# CONSOLIDATED FINANCIAL STATEMENTS 2016-17

To,

**The Members of**
**Karnataka State Industrial & Infrastructure Development Corporation Limited,**
**Benglauru**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Karnataka State Industrial and Infrastructure Development Corporation Limited ( hereinafter referred to as " the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entities, comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended.

**Management's Responsibility for the Consolidated Financial statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (accounts) Rules,2014.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedure selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal financial control relevant to the holding company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

**Basis for Qualified Opinion**

**In case of Holding Company**

1. The Mercara Currers Private Limited is under liquidation. Its assets were sold and proceeds were invested in fixed deposits in PSE's banks awaiting completion of the liquidation proceedings. However the interest accrued on the FDs were appropriated as income for the Company without any declaration of dividend by the liquidator. The accounting treatment in the books of the company has resulted in:-

   a. Current year income overstated by Rs. 27,74,430/-.

b. Cumulative income overstated from 2012-13 upto 31st March 2016 ₹ 92,73,511/-

c. The aggregate income reckoned in the Company's books up to 31st March 2017 is ₹1,20,47,941/-. Consequently the liability required on this account i.e ₹ 1,20,47,941/- is understated and for similar amount the carry forward losses also under stated in the books of the Company.

2. The Company had included the estimated Service charges in the cost of its own Buildings constructed in the past year, which accounting treatment is in deviation to the principles set out in Accounting Standard- 10 : Property, Plant and Equipment (vide Company Accounting Standard Rules 2006). Thus aggregate building cost has been depreciated over succeeding years and the net written down value of the building as at March 2017 is ₹ 1,48,82,599/-. The Accounting treatment has resulted in overstatement of fixed assets and corresponding understatement for cumulative losses carry forwarded. For the Year ended 31.03.2017, profit is understated by ₹15,25,770/-.

3. The company has taken amounts as share application money amounting to ₹48,69,00,000/- as at 31.03.2016 and are allotted during the current year on 25th May 2016 thereby raising the issued share capital to Rs. 6,67,14,66,900/- and is within the authorized share capital of ₹ 8,00,00,00,000.

a. The amounts are utilized for the purpose of redemption of Preference Share Capital before the allotment of shares.

b. For such receipt of share application monies no separate bank accounts were opened. This is in contravention of Companies Act 2013 and relevant Rules 2014 framed there under.

4. Whereas the value of Fixed Assets shown at ₹ 322.78 Crores consists of net block of ₹1.81 crores. Of diesel generator set wherein depreciation on fixed assets has been provided on Pro rata basis on straight line method as per the useful life prescribed under Schedule II of the Companies Act, 2013. The Schedule II of the Act provides useful life of electrical installations and equipments to be 10 years. Considering the same the said assets should have been fully depreciated. However Company has retained the value of the asset at ₹1.81 Crores. in the books. This has resulted in over statement of assets and reserves & surplus by ₹1.81 Crores.; the accumulated depreciation is understated to that extent.

5. The statement of Profit & Loss account of the Company shows under other income an amount of ₹11.70 Crores interest on fixed deposit. However, the said amount is short accounted by ₹ 0.31 Crores. due to incorrect accounting of accrued interest. This has resulted in understatement of other income, profit for the year fixed deposit to the extent of ₹ 0.31 crores.

6. Interest claim of ₹98.38 cores from Forest Department on delayed payment of compensation for diversion of land has not been included in contingent liabilities under Note 31(11) annexed to Consolidated financial statements:

**In Respect of one Subsidiary, M/s, Mysore Sales International Limited., as reported by the respective auditor.**

1. The company has provided for proposed equity dividend of ₹2,01,76,600/- and Dividend distribution tax of ₹35,62,021/- for the year ended 31st March, 2017 on profits earned during the year under review, which was not approved by the shareholders ason 31st March, 2017. To that extent we opine that the liabilities are overstated (as per the Accounting Standards 29 provisions, contingent liability and contingent assets).

2. In Inventory of paper division includes unusable inventory of 76.10 MT valued at ₹39160.25/MT, as on 31st March, 2017, where as the accepted tender value for sale of the said inventory was ₹ 11517.82/MT. In accordance with AS-2, the said inventory should have been valued at ₹11517.82/MT. This has resulted in overstatement of inventory and profit to the extent of ₹ 21,03,589/-.

3. We draw attention to Note No. 31(16)(B) on the construction of Karnataka Bhavan at Mumbai- The right of the company on the building being constructed on land belonging to the City & Industries Development Corporation of Maharashtra (CIDCO) leased to the GoK under BOOT Contract is dependent on execution of 'Lease Agreement' between Gok and CIDCO. The Company has obtained occupancy certificate from Navi Mumbai

Municipal corporation on 10th March 2016 and the company also paid ₹14,11,556/- towards property tax for the FY 2016-17, capital expenditure incurred ₹ 33.82 crores is classified as CWIP, to that extent Fixed Assets are understated and depreciation not ascertainable.

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

**In Respect of one Subsidiary, M/s, Marketing Communication and Advertising Limited as reported by the respective auditor.**

1. Other Current Assets in Note 19 includes Income Tax and Fringe Benefit Tax refunds of ₹ 51.44 lakhs (Previous Year 51.44 lakhs) which are outstanding for a period of more than 3 years. The company response on the recoverability of the aforementioned refund is not found satisfactory. In our opinion, the recovery of the refunds is doubtful. To the extent of short fall of provisioning of ₹51.44 lakhs, profit of the company and other Current Assets are overstated.

