) | (0.24) |
| | **Earnings per share for continuing and discontinued operations** | | | |
| | (a) Basic, computed on the basis of profit for the year attributable to equity holers | | 52.23 | 28.02 |
| | (b) Diluted ,computed on the basis of profit for the year attributable to equity holders | | 52.23 | 28.02 |

Significant accounting policies 1

The accompanying notes referred to above form an integral part of the financial statements.

As per our Report of Even date attached

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN:19025145AAAAAJ9669

Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

MSIL

## MYSORE SALES INTERNATIONAL LIMITED

### CASH FLOW STATEMENT

**(ALL AMOUNTS ARE IN RUPEES UNLESS OTHERWISE SPECIFIED)**

| Particulars | For the Year ended March 31, 2019 | For the Year ended March 31, 2018 |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Profit before tax and exceptional items as per Statement of Profit and Loss | 348,297,879 | 214,279,987 |
| Adjustments for: | | |
| Depreciation and Amortisation | 72,180,274 | 34,185,195 |
| Capital Work in Progress write off | 2,011,291 | - |
| Write off of Investments | - | 3,000 |
| Re-measurement of employee benefit plan (including gains/ (losses) in defined benefit plans) | (34,306,030) | (18,636,610) |
| Dividend Income | (581,900) | (4,442,894) |
| Loss on sale of Fixed Assets (net) | 16,421 | (161,962) |
| Interest Income | (107,791,214) | (115,309,207) |
| Interest and guarantee commission Paid | 6,967,046 | 3,561,871 |
| Operating lease rental from Investment property | (39,262,895) | (33,355,812) |
| Loss / (gain) on sale of investments | (29,302) | (27,276) |
| **Operating profit before working capital changes** | 247,501,570 | 80,096,293 |
| **Changes in working capital** | | |
| Adjustments for increase / (decrease) in | | |
| Trade and other receivables | (296,095,049) | (75,006,682) |
| Inventories | 336,848,045 | (292,355,350) |
| Other Assets | 49,660,841 | (119,700,439) |
| Other Financial Assets | 81,235,633 | (294,322,096) |
| Trade Payable | (94,551,373) | 644,099,296 |
| Other Liabilities | (10,862,469) | 49,616,230 |
| Other Financial Liabilities | (5,094,283) | 23,559,971 |
| Provisions | (86,028,382) | (86,643,862) |
| **Cash generated from operations** | 222,614,533 | (70,656,639) |
| Taxes paid | 172,641,265 | 60,831,512 |
| **Net cash generated from operating activities** | **49,973,268** | **(131,488,151)** |

| Particulars (Contd) | For the Year ended March 31, 2019 | For the Year ended March 31, 2018 |
|---|---|---|
| **B. Cash flow from investing activities** | | |
| **i) Non Cash investing activities** | | |
| Write back of Excess depreciation accounted on sale of Fixed assets | - | (5,701) |
| Capitalisation of CWIP | | 338,229,176 |
| **ii) Other investing activities** | | |
| Purchase of fixed assets including capital advances | (173,892,423) | (447,562,243) |
| Government Grant | 368,089 | - |
| Bank balances other than cash and cash equivalent | (34,205,385) | 11,931,017 |
| Proceeds from sale of fixed assets | 163,613 | 333,379 |
| (Purchase) / Sale of investments | 29,302 | 27,276 |
| Investment income (Rental income on investment Property) | 39,262,895 | 33,355,812 |
| Interest received | 170,742,634 | 105,908,509 |
| Dividend received | 581,900 | 4,442,894 |
| **Net cash used in investing activities** | **3,050,625** | **46,660,119** |
| (All amounts are in Rupees unless otherwise specified) | | |
| **C. Cash flow from Financing activities** | | |
| i) Non Cash Financing activities | | |
| Proceeds from issue of Share Capital | - | 225,581,700 |
| Refund of Share application money | (79) | (225,581,700) |
| ii) Other Financing activities | | |
| Finance Cost (Interest and Guarantee commission paid) | (6,967,046) | (3,561,871) |
| Dividend paid | - | (20,176,600) |
| Dividend Distribution tax paid | - | (3,562,008) |
| **Net cash used in financing activities** | **(6,967,125)** | **(27,300,479)** |

| | | |
|---|---|---|
| **Net (decrease) / increase in cash and cash equivalents (A+B+C)** | **46,056,768** | **(112,128,511)** |
| **Reconciliation** | | |
| Cash and cash equivalents as at beginning of the year | 724,375,747 | 836,504,258 |
| Cash and cash equivalents as at end of the year | 770,432,515 | 724,375,747 |
| Net increase / (decrease) in cash and cash equivalents | 770,432,515 | 724,375,747 |

### Cash and cash equivalents comprises of

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Balances with banks** | | |
| In current accounts | 359,027,436 | 622,182,319 |
| In deposit accounts with original maturity less than 3 months | 295,707,176 | 51,648,850 |
| Cash on hand | 115,172,115 | 50,267,887 |
| Remittances in Transit | 525,788 | 276,691 |
| Cash and cash equivalents (Refer Note 12) | | |
| **Cash and cash equivalents in cash flow statement** | **770,432,515** | **724,375,747** |

This the cashflow statement referred to in our report attached.
As per our report of even date attached

As per our Report of Even date attached

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN:19025145AAAAAJ9669

Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

# MYSORE SALES INTERNATIONAL LIMITED

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 1. Company overview and significant accounting policies

**1.1 Company overview**

Mysore Sales International Limited is a premier Government of Karnataka Undertaking, dealing in various products & services. It was established in 1966 as a trading house. The registered office is located at Bengaluru, Karnataka, India. 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 in some important cities across the country. It markets products and services such as Indian Made Foreign Liquor, Chit Operations, Paper Products, Imported Sand, Pharmaceutical, Industrial and Consumer products.

**1.2 Significant accounting policies**

**a. Statement of compliance**

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind-AS) as notified under section 133 of the Companies Act 2013 read with the Companies (Indian Accounting Standards) Rules 2015 by Ministry of Corporate Affairs ('MCA'). The Company has uniformly applied the accounting policies during the periods presented.

The financial statements for the year ended 31 March 2019 were authorized and approved for issue by the Board of Directors on 16th September 2019.

**b. Basis of preparation of financial statements**

The financial statements have been prepared on going concern basis under the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102, 'Share-based Payment', leasing transactions that are within the scope of Ind AS 17, 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 'Inventories', or value in use in Ind AS 36 'Impairment of assets'.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data rely as little as possible on entity specific estimates.

Level 3: Inputs for the assets or liabilities that are not based on the observable marked data (unobservable inputs)

**c. Use of estimates**

The preparation of financial statements is in conformity with generally accepted accounting principles which require the management of the Company to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon 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 period. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Application of accounting policies that require significant accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in note 1.3 and 1.4.

**d. Amended standards adopted by the Company**

Ind AS 115 - Revenue from contracts with customers

MCA has notified Ind AS 115 - Revenue from contracts with customer, mandatorily applicable from 01 April 2018 either based on a full retrospective or modified retrospective application. The standard requires the Company to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

As required by Ind AS 115, the Company has affected this standard retrospectively from 01 April 2017.The impact of new standards is disclosed in note 21 of the financial statements. The application of the new accounting policy has required management to make the following judgments:

**Satisfaction of performance obligations**

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Company has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Company does not create an asset with an alternative use to the Company and usually has an enforceable right to payment for performance completed to date, In these circumstance the Company recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

**Determination of transaction prices**

The Company is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Company assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract. In determining the impact of variable consideration the Company uses the "most-likely amount" method in Ind AS 115, whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

**Transfer of control in contracts with customers**

In cases where the Company determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been registered through a sale deed and legal enforceable right to collect payment is established.

**d. Amended standards adopted by the Company (continued.)**

**In addition, the application of Ind AS 115 has resulted in the following estimation process:**

***Allocation of transaction price to performance obligation in contracts with customers***

For registered contracts through a sale deed, but the project is not complete, revenue from such contracts is recognised over time. The Company has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Company considers that the use of the input method which requires revenue recognition on the basis of the Company's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method the Company estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

**Ind AS 21-The effects of changes in foreign exchange rates**

MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21,mandatorily applicable from 1 April 2018. The amendment clarifies on the accounting of transactions that include the receipt or payment of advance consideration in a foreign currency. The appendix explains that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Company is evaluating the requirements of the new standard and the effect on the financial statements is being evaluated.

**e. Standards, not yet effective and have not been adopted early by the Company**

Information on new standards, amendments and interpretations that are expected to be relevant to the financial statements is provided below.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The effective date of application of this amendment is annual period beginning on or after April 1, 2019. The company does not expect any impact from this amendment.

**Ind AS 116 - Leases**

On 30 March 2019, the Ministry of Corporate Affairs has notified Ind AS 116 - Leases. Ind AS 116 will replace the existing lease standard, Ind AS 17, Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and required the lessee to recognise assets and liabilities for all leases with a term more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of profit and loss. The standard also contains enhanced disclosure requirements for lessee. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17. The effective date of adoption of Ind AS 116 is annual periods beginning on or after 01 April 2019. The Company is evaluating the requirements of the new standard and the effect on the financial statements is being evaluated.

**Ind AS 12, Income Taxes**

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income

Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The effective date of application of this amendment is annual period beginning on or after April 1, 2019. The Company does not expect this amendment to have any impact to the standalone financial statements.

**Ind AS 12, Appendix C - Uncertainty over Income Tax treatments**

On 30 March 2019, the Ministry of Corporate Affairs has notified Ind AS 12, Appendix C - Uncertainty over Income Tax treatments which is to be applied while performing the determination of taxable profits (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12.

According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or planned to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The effective date of adoption of Ind AS 12, Appendix C is annual periods beginning on or after 01 April 2019. The Company is evaluating the requirements of the new standard and the effect on the financial statements is being evaluated.

**Amendment to Ind AS 19, plan amendment, curtailment or settlement**

On March 30, 2019 the Ministry of Corporate Affairs issued amendments to Ind AS 19, Employee Benefits in connection with accounting for plan amendments, curtailments and settlements.

**The amendments require an entity:**

* To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

* To recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of impact of the asset ceiling.

The effective date of adoption of Ind AS 19, plan amendment, curtailment or settlement is annual periods beginning on or after 01 April 2019. The Company is evaluating the requirements of the new standard and the effect on the financial statements is being evaluated.

**f. Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

(i) An asset is classified as current when it is**:**

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

(ii) All other assets are classified as non-current.

(iii) A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

(iv) All other liabilities are classified as non-current.

(v) Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Based on the nature of service and the time between the acquisition of assets for development and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as one year for the purpose of current and non-current classification of assets and liabilities which pertain to the project and for all other assets and liabilities the Company has considered twelve months.

**g. Foreign currency transactions**

*Functional and presentation currency*

The financial statements are presented in Indian Rupee ('Rs ') which is also the functional and presentation currency of the Company. All amounts have been reported to the nearest rupee, unless otherwise indicated.

**(a) Initial recognition**

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

**(b) Conversion**

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

**h. Revenue recognition**

The Company has adopted Ind AS 115 with effect from 01 April 2018. However as required by Ind AS 115, the standard has been effected retrospectively with effect from 01 April 2017 and accordingly prior year financial for the year ended 31 March 2018 has been restated. The Company has applied the following accounting policy in the preparation of its standalone financial statements:

**Revenue from contracts with customers**

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1. - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a goods or service to the customer.

Step 3. - Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. - Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or

2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

**Rental income**

Income from rentals are recognised as an income in the statement of profit and loss on a straight-line basis over the lease term except where scheduled increase in rent compensates the Company with expected inflationary costs. Rental income from sub leasing if any is also recognized in a similar manner and included under other income.

**Dividend income**

Income from dividends are recognised when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

**Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest is accrued on time proportion basis, by reference to the principle outstanding applying effective interest rate.

Interest on delayed receipts, cancellation/forfeiture of income and transfer fees from customers are recognised on accrual basis except in cases where ultimate collection is considered doubtful.

**Other items of income are recognized as and when the right to receive arises.**

**Revenue Recognition on cash basis**

Revenue is recognized on accrual basis except for the following items where it is accounted for on cash basis since the realisability is uncertain :-

*Chit Operations :*

*All streams of revenue from Chit operations is on cash basis.*

**Hire Purchase:**

Interest income on hire purchase sales is recognised on cash basis.

Duty credit / exemption under various promotional schemes of Foreign Trade Policy in force, Tax credit, refund of custom duty on account of survey shortage, and refund of income-tax/service tax / sales-tax /VAT/ GST and interest thereon etc.

- Interest on overdue recoverable.
- Liquidated damages on suppliers/underwriters.

**i. Inventories**

Inventories are valued at the lower of cost and net realisable value except scrap and by-products which are valued at net realisable value.Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**Inventories are valued as under:**

(i) **Raw materials:** cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. 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.

(ii) Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis. Raw materials and consumables issued to convertors are considered as Finished Goods only at the time of receipt of notebooks from the convertors.

(iii) Freight inward is not considered for valuation of stock of liquor.

(iv) Obsolete inventories, slow moving and defective inventories are identified and written down to net realisable value.

**j. Property, Plant and Equipment (PPE)**

*Recognition and initial measurement*

Properties plant and equipment are stated at their cost of acquisition. On transition to Ind AS i.e., on 01 April 2016, the Company had elected to measure all its property, plant and equipment at the previous GAAP carrying value (deemed cost) The cost comprises purchase price, borrowing cost if capitalization criteria are met, any expected costs of decommissioning and any directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

**Subsequent measurement**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognized in statement of profit and loss as incurred.

**Depreciation and useful lives**

Depreciation/amortization on property, plant & equipment is provided on the straightline method, based on the useful life of asset specified in Schedule II to the Companies Act, 2013. The Management estimates the useful lives of the assets as per the indicative useful life prescribed in Schedule II to the Companies Act, 2013. Residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

| Particulars | Life in years |
|---|---|
| Building | 60 |
| Fire fighting equipment | 10 |
| Electrical equipment | 10 |
| Furniture and fixtures | 10 |
| Vehicles | 8 |
| Furniture and fixtures - Liquor | 5 |
| Handling equipment | 5 |
| Weighing Machines | 5 |
| Office equipment | 5 |
| Computers | 3 |
| Leasehold assets | Over the primary lease period – except for land |

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress.

Depreciation on fixed assets added/ disposed off/ discarded during the year has been provided on prorata basis with reference to the date of addition/ disposal/ discarding.

**Derecognition**

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

**k. Intangible assets**

**Recognition and initial measurement**

Intangible assets (software) are stated at their cost of acquisition. On transition to Ind AS i.e., on 01 April 2016, the Company had elected to measure at the previous GAAP carrying value (deemed cost) .The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

**Subsequent measurement (amortization)**

The cost of capitalized software is amortized over a period of 6 years from the date of its acquisition on a straight line basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognized..

The residual values, useful lives and methods of amortization of intangible assets are reviewed at each reporting date end and adjusted prospectively, if appropriate.