2. Balance of Trade Receivables and Trade payables along with the below mentioned accounts have not been confirmed from the counter parties. The financial impact of this noncompliance, if any, could not be determined.

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

| (1) Sl. No | (2) Particulars | (3) Amount as per Books. (₹) | (4) Amount for which Confirmation received by statutory Auditor/ reconciled | (5) % of Unconfirmed amount |
|---|---|---|---|---|
| 1 | Trade receivables (Note -16 of Consolidated Financial statements which includes amount mentioned in Column No. 3) | ₹59,90,99,611/- | ₹.24,15,763/- | 99.597% |
| 2 | Trade Creditors (Note -08 of Consolidated Financial statements which includes amount mentioned in Column No. 3) | ₹46,73,71,200/- | NIL | 100% |
| 3 | Other Liabilites Advance from Customers (Note -09 of Consolidated Financial statements which includes amount mentioned in Column No. 3) | ₹3,83,42,451/- | NIL | 100% |
| 4 | Trade Advances (Note – 18 ) of Consolidated Financial statements which includes amount mentioned in Column No. 3) | ₹5,49,88,162/- | NIL | 100% |
| 5 | Trade / Security deposits received (Note – 09 of Consolidated Financial statements which includes amount mentioned in Column No. 3) | ₹1,19,37,533/- | NIL | 100% |

3. The Company is recruiting human resources in the form of consultants termed as “freelancers”. The freelancer’s roles, responsibilities and terms of remuneration demonstrate employee and employer relationship with the company. In our opinion, the statutory benefits like ESI, PF and others should be applicable for them. Further the profits of the company are overstated and liabilities of the company are understated and the financial impact could not be determined.

4. It is observed that there is a disagreement in company purchases and sales maintained in the books of accounts w.r.t. Statutory returns filed i.e.; Service tax returns. We had tried to obtain the management response regarding the non-compliance but the reply provided by them is unsatisfactory. In our opinion, the financial impact of non-Compliance cannot be measured.

5. The company has provided for proposed equity dividend of ₹ 35,72,520/- for the year ended 31.03.2017 , on profits earned during the year under review, which was not declared by the board nor approved by the shareholder as on 31-03-2017. To that extent we opine that the liabilities are overstated (as per Accounting standard 29 Provisions, Contingent liabilities and contingent assets).

**Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except the effects of the matter described in the basis of qualified opinion paragraph, the aforesaid consolidated financial Statements give the information required by the act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

**Emphasis of Matter**

Without qualifying our report we draw your attention to:

**In case of Holding Company:**

1) The proceeds of M/s Manaswani Enterprises realized ₹3,73,22,445/- from borrowers under scheme of One time settlement is under various stages of judicial process/cases and hence not recognized as income.

2) Refer to note No.31(11) which includes demands raised on the company by the Income Tax Department for ₹ 21,89,78,060/- in the earlier years have not been acknowledged and contested in various appeals. Hence noted in contingent liability.

3) Refer to Note No.31 (25) regarding non provision towards interest payable, if any under MSMED Act 2006 and interest liability in this regards could not be assessed.

4) Refer to Note No. 31(11) which includes demands of the Karnataka VAT department for ₹47,09,938/- in the earlier years which are awaiting disposal in appeals.

**In Respect of Subsidiary, M/s. Mysore Sales International Limited, as reported by the respective auditor.**

1) Note No. 31(11)- The company has made a provision of ₹ 3.00 crores against ₹12.00 crores (inclusive of interest up to 31.03.2017 at 6% p.a.) decreed in favour of the insurance companies being 25% of the total claim. The Company assumes only 1/4th of the liability as insurance companies and Customs Department are also parties to the transaction.

2) We draw attention to Note No. 31(11) Contingent Liability does not include the claim made by the Director, Directorate of Pension, Small Savings Asset Monitoring towards short remittance of sale proceeds and interest on delayed remittances, amounting to ₹ 46,09,86,366/- vide their letter dt. 08.03.2017 since full and final settlement made and intimated by the Company vide letter dt. 18.10.2016, where in Company stated clearly that the payment of ₹3,52,60,961/- is towards full and final settlement and no further claim payable by the company pertaining to the above transaction, the letter also acknowledge.

3) We draw attention to Note No. 31(19) to the financial statement which describes the non provision of interest on loan received from Government of Karnataka.

4) We draw attention to Note 31(11) to the financial statements, Contingent Liabilities, which describe the uncertainty related to the outcome of the claims/ arbitration proceedings and law suits filed by/against the company.

The Auditor's opinion is not qualified in respect of the above matters.

**Other Matters**

In case of Beverages Division, no documents are prepared at the point of sale in some of the outlets due to non-availability of internet connection to POS system/Billing Terminals. The sales figure is derived as a balancing figure and hence we could not verify it with the source documents.

The Auditor's opinion is not qualified in respect of the above matters.