**Capital Work in Progress**

Capital work-in-progress is stated at cost which includes expenses incurred during construction period, interest on amount borrowed for acquisition of qualifying assets and other expenses incurred in connection with project implementation in so far as such expenses relate to the period prior to the date of use of asset. Capital advances given towards purchase/ acquisition of PPE outstanding at each balance sheet date are disclosed separately as Other Non-Current Assets.

**Investment Property**

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. All of the Company's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties. After initial recognition, the company measures investment property at cost.

Investment properties are derecognized upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected post disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Investment properties are depreciated in accordance to the class of asset that it belongs to and the life of the asset is as conceived for the same class of asset of the Company.

**l. Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in the Statement of Profit and Loss in the period in which they are incurred.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

The Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any interest income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets, to the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset. In case if the Company borrows generally and uses the funds for obtaining a qualifying asset, borrowing costs eligible for capitalization are determined by applying a capitalization rate to the expenditures on that asset.

The Company suspends capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

**m. Cash and cash equivalents**

Cash and cash equivalent in the Balance Sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to insignificant risk of changes in value.

**n. Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets such assets are classified as operating leases.

**As a Lessee**

**Finance Lease**

Assets under finance leases are capitalized at lower of fair value or the present value of the minimum lease payments at the inception of the lease term and a liability is created for an equivalent period. If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Lease payments under such leases are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. The finance cost is charged to the statement of profit and loss.

**Operating Lease**

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straightline basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor’s expected inflationary cost increases.

**As a Lessor**

The company normally enters into operating leases in which rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

**o. Employee benefits**

*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) ESI (under the provisions of Employees State Insurance Act, 1948) and Superannuation. The company has no further obligations beyond making the company’s contributions. The company’s contribution to Provident

Fund, ESI and Superannuation are made at prescribed rates and are charged to Statement of Profit and Loss. The Superannuation asset are managed by a Trust which invests with LIC.

**Death Relief Fund**

The Company's liability towards Death Relief Fund is accounted on the basis of actuarial valuation as at the reporting date.

**Defined benefit plan**

The Company has a defined benefit plan for payment of Gratuity as per the Gratuity Act 1972. The Gratuity Plan provides a lump sum payment to employees who have completed five years or more of service at retirement, disability or termination of employment, being an amount based on the respective employee's last drawn salary and the number of years of employment with the Company. The company makes contribution to the MSIL Employee Gratuity Fund Trust managed by LIC.

The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets if any. This cost is included in employee benefit expense in the statement of profit and loss

The liability or asset recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets if any.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and are never reclassified to profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit and loss as past service cost.

**p. Earned Leave**

As per policy of the Company, employees can carry forward unutilized accrued leave and utilize it in next service period or receive cash compensation. The compensated absences fall due wholly within twelve months after the end of the period in which the employees render the related service and are also expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a current employee benefit. The Company records an obligation for such compensated absences in the year in which the employee renders the services that increase his entitlement.

The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the reporting period. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each reporting period.

**Other short-term 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.

Short-term employee benefits comprising employee costs including performance bonus is recognized in the statement of profit and loss on the basis of the amount paid or payable for the period during which services are rendered by the employee.

**Tax expense**

*Income taxes*

Income tax expense represents the sum of the tax currently payable and deferred tax

**Current tax**

Current tax is the amount of tax payable based on the taxable profit for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act,1961 and other applicable tax laws in the countries where the Company operates and generates taxable income.

The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously

**Deferred tax**

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as deferred tax asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

***Current and deferred tax for the period***

Current and deferred tax are recognized in profit or loss, except when they are related to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

**q. Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

(i) The after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

(ii) The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

**r. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation.

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Decommissioning costs are measured as the best estimate of the expenditure to settle the obligation or to transfer the obligation to a third party. Provisions for decommissioning obligations are required to be recognized at the inception of the arrangement. The estimated costs to be incurred at the end of the arrangement are discounted to its present value using the market rate of return.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent Liability is disclosed in the case of

(i) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.

(ii) a present obligation arising from a past event, when a reliable estimate of the obligation cannot be made, and

(iii) a possible obligation arising from past events where the probability of outflow of resources is not remote.

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

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

**s. Financial instruments**

**Financial assets**

*Initial recognition and measurement*

All financial assets are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

***Subsequent measurement***

*Debt Instruments*

*Debt instruments at amortized cost*

A ‘Debt instruments’ is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the statement of profit and loss.

***Debt Instruments at fair value through other comprehensive income (FVTOCI)***

A debt instrument is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Fair value movements are recognized in other comprehensive income (OCI).

***Debt instruments at Fair value through profit and loss (FVTPL)***

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

**Equity investments**

All equity investments in the scope of Ind AS 109,' Financial Instruments', are measured at fair value. Equity instruments which are held for trading and contingent consideration has been recognized by an acquirer in a business combination to which Ind AS 103,' Business Combinations' applies, are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in OCI with subsequent changes in the fair value.

The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, impairment gains or losses and foreign exchange gains and losses, are recognized in the OCI.

There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

***Derecognition of financial assets***

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

**t. Financial liabilities**

***Initial recognition***

All financial liabilities are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortized cost.

**Subsequent measurement**

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

**Derecognition of financial liabilities**

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

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**u. Financial guarantee contracts**

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

**Loans and Borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (hereinafter referred as EIR) method. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss

**v. Impairment of financial assets**

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the twelve month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in the statement of profit and loss.

### w. Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any)

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit and loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### x. Investment in subsidiaries and joint ventures

The Company's investment in equity instruments of subsidiaries and joint ventures are accounted for at cost.Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the Statement of Profit and Loss. On disposal of investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Profit and Loss.

### y. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting.

(i) Segment revenue includes sales and other income directly identifiable with / allocable to the segment including inter-segment revenue.

(ii) Expenses that are directly identifiable with / allocable to segments are considered for determining the Segment Result. The expenses, which relate to the Company as a whole and not allocable to segments, are included under "Other unallocable corporate expenditure".

(iii) Income that relates to the Company as a whole and not allocable to segments is included in "Unallocable income".

(iv) Segment result includes margins on inter-segment and sales which are reduced in arriving at the profit of the Company.

(v) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment

(vi) Performance is measured based on segment profit (before tax), as included in the internal management reports that are reviewed by the Company's CMD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**z. Cash flow statement**

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

The loans from/to related parties are in nature of current accounts. Accordingly, receipts and payments from/to related parties have been shown on a net basis in the cash flow statement.

**aa. Events after Reporting Date**

Assets and liabilities are adjusted for events occurring after the reporting period that provides additional evidence to assist the estimation of amounts relating to conditions existing at the end of the reporting period.

Dividends declared by the Company after the reporting period are not recognized as liability at the end of the reporting period. Dividends declared after the reporting period but before the issue of financial statements are not recognized as liability since no obligation exists on the balance sheet date. Such dividends are disclosed in the notes to the financial statements.

**ab. Exceptional Items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Errors of material amount relating to prior period(s) are disclosed by a note with nature of prior period errors, amount of correction of each such prior period presented retrospectively, to the extent practicable along with change in basic and diluted earnings per share.

However, where retrospective restatement is not practicable for a particular period then the circumstances that lead to the existence of that condition and the description of how and from where the error is corrected are disclosed in Notes to Accounts.

**ac. Non-Current Assets Held For Sale And Discontinued Operations**

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, assets arising from employee benefits and deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

A discontinued operation is a component of the Company's business that represents a separate line of business that has been disposed off or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

**ad. Government Grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, it is presented by deducting the grant from the carrying amount of the asset. When the Company receives grants of non-monetary assets, it is treated at a nominal value.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

**ae. Other Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as Long-term investments.

Long-term investments are fair valued at the end of the reporting date. Provision for diminution, if any, in the value of each long term investment is made to recognize a decline other than of a temporary nature. Current investments are stated at lower of cost or fair value. Profit / loss on sale of investments is recognized with reference to the cost of the investment.

**af. Derivative Financial Instruments And Hedge Accounting**

The Company holds derivative financial instruments such as foreign exchange forwards to mitigate the risk of changes in exchange rates on foreign currency exposures. The counter party for these contracts is generally a bank. Derivatives are recognized and measured at fair value.

**Cash flow hedges**

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized in other comprehensive income and presented within equity in the cash flow hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of profit and loss.

**ag. Business combinations - common control**

Amalgamation involving entities that are controlled by the Company are accounted for using the pooling of interests method as follows

The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities. Adjustments are only made to harmonize accounting policies.

The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.

The balance of the retained earnings appearing in the financial statements of the transferor is aggregated wiith the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.

The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.

The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

### 1.3 Significant estimates in applying accounting policies

a. Revenue-The Company recognizes revenue when the amount can be reasonably ascertained and the recoverability is assured.

b. Inventories-The Company recognizes inventories when it is reasonably certain that they can be monitised.

c. Recoverability of advances/receivables-At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

d. Useful lives of depreciable/amortizable assets-Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software and other assets.

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

f. Fair value measurements -Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

### 1.4 Critical judgments in applying accounting policies

a. Recognition of deferred tax assets -The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

b. Recognition of deferred tax liability on undistributed profits-The extent to which the Company can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgement.

c. Evaluation of indicators for impairment of assets-The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses a discounting rate to arrive at net present value.Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

d. Provisions-At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding warranties and guarantees. However the actual future outcome may be different from this judgement.

e. Classification of leases-The Company enters into leasing arrangements for various assets. The classification of the leasing arrangement as a finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialized nature of the leased asset.

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**MYSORE SALES INTERNATIONAL LIMITED**
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION**
**(ALL AMOUNTS ARE IN RUPEES UNLESS OTHERWISE SPECIFIED)**

## STATEMENT OF CHANGES IN EQUITY

## I. EQUITY SHARE CAPITAL

| Particulars | Amount |
|---|---|
| Balance at the beginning of the period 01.04.2017 | 201,766,000 |
| Changes in Equity Share Capital during 2017-18 | 225,581,700 |
| Balance as at 31.03.2018 | 427,347,700 |
| Changes in Equity Share Capital during 2018-19 | - |
| **Balance as at 31.03.2019** | **427,347,700** |

## II. OTHER EQUITY

| Particulars | Reserves and Surplus | | | Other Comprehensive Income | | Total |
|---|---|---|---|---|---|---|
| | Other reserves General reserves | Retained Earnings | Share Application money pending allotment | Fair Valuation of Equity Instruments | Re-measurment of defined benefit plans | |
| Balance at the beginning of the period 01.04.2017 | 1,628,048,780 | 735,148,582 | 225,581,779 | - | - | 2,588,779,141 |
| Dividends | - | (20,176,600) | - | - | - | (20,176,600) |
| Dividend Distribution Tax | - | (3,541,173) | - | - | - | (3,541,173) |
| **Restated Balance as at 01.04.2017** | **1,628,048,780** | **711,430,809** | **225,581,779** | **-** | **-** | **2,565,061,368** |
| Profit for the year | - | 366,570,284 | - | - | - | 366,570,284 |
| Ind AS adjustments | - | 185,631,957 | - | - | - | 185,631,957 |
| Transfer from retained earnings | 43,386,985 | (43,386,985) | - | - | - | - |
| Total Comprehensive Income | 1,671,435,765 | 1,220,246,065 | - | - | - | 3,117,263,609 |
| **Balance after adjustment on transition to Ind AS as on 01.04.2017** | **1,671,435,765** | **1,220,246,065** | **225,581,779** | **-** | **-** | **3,117,263,609** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Comprehensive Income | - | 119,781,221 | - | (46,120,329) | (19,475,900) | 54,184,992 |
| Dividends | - | (20,176,600) | - | - | - | (20,176,600) |
| Dividend Distribution Tax | - | (3,562,008) | - | - | - | (3,562,008) |
| Ind AS adjustments | | 839,295 | | | | 839,295 |
| Transfer to Share Capital | - | - | (225,581,700) | - | - | (225,581,700) |
| Transfer from retained earnings | 49,154,744 | (49,154,744) | - | - | - | - |
| **Balance at the end of the reporting period 31.03.2018** | **1,720,590,509** | **1,267,973,229** | **79** | **(46,120,329)** | **(19,475,900)** | **2,922,967,588** |
| **Balance at the beginning of the period 01.04.2018** | **1,720,590,509** | **1,267,973,229** | **79** | **(46,120,329)** | **(19,475,900)** | **2,922,967,588** |
| Total Comprehensive Income | - | 222,395,924 | - | 9,790,088 | (34,306,030) | 197,879,982 |
| Transfer from retained earnings * | 55,966,519 | (55,966,519) | (79) | - | - | (79) |
| **Balance at the end of the reporting period 31.03.2019** | **1,776,557,028** | **1,434,402,634** | **-** | **(36,330,241)** | **(53,781,930)** | **3,120,847,491** |

* 10% of average profit of chit fund division is transferred to General Reserve.
Significant accounting policies and other explanatory information Note 1
The accompanying notes referred to above form an integral part of the financial statements.