**In Respect of one Subsidiary, M/s. Marketing Communication and Advertising Limited as reported by the respective auditor.**

1. Note No 31(41)(a) of Consolidated Financial statements of Marketing Communication & Advertisement Limited - The legal case pending in respect of Anil Kumar, Managing Director, KNNL & others has been struck off vide writ petition number 53252/2014. The Honourable High Court of Karnataka has dismissed the writ petition as counsel for the petitioner submitted that the matter has become infructuous.

2. Note No 31(37) – The company has made a note for not providing Interest on delayed payment of service tax due on change in law (introduction of the Point of taxation rules, 2011).
3. Note No 16 includes a refund of taxes from the VAT department of ₹10,30,023/- whose current status of follow up is disclosed by a way of note no. 31(42).
4. Note No 16 includes collections from sundry debtors through RTGS amounting to ₹74,83,165.07/- .
5. Note No 31(38) - The Company has disclosed the policy on providing for doubtful debts.
6. Note No 31(39) – The Company has disclosed the nature of business development expenses.
7. Note No 31(40) - The Company has made a note on the breakup of prior period items debited to the profit and loss account for the year under review.
8. Note No 31(11) - The Company has disclosed contingencies for which the liability has not been provided for.
9. Note No 31(11) - The Company has shown the contingent liability of VAT for an amount of Rs.41, 02,057/- on the basis of order issued by the commissioner of commercial tax.

**Report on Other Legal and Regulatory Requirements**

1) As required by section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief necessary for the purpose of our audit.

b) In our opinion, proper books of accounts 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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of accounts.

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

e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure I'. Our report expresses Qualified Opinion on operating effectiveness of Internal Financial Controls over Financial Reporting and unmodified opinion on adequacy of such controls.

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

i) The particulars of pending litigations which would impact the financial position of the Company are disclosed in Note 31(14) to the Consolidated Financial Statements.

ii) The Company did not have any material foreseeable losses on long-term contracts including derivative contracts.

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

iv) The company had provided the requisite disclosures in its financial statements as to holdings as well as dealings in specified bank notes during the period from 8th Nov 2016 to 30th Dec, 2016 and these are in accordance with the books of accounts maintained by the company. We have consolidated the relevant information to reflect the consolidated position.

**For NSVM & Associates**
**Chartered Accountants**
**Firm Regn. No. 010072S**
**Sd/-**
**CA. D.N SREEHARI**
**Partner**
**M No: 027388**

Place: Bangalore
Date: 04.11.2017

## "Annexure -I " to the Independent auditor's report even date on the Consolidated financial statements of Karnataka State Industrial & Infrastructural Development Corporation Limited.

**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 Karnataka State Industrial & Infrastructural Development Corporation Limited (herein after referred to as "the Holding Company") and its subsidiary companies, its associate companies and jointly controlled companies, as of March 31, 2016 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

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

Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial, controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over Financial Reporting and their operating effectiveness.

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

We believe that the audit evidence, we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Companys ínternal 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 group are being made only in accordance with authorisations of management and directors of the Companys; 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.

**Opinion**

We as Auditors of standalone financial statements of Karnataka State Industrial & Infrastructure Development Corporation Limited have opined our views on IFCOFR as under;

**Qualified opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2017

The internal control mechanism needs to be strengthened in the following areas:-

- Active and prompt follow up of debts, advances and claims by respective divisions.
- Periodic confirmations of outstanding balances, reconciliation of debtors, creditors, business associates and other sensitive heads of accounts.
- Follow up of recoveries arising out of execution of decrees/awards pronounced in favour of the Holding company.
- Internal control procedure for Property Management at Projects Division has to be strengthened to eliminate default of terms and conditions of agreements and consequent losses, if any.
- Rental Agreements and Receipts
  a) Lack of review of lease agreements to identify unsigned agreements that are due for renewal;
  b) Inconsistency in reconciling 'Rent/Maintenance Receivable'and subsequent receipts;
  c) Non imposition on interest on delay in receipt of Rentals

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on "The internal control over financial reporting criteria established by the Company considering the essential components financial reporting criteria established by the Company considering the ressential 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."

**In Respect of one subsidiary M/s. Marketing Communication & Advertising Ltd. as reported by the respective Auditors:**

The Auditors have opined that according to the information and explanation given to them, the Company has not established its internal financial control over financial reporting on criteria based on or 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. Because of this reason they were unable to obtain sufficient appropriate audit evidence to provide a basis for their opinion whether the Company had adequate internal financial controls over financial reporting and whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2017.

They have considered the disclaimer reported above in determining the nature, timing and extent of audit tests applied in their audit of standalone financial statements of the Company and the disclaimer does not affect their opinion on the standalone financial statements of the Company.

In all other companies coming under the group the respective Auditors have given no qualification.

**For NSVM & Associates**
**Chartered Accountants**
**Firm Regn. No. 010072S**
**Sd/-**
**CA. D.N SREEHARI**
**Partner**
**M No: 027388**

Place: Bangalore
Date: 04.11.2017

## REPLIES TO THE QUALIFICATIONS OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016-2017

| Sl. No. | Qualifications by the Auditors | Replies of the Corporation |
|---|---|---|
| 1 | The Mercara Currers Private Limited is under liquidation. Its assets were sold and proceeds were invested in fixed deposits in PSE's banks awaiting completion of the liquidation proceedings. However the interest accrued on the FDs were appropriated as income for the Company without any declaration of dividend by the liquidator. The accounting treatment in the books of the company has resulted in:-<br>a) Current year income overstated by ₹27,74,430/-<br>b) Cumulative income overstated from 2012-13 upto 31st March 2016 ₹92,73,511/-<br>c) The aggregate income reckoned in the Company's books up to 31st March 2017 is ₹1,20,47,941/-. Consequently the liability required on this account i.e ₹1,20,47,941/- is understated and for similar amount the carry forward losses also under stated in the books of the Company. | KSIIDC realised a sum of ₹280 lacs by sale of assets in association with OL and retained the amount along with interest as per the orders of Hon'ble High Court of Karnataka. KSIIDC is the only Secured Creditor and is entitled for the entire amount of share if adjudicated by OL. This amount of share will not be sufficient to realise the entire dues. In view of the matter pending before the O.L for adjudication the amount is retained by KSIIDC. |
| 2 | The Company had included the estimated Service charges in the cost of its own Buildings constructed in the past year, which accounting treatment is in deviation to the principles set out in Accounting Standard- 10 : Property, Plant and Equipment (vide Company Accounting Standard Rules 2006). Thus aggregate building cost has been depreciated over succeeding years and the net written down value of the building as at March 2017 is ₹1,48,82,599/-. The Accounting treatment has resulted in overstatement of fixed assets and corresponding understatement for cumulative losses carry forwarded. For the Year ended 31.03.2017, profit is understated by ₹15,25,770/- | The Corporation also acts as a designated agency of the Government to plan and formulate proposals for industrial and infrastructure development. The service charges are mostly in the form of consultancy charges and therefore, are directly related to the cost of the project. In terms of the Accounting Policy No.7, service charges on annual incremental expenditure are charged to respective identified project accounts. This expenditure in respect of building on leasehold land was capitalised along with other expenditure. |
| 3. | The company has taken amounts as share application money amounting to ₹48,69,00,000/- as at 31.03.2016 and are allotted during the current year on 25th May 2016 thereby raising the issued share capital to ₹ 6,67,14,66,900/- and is within the authorized share capital of ₹8,00,00,00,000. | |

| Sl. No. | Qualifications by the Auditors | Replies of the Corporation |
|---|---|---|
| | a) The amounts are utilized for the purpose of redemption of Preference Share Capital before the allotment of shares.<br>b) For such receipt of share application monies no separate bank accounts were opened. This is in contravention of Companies Act 2013 and relevant Rules 2014 framed there under. | The Corporation had issued Cumulative Redeemable Preference Shares (CRPS) to the IDBI and SIDBI as part of One Time Settlement (OTS) scheme. The Corporation had funds to the tune of ₹48,69,00,000 belonging to the Government in the books of accounts. This money has been shown being payable to the Government of Karnataka. When these amounts have been shown in the books as payable to the Government, the issue of converting of this amount into equity for the purpose of redemption of CRPS was under discussion. As the deadline for redemption of CRPS was 31.3.2016, the Corporation requested the Government for conversion of these amounts into equity to discharge of the CRPS liability. According to the OTS terms, if the redemption is delayed, the Corporation would lose huge financial benefits offered under OTS. Hence, in principle approval of the Government for conversion of these amounts into equity was obtained to discharge the CRPS liability. Thus, at no time there was any specific call made by the directors for the subscription to the shares. Thus the question of opening the separate bank account for the proceeds did not arise. Under the circumstances provisions of the subsection 6 of section 42 of the company's Act did not arise at all and no violation of the provisions of the Company's Act has taken place. |
| 4. | Whereas the value of Fixed Assets shown at ₹ 322.78 Crores consists of net block of Rs.1.81 crores. Of diesel generator set wherein depreciation on fixed assets has been provided on Pro rata basis on straight line method as per the useful life prescribed under Schedule II of the Companies Act, 2013. The Schedule II of the Act provides useful life of electrical installations and equipments to be 10 years. Considering the same the said assets should have been fully depreciated. However Company has retained the value of the asset at ₹1.81 Crores. in the books. This has resulted in over statement of assets and reserves & surplus by ₹1.81 Crores.; the accumulated depreciation is understated to that extent. | The DG sets have been installed at lease hold buildings having lease period of 30 years. These assets have been depreciated over the remaining period of lease. This has been consistently being followed from the beginning. |