As per our Report of Even date attached

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN:19025145AAAAAJ9669

Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

## NOTE 2 - PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK-IN-PROGRESS

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Carrying amounts of: | | | |
| Freehold land | 2,326,581 | 2,326,581 | 2,326,581 |
| Leasehold land | 4,239,081 | 4,239,081 | 4,239,081 |
| Building - Freehold | 89,897,278 | 85,831,279 | 87,668,369 |
| Building - Leasehold | 3,306,747 | 3,455,484 | 3,604,352 |
| Handling Equipment | 4,445 | 25,633 | 31,638 |
| Electrical Equipment | 140,966,204 | 100,402,358 | 18,391,525 |
| Computers | 3,981,957 | 4,640,616 | 4,227,163 |
| Furniture and fixtures | 148,256,955 | 79,029,199 | 12,730,049 |
| Vehicles | 12,743,504 | 14,959,750 | 5,544,622 |
| Leased Assets | 92 | 92 | 92 |
| Office Equipment | 41,571,508 | 39,563,272 | 39,059,249 |
| Grant Assets | 196 | 196 | 197 |
| **Total PPE** | **447,294,548** | **334,473,541** | **177,822,917** |
| **Capital work-in-progress** | **-** | **2,011,291** | **340,240,465** |
| **Total** | **447,294,548** | **336,484,832** | **518,063,382** |

| Particulars | Freehold land | Leasehold land | Building - Freehold | Building - Leasehold | Handling Equipment | Electrical Equipment | Computers | Furniture and fixtures | Vehicles | Leased Assets | Office Equipment | Grant Assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Deemed cost** | | | | | | | | | | | | | |
| **Balance at April 01, 2018** | 2,326,581 | 4,239,081 | 87,668,369 | 3,604,352 | 31,638 | 104,107,485 | 7,381,595 | 89,503,701 | 16,842,424 | 92 | 49,979,066 | 196 | 365,684,580 |
| Additions | - | | 5,700,996 | | - | 53,555,259 | 2,190,959 | 97,004,155 | - | - | 15,072,965 | - | 173,524,334 |
| Disposals | - | | - | - | | 45,801 | - | - | - | - | 134,234 | - | 180,035 |
| **Balance at March 31,2019** | **2,326,581** | **4,239,081** | **93,369,365** | **3,604,352** | **31,638** | **157,616,943** | **9,572,554** | **186,507,857** | **16,842,424** | **92** | **64,917,797** | **196** | **539,028,880** |
| **Balance at March 31,2018** | **2,326,581** | **4,239,081** | **87,668,369** | **3,604,352** | **31,638** | **104,107,485** | **7,381,595** | **89,503,701** | **16,676,969** | **92** | **49,861,421** | **196** | **365,401,480** |
| **Balance at March 31, 2017** | **2,326,581** | **4,239,081** | **120,016,237** | **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** | **624,745,052** |

| Particulars | Freehold land | Leasehold land | Building - Freehold | Building - Leasehold | Handling Equipment | Electrical Equipment | Computers | Furniture and fixtures | Vehicles | Leased Assets | Office Equipment | Grant Assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | | | | | | | | | | |
| **Balance at April 01, 2018** | - | - | 1,837,090 | 148,868 | 6,005 | 3,705,127 | 2,740,979 | 10,474,502 | 1,882,674 | - | 10,415,794 | - | 31,211,039 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation expenses | - | - | 1,634,997 | 148,737 | 21,188 | 12,945,612 | 2,849,618 | 27,776,400 | 2,216,246 | - | 12,930,495 | - | 60,523,293 |
| Balance at 31 March, 2019 | - | - | 3,472,087 | 297,605 | 27,193 | 16,650,739 | 5,590,597 | 38,250,902 | 4,098,920 | - | 23,346,289 | - | 91,734,332 |
| **Carrying amount as on March 31,2019** | **2,326,581** | **4,239,081** | **89,897,278** | **3,306,747** | **4,445** | **140,966,204** | **3,981,957** | **148,256,955** | **12,743,504** | **92** | **41,571,508** | **196** | **447,294,548** |
| **Carrying amount as on March 31, 2018** | **2,326,581** | **4,239,081** | **85,831,279** | **3,455,484** | **25,633** | **100,402,358** | **4,640,616** | **79,029,199** | **14,959,750** | **92** | **39,563,272** | **196** | **334,473,541** |
| **Carrying amount as on March 31, 2017** | **2,326,581** | **4,239,081** | **87,668,369** | **3,604,352** | **31,638** | **18,391,525** | **4,227,163** | **12,730,049** | **5,544,622** | **92** | **39,059,249** | **197** | **177,822,918** |

**i) Contractual obligations**

There are no contractual commitments pending for the acquisition of the investment property as at the balance sheet date.

**ii) Other Information** Refer to Note 36

## NOTE 3 - INVESTMENT PROPERTY

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1 , 2017 |
|---|---|---|---|
| Carrying amounts of: | | | |
| Freehold land | 4,922,231 | 4,922,231 | 4,922,231 |
| Leasehold land | 8,009,977 | 8,009,977 | 8,009,977 |
| Building - Freehold | 84,420,547 | 86,157,662 | 87,836,418 |
| Building - Leasehold | 250,822,388 | 259,472,252 | - |
| **Total** | | | |
| Balance at the beginning of the year | 358,562,122 | 100,768,626 | 100,768,626 |
| **Balance at end of the year** | **348,175,143** | **358,562,122** | **100,768,626** |

| Particulars | Building - Freehold | Building - Leasehold | Freehold land | Leasehold land |
|---|---|---|---|---|
| **Cost or Deemed cost** | | | | |
| **Balance at April 01, 2017** | 87,836,418 | - | 4,922,231 | 8,009,977 |
| **Balance at April 01, 2018** | 87,836,418 | 259,495,927 | 4,922,231 | 8,009,977 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| **Balance at March 31, 2019** | 87,836,418 | 259,495,927 | 4,922,231 | 8,009,977 |

| Particulars | Building - Freehold | Building - Leasehold | Freehold land | Leasehold land |
|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | |
| **Balance at April 01, 2018** | 1,678,756 | 23,675 | - | - |
| **Disposals** | | | | |
| Depreciation expenses | 1,737,115 | 8,649,864 | - | - |
| **Balance at March 31, 2019** | **3,415,871** | **8,673,539** | **-** | **-** |
| **Carrying amount as on April 01,2018** | 86,157,662 | 259,472,252 | 4,922,231 | 8,009,977 |
| **Carrying amount as on April 01,2017** | 87,836,418 | - | 4,922,231 | 8,009,977 |

i) The Company is in the process of estimating the fair value of the investment property.

ii) (a) Amounts recognized in Statement of Profit and Loss for Investment Properties

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Rental income derived from investment properties (Refer Note (i)) | 39,262,895 | 33,355,812 |
| Direct operating expenses (including repairs and maintenance) generating rental income | (19,513,713) | (103,920) |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income | - | - |
| **Profit arising from investment properties before depreciation and indirect expenses** | **19,749,183** | **33,251,893** |
| Less – Depreciation | (10,386,979) | (1,702,431) |
| Profit arising from investment properties before indirect expenses | 9,362,204 | 31,549,462 |

**iii) Contractual obligations**

There are no contractual commitments pending for the acquisition of the investment property as at the balance sheet date.

**iv) Other Information**

Refer to Note no 37

**v) Leasing Arrangements**

Operating Lease:

| Minimum lease receipts under Non-cancellable Operating Lease | 31.03.2019 | 31.03.2018 | 01.04.2017 |
|---|---|---|---|
| Within one year | 39,189,726 | 39,262,895 | 33,355,812 |
| Later than one year and not later than five years | 22,472,218 | 39,262,895 | 78,525,790 |
| Later than five years | - | - | - |

## NOTE 4 - OTHER INTANGIBLE ASSETS

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Cost or Deemed cost | | | |
| **Balance at 1 April** | 4,910,598 | 4,871,658 | 4,144,625 |
| Additions | - | 38,940 | 727,033 |
| Disposals | - | - | - |
| Balance at 31 March | 4,910,598 | 4,910,598 | 4,871,658 |
| Accumulated depreciation and impairment: | | | |
| **Balance at 1 April** | 2,474,642 | 1,202,918 | - |
| Disposals | - | - | - |
| Depreciation expenses | 1,270,002 | 1,271,724 | 1,202,918 |
| Balance at 31 March | 3,744,644 | 2,474,642 | 1,202,918 |
| **Carrying amount as at 31 March** | **1,165,954** | **2,435,956** | **3,668,740** |

## NOTE 5 - INVESTMENTS - NON CURRENT

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1 , 2017 |
|---|---|---|---|
| **I. Quoted Investments** | | | |
| a) Investments in Equity Instruments at fair value | | | |
| (i) Investment in equity shares of M/s.J K Tyre Industries Limited: | 6,032,328 | 10,445,023 | 8,658,227 |
| Fully Paid Equity Shares 329,060 equity shares of Rs.2 per share (65,812 @ Rs.10 per share) | | | |
| (ii) Investment in equity shares of M/s.Bengal & Assam Co Limited: | | | |
| Fully Paid Equity Shares 3,831equity shares of Rs.10 per share (PY : 3,831 @ Rs.10 per share) | 6,539,517 | 8,227,877 | 6,522,737 |
| **Total Aggregate value of Quoted Investments** | **12,571,845** | **18,672,900** | **15,180,964** |
| **II. Un-quoted Investments** | | | |
| **a) Investments in Equity Instruments in Ssubsidiaries at cost** | | | |
| i. Investment in equity shares of M/s.Marketing Communication & Advertising Limited (wholly owned subsidiary): | 59,738,400 | 59,738,400 | 59,738,400 |
| Fully Paid Equity Shares of 357,252 of Rs 100 per share (PY : 357,252 @ Rs 100 per share) | | | |
| ii. Investment in equity shares of M/s.Mysore Chrome Tanning Company Limited (subsidiary company) of Rs.5000/- as per Government Order. | 5,000 | 5,000 | 5,000 |
| b) Investments in Equity Instruments in Associate at cost | | | |
| Investment in equity shares of M/s.Food Karnataka Limited : | | | |
| Fully Paid Equity Shares of 50,000 of Rs 10 per share (PY : 50,000 @ Rs.10 Per Share) | 500,000 | 500,000 | 500,000 |

| | | | |
|---|---|---|---|
| **b) Other Investments - At cost** | | | |
| i) Investment in shares of M/s.K T Apartment Owners' Association: | | | |
| Fully Paid Shares of 35 @ 100 per share (PY : 35 @ Rs 100 per share) | 3,500 | 3,500 | 3,500 |
| ii) Investment in shares of M/s.K T Mansions Appartments Owners' Association: | | | |
| Fully Paid Shares of 25 @ 100 per share (PY : 25 @ Rs 100 per share) | 2,500 | 2,500 | 2,500 |
| c) Investments in Government Securities - At cost | | | |
| National Saving Certificate ** | - | - | 3,000 |
| d) Others Investments - At fair value | | | |
| **i) Investment in equity shares of M/s.Hassan Mangalore Rail Development Company Limited:** | | | |
| Acquisition cost of 70,00,000 of fully paid equity shares @ Rs.10 per share (PY: 7,000,000 @ Rs.10 Per Share) | 224,301,884 | 208,314,837 | 257,923,487 |
| **ii) Investment in The Karnataka State Co-operative Apex Bank Limited - 1 Class "C" Ordinary Share:** | | | |
| Acquisition cost of 1 fully paid equity share of Rs.10,00,000 per share (PY : 1 share of Rs. 1,000,000 per share) | 2,679,856 | 2,775,762 | 2,779,376 |
| | **287,231,140** | **271,340,000** | **320,955,263** |
| **Less: Diminution in value of investments** | **-** | **-** | **-** |
| **Total aggregate of un-quoted Investments** | **287,231,140** | **271,340,000** | **320,955,263** |
| **Total Non-Current Investments** | **299,802,985** | **290,012,900** | **336,136,227** |

## NOTE 6 - OTHER FINANCIAL ASSETS

| Particulars | Non-Current | Current | Non-Current | Current | Non-Current | Current |
|---|---|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2018 | As at April 1 , 2017 | As at April 1 , 2017 |
| **a) Loans and advances to employees** | | | | | | |
| (i) Secured and Considered good | 215,181 | - | 36,875 | - | 27,846 | 204,134 |
| (ii) Unsecured and Considered good | 165,118 | - | 217,627 | - | 193,330 | 99,901 |
| b) Other advances recoverable in kind or for value to be received | | | | | | |
| (i) Unsecured and Considered good | 826,218,028 | 980,624,374 | 890,277,244 | 1,023,008,698 | 784,194,574 | 994,193,670 |
| (ii) Considered doubtful | 102,755,000 | - | 106,253,000 | - | 92,080,000 | - |
| Less: Diminution on account of fair valuation- Ind AS Adjustment | (242,071,924) | - | (268,130,277) | (2,175) | (276,696,474) | (41,216) |
| Less: Provision for loss given assets - Ind AS Adjustment | (11,703,184) | - | (10,899,937) | - | (10,256,650) | - |
| Less: Provision for Expected loss - Ind As Adjustment | (6,328,000) | - | (9,750,170) | - | (10,237,139) | - |
| Less: Probability of default - Ind As adjustment | (4,893,434) | - | (6,835,168) | - | (7,441,086) | - |
| Less: Allowance for doubtful debts -Expected Credit Loss - Ind As Adjustment | (109,938,086) | (3,593,688) | (109,546,806) | (12,893,688) | (109,546,806) | (11,822,913) |
| Less: Allowance for doubtful debts -Transitioned Ind AS | (109,546,806) | (10,333,770) | (109,546,806) | (1,033,770) | 109,546,806) | (10,333,770) |
| c) Security Deposit | | | | | | |
| (i) Unsecured and Considered good | 109,168,295 | 2,335,230 | 84,584,044 | 1,974,680 | 74,119,999 | 360,530 |
| (ii) Deferred expense on above deposits - Ind AS Adjustment | 5,105,878 | - | 9,157,695 | - | 7,259,238 | - |
| d) Term Deposit | 90,689,118 | - | 104,674,263 | - | - | - |
| e) Other Advances recoverable in kind or for value to be received | | | | | | |
| Unsecured and Considered good | 196,129 | 11,499,525 | 13,360,359 | 6,664,501 | 13,360,359 | 5,883,544 |
| f) Interest Receivable On Deposits | - | 74,339,440 | - | 137,290,861 | - | 127,890,164 |
| g) Other receivable | 20,774,998 | 6,634,808 | 18,377,087 | 9,261,145 | 18,832,060 | - |
| **Total** | **670,806,310** | **1,061,505,919** | **712,229,029** | **1,164,270,253** | **466,342,444** | **1,106,434,045** |

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## NOTE 7 - DEFERRED TAX ASSETS & LIABILITIES (NET)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 | Year ended April 1, 2017 |
|---|---|---|---|
| Deferred tax assets | 105,625,956 | 109,524,915 | 101,870,057 |
| **Deferred tax Liability** | 19,045,757 | 12,411,605 | 4,234,960 |

## REPRESENTED BY:

| Particulars | Opening balance | Recognised in profit or loss account | Closing balance |
|---|---|---|---|
| **Deferred tax Asset in relation to** | | | |
| Provision for Employee Benefits | 109,524,915 | (3,898,959) | 105,625,956 |
| **Deferred tax Liabilities in relation to** | | | |
| Property, Plant and Equipment | (12,411,605) | (6,634,152) | (19,045,757) |
| **Net Deferred tax Assets / (Liability)** | **97,113,310** | **(10,533,111)** | **86,580,199** |
| MAT credit entitlement | - | - | - |

## NOTE 8 - OTHER ASSETS

| Particulars | Non-Current | Current | Non-Current | Current | Non-Current | Current |
|---|---|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2018 | As at April 1, 2017 | As at April 1, 2017 |
| | | | | | | |
| Prepaid Expenses | - | 90,852,220 | - | 82,458,201 | - | 47,831,377 |
| Balance with Customs and Central excise / GST authorities | - | 6,251,912 | - | 33,206,693 | 9,393,024 | 2,450,829 |
| Advance Income Tax and TDS | 102,309,588 | 90,049,463 | 7,846,515 | 212,848,250 | - | 196,236,551 |
| Other Receivables | 916,414 | 59,740,198 | 1,587,971 | 4,560,583 | 41,462 | - |
| **Total** | **103,226,002** | **246,893,793** | **9,434,486** | **333,073,726** | **9,434,486** | **246,518,757** |

## NOTE 9 - INVENTORIES

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| a) Raw Materials | | | |
| Paper and Straw board | 21,795,672 | 9,666,849 | 17,681,338 |
| Convertors | 19,978,801 | 1,404,715 | 2,062,231 |
| **TOTAL - As per Note 23** | **41,774,473** | **11,071,564** | **19,743,569** |
| b) Finished goods | 145,325,227 | 142,965,839 | 128,624,181 |
| c) Stock in trade (acquired for trading) -Traded Goods (*) | 715,770,022 | 1,083,423,122 | 794,172,688 |
| **TOTAL - As per Note 24** | **861,095,249** | **1,226,388,961** | **922,796,869** |
| Less : Provision for Expired / Damaged Stock-awaiting regulatory approval for disposal | (4,821,979) | (2,564,737) | - |
| Less: Expected Credit Loss - Transitioned Ind AS | (41,259,575) | (41,259,575) | (41,259,575) |
| **d) Stock with hirers** | **32,524,682** | **35,042,641** | **37,930,820** |
| Less: Expected Credit Loss for stock with hirers | (32,524,682) | (35,042,641) | (37,930,820) |
| **Total** | **856,788,168** | **1,193,636,213** | **901,280,863** |

In terms of agreement for purchase of Imported natural river sand the tendered prices are at CIF rate at Bengaluru. Since the materials of 99,119.41 MTs is still at the port the value of closing stock of sand is arrived at landed price at port and not at CIF value.