| Sl. No. | Qualifications by the Auditors | Replies of the Corporation |
|---|---|---|
| 5 | The statement of Profit & Loss account of the Company shows under other income an amount of Rs. 11.70 Crs. interest on fixed deposit. However, the said amount is short accounted by ₹0.31 Crores. due to incorrect accounting of accrued interest. This has resulted in understatement of other income, profit for the year fixed deposit to the extent of ₹0.31 crores. | The Accrued interest is provided based on the confirmations received from the Banks. These fixed deposits are maturing during the current financial year and the same interest will be accounted along with maturity proceeds during the current financial year. As the amount being not so material in nature and does not materially affect the financials for the period under review. |
| 6 | Interest claim of ₹ 98.38 cores from Forest Department on delayed payment of compensation for diversion of land has not been included in contingent liabilities under Note 22 annexed to standalone financial statements: | In this regard, a meeting was held on 20/05/2014 under the Chairmanship of Principal Secretary to Government, IDD, wherein the Secretary, Forest Department as well as the Principal Chief Conservator of Forest were present. During the discussions it was mentioned that the entire cost incurred by KSIIDC towards diversion of forest land for KIA project has been provided by the Government through budgetary provisions and government has already provided equivalent extent of lands for compensating afforestation. Considering the same, the Forest Department may request the Public Accounts Committee to drop the issue of recovery of interest since the payment would be from Government to Government and in this regard IDD shall make request, detailing the facts, to waive off the interest on the compensation amount already paid. If necessary the Forest Department may take up the issue before the Cabinet to waive the interest. Accordingly, Infrastructure Development Department issued a U.O. Note to the Principal Secretary, Forest, Environment and Ecology Department vide no. IDD 46 DIA 2013 dated 27/06/2014 requesting to waive off the interest as KSIIDC and IDD have complied with all the conditions of G.O. No.FEE 94 FGL 95 dated 17/12/2002 and also paid the compensation for environmental loss. Further, the matter was also discussed with the Principal Chief Conservator of Forest, wherein it was informed that the matter has been taken up with the Public Accounts Committee and the same has been considered for dropping the issue. It may be noted that subsequent to the IDD letter dated 27/06/2014 there has been no correspondence in this regard. During May 2016, the Deputy Conservator of Forest, Bangalore rural division met MD, KSIIDC and discussed the matter in detail. Consequently IDD was requested to take up the matter with Forest Department once again for getting the confirmation on the waiver of the interest payment. In view of the above, it may be noted that the transaction is between Government to Government and KSIIDC is acting as a nodal agency and hence no provision for interest claim was made in the books. |

| Sl. No. | Qualifications by the Auditors | Replies of the Corporation |
|---|---|---|
| 7 | **In respect of MSIL**<br>The company has provided for proposed equity dividend of Rs. 2,01,76,600/- and Dividend distribution tax of Rs. 35,62,021/- for the year ended 31st March, 2017 on profits earned during the year under review, which was not approved by the shareholders as on 31st March, 2017. To that extent we opine that the liabilities are overstated (as per the Accounting Standards 29 provisions, contingent liability and contingent assets). | Board recommended to declare 10% Dividend on paid up capital for the financial year 2016-2017 in the meeting held on 7th August 2017, subject to the approval of the shareholders in Annual General Body Meeting. In view of the above the Company has provided liability of Rs. 2,01,76,600/- ( 10% dividend on Paid up Capital) and Dividend distribution tax of Rs. 35,62,021/- on Dividend amount for the year ended 31st March 2017. For the approval of the Shareholders, the same is placed in the Annual General Body Meeting. |
| 8 | In Inventory of paper division includes unusable inventory of 76.10 MT valued at Rs. 39160.25/MT, as on 31st March, 2017, where as the accepted tender value for sale of the said inventory was Rs. 11517.82/MT. In accordance with AS-2, the said inventory and profit to the extent of Rs. 21,03,589/-. | Out of the total unusable Raw Materials of 280.65 MTs during the year 2016-2017 which is valued at 39160.25 per MT totalling to Rs. 1,09,90,324/- (as per the tender rate Rs.11517.82 per MT). Out of these stocks, the company has disposed 190.02 MTs and consumed 14.53 MTs during the year 2016-17. The balance stock as on 31.03.2017 is only 76.10 MTs valued at Rs. 39160.25 per MT instead of Rs.11517.82 per MT resulting in excess value of stock as on 31.03.2017 is only Rs. 21,03,589/-. These stocks also disposed in the month of April and May 2017 . However, the overstatement of inventories will get set off during the financial year 2017-2018. |
| 9 | We draw attention to Note No. 16 on the construction of Karnataka Bhavan at Mumbai- The right of the company on the building being constructed on land belonging to the City & Industries Development Corporation of Maharashtra (CIDCO) leased to the GoK under BOOT Contract is dependent on execution of 'Lease Agreement' between Gok and CIDCO. The Company has obtained occupancy certificate from Navi Mumbai Municipal corporation on 10th March 2016 and the company also paid Rs. 14,11,556/- towards property tax for the FY 2016-17, capital expenditure incurred Rs. 33.82 crores is classified as CWIP, to that extent Fixed Assets are understated and depreciation not ascertainable. | City & Industries Development Corporation of Maharashtra (CIDCO) has entered into a deed of 'Agreement to Lease' with Government of Karnataka (GoK) for a period of 5 years on 19.06.2000 for a plot of land measuring 2520 sq meters in Navi Mumbai granting license for 5 years (extendable on mutual consent) 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 Company has obtained occupancy certificate from Navi Mumbi Municipal Corporation on 10th March 2016 and Company has also paid Rs. 14,11,556/- towards property tax for the financial year 2016-17. The expenses incurred Rs.33,82,29,174/- as on 31.03.2017 is classified under Capital Work in Progress. The façade glazing work and other miscellaneous works are under progress and company is very much confident to complete the pending work and capitalise the assets during the year 2017-18. |