* The above includes an amount of Rs 8,43,80,538 for the financial year 2017-18. In the previous year, this amount was added to the closing stock and trade payables in the Balance Sheet.

## NOTE 10 - TRADE RECEIVABLES

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **Trade Receivables** | | | |
| Secured, Considered good | 719,879 | 856,730 | 441,411 |
| Unsecured, Considered good | 565,487,075 | 269,255,175 | 194,663,812 |
| Doubtful | 64,126,503 | 64,109,135 | 53,497,111 |
| Expected Credit Loss- Transitioned Ind AS | (106,968,760) | (106,968,760) | (53,484,380) |
| Expected Credit Loss | (10,642,123) | (10,624,755) | (53,497,111) |
| **Total** | **512,722,574** | **216,627,525** | **141,620,843** |
| **Of which -** | | | |
| Current | 512,722,574 | 216,627,525 | 141,620,843 |
| Non-current | - | - | - |

i) The credit period on sale of goods generally ranges from 0 to 90 days. No interest is charged on trade receivables.

ii) The Company uses available information in the public domain and on its own internal assessment and trading records before accepting any customer.

iii) Trade receivables are further analysed as follows:

| Particulars | As at March 31, 2019 |
|---|---|
| Within Credit period up to 90 days | 90,504,999 |
| More than 90 days | 422,217,575 |
| **Total** | **512,722,574** |

iv) Of the trade receivables balance, customer balances which represent more than 5% of the total balance of trade receivable are given below.

| Particulars | As at March 31, 2019 |
|---|---|
| Department of KREIS (Karnataka Residential Educational Institutions Society) | 317,759,213 |
| Department of Employment Training | 40,359,150 |
| **Total** | **358,118,363** |

## NOTE 11 - CASH AND CASH EQUIVALENTS

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1 , 2017 |
|---|---|---|---|
| a) Balances with banks | | | |
| (i) In Current account | 359,027,436 | 622,182,319 | 280,455,782 |
| (ii) In Deposit account with original maturity less than 3 Months | 295,707,176 | 51,648,850 | 512,621,010 |
| b) Cash on hand | 115,172,115 | 50,267,887 | 43,215,121 |
| c) Remittances in Transit | 525,788 | 276,691 | 212,345 |
| **Total** | **770,432,515** | **724,375,747** | **836,504,258** |

## NOTE 12 - OTHER BANK BALANCES

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1 , 2017 |
|---|---|---|---|
| a) Balances with banks in earmarked accounts | | | |
| - In margin money accounts for Bank Guarantee issued | 719,111,788 | 669,075,965 | 639,585,965 |
| b) Deposits in schedule banks having maturity period within 12 months | 576,048,443 | 591,878,881 | 633,299,898 |
| **Total** | **1,295,160,231** | **1,260,954,846** | **1,272,885,863** |

## NOTE 13 - EQUITY SHARE CAPITAL

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **AUTHORISED** | | |
| Equity Shares: | | |
| 75,00,000 Equity shares of Rs.100 each | 750,000,000 | 750,000,000 |
| **ISSUED, SUBSCRIBED AND FULLY PAID UP** | | |
| 42,73,477 Equity Shares of Rs 100- each | 427,347,700 | 427,347,700 |
| **Total** | **427,347,700** | **427,347,700** |

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

| Reconciliation | 2018-19 No.of shares | 2018 - 19 Amount in Rs | 2017-18 No.of shares | 2017 - 18 Amount in Rs |
|---|---|---|---|---|
| a) Equity Shares of Rs.100 each fully paid up | | | | |
| At the beginning of the period | 4,273,477 | 427,347,700 | 4,273,477 | 427,347,700 |
| Issued during the period | - | - | - | - |
| At the end of the period | 4,273,477 | 427,347,700 | 4,273,477 | 427,347,700 |

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

| Particulars | No of shares held as at March 31, 2019 | | No of shares held as at March 31, 2018 | |
|---|---|---|---|---|
| | Nos. | % | Nos. | % |
| Government of Karnataka | 2,255,817 | 52.79% | 2,255,817 | 52.79% |
| Karnataka State Industrial Infrastructure & Development Corporation Limited | 2,017,660 | 47.21% | 2,017,660 | 47.21% |

**13.3 Terms attached to Equity Shares:**

The holders of equity shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In the event of liquidation of the Company, the remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. All shares rank equally with regard to the Company's residual assets.

The Company has one class of equity share having a par value of Rs.100 per share. And has not issued any equity shares under Employee Stock Option.

## NOTE 14 - OTHER EQUITY

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Share application money pending allotment | - | 79 | 225,581,779 |
| General Reserve | 1,776,557,028 | 1,720,590,509 | 1,671,435,765 |
| Movement through other comprehensive income | (90,112,171) | (65,596,229) | - |
| Retained earnings (surplus in profit or loss account) | 1,434,402,634 | 1,267,973,229 | 1,220,246,065 |
| **Total** | **3,120,847,491** | **2,922,967,588** | **3,117,263,609** |

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **General Reserve** | | | |
| Opening balance | 1,720,590,509 | 1,671,435,765 | 1,628,048,780 |
| Add: Appropriation from Profit or Loss account | 55,966,519 | 49,154,744 | 43,386,985 |
| **Closing Balance** | **1,776,557,028** | **1,720,590,509** | **1,671,435,765** |

The general reserve is created from time to time by transfer of profits from retained earnings and is not an item of Total Comprehensive Income, The general reserve will not be reclassified subsequently to profit or loss except to the extent permitted as per the Companies Act, 2013 and rules made thereunder.

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **(a) Movement through Other Comprehensive Income** | | | |
| Opening balance | (65,596,229) | - | - |
| Additions/(Deletions) | (24,515,942) | (65,596,229) | - |
| **Closing Balance** | **(90,112,171)** | **(65,596,229)** | **-** |
| **(b) Retained Earnings** | | | |
| Opening balance | 1,267,973,229 | 1,220,246,065 | 735,148,582 |
| Less: Dividend on Equity Shares | - | (20,176,600) | (20,176,600) |
| Less: Tax on Dividend on Equity Shares | - | (3,562,008) | (3,541,173) |
| Profit /(Loss) for the year | 222,395,924 | 119,781,221 | 366,570,284 |
| Appropriation from Statement of Profit or Loss to General Reserve | (55,966,519) | (49,154,744) | (43,386,985) |
| Less: IND AS Adjustment on Opening | | 839,295 | 185,631,957 |
| **Closing Balance** | **1,434,402,634** | **1,267,973,229** | **1,220,246,065** |
| **Total Other Equity** | **3,120,847,491** | **2,922,967,588** | **3,117,263,609** |

## NOTE 15 - NON-CURRENT BORROWINGS

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Secured - at amortised cost** | | |
| i) Bonds / Debentures | - | - |
| ii) Term Loans from Banks | - | - |
| Sub-total | - | - |
| **Grand Total** | - | - |
| **Of which -** | | |
| Current | - | - |
| Non-current | - | - |

## NOTE 16 - OTHER FINANCIAL LIABILITIES

| Particulars | Non-Current As at March 31, 2019 | Current As at March 31, 2019 | Non-Current As at March 31, 2018 | Current As at March 31, 2018 | Non-Current As at April 1 , 2017 | Current As at April 1 , 2017 |
|---|---|---|---|---|---|---|
| a) Security Deposit (Unsecured considered good) | | | | | | |
| Unsecured and Considered good | 108,936,943 | 21,782,891 | 67,018,973 | 65,521,346 | 63,316,491 | 9,257,354 |
| Deferred income on above deposits | 11,638,353 | - | 5,326,271 | - | 1,719,254 | - |
| b) Interest Accrued | 5,387,534 | - | 5,387,534 | - | 5,387,534 | - |
| c) Payable to Subsidiary Company :- | - | - | - | - | - | - |
| Marketing Communication & Advertising Ltd | - | 539,912 | - | 4,265,805 | - | 2,110,370 |
| d) Creditors for Capital Goods | - | 1,041,731 | - | 709,972 | - | 892,077 |
| e) Payable to VTPC (ASIDE Grant) | - | 24,705,144 | - | 24,705,144 | - | 24,705,144 |
| f) Other payables | 647,757,662 | 957,950,571 | 715,336,161 | 878,384,546 | 728,753,550 | 956,162,932 |
| Less: Impact on account of fair valuation | (234,000,850) | - | (215,821,579) | - | (265,030,504) | - |
| **Total** | **539,719,642** | **1,006,020,249** | **577,247,361** | **973,586,813** | **534,146,325** | **993,127,878** |

## NOTE 17 - PROVISIONS

| Particulars | Non-Current As at March 31, 2019 | Current As at March 31, 2019 | Non-Current As at March 31, 2018 | Current As at March 31, 2018 | Non-Current As at April 1, 2017 | Current As at April 1, 2017 |
|---|---|---|---|---|---|---|
| a) Provision for employee benefits: | | | | | | |
| Provision for Gratuity (Net) | - | 9,579,618 | - | 6,114,735 | - | (1,510,168) |
| Provision for Leave Encashment | 72,594,060 | 13,850,058 | 62,803,972 | 33,714,894 | 73,286,851 | 5,297,090 |
| b) Provision for Insurance Claim | 33,826,270 | - | 32,543,116 | - | 31,259,962 | - |
| c) Provision - Others | - | 57,586,297 | - | 44,310,986 | - | 53,894,442 |
| d) Provision for Income Tax [ net of TDS and Advance Tax] | - | - | - | 93,976,982 | - | 197,880,370 |
| e) Provision for TCS Relating to Arrack Dealers | - | 364,274,788 | - | 364,274,788 | - | 364,274,788 |
| **Total** | **106,420,330** | **445,290,761** | **95,347,088** | **542,392,385** | **104,546,813** | **619,836,522** |

## NOTE 18 - OTHER LIABILITIES

| Particulars | Non-Current As at March 31, 2019 | Current As at March 31, 2019 | Non-Current As at March 31, 2018 | Current As at March 31, 2018 | Non-Current As at April 1, 2017 | Current As at April 1, 2017 |
|---|---|---|---|---|---|---|
| a) Statutory remittances (Contributions to PF, ESIC, TDS,GST,VAT,Service tax etc) | - | 36,693,528 | - | 35,422,755 | - | 9,987,879 |
| b) Salary Payable | - | 49,438,843 | - | 60,386,480 | - | 44,076,270 |
| c) Employee Death relief fund | 8,774,064 | - | 9,536,546 | - | 8,092,547 | 2,300,000 |
| d) Others | - | 60,814,404 | - | 61,237,527 | - | 52,510,383 |
| **Total** | **8,774,064** | **146,946,775** | **9,536,546** | **157,046,762** | **8,092,547** | **108,874,531** |

## NOTE 19 - SHORT-TERM BORROWINGS

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Secured - at amortised cost | | | |
| Loan repayable on demand | - | - | - |

## NOTE 20 - TRADE PAYABLES

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Dues of micro enterprises and small enterprises | 2,568,734 | 153,204 | 433,290 |
| Dues of creditors other than micro enterprises and small enterprises | 896,618,595 | 993,585,498 | 349,206,116 |
| **Total** | **899,187,329** | **993,738,702** | **349,639,406** |

## NOTE 21 - REVENUE FROM OPERATIONS

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Sale of Products (Including Excise Duty) | | |
| Liquor | 16,894,303,353 | 14,091,432,931 |
| Note Books & Stationery | 839,258,077 | 1,267,181,720 |
| Pharmaceutical | 80,538,310 | 15,743,571 |
| Others | 242,371,668 | 158,370,212 |
| Less : Inter Division Transfer | (506,260) | - |
| Income Earned on Chit Fund Business | | |
| Foreman's Commission | 114,714,225 | 112,568,284 |
| Dividend | 11,127,112 | 14,545,304 |
| Default Interest | 15,897,060 | 14,188,678 |
| Commission and service charges | 466,855 | 1,085,622 |
| **Total** | **18,198,170,400** | **15,675,116,322** |

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## NOTE 22 - OTHER INCOME

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| (a) Interest income | | |
| On bank deposits | 107,212,772 | 114,611,114 |
| On others | 578,441 | 698,092 |
| (b) Dividend Income | | |
| - Subsidiary Company - Marketing Consultancy & Agencies Ltd., | - | 3,572,520 |
| - Others | 581,900 | 870,374 |
| (c) Other gains or losses | | |
| - Net gain on foreign currency transaction | 2,019,017 | 315,631 |
| (d) Other non-operating income | | |
| Operating lease rental from Investment property | 39,262,895 | 33,355,812 |
| Liability no longer required written back | 2,183,592 | 11,989,552 |
| Income from JV | 29,302 | 27,276 |
| Discount Received | 6,579,013 | 100,921 |
| Profit on sale of Assets | 9,999 | 259,447 |
| Insurance claims received | - | 21,192,973 |
| Miscellaneous income | 15,932,546 | - |
| Income on account of impact in the value of fair valuation of the Financial assets & liabilities relating to chit operations (net) | 48,800,456 | - |
| Income on account of impact in the value of fiar valuation of Deposits (net) | 1,892,341 | 1,568,243 |
| **Total** | **225,082,273** | **188,561,955** |

## NOTE 23 - COST OF MATERIAL CONSUMED

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Inventories at the beginning of the year | 11,071,564 | 19,743,569 |
| Purchases during the year | 169,790,664 | 65,876,314 |
| Inventories at the end of the year | 41,774,473 | 11,071,564 |
| **Total** | **139,087,755** | **74,548,319** |

## NOTE 24 - MOVEMENT IN INVENTORY

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **Opening Stock:** | | |
| Traded Goods | 999,042,584 | 794,172,688 |
| Finished goods | 142,965,839 | 128,624,181 |
| | 1,142,008,423 | 922,796,869 |
| **Closing Stock:** | | |
| Traded Goods | 715,770,022 | 999,042,584 |
| Finished goods | 145,325,227 | 142,965,839 |
| | 861,095,249 | 1,142,008,423 |
| Decrease / (Increase) in stocks | 280,913,174 | (219,211,554) |
| **Net change (Increase) / Decrease** | 280,913,174 | (219,211,554) |

## NOTE 25 - EMPLOYEE BENEFIT EXPENSE

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| (a) Salaries, Wages and Bonus | 183,086,520 | 177,626,048 |
| (b) Contribution to Provident and other Funds | 17,838,471 | 25,675,489 |
| (c) Compensated Absences | 13,850,058 | 33,840,001 |
| **(d) Gratuity** | **8,698,902** | **-** |
| (e) Workmen and Staff welfare expenses | **17,699,091** | **27,629,066** |
| **Total** | **241,173,043** | **264,770,604** |

## NOTE 26 - FINANCE COST

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| (i) Interest costs | | |
| Bank Loans and others | 3,351,677 | 89,781 |
| (ii) Other borrowing costs | | |
| (a) Bank Charges | 6,550,875 | 6,880,804 |
| (b) Guarantee commission | 3,615,369 | 3,472,090 |
| **Total** | **13,517,921** | **10,442,675** |

## NOTE 27 - DEPRECIATION AND AMORTISATION EXPENSE

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Depreciation/amortisation on | | |
| a) Property, Plant and Equipment | 60,523,293 | 31,211,040 |
| b) Investment property | 10,386,979 | 1,702,431 |
| c) Other Intangible assets | 1,270,002 | 1,271,724 |
| **Total** | **72,180,274** | **34,185,195** |

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## NOTE 28 - OTHER EXPENSES

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Conversion charges - Notebooks | 19,964,642 | 10,955,746 |
| Packing Material & Secondary Freight | 85,215,945 | 65,946,000 |
| Outsourcing expenses | 503,825,329 | 326,804,356 |
| Rent Expense (Including provision for rent equalization reserve) | 113,394,336 | 101,231,734 |
| Repairs & Maintenance : | 57,656,391 | 38,062,261 |
| Insurance | 9,616,215 | 8,091,249 |
| Rates & Taxes | 404,116,898 | 395,332,983 |
| Interest on Income Tax | 2,881,057 | - |
| Miscellaneous Expenses | 22,233,230 | 28,108,043 |
| Advertisement | 23,708,391 | 44,537,591 |
| Payment to the Auditor : | 840,000 | 1,227,436 |
| Postage, Telex & Telephones | 10,060,742 | 9,744,817 |
| Printing & stationery | 11,982,014 | 10,356,522 |
| Legal and Professional Charges | 42,642,072 | 32,221,097 |
| Travelling | 16,905,627 | 24,577,193 |
| Electricity & Water | 16,007,290 | 11,377,668 |
| Security Services | 8,112,569 | 4,180,788 |
| Commission | 42,835,448 | 50,751,030 |
| Chief Minister's Relief Fund (CSR) | 20,540,972 | 54,079,716 |
| Directors Sitting fees | 17,440 | 152,160 |
| Bad & Doubtful Debts | 6,000 | 7,175,104 |
| Loss on Sale of Assets | 26,420 | 97,486 |
| Provision for doubtful debts/advances | 2,590,381 | 13,278,607 |
| Expense on account of diminution in the value of Financial assets relating to Chit Business (net) | - | 40,154,087 |
| Expenses on account of diminution in the value of Deposits (net) | 1,784,317 | 1,752,727 |
| **Total** | **1,416,963,726** | **1,280,196,401** |

| | | |
|---|---|---|
| Details of - | | |
| Repairs & Maintenance : | | |
| - Building | 30,754,033 | 17,612,939 |
| - Vehicle | 1,963,325 | 1,709,738 |
| - Others | 24,939,033 | 18,739,584 |
| | **57,656,391** | **38,062,261** |
| - For Audit | 749,140 | 1,136,576 |
| - Tax Audit | 90,860 | 90,860 |
| Payment to the Auditor : | **840,000** | **1,227,436** |

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## NOTE 29 - EXCEPTIONAL ITEMS

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Exceptional items of (Debit) | | |
| Insurance Claims | 1,283,154 | 1,283,154 |
| Exceptional items of (Credit) | - | - |
| **Exceptional items (Net)** | **1,283,154** | **1,283,154** |

## NOTE 30 - PROFIT OR LOSS FROM DISCONTINUED OPERATIONS

Discontinued Operations

The company has discontinued it's HP operations in July 2008. The company accounts interest income from HP operations on cash basis. The scheduled repayment periods terminated in 2013-14. The following statement shows the revenue and expenses related to Hire Purchase operations.

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| Revenue | | |
| Interest | 261,362 | 1,051,725 |
| Miscellaneous income | 2,815,907 | 2,869,171 |
| **Total revenue** | **3,077,269** | **3,920,896** |
| Operating expenses | 3,888,577 | 4,964,783 |
| **Profit/(Loss) from discontinuing operations** | **(811,308)** | **(1,043,887)** |

## NOTE 31 -IMPACT OF FAIR VALUATION

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| Items that will be routed through Other Comprehensive Income : | | |
| i) Fair valuation of Investments in - | | |
| a) J K Tyre Industries Limited | (4,412,695) | 1,786,796 |
| b) Bengal & Assam Co Limited | (1,688,360) | 1,705,140 |
| c) The Karnataka State Co-operative Apex Bank Limited | (95,905) | (3,614) |
| d) Hassan Mangalore Rail Development Company Limited | 15,987,048 | (49,608,651) |
| ii) Acturial gain or loss on provision for gratuity | (34,306,030) | (19,475,900) |
| **Total** | **(24,515,942)** | **(65,596,229)** |

| (Income)/ Expense | 2018-19 | 2017-18 |
|---|---|---|
| Items that will be routed through profit or loss: | | |
| a. Amount Recoverable From Prized Chit Subscribers. | (26,058,353) | (8,566,197) |
| b. Foreman Investment in Substituted Tickets | (2,175) | (39,041) |
| c. Non Prized Collection | (18,179,271) | 49,208,925 |
| d. Provision for Expected credit loss | (3,422,170) | (486,969) |
| e.Provision for Probability of default | (1,941,734) | (605,918) |
| f. Provision for Loss given assets | 803,247 | 643,287 |
| **Total** | **(48,800,456)** | **40,154,087** |

| Interest (Income)/ Expense | 2018-19 | 2017-18 |
|---|---|---|
| Items that will be routed through profit or loss: | | |
| I. Interest expense | | |
| - Rent deposit received | 1,695,076 | 342,627 |
| - Earnest Money received | 2,788,949 | 4,793 |
| - Security deposit received | 68,701 | 201,419 |
| II. Interest Income | | |
| - Rent deposit paid | (6,445,067) | (2,117,081) |
| **Total** | **(1,892,341)** | **(1,568,242)** |

| Amortisation of deferred (Income)/Expense | 2018-19 | 2017-18 |
|---|---|---|
| Items that will be routed through profit or loss: | | |
| I. Amortisation of deferred Income | | |
| - Rent deposit received | (1,700,185) | (390,013) |
| - Earnest Money received | (2,788,751) | (4,990) |
| - Security deposit received | (69,852) | (201,419) |
| II. Amortisation of deferred expense | | |
| - Rent deposit paid | 6,343,105 | 2,349,148 |
| **Total** | **1,784,317** | **1,752,726** |

## NOTE 32 - PURCHASES OF STOCK-IN-TRADE

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| (i) Liquor | 15,103,027,552 | 12,751,376,720 |
| (ii) Notebooks and Stationery | 518,007,513 | 1,025,501,790 |
| (iii) Pharmaceutical | 70,963,369 | 38,320,878 |
| (iv) Others | 217,532,265 | 386,940,221 |
| Less: Inter-division Transfer | (506,260) | - |
| **Total** | **15,909,024,439** | **14,202,139,609** |

## NOTE 33 - INCOME TAXES RELATING TO CONTINUING OPERATIONS

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| Current tax | | |
| for Current year | 110,000,000 | 93,976,982 |
| for Previous years | 5,368,844 | - |
| Deferred tax | 10,533,111 | 521,787 |
| **Total** | **125,901,955** | **94,498,769** |

**34) IND AS Transition Notes**

The financial statements for the year ended March 31, 2018 were the first Ind AS financial statements prepared with comparatives under Ind AS. Accordingly, the transition to Ind AS has been carried out in accordance with Ind AS 101- 'First time adoption' of Indian Accounting Standards with date of transition being April 1, 2016. But since the auditor has opined that Ind AS was not implemented in totality in their report dated 11 December 2018, the Company is desirous to reinstate the balances and has accordingly made adjustments to restate the opening balances as at April 1,2017 as below :

**(i) Property, Plant and Equipment- Deemed Costs**

As permitted by Ind AS 101, the Company had elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment. The carrying values of property, plant and equipment has been reinstated as at April 1, 2017 as the deemed costs.

**(ii) Investment property**

(a) As per the requirement of Ind AS 40, Company has identified and reclassified the let out portion of freehold land and building and leasehold land and buildings in accordance with various lease agreements from Property, Plant and Equipment to Investment Property from 1st April 2017.

(b) Reclassification from PPE to Investment Property

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Property, plant and equipment | 447,294,552 | 334,473,540 | 177,822,919 |
| Investment property | 348,175,141 | 358,562,122 | 100,768,626 |

**(iii) Fair Valuation of Security Deposits**

As per the requirement of Ind AS 113, Security Deposits (including Dealership Deposits, Container Deposits, Earnest Money Deposits, Rent Deposits ) accepted and also deposits paid to third parties have been fair valued at a discount rate of 8%.

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Deposits received | 142,358,187 | 137,866,589 | 74,293,100 |
| Deferred Income thereon | 11,638,353 | 5,387,534 | 1,719,254 |
| **Effect of Fair Valuation:** | | | |
| Amortization of deferred income for the year | 4,558,789 | 596,422 | - |
| Interest expenses for the year | 4,552,727 | 548,838 | - |
| **Fair Value of Deposits as at reporting date** | **130,719,834** | **132,479,055** | **72,573,846** |

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Deposits paid | 116,609,403 | 95,716,419 | 81,739,767 |
| Deferred Expense thereon | 5,105,878 | 9,157,695 | 7,259,238 |
| **Effect of Fair Valuation:** | | | |
| Amortization of deferred expense for the year | 6,343,105 | 2,349,148 | - |
| Interest income for the year | 6,445,068 | 2,117,081 | - |
| **Fair Value of Deposits as at reporting date** | **111,503,525** | **86,558,724** | **74,480,529** |

**(iv) Fair Valuation of Amounts in Chit**

“The company as a “”Foreman”” to the chit receives and pays “”chit subscription”” from “”subscribers”” as per the monthly or periodical pooling of the chit. Contributions received from Subscribers prior to winning the monthly auctions are disclosed as “”Non-Prized Collections”” under Liability - Current and Non Current. Contributions by subscribers post winning the auction are disclosed as “”Prized Collections”” under Assets - Current and Non Current. Further, if any subscriber defaults post winning the auction, the company as “”Foreman”” steps into the shoe of the defaulter and balance from such defaulters are disclosed as “”Foreman in Substituted Chit”” under Assets - Current. As per the requirement of Ind AS 113, all non current portion of the Non-Prized Collections, Prized Amounts recoverable and Amounts reported as Foreman in Substituted chits have been fair valued based on the following assumptions:”

For amounts recoverable from Prized Collections, segregation based on the recoverability of each chit has been made under the following categories:

a) Running chits- good and recoverable as at reporting date

b) Partially defaulted chits- which are defaulted, secured and recoverable as at reporting date

c) Defaulted chits -terminated chits which are in default and secured as at reporting date

On each reporting date, all provisions are reviewed and its impact is passed through the Statement of Profit & Loss.

**34) IND AS Transition Notes (Contd)**

**a) Running chits- Good and Recoverable**

For running chits considered good and recoverable, fair valuation is done based on the chit duration applying 8% as discount rate. Further, against such chits, probability of defaults (based on the past trend and at a weighted average rate) is provided for on a yearly basis. Impact of the same is as under :

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Amounts Recoverable -"Prized Collection" | 1,531,728,000 | 1,563,403,000 | 1,525,709,000 |
| Effect of Fair Valuation | (242,071,924) | (268,130,277) | (276,696,474) |
| Provision for default -based on probability of actual defaults | (4,893,434) | (6,835,168) | (7,441,086) |
| **Fair Value of Amounts Recoverable -"Prized Collection" as at reporting date (a)** | **1,284,762,642** | **1,288,437,555** | **1,241,571,440** |

**b) Partially Recoverable chits- Default in running accounts**

In case of defaulted chits which are continuing (i.e. the chit duration has not completed as at the reporting date), fair valuation has been done taking into consideration the average period of recovery of such defaulted chits which is determined at 21 months based on the past recoverability of such defaulted chits. The amounts recoverable have been fair valued for delayed recovery applying a discount rate of 8 %. The differential amount is reported as the "Provision for defaulted chits".

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Amounts Recoverable -"Prized Collection" | 48,521,000 | 63,155,000 | 56,992,000 |
| Less: Provision for default( based on ECL) | (6,328,000) | (9,750,170) | (10,237,139) |
| **Fair Value of Amounts Recoverable -"Prized Collection" as at reporting date (b)** | **42,193,000** | **53,404,830** | **46,754,861** |

**c) Default by Subscribers in terminated Chits**

"In case of defaulted chits for which chit duration has been completed, fair valuation has been done taking into consideration the average recoverability of such defaulted chits. Based on the above, the average recoverability of such recovery period is arrived at as 36 months based on the experience and the amounts recoverable have been fair valued for delayed recovery applying 8% as discount rate. The differential amount is the ""Provision for defaulted chits".

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Amounts Recoverable -"Prized Collection" | 54,234,000 | 43,098,000 | 35,088,000 |
| Less: Provision for default( based on ECL) | (11,703,184) | (10,899,937) | (10,256,650) |
| **Fair Value of Amounts Recoverable -"Prized Collection" as at reporting date (c)** | **42,530,816** | **32,198,063** | **24,831,350** |
| **Total (a+b+c)** | **1,369,486,459** | **1,374,040,449** | **1,313,157,652** |

d) The amounts reported under Non current - Non-prized Collections have been fair valued at a discount rate of 8%.

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Amounts Payable -" Non-Prized Collection" | 1,504,179,000 | 1,536,362,000 | 1,491,164,000 |
| Effect of Fair Valuation | (234,000,849) | (215,821,579) | (265,030,504) |
| **Fair Value of Amounts Payable-"Non-Prized Collection" as at reporting date** | **1,270,178,151** | **1,320,540,421** | **1,226,133,496** |

e) The amounts reported under Non current - Foreman in Substituted Chits have been fair valued at a discount rate of 8%.

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Amounts Recoverable -"Investment in Substituted Chits" | 17,166,670 | 20,319,604 | 13,389,863 |
| Effect of Fair Valuation | - | (2,175) | (41,216) |
| **Fair Value of Amounts Recoverable -"Investment in Substituted Chits"** | **17,166,670** | **20,317,429** | **13,348,647** |

**34) IND AS Transition Notes (Contd)**

**(v) Other Comprehensive Income**

As per the requirements of Ind AS, all items of income and expense recognized in a period should be included in profit and loss account, unless a standard requires or permits otherwise. Items of income and expenses that are not recognized in profit or loss are shown as profit or loss under "other comprehensive income"-"OCI" as at April 1, 2017. The details are as under:

**(a) Defined benefit liability - employees**

As per the requirement of Ind AS 19, re-measurement of actuarial gains and losses under defined benefit liability are recognized under other comprehensive income and equity. In the transitioned Ind AS, the actuarial losses has been routed through the Other Comprehensive Income and equity as on 31st March 2018 and 31st March 2019 being Rs 1,94,75,900 and Rs 3,43,06,030 respectively.