| Sl. No. | Qualifications by the Auditors | Replies of the Corporation |
|---|---|---|
| 10 | In the absence of confirmation of balances of Trade Payables, Other Current Liabilities, Trade Receivables and Advances/ Trade Deposits pertaining to all divisions, consequent impact on reconciliations, thereof, if any, on the profit/loss and the assets/ liabilities is not ascertainable. | The Company has sent the balance confirmation as on 31st March 2017 in the accounts of sundry creditors, sundry debtors, business associates including joint venture and advances/deposits for which we have received the confirmation partly |
| 11 | **In respect of MC&A Ltd.**<br>Other Current Assets in Note 19 of the Consolidated Financial Statements Includes Income Tax and Fringe Benefit Tax refunds of Rs. 51.44 lakhs (Previous Year 51.44 lakhs) which are outstanding for a period more than 3 years. The company response on the recoverability of the aforementioned refund is not found satisfactory. In our opinion, the recovery of the refunds is doubtful. To the extent of short fall of provisioning of Rs. 51.44 lakhs, profit of the company and other Current Assets are overstated. | The Income tax and fringe benefit tax refund due from the Income Tax Department from the A.Y.2007-08 to 2013-14 is Rs.51.44 lakhs for which rigorous follow-up action has been taken with the Income Tax department. Letter correspondence has been continued with Assistant Commissioner of Income Tax and Additional Commissioner of Income tax since the time of the said issue was raised for expeditious settlement. As it is believed that refund could be obtained by rigorously pursuing the matter with the IT Department, it does not amount to overstatement of the profit and other Current Assets. |
| 12 | Balance of Trade Receivables and Trade payables along with the below mentioned accounts have not been confirmed from the counter parties. The financial impact of this noncompliance, if any, could not be determined. The position of total balances, confirmed balances and percentages of unconfirmed balances are annexed: | Periodical Correspondence with the clients has been made for confirmation of the balances. As Almost all clients of the Company happen to be Government Departments/Boards & Corporations, there is some inherent delay in getting the confirmation of balances from them. However, earnest efforts are made with debtors and creditors to confirm the trade receivables and trade payables within the stipulated timeframe from the current financial year. Experience over the years while dealing with the Clients viz, Government Departments/Boards and Corporations with regard to the matters relating to the trade receivables and payables shows that there would be no adverse impact on the finances on this account. |
| 13 | The Company is recruiting human resources in the form of consultants termed as "freelancers". The freelancer's roles, responsibilities and terms of remuneration demonstrate employee and employer relationship with the company. In our opinion, the statutory benefits like ESI, PF and others should be applicable for them. Further the profits of the company are overstated and liabilities of the company are understated and the financial impact could not be determined. | The Company has built up the required infrastructure in-house for providing high quality advertising services to its Clients with the existing limited manpower. Due to the recruitment ban in Government Departments/Organizations that prevailed for several years in the Government Sector and other limitations that the Company had encountered with on the matters of appointments and securing approvals etc., to supplement the limited human resources available in-house, the Company has started availing the services of experts and others with supporting skills in the advertising fields on a consultancy/freelance basis from time to time. The company is utilising the services of consultants with specialised skills in areas such |

| Sl. No. | Qualifications by the Auditors | Replies of the Corporation |
|---|---|---|
| | | as Client Servicing, Media Operations, Graphic Designing, Creative writing, Translation, DTP & Printing etc. The payment made to these freelancers is an agreed amount of retainer fee for services provided to the Company and is paid on production of bills every month with detailed description of work/services rendered by them. Since they are basically Consultants and are not employees of the Company, it is opined that the benefits like PF, ESI etc are not payable to the freelancers on their bills.On earlier occasions, the company was utilising the services of such experts on contract basis. Later on as per the decision taken by the Board of Directors the Company discontinued appointments on contract basis and commenced utilising the services of experts on freelance basis in line with the directions of the Board. In view of the nature of services obtained as and when required from the experts in the above said fields on freelance basis, the Company has not extended benefits like PF, ESI etc., to them. Further their services can be discontinued at anytime without any prior intimation.Further, the Company being a Govt. undertaking, the Company needs to obtain the prior approval from the Govt., through the concerned Administrative Department for recruitment of employees on permanent basis for various sanctioned posts as per the C&R Rules of the Organisation. The process of obtaining approvals from the Government and the Recruitment process in Government is a matter of time consuming exercise, which would adversely impacts the business of the Company as the time is a key factor in delivering the services to the clients.Hence, in order to meet its business commitments to its Clients, MC&A has to depend on utilising the services of experts on freelance basis as and when the need arises at short notice. |
| 14 | It is Observed that there is a disagreement in company purchases and sales maintained in the books of accounts w.r.t. Statutory returns filed i.e.; Service tax returns. We had tried to obtain the management response regarding the non-compliance but the reply provided by them is unsatisfactory. In our opinion, the financial impact of non-Compliance cannot be measured. | The service tax return was filed on or before due date. The Service tax @ 15% is applicable on the commission of 15% and not on the sales figures shown in the profit and loss account. Therefore the sales and purchase figures are not matching with the figures shown in the service tax returns. The Company had undergone Service Tax Audit for 5 years (from 2012-13 to 2016-17 up to September) during February 2017 wherein this matter was observed by the auditors from the Service tax department. The Service Tax Audit officials were satisfied with the explanation given to them and audit report was given to us without any comments /qualification/ observations. |