**(b) Fair Valuation of Equity Instruments**

"Fair valuation of long-term investments in equity instruments held (not being in the nature of investments in subsidiaries and associates) are to be recognized through other comprehensive income. However, under the transitioned Ind AS, the company had not valued the same as per the requirements of Ind AS 113. The impact of the same is as under:

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Value of Investments at cost | 74,348,431 | 74,348,431 | 74,348,431 |
| Effect of fair valuation | 165,205,155 | 155,415,067 | 201,535,396 |
| **Fair Value of the investment** | **239,553,586** | **229,763,498** | **275,883,827** |
| Impact to Opening reserves/ OCI | 9,790,088 | (46,120,329) | 201,535,396 |

**(vi) Proposed Dividend and DDT thereon**

The Equity as at April 1, 2017 has been restated for the dividend and DDT distributed during the financial year 2017-18.

**(vii) Retained Earnings**

Retained Earnings as on April 1, 2017 and as on March 31, 2018 has been adjusted for the adjustments as explained above.

**(viii) Government Grants - Pharmacy Division**

Ind AS 20 provides for the option of deducting the grant received from the carrying amount of the asset from 1 April 2018:

(i) Government grant related to assets can be presented by deducting the grant from the carrying amount of the asset.

(ii) Non-monetary grant can be recognised at a nominal amount."

As the company has accounted the Government Grant in line with the option indicated above from April 1, 2017 no further adjustment is required to reinstate the deferred income or fair value for the prior periods.

**(ix) Forward Contract - Sand**

The company had entered into a forward contract with Bank of Baroda for payment of $10,24,881 at a fixed all in rate of Rs. 65.34/$. This liability is on account of import of sand from Malaysia. Valuation of the liability is at the contracted date and not the bank rate as at the reporting date for the year ended 31st March, 2018.

## 35) RECONCILIATION OF OTHER EQUITY FROM I GAAP TO IND AS

### 35.1 Reconciliation of total equity as at 31 March 2018 and 1 April 2017

| Particulars | As at March 31, 2018 | As at April 1 , 2017 |
|---|---|---|
| Total Equity (Shareholders funds) as per Previous transitioned Ind AS : | | |
| Share Capital | 427,347,700 | 201,766,000 |
| Others (Including Retained earnings) | 2,847,699,783 | 2,931,631,652 |
| Adjustments for Investment in equity instruments | 155,415,069 | 201,535,396 |
| Adjustments for provisions | (166,637) | 23,738,621 |
| Adjustments of fair valuation of Security Deposits | (184,484) | - |
| Adjustments of fair valuation of Chit division | (79,796,143) | (39,642,060) |
| Total Equity (Shareholders funds) as per Ind AS: | | |
| Share Capital | 427,347,700 | 201,766,000 |
| Others (Including Retained earnings) | 2,922,967,588 | 3,117,263,609 |

### 35.2 Reconciliation of Total Comprehensive Income for the year ended 31 March 2018

| Particulars | As at March 31, 2018 |
|---|---|
| Total Equity (Shareholders funds) as per Previous transitioned Ind AS | 141,649,817 |
| Adjustments for gratuity provisions | (166,637) |
| Adjustments for re-measurement of gratuity liability | (839,295) |
| Adjustments for Investment in equity instruments | (46,120,329) |
| Adjustments of fair valuation of Chit division | (40,154,083) |
| Adjustments of fair valuation of Security Deposits | (184,484) |
| Total Comprehensive Income as per Ind AS | 54,184,989 |

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## 35.3 Reconciliation of total comprehensive income for the year ended March 31, 2018

| S. No | Particulars | Transition to Ind AS for the year ended 31.03.2018* | Adjustment on restatement | IND AS 31-Mar-2018 |
|---|---|---|---|---|
| I | REVENUE FROM OPERATIONS | 15,675,116,322 | (0) | 15,675,116,322 |
| II | OTHER INCOME | 186,993,700 | 1,568,255 | 188,561,955 |
| III | **TOTAL REVENUE (I + II)** | **15,862,110,023** | **1,568,254** | **15,863,678,277** |
| IV | EXPENSES | | | |
| | Cost of materials consumed | 74,548,319 | (0) | 74,548,319 |
| | Purchase of Stock in Trade | 14,202,139,609 | - | 14,202,139,609 |
| | Changes in inventories of finished goods, work-in-progress & Stock-in-Trade | (219,211,554) | - | (219,211,554) |
| | Employee Benefit Expense | 283,240,578 | (18,469,974) | 264,770,604 |
| | Finance costs | 10,442,675 | | 10,442,675 |
| | Depreciation & Amortization Expense | 34,185,195 | (0) | 34,185,195 |
| | Other Expenses | 1,238,289,574 | 41,906,827 | 1,280,196,401 |
| | **TOTAL EXPENSES (IV)** | **15,623,634,396** | **23,436,853** | **15,647,071,249** |
| V | PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (III - IV) | **238,475,627** | **(21,868,599)** | **216,607,028** |
| VI | Exceptional Items | 1,283,154 | - | 1,283,154 |
| VII | **PROFIT BEFORE TAX (V - VI)** | **237,192,473** | **(21,868,599)** | **215,323,874** |
| VIII | **TAX EXPENSE** | | | |
| | Current Tax | 93,976,982 | - | 93,976,982 |
| | MAT credit entitlement | - | - | - |
| | Tax for earlier years | - | - | - |
| | Deferred Tax Expenses | 521,787 | - | 521,787 |
| IX | PROFIT / (LOSS) FOR THE PERIOD (VIII -VII) | **142,693,704** | **(21,868,599)** | **120,825,105** |
| X | DISCONTINUED OPERATIONS | | | |
| | Profit / (Loss) before tax for the year from discontinued operations | (1,043,887) | - | (1,043,887) |
| | Tax income (expense) of discontinued operations | - | - | - |
| | Profit / (Loss) for the year from discontinued operations | (1,043,887) | - | (1,043,887) |
| XI | OTHER COMPREHENSIVE INCOME | | | |
| | A Items that will not be reclassified to Profit or Loss | - | - | - |
| | Defined Benefit actuarial gains / (losses) | - | (19,475,900) | (19,475,900) |
| | Fair Valuation in Equity Instruments | - | (46,120,329) | (46,120,329) |
| | B Items that will be reclassified to Profit or Loss | - | - | - |
| | **OTHER COMPREHENSIVE INCOME** | **-** | **(65,596,229)** | **(65,596,229)** |
| XI | **TOTAL COMPREHENSIVE INCOME (IX+ X+XI)** | **141,649,817** | **(87,464,828)** | **54,184,989** |

* Previous transitioned figures have been reclassified to conform to IND AS presentation requirements for the purpose of the note

### 35.4 Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortized cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortized cost has been done retrospectively except where the same is impracticable.

## 35.4 Reconciliation of Equity

| | Particulars | Transition to Ind AS for the year ended 31.03.2018* | Adjustment on restatement | Ind AS | Transition to Ind AS at 01.04.2017 | Adjustment on restatement | Ind AS |
|---|---|---|---|---|---|---|---|
| | | As at March 31, 2018 | | | As at April 1, 2017 | | |
| I | **ASSETS** | | | | | | |
| | 1) Non-Current Assets | | | | | | |
| | (a) Property, Plant and Equipment | 693,035,663 | (358,562,122) | 334,473,541 | 278,591,543 | (100,768,626) | 177,822,917 |
| | (b) Capital Work-In-Progress | 2,011,291 | - | 2,011,291 | 340,240,465 | - | 340,240,465 |
| | (c) Investment Property | - | 358,562,122 | 358,562,122 | - | 100,768,626 | 100,768,626 |
| | (d) Other Intangible Assets | 2,435,956 | - | 2,435,956 | 3,668,740 | - | 3,668,740 |
| | (e) Financial Assets | | - | | | | |
| | i) Investments | 134,597,831 | 155,415,069 | 290,012,900 | 134,600,831 | 201,535,396 | 336,136,227 |
| | ii) Other Financial Assets | 1,008,076,643 | (295,847,614) | 712,229,029 | 770,973,794 | (304,631,350) | 466,342,444 |
| | (f) Deferred Tax Assets | 97,113,310 | - | 97,113,310 | 97,635,097 | - | 97,635,097 |
| | (g) Other Non - Current Assets | 9,434,486 | - | 9,434,486 | 9,434,486 | - | 9,434,486 |
| | **Total Non-Current Assets** | **1,946,705,179** | **(140,432,545)** | **1,806,272,635** | **1,635,144,956** | **(103,095,954)** | **1,532,049,002** |
| | 2) Current Assets | | | | | | |
| | (a) Inventories | 1,193,636,213 | - | 1,193,636,213 | 901,280,863 | - | 901,280,863 |
| | (b) Financial Assets | | | | | - | |
| | i) Trade Receivables | 216,627,525 | - | 216,627,525 | 141,620,843 | - | 141,620,843 |
| | ii) Cash and Cash Equivalents | 724,375,747 | - | 724,375,747 | 1,361,275,407 | (524,771,149) | 836,504,258 |
| | iii) Other Bank Balances | 1,260,954,846 | - | 1,260,954,846 | 748,114,714 | 524,771,149 | 1,272,885,863 |
| | iv) Other Financial Assets | 1,164,272,428 | (2,175) | 1,164,270,253 | 1,106,475,260 | (41,215) | 1,106,434,045 |
| | iv) Others | | | | | - | |
| | (c ) Other Current Assets | 333,073,726 | - | 333,073,726 | 246,518,757 | - | 246,518,757 |
| | **Total Current Assets** | **4,892,940,486** | **(2,175)** | **4,892,938,310** | **4,505,285,844** | **(41,215)** | **4,505,244,629** |
| | **Total Assets** | **6,839,645,665** | **(140,434,720)** | **6,699,210,945** | **6,140,430,800** | **(103,137,169)** | **6,037,293,631** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| II | **EQUITY AND LIABILITIES** | | | | | | |
| | 1) Equity | | | | | | |
| | (a) Equity Share Capital | 427,347,700 | - | 427,347,700 | 201,766,000 | - | 201,766,000 |
| | (b) Other Equity | 2,847,699,783 | 75,267,805 | 2,922,967,588 | 2,931,631,653 | 185,631,955 | 3,117,263,609 |
| | **Total Equity** | **3,275,047,483** | **75,267,805** | **3,350,315,288** | **3,133,397,653** | **185,631,955** | **3,319,029,609** |
| | **LIABILITIES** | | | | | | |
| | 2) Non-Current Liabilities | | | | | | |
| | (a) Financial Liabilities | | | | | | |
| | (i) Borrowings | - | - | - | - | - | - |
| | (ii) Other Financial Liabilities | 793,116,523 | (215,869,162) | 577,247,361 | 799,176,829 | (265,030,504) | 534,146,325 |
| | (b) Deferred Tax Liabilities (Net) | - | - | - | - | - | - |
| | (c) Provisions | 95,347,088 | - | 95,347,088 | 104,546,813 | - | 104,546,813 |
| | (d) Other Non-Current Liabilities | 9,536,546 | - | 9,536,546 | 8,092,547 | - | 8,092,547 |
| | **Total Non-Current Liabilities** | **898,000,157** | **(215,869,162)** | **682,130,995** | **911,816,189** | **(265,030,504)** | **646,785,685** |
| | 3) Current Liabilities | | | | | | |
| | (a) Financial Liabilities | | | | | | |
| | (i) Borrowings | - | - | - | - | - | - |
| | (ii) Trade Payables | 1,816,767,702 | (823,029,000) | 993,738,702 | 1,113,960,906 | (764,321,500) | 349,639,406 |
| | (iii) Other Financial Liabilities | 150,557,813 | 823,029,000 | 973,586,813 | 228,806,378 | 764,321,500 | 993,127,878 |
| | (b) Provisions | 542,225,748 | 166,637 | 542,392,385 | 643,575,143 | (23,738,621) | 619,836,522 |
| | (c) Other Current Liabilities | 157,046,762 | - | 157,046,762 | 108,874,531 | - | 108,874,531 |
| | **Total Current Liabilities** | **2,666,598,025** | **166,637** | **2,666,764,662** | **2,095,216,958** | **(23,738,621)** | **2,071,478,337** |
| | **Total Equity and Liabilities** | **6,839,645,665** | **(140,434,720)** | **6,699,210,945** | **6,140,430,800** | **(103,137,169)** | **6,037,293,631** |

* Previous transitioned figures have been reclassified to conform to IND AS presentation requirements for the purpose of the note

**36 Property Plant and Equipment**

i In the absence of the updated Fixed Assets register information is not readily available on the extent of land holding.

ii Refer Significant accounting policy No. 1.2 (j) in respect of deemed cost of assets as on the transition date, estimated useful life of assets, method of accounting of depreciation and amortisation charged.

iii The Company confirms that no impairment of assets as per Ind AS 36 is required based on the annual assessment carried out in this regard.

iv Property, Plant and Equipment 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.

v 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.

**vi Depreciation on Property, Plant and Equipment**

The Company has adopted the provisions of the Companies Act 2013 with respect to depreciation calculations from the financial year ending March 2019.

**37 Investment Property**

i The Company is in the process of estimating the fair value of the investment property.

ii Amounts recognised in Statement of Profit and Loss for Investment Properties
(All amounts are in Rupees unless otherwise specified)

| Particulars | 31.03.2019 | 31.03.2018 |
|---|---|---|
| Rental income derived from investment properties (Refer Note (i)) | 39,262,895 | 33,355,812 |
| Direct operating expenses (including repairs and maintenance) generating rental income | (19,513,713) | (103,920) |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income | - | - |
| **Profit arising from investment properties before depreciation and indirect expenses** | **19,749,183** | **33,251,893** |
| Less – Depreciation | (10,386,979) | (1,702,431) |
| **Profit arising from investment properties before indirect expenses** | **9,362,204** | **31,549,462** |

MSIL

**iii Karnataka Bhavan, Mumbai**

a) 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 Bhawan in Navi Mumbai is capitalized based on the completion certificate received from M/s Project Management Service effective from 31st March 2018.

b) The Company had entered on 27th September 2018 into a lease rental agreement with a moratorium of 4 months given to build the necessary infrastructure to commence the Hotel operations with a stipulation that the moratorium can be extended. We were not provided with any information on the extension of the moratorium period.

c) The Company is having un paid bills relating to the above project ; the Company is unable to confirm that these are the final bills.

d) The Income Tax Department while passing the AO for the AY 2014-15 had disallowed an amount of Rs 1.93 crores of revenue expenditure by the Company in connection with this project.

iv 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 capitalised the payments made towards leasehold land amounting to Rs.52,11,063/- (Rs.52,11,063/-) based on the possession certificate issued by KIADB.

## 38. EMPLOYEE BENEFITS

**i. Disclosure of Employee Benefits as per Ind AS 19**

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1 , 2017 |
|---|---|---|---|
| **Defined benefit liability - Gratuity** | **9,412,981** | **6,114,735** | **(1,510,168)** |
| Liability for Earned Leave | 86,444,118 | 96,518,866 | 78,583,941 |
| Liability for Death Relief fund | 8,774,064 | 9,536,546 | 10,392,547 |
| **Total employee benefit liabilities** | **104,631,163** | **112,170,147** | **87,466,320** |
| Non-current | 67,363,117 | 104,108,352 | 71,776,683 |
| Current | 37,268,045 | 8,061,795 | 15,689,637 |
| **Total employee benefit liabilities** | **104,631,162** | **112,170,147** | **87,466,320** |

**ii. Amount recognized in Balance Sheet**

| Particulars | GRATUITY-DEFINED BENEFIT | | EARNED LEAVE -DEFINED CONTRIBUTION | | DEATH RELIEF FUND-DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | **2018-19** | **2017-18** | **2018-19** | **2017-18** | **2018-19** | **2017-18** |
| Present Value of Obligation at the end of the year | 147,991,777 | 139,984,967 | 86,444,118 | 96,518,866 | 8,774,064 | 9,536,546 |
| Fair Value of Plan Assets at the end of the year | 138,578,796 | 133,870,232 | - | - | - | - |
| Funded Status | (9,412,981) | (6,114,735) | - | - | - | - |
| Liability recognized in Balance Sheet (as per actuarial valuation ) | (9,412,981) | (6,114,735) | 86,444,118 | 96,518,866 | 8,774,064 | 9,536,546 |

**iii. Reconciliation of the net defined benefit liability-Change in Present Value of Obligation**

| Particulars | GRATUITY-DEFINED BENEFIT | | EARNED LEAVE -DEFINED CONTRIBUTION | | DEATH RELIEF FUND-DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | **2018-19** | **2017-18** | **2018-19** | **2017-18** | **2018-19** | **2017-18** |
| Present Value of Obligation at the beginning of the year | 139,984,967 | 130,917,987 | 96,518,866 | 78,583,941 | 9,536,546 | 10,392,547 |
| Interest Cost | 8,430,939 | 9,040,881 | 5,927,408 | 5,325,608 | 623,230 | 758,503 |
| Current service cost | 4,734,365 | 2,404,830 | 10,266,146 | 14,384,657 | 634,365 | 703,526 |
| Prior service Cost | - | - | - | - | - | - |
| Benefits paid | (39,429,597) | (22,024,795) | (23,924,806) | (15,905,076) | (1,291,914) | (665,658) |
| Remeasurement of obligation | | | (2,343,497) | 14,129,736 | (728,163) | (1,652,372) |
| Actuarial loss/ (gain) on obligation recognised in the statement of Other Comprehensive Income | 34,271,103 | 19,646,064 | - | - | - | - |
| **Balance as at the end of the year** | **147,991,777** | **139,984,967** | **86,444,117** | **96,518,866** | **8,774,064** | **9,536,546** |

### iv. Change in Fair Value of Plan Assets

| Particulars | GRATUITY-DEFINED BENEFIT | | EARNED LEAVE -DEFINED CONTRIBUTION | | DEATH RELIEF FUND-DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 |
| Fair Value of Plan Assets the beginning of the year | 133,870,232 | 132,428,155 | - | | - | |
| Interest Cost | - | | - | | - | |
| Employer Contribution | 34,945,937 | 13,628,178 | 23,924,806 | 15,905,076 | 1,291,914 | 665,658 |
| Benefits paid | (39,429,597) | (22,024,795) | (23,924,806) | (15,905,076) | (1,291,914) | (665,658) |
| Return on plan assets excluding actual return on plan assets | 9,227,151 | 9,668,530 | - | - | - | - |
| Actuarial loss/ (gain) on obligation | 34,927 | (170,163) | - | | | |
| Balance as at the end of the year | 138,648,650 | 133,529,905 | - | - | - | - |

### v. Expense recognised in Statement of Profit & Loss

| Particulars | GRATUITY-DEFINED BENEFIT | | EARNED LEAVE -DEFINED CONTRIBUTION | | DEATH RELIEF FUND-DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Current service cost | 4,734,365 | 2,404,830 | 10,266,146 | 14,384,657 | 634,365 | 703,526 |
| Past service cost | - | - | - | - | - | - |
| Remeasurement of obligation | - | - | 2,343,497 | (14,129,736) | 728,163 | 1,652,372 |
| Net Interest on Net Defined Benefit Obligations | (796,212) | (627,649) | 5,927,408 | 5,325,608 | 623,230 | 758,503 |
| **Expense recognised in Statement of Profit & Loss before tax** | **3,938,153** | **1,777,181** | **18,537,051** | **5,580,529** | **1,985,758** | **3,114,401** |

**vi. Remeasurements recognised in Other Comprehensive Income**

| Particulars | GRATUITY-DEFINED BENEFIT | | EARNED LEAVE -DEFINED CONTRIBUTION | | DEATH RELIEF FUND-DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Actuarial loss/ (gain) on obligation | 34,306,030 | 19,475,900 | - | - | - | - |

**vii. ASSETS**

The gratuity assets are managed by LIC of India.

**viii. Assumptions**

With the objective of presenting the plan assets and plan liabilities of the defined benefits plans and post retirement benefits at their fair value on the balance sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date The significant actuarial assumptions were as follows:

**ix. Defined Benefit Obligation**

| Particulars | GRATUITY-DEFINED BENEFIT | | EARNED LEAVE-DEFINED CONTRIBUTION | | DEATH RELIEF FUND-DEFINED CONTRIBUTION | |
|---|---|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Discount Rate | 7.01% | 7.54% | 7.01% | 7.54% | 7.01% | 7.54% |
| Salary Escalation Rate | 7.00% | 7.00% | 7.00% | 7.00% | 0.00% | 0.00% |
| Attrition Rate | 5.00% | 1.00% | 5.00% | 1.00% | 1.00% | 1.00% |

**x. Sensitivity Analysis**

| Particulars | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Gratuity (Increase)/decrease in Defined Benefit Obligations | | | | |
| Discount Rate (100 bps movement) | (3,662,397) | 3,889,065 | (4,133,183) | 4,439,079 |
| Salary escalation rate (100 bps movement) | 3,930,849 | (3,784,670) | 4,614,538 | (4,372,355) |
| Attrition Rate (100 bps movement) | 199,945 | (209,545) | (189,680) | 201,235 |
| Earned Leave(Increase)/decrease in Defined Benefit Obligations | | | | |
| Discount Rate (100 bps movement) | (2,490,502) | 2,676,443 | (3,557,953) | 6,884,224 |
| Salary escalation rate (100 bps movement) | 2,504,483 | (2,374,493) | 5,596,438 | 2,518,914 |
| Attrition Rate (100 bps movement) | (126,555) | 34,434 | (134,922) | 146,066 |
| Death Relief Fund (Increase)/decrease in Defined Benefit Obligations | | | | |
| Discount Rate (100 bps movement) | (216,108) | 229,568 | (354,226) | 126,671 |
| Salary escalation rate (100 bps movement) | - | - | - | - |
| Attrition Rate (100 bps movement) | 49,576 | (51,902) | (58,233) | (187,434) |

## 39 INCOME TAX

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Tax expense comprises of: | | |
| Current income tax rate (in %) | 110,000,000 | 93,976,982 |
| Deferred tax | 10,533,111 | 521,787 |
| Tax for earlier years | 5,368,844 | - |
| **Income tax expense reported in the statement of profit or loss** | **125,901,955** | **94,498,769** |

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company and the reported tax expense in profit or loss are as follows:

**i) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Accounting profit before tax from continuing operations** | **349,109,184** | **120,825,107** |
| Accounting profit before tax from discontinued operations | (811,309) | (1,043,887) |
| Less : Ind AS adjustments | (48,908,481) | 40,338,571 |
| Adjustment to the declared Profits in the PY | | 76,028,795 |
| **Accounting profit before income tax** | **299,389,394** | **236,148,586** |

| | | |
|---|---|---|
| India's statutory income tax rate of 34.94% (31 March 2018:34.608 %) | 104,606,654 | 81,726,303 |

| ii) | Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|
| | Inadmissible Expenditure | 45,190,476 | 48,404,663 |
| | Admissible Expenditure | (41,742,959) | (36,153,984) |
| | Additional provision made | 1,945,829 | - |
| | **Income tax expense** | **110,000,000** | **93,976,982** |

**iii) Income tax on Other Comprehensive Income**

Income tax has not been computed on Other Comprehensive Income as per the current Tax provisions in India.

## 40. MOVEMENT IN PROVISIONS FOR THE YEAR 2018-19

| Particulars | Insurance Claim | Others |
|---|---|---|
| As at 1 April | 32,543,117 | 44,310,986 |
| Additional provision recognised during the year | 1,283,155 | 57,586,296 |
| Amount used during the year | - | - |
| Amount reversed during the year | - | (44,310,986) |
| **As at 31 March** | **33,826,272** | **57,586,296** |

## MOVEMENT IN PROVISIONS FOR THE YEAR 2017-18

| Particulars | Insurance Claim | Others |
|---|---|---|
| As at 1 April | 31,259,962 | 53,894,442 |
| Additional provision recognised during the year | 1,283,155 | 44,310,986 |
| Amount used during the year | - | - |
| Amount reversed during the year | - | (53,894,442) |
| **As at 31 March** | **32,543,117** | **44,310,986** |

## 41. Related Party - Disclosure under Ind AS 24

Key management personnel viz, Directors as disclosed below:-

Gourav Gupta Chairman

H.P.Prakash Managing Director

**i. Remuneration to Chairman and Managing Director**

(All amounts are in Rupees unless otherwise specified)

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Salaries and Allowance | 2,130,174 | 3,185,273 |

**ii Statement of Related party disclosures for the Financial year 2018-2019**

(All amounts are in Rupees unless otherwise specified)

| Particulars | Services / Sales Transaction - 2018-19 | | Balance as on 31.03.2019 | |
|---|---|---|---|---|
| | Income | Expenditure | Receivable | Payable |
| Marketing Communication & Advertising Ltd | 394,680 | 3,543,529 | 32,798 | 539,912 |
| The Mysore Chrome Tanning Company Ltd | - | | | |
| Food Karnataka Ltd | - | | | |

## 42. Earnings per Equity Share- Disclosure as per Ind AS 33

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **a. From continuing operations** | | |
| Basic earnings per share | 52.42 | 28.27 |
| Diluted earnings per share | 52.42 | 28.27 |
| **b. From discontinued operations** | | |
| Basic earnings per share | (0.19) | (0.24) |
| Diluted earnings per share | (0.19) | (0.24) |

### 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 | 224,002,898 | 120,791,107 |
| Profit attributable to equity holders from discontinued operations | (811,309) | (1,043,887) |
| Number of equity shares of Rs.100 each outstanding at the beginning of the year | 4,273,477 | 2,017,660 |
| Number of equity shares of Rs.100 each outstanding at the end of the year | 4,273,477 | 4,273,477 |
| Weighted Average number of Equity Shares | 4,273,477 | 4,273,477 |

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 * | 4,273,477 | 4,273,477 |
| Shares deemed to be issued for no consideration | - | - |
| Weighted average number of equity shares used in calculation of diluted earnings per share | 4,273,477 | 4,273,477 |

* The equity shares were issued during Financial year 2017-18 by converting the outstanding loans with Government of Karnataka vide GoK Order CI 66, CMI 2014 dated 13th July, 2017.

## 43. Segment Information

**Disclosures pursuant to Ind AS - 108**

Revenues and expenses directly attributable to segments are reported under each reportable segment where the turn over of the segment is 5% or more of the total turn over.

All other items are reported under Others.

| | Particulars | Paper | Beverages | Others | TOTAL |
|---|---|---|---|---|---|
| | | Rs. | Rs. | Rs. | Rs. |
| 1 | Revenue | 839,258,077 | 16,894,303,353 | 692,836,021 | 18,426,397,451 |
| 2 | Segment Results | 69,782,803 | 391,438,179 | (98,593,874) | 362,627,108 |
| 3 | Finance Cost | 305,062 | 5,273,864 | 7,938,995 | 13,517,921 |
| 4 | Profit Before TAX | 69,477,741 | 386,164,315 | (106,532,869) | 349,109,187 |
| 5 | Income Taxes for the year | | | (115,368,844) | (115,368,844) |
| 6 | Deferred Tax | | | (10,533,111) | (10,533,111) |
| 7 | Profit After Tax | 69,477,741 | 386,164,315 | (232,434,824) | 223,207,232 |
| | **OTHER INFORMATION :** | | | | |
| 1 | Segment Assets | 911,992,151 | 1,577,756,243 | 4,124,225,754 | 6,613,974,148 |
| 2 | Segment Liabilities | 519,871,267 | 155,490,577 | 2,504,376,015 | 3,179,737,859 |
| 3 | Capital Expenditure | 905,772 | 66,693,501 | 105,964,001 | 173,563,274 |
| 4 | Depreciation | 2,940,742 | 25,910,893 | 43,328,639 | 72,180,274 |

**Notes:**

**A. The products included in each of the reported segments are as follows:**

i) Paper includes Note Books and Stationery

ii) Sale of Liquor is reported under Beverages Division

iii) Others include Chit Fund, Consumer and Industrial Products, BACC, Export & Import and Hire-purchase, Pharmaceutical & Tours & Travels

B. Segment Revenue relating to each of the above business segments represents sales, income from services, interest income, rental income and other related income.

## 44 Operating Leases - Disclosure under Ind AS 116

A Leases as a Lessor

The Company leases out it’s investment property on operating lease basis.