| Sl. | Qualifications by the Auditors | Replies of the Corporation |
|---|---|---|
| 15 | The company has provided for proposed equity dividend of Rs.35,72,520/- for the year ended 31-03-2017, on profits earned during the year under review, which was not declared by the board nor approved by the shareholder as on 31-03-2017. To that extent we opine that the liabilities are overstated (as per Accounting standard 29 Provisions, Contingent liabilities and contingent assets). | Hitherto the Company has been making a provision for payment of dividend to the shareholders in the Accounts which would be paid to shareholders after dividend is recommended by the Board and the same is declared by the Shareholder at the AGM as required under the relevant provisions of the Companies Act 2013. Accordingly, the Board of Directors of the Company at their 250th Board Meeting held on 23rd August 2017 has recommended a dividend @ 10% on the fully paid up equity Share Capital which would be declared at the ensuing AGM scheduled on 26th September 2017.However, the observation/advice made by the auditors and in compliance with the relevant provisions of the Accounting Standards which have been amended recently with regard to the payment of Dividend would be followed while making payment of dividend to the Shareholder from the next financial year onwards only after the dividend is declared by the shareholders at the Annual General Meeting. |

## Annexure to the Auditors Qualifications

| Sl. No | Particulars | Amount as per Books. (Rs/-) | Amount for which Conformation received by statutory Auditor/reconsiled | % of Unconformed amount |
|---|---|---|---|---|
| 1 | Trade receivables (Note -13) | ₹ 59,90,99,611/- | ₹24,15,763/- | 99.597% |
| 2 | Trade Creditors (Note -07) | ₹46,73,71,200/- | NIL | 100% |
| 3 | Other LiabilitesAdvance from Customers(Note -08) | ₹3,83,42,451/- | NIL | 100% |
| 4 | Trade Advances(Note - 15 | ₹ 5,49,88,162/- | NIL | 100% |
| 5 | Trade / Security deposits received (Note - 08) ₹1,19,37,533/- | NIL | 100% | |

## 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 KARNTAKA STATE INDUSTRIAL AND INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED, BANGALORE FOR THE YEAR ENDED 31ST MARCH 2017.

The preparation of consolidated financial statements of **Karnataka State Industrial and Infrastructure Development Corporation Limited, Bangalore** for the year ended **31 March 2017** in accordance with the financial reporting framework prescribed under Companies Act, 2013 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 Audit Report dated **04.11.2017.**

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit, under Section 143(6)(a) read with section 129(4) of the Act of the consolidated financial statements of **"Karnataka State Industrial and Infrastructure Development Corporation Limited, Bangalore"** for the year ended **31 March 2017.** We conducted a supplementary audit of the financial statements of **Mysore Sales International Limited, Marketing Consultants and Agencies Limited (Subsidiaries) Karnataka Asset Management Company Private Limited and Karnataka Trustee Company Private Limited (Associates)** but did not conduct supplementary audit of the financial statements of **companies vide Annexure** for the year ended on that date. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditor's report.

**For and on behalf of the**
**Comptroller & Auditor General of India**
**Sd/-**
**(BIJIT KUMAR MUKHERJEE)**
**ACCOUNTANT GENERAL**
**(ECONOMIC & REVENUE SECTOR AUDIT)**
**KARNATAKA, BANGALORE**

PLACE : BANGALORE
DATED : 29.11.2017

## Consolidated Balance Sheet as at 31st March, 2017

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **(1) Shareholder's Funds** | | | |
| (a) Share Capital | 1 | 6,671,466,900 | 6,184,566,900 |
| (b) Reserves and Surplus | 2 | 3,493,786,949 | 2,598,826,634 |
| | | 10,165,253,849 | 8,783,393,534 |
| **(2) Share application money pending allotment** | 3 | 260,155,379 | 747,055,383 |
| **(3) Non-Current Liabilities** | | | |
| (a) Long-term borrowings | 4 | 36,467,555 | 36,467,555 |
| (b) Other Long term liabilities | 5 | 1,196,392,134 | 1,164,024,481 |
| (c) Long term provisions | 6 | 124,176,773 | 119,519,063 |
| | | 1,357,036,462 | 1,320,011,099 |
| **(4) Current Liabilities** | | | |
| (a) Short Term Borrowings | 7 | 0 | 0 |
| (b) Trade Payable | 8 | 1,582,226,820 | 1,561,987,097 |
| (c) Other current liabilities | 9 | 1,711,315,893 | 1,611,595,067 |
| (d) Short-term provisions | 10 | 1,149,800,301 | 1,030,326,861 |
| | | 4,443,343,014 | 4,203,909,025 |
| **(5) Minority Interest** | | 6,600,698 | 7,364,382 |
| **Total** | | 16,232,389,402 | 15,061,733,423 |
| **II. ASSETS** | | | |
| **(1) Non-current assets** | | | |
| *(a) Fixed assets* | | | |
| (i) Tangible assets | 11 | 3,574,895,653 | 3,576,804,103 |
| (ii) Intangible assets | | 4,360,979 | 4,553,920 |
| (iii) Capital work-in-progress | | 340,240,465 | 313,172,589 |
| (b) Non-current investments | 12 | 1,552,537,311 | 1,434,662,996 |
| (c) Deferred Tax Assets (Net) | | 118,218,869 | 122,690,235 |
| (d) Long term loans and advances | 13 | 1,423,996,494 | 1,682,977,821 |
| (e) Other non-current assets | 14 | 1,220,714,123 | 1,026,480,258 |
| | | 8,234,963,894 | 8,161,341,922 |