(i) Future minimum lease receivable

At 31 March, the future minimum lease payments under non-cancellable leases are receivable as follows

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Not later than one year | 39,189,726 | 39,262,895 | 33,355,812 |
| Later than one year and not later than five years | 22,472,218 | 39,262,895 | 78,525,790 |
| Later than five years | - | - | - |

The company has not recognized any income as contingent rent

(ii) Amounts recognised in the Statement to Profit & Loss- under Other Income

During the year ended 31 March 2019, property rentals of Rs 392.63 lakhs (31 March 2018: Rs. 333.56 lakhs) have been included in Other Income (Note No 24) in Statement of Profit & Loss as follows:

| Particulars | For the year ended 31.03.2019 | For the year ended 31.03.2018 |
|---|---|---|
| Income from Investment Property | 39,262,895 | 33,355,812 |

**B Leases as Lessee**

(i) Future minimum lease payments

At 31 March, the future minimum lease payments to be made under non-cancellable operating leases are as follows

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Not later than one year | 77,545,495 | 112,088,467 | 101,214,934 |
| Later than one year and not later than five years | 116,531,344 | 113,394,337 | 226,788,674 |
| Later than five years | - | - | - |

(ii) Amounts recognised in the Statement to Profit & Loss- under Other Expenses Note No 28

| Particulars | For the year ended 31.03.2019 | For the year ended 31.03.2018 |
|---|---|---|
| Lease expense-Minimum lease payments | 112,088,467 | 101,231,734 |

**45 Risk Management**

**i 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 will be 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, 2019 | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| Equity | 3,548,195,199 | 3,350,315,287 | 3,319,029,609 |
| Debt | - | - | - |
| Cash and cash equivalents | 770,432,515 | 724,375,746 | 836,504,258 |
| **Net debt** | **-** | **-** | **-** |
| **Total capital (Equity + Net debt)** | **3,548,195,199** | **3,350,315,287** | **3,319,029,609** |
| Net debt to capital ratio | - | - | - |

ii **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.

iii **Liquidity risk management**

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding contractual maturities of financial liabilities as at 31 March 2019

| Particulars | Carrying amount |
|---|---|
| Trade Payables | 899,187,329 |
| Other Financial liabilities | 991,628,053 |

The table below provides details of financial Assets as at 31 March 2019

| Particulars | Carrying amount |
|---|---|
| Trade receivables | 512,722,574 |
| Other Financial assets | 2,569,910,049 |

## 46. Financial Instruments and risk management - Classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

| Notes | Particulars | As at March 31, 2019 | | | As at March 31, 2018 | | | As at April 1, 2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fair value - Profit & Loss (FVPL) | Fair value- FVOCI | Fair Value - Amortized cost | Fair value - Profit & Loss (FVPL) | Fair value- FVOCI | Fair Value - Amortized cost | Fair value - Profit & Loss (FVPL) | Fair value- FVOCI | Fair Value - Amortized cost |
| **I** | **Financial assets measured at fair value** | | | | | | | | | |
| A | Investments | | 239,553,586 | | | 229,763,498 | | | 275,883,827 | |
| B | EMD & Security Deposits | | | 111,503,525 | | | 86,558,724 | | | 74,480,529 |
| C | Deferred Income | | | 5,105,878 | | | 9,157,695 | | | 7,259,238 |
| D | Other advances recoverable in kind or for value to be received | | | 1,411,188,508 | | | 1,490,900,147 | | | 1,324,545,385 |
| | | **-** | **239,553,586** | **1,527,797,911** | **-** | **229,763,498** | **1,586,616,566** | **-** | **275,883,827** | **1,406,285,152** |
| **II** | **Financial assets not measured at fair value** | | | | | | | | | |
| A | Investments | | | 6,000 | | | 6,000 | | | 9,000 |
| B | Trade receivables | | | 512,722,574 | | | 216,627,525 | | | 141,620,843 |
| C | Cash and cash equivalents | | | 770,432,515 | | | 724,375,746 | | | 836,504,258 |
| D | Other Bank Balances | | | 1,295,160,231 | | | 1,260,954,846 | | | 1,272,885,863 |
| E | Loans | | | | | | | | | |
| (i) | Advance to Employees | | | 380,299 | | | 254,502 | | | 525,211 |
| (ii) | Advance to Suppliers | | | - | | | - | | | - |
| (iii) | Other advances recoverable in kind or for value to be received | | | 39,105,460 | | | 47,663,093 | | | 38,075,963 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **F** | **Other Financial Assets** | | | | | | | | | |
| (i) | Interest accrued on Loans/ Deposits | | | 74,339,440 | | | 137,290,861 | | | 127,890,164 |
| (ii) | Others - Deposits held more than 12 months | | | 90,689,118 | | | 104,674,263 | | | - |
| | Other Investments | | | | | | | | | |
| | Investment in Subsidiaries and Associate | | | 60,243,400 | | | 60,243,400 | | | 60,243,400 |
| | | **-** | **-** | **2,843,079,036** | **-** | **-** | **2,552,090,236** | **-** | **-** | **2,477,754,701** |
| **III** | **Financial liabilities measured at fair value** | | | | | | | | | |
| A | EMD & Security Deposits | | | 130,719,834 | | | 132,540,318 | | | 72,573,845 |
| B | Deferred Income | | | 11,638,353 | | | 5,326,271 | | | 1,719,254 |
| C | Others | | | 411,753,651 | | | 497,511,422 | | | 461,811,996 |
| | | **-** | **-** | **554,111,838** | **-** | **-** | **635,378,011** | **-** | **-** | **536,105,095** |
| **IV** | **Financial liabilities not measured at fair value** | | | | | | | | | |
| A | Trade payables | | | 899,187,329 | | | 993,738,702 | | | 349,639,406 |
| B | Other Financial Liabilities | | | 986,240,519 | | | 910,068,627 | | | 985,781,572 |
| C | Other Liabilities | | | | | | | | | |
| | Interest accrued on Loans/ Deposits | | | 5,387,534 | | | 5,387,534 | | | 5,387,534 |
| | | **-** | **-** | **1,890,815,381** | **-** | **-** | **1,909,194,863** | **-** | **-** | **1,340,808,511** |

The carrying amount of the Assets reported under Serial No II and Liabilities reported under Serial VI approximate their carrying value.

## ii) Fair value hierarchy

The hierarchy levels used for Fair value measurements of Financial instruments wherever applicable is given below:

### 46. Financial Instruments and risk management - Classification and fair values (Contd)

| | | | As at March 31, 2019 | | | As at March 31, 2018 | | | As at April 1, 2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Note No | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| I | Financial Assets and Liabilities measured at Fair value – recurring fair value measurements | | | | | | | | | | |
| A | Financial Assets and Liabilities | 6 & 16 | | | 1,925,949,729 | | | 1,594,133,929 | | | 2,007,126,247 |
| B | Financial Investments at FVOCI - Unquoted | 5 | 12,571,845 | 226,981,741 | | 18,672,900 | 211,090,598 | | 15,180,964 | 260,702,863 | |

**Level 1** : Level 1 hierarchy includes Financial instruments measured using quoted prices.

**Level 2** : The fair value of Financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates.

**Level 3** : If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

MSIL

## 47. Disclosure under MSME

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 2018-2019

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year. | | |
| Principal Amount | - | 153,204 |
| Interest payable under MSMED Act, 2006 | - | 12,066 |
| **Total** | **-** | **12,066** |
| 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. | - | - |
| 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 * | - | 12,066 |
| The amount of interest accrued and remaining unpaid at the end of the accounting year | - | 12,066 |
| 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.* | - | 12,066 |

*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.

## 48. Expenditure on Corporate Social Responsibility (CSR)

Pursuant to Section 135 of Companies Act, 2013 and rules framed thereunder (CSR Regulations), a CSR committee of the Board of Directors has been constituted by the Company.

| Particulars | For the year ended March 31,2019 | For the year ended March 31,2018 |
|---|---|---|
| | Rs. | Rs. |
| Gross amount required to be spent by the Company during the year | 8,348,573 | 11,084,877 |
| Amount spent during the year: | 20,540,972 | 54,080,000 |

## 49. CONTINGENT LIABILITIES AND COMMITMENTS

| SL.No | Particulars | 2018-2019 | 2017-18 |
|---|---|---|---|
| i | Guarantees / Counter Guarantees given by the Company to Banks | 394,815,474 | 385,544,381 |
| ii | Insurance Claim on Fire Policy –pending cases | 20,773,297 | 20,773,297 |
| | Insurance Claim on Fire Policy –decreed cases | 48,870,362 | 48,870,362 |
| | Interest on Insurance Claim | 52,608,448 | 48,758,984 |
| iii | Claim made by party in the business of Iron ore Export (including interest) | 157,019,850 | 147,853,074 |
| iv | Claims made by Directorate of Pension, Small savings Asset Monitoring | 460,986,366 | 460,986,366 |
| v | Claim against lease of windmill by Wescare (India) Limited | 11,923,000 | 11,923,000 |
| vi | Income Tax Demands | 38,310,940 | 49,575,098 |
| vii | Service Tax Demands | 17,600,000 | 14,700,000 |

The above amounts have not been provided as the Company has disputed the claims.

i Bank Guarantee has been given for the demand relating to TCS on Arrack of Rs 36,17,49,381 and other routine business matters of Rs 3,30,66,093.

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/-) ; the Income Tax department had adjusted the refund of Rs.42,40,233/- due in respect of financial year 2006-07 against this pending demand.; had made a provision for Rs 25,25,407 and had provided bank guarantee for Rs. 36,17,49,381/- (Rs. 36,17,49,381/-). Though the matter was taken up by the Hon'ble Supreme Court on couple of occasions during 2018 – 19 it did not reach final hearing.

ii (i) Few Insurance companies who had settled the claims of their customers on account of the 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 principle of subrogation. The company had contested the claims in the City Civil Court. Aggrieved by the orders of the City Civil Court in case of decreed suits, the company had appealed to High court of Karnataka. The Honourable High Court in its order dated 09-03-2009 had decreed that MSIL and the 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 had appealed against the order of the High Court to the 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 3,38,26,269 /- ( Rs. 3,25,43,115/-) including interest capitalized at 6% in the books and the balance amount of Rs 10,14,78,810/- (Rs.9,76,29,346/-) is shown as contingent liability. The process of recovery from Insurance companies and the Department of Customs is on going. The amount relating to non decreed cases is Rs. 2,07,73,297/- (Rs 2,07,73,297) is reported under contingent liability. 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.

iii 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. In the hearing held on 8th August 2019 it was informed by the Advocate for the accused that the accused had expired and the Death Certificate will be produced in the next hearing.

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.

**iv** **Directorate of Small Savings:** A letter dated 20 June 2019 was received from the Directorate of Pension, Small Savings Asset Monitoring towards short remittance of sale proceeds of lottery and interest on delayed remittance, amounting to Rs 46,09,86,366 drawing reference to their earlier letter no Pr.AG(G&SSA)/ OAD - 111 / G / 2016-17 / 103 dated 31 March 2017. However the company vide its letter dated 18th October 2016 had communicated that it had already remitted a sum of Rs 3,52,60,961 17th October 2016 towards full and final settlement and that no further claim is payable by the company in relation to the above subject. The letter is also acknowledged by the Directorate of Small Savings. As the Directorate of Small Savings is once again demanding the dues, the above amount is reported under Contingent Liability

v 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.

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 hearing during Nov/Dec, 2019.

vi **As per the Income Tax Department's Order, the following are the tax demands :**

(All amounts are in Rupees unless otherwise specified)

| Asst Year | Amount | Remarks |
|---|---|---|
| 2010-11 | 34,245,480 | ITAT has remanded the matter to CIT (A) for fresh consideration |
| 2014-15 | 2,200,000 | IT Department has filed an appeal against the CIT Order - allowance of Leave Salary |
| 2015-16 | 1,865,460 | Appeal is pending with CIT (A) |
| **Total** | **38,310,940** | |

vii **Service Tax**

The total amount of Service tax disputed before CESTAT is Rs 2,67,00,000 for various years from 2002-03. However, the company has deposited Rs 91,00,000 against these dues. The balance amount is shown under "Contingent Liability.

**50 Other Notes**

i **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 | 2018-2019 | 2017-2018 |
|---|---|---|
| ESSPL | 29,302 | 27,276 |

ii 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.

iii Balances in the accounts of sundry creditors, sundry debtors, business associates including joint ventures and advances/deposits are subject to confirmation and reconciliation. Consequential impact of such reconciliation and confirmation, if any, on the net profit and on the assets/liabilities is not ascertainable.

iv IT Demand of Rs 41,49,600 for AY 2012-13 and Rs 12,19,244 for AY 2016-17 has not been contested by the Company and has not been paid till date. However a provision has made during the current financial year for the above amounts.

v 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.

vi 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.

vii 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 Government 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 cross examination of both PW1 & PW3 has been completed on 04.06.2019. However instead of adducing evidence the defendants brought an interim stay on the proceedings from the Hon'ble High Court to cross exam PW3 again. Company has filed Vakalathnama in the High Court and petition to be filed for vacation of stay after filing rejoinder during August, 2019.

## 50 Other Notes

viii Investments in Note.5 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.

ix The Company holds consignment stocks valued at Rs. Nil (Rs 1,96,008) on behalf of the consignors as on the last day of the financial year.

x Capital work in progress is Nil (PY Rs 20,11,291).

xi The Company is in possession of 16 numbers of art paintings the value of which is not ascertained.

## xii CAG observations not attended to in respect of the following:

a Recovery of liquidated damages from the contractor for the delay in completion of the Project - Karnataka Bhavan was not done

b Receipt for payment of Cess under BCWW Cess Act 1996 by the Contractor was not collected.

## xiii GOVERNMENT GRANTS

During the current year the Company has opened 3 Jan Aushadi outlets which are eligible for Government grants. An amount of Rs 3,68,089 was received towards Grant for investment in Fixed Assets.

In addition the Company is also eligible to receive Free pharmaceutical stock worth Rs 1 Lakh for each of the outlet which had not been received. This amount is not accounted for by the Company as a receivable.

For the outlets that became functional in the current financial year an amount of Rs 3,61,123 was received as grant towards the investment in Fixed assets

The company had also received an amount of Rs 26,55,639 in the current year towards the outlets opened in the previous year.

## xiv GST on License fees - Liquor Division

An amount of Rs 5,97,40,200 is included under Other Assets Note no 8 being the GST paid on License fees by the Liquor Division during the period April to October 2018. A refund claim has been preferred for this amount.

As per our Report of Even date attached

**For Abarna & Ananthan**
CHARTERED ACCOUNTANTS
Firm registration number: 000003S
Sd/-
**(Abarna Bhaskar)**
PARTNER
Membership No. 025145
UDIN:19025145AAAAAJ9669

Place: Bengaluru
Date:16.09.2019

For and on behalf of the Board of Directors of
**Mysore Sales International Limited**

Sd/-
**Subramanya**
Chief Financial Officer
PAN No:AAXPN7506K

Sd/-
**Sridevi B N**
Company Secretary
PAN No: AFNPN1525M

Sd/-
**H.P.Prakash**
Managing Director
DIN No: 06688928

Sd/-
**Gourav Gupta**
Chairman
DIN No: 02184763

MSIL

**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 53rd Annual General Meeting of Mysore Sales International Limited, to be held on Tuesday, the October 15, 2019 at No. 36, MSIL House, Cunningham Road, Bengaluru - 560 052 at 1.00 P.M. 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**

**(53rd General Meeting of the Company to be held on Tuesday, October 15, 2019 at 1.00 P.M)**

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

**53rd General Meeting of the Company to be held on October 15, 2019 at 1.00 P.M.**
**at No. 36, MSIL House, Cunningham Road, Bengaluru - 560 052**

**ROUTE MAP**


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

MSIL Mysore Sales International Limited
MSIL House, # 36, Cunningham Road, Bengaluru - 560 052
Phone : 080 - 2226 4021 / 25 Fax : 2225 3311
E-mail : msil@msilonline.com Website : www.msilonline.com