| | | | |
|---|---|---|---|
| **(2) Current assets** | | | |
| (a) Inventory | **15** | **989,089,305** | 825,444,417 |
| (b) Trade receivables | **16** | **905,355,508** | 890,712,777 |
| (c) Cash and cash equivalents | **17** | **4,759,165,073** | 3,577,893,290 |
| (d) Short Term Loan and Advances | **18** | **1,088,416,163** | 1,339,873,633 |
| (e) Other current assets | **19** | **255,399,459** | 266,467,384 |
| | | **7,997,425,508** | 6,900,391,501 |
| **Total** | | **16,232,389,402** | 15,061,733,423 |

Significant Accounting policies and Notes form an integral part of these financial statements 30 & 31 Consolidated Cash Flow Statement 32

For and on behalf of the Board

Sd/-
**(NANDARAJ S.NIMBALKAR DESAI)**
Director
DIN: 07685814

Sd/-
**(N.Jayaram)**
Managing Director
DIN: 03302626

Sd/-
**(S.R. PRAHLADA RAO)**
Company Secretary &
Legal Advisor

Sd/-
**(N.R.N. SIMHA)**
Executive Director I/c & CFO

Sd/-
**(N.K.Parashuram)**
Dy.Gen.Manager (F&A)

As per our report of even date
**For NSVM & Associates**
Chartered Accountants
(Firm Regn. No. 010072S)

Sd/-
**(CA D.N. Sreehari)**
Partner
Member No. 027388

Place : Bangalore
Date : 03.11.2017

## Consolidated Statement of Profit and Loss for the year ended 31st March, 2017

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| I. Revenue from operations | 20 | 16,164,477,837 | 14,648,016,488 |
| II. Other Income | 21 | 837,214,321 | 750,672,784 |
| **III. Total Revenue (I +II)** | | 17,001,692,158 | 15,398,689,272 |
| **IV.** Expenses: | | | |
| Cost of Materials consumed | 22 | 104,530,364 | 103,310,484 |
| Purchases of Stock-in-trade | 23 | 13,057,600,996 | 12,091,059,867 |
| Changes in inventories of stock-in-trade | 24 | -196,467,991 | -172,778,003 |
| Infrastructure Project Expenses | 25 | 2,852,829 | 802,500 |
| Cost of Services procured | 26 | 1,267,923,766 | 924,345,869 |
| Employee benefit expense | 27 | 346,100,983 | 372,533,243 |
| Financial costs | 28 | 9,109,608 | 19,396,422 |
| Depreciation and amortization expense | 11 | 74,307,717 | 70,322,147 |
| Other expenses | 29 | 1,045,243,156 | 809,570,459 |
| Minority Interest | | -763,684 | 47,819 |
| **Total Expenses** | | 15,710,437,744 | 14,218,610,807 |
| **V. Prior Year adjustment** | | 4,228,671 | -404,543 |
| **VI. Profit / (Loss) before exceptional and extraordinary items and tax (III-IV-V)** | | 1,287,025,743 | 1,180,483,008 |
| **VII.** Exceptional Items | | 0 | 188,708,637 |
| **VIII. Profit / (Loss) before extraordinary items and tax (VI - VII)** | | 1,287,025,743 | 991,774,371 |
| **IX.** Extraordinary Items | | 1,283,155 | 1,283,153 |
| **X. Profit / (Loss) before tax (VIII - IX)** | | 1,285,742,588 | 990,491,218 |
| **XI. Tax expense:** | | | |
| (1) Current tax | | 367,854,098 | 275,813,277 |
| (2) Current Tax - Excess Provision Withdrawn | | 0 | 732 |
| (3) Tax of Prior Years | | 13,610,053 | 5,798,574 |
| (4) Mat Credit Current Year & Earlier Years | | 0 | 0 |
| (5) Deferred tax | | 4,471,364 | -25,898,329 |
| **Total Tax Expenses** | | 385,935,515 | 255,714,254 |

## Consolidated Statement of Profit and Loss for the year ended 31st March, 2017

| | | | |
|---|---|---|---|
| **XII. Profit (Loss) from Discounting Operations** | | **308,691** | 1,943,247 |
| **Less:** Tax Expense on Discounting Operations | | **106,832** | 672,519 |
| **Total** | | **201,859** | 1,270,728 |
| **XIII. Profit/(Loss) for the period (X - XI + XII)** | | **900,008,932** | 736,047,692 |
| **XIV.** Earnings per equity share: | | | |
| **(1) Basic** | | **1.36** | 1.54 |
| **(2) Diluted** | | **1.36** | 1.53 |

For and on behalf of the Board

Sd/-
**(NANDARAJ S.NIMBALKAR DESAI)**
Director
DIN: 07685814

Sd/-
**(N.Jayaram)**
Managing Director
DIN: 03302626

Sd/-
**(S.R. PRAHLADA RAO)**
Company Secretary &
Legal Advisor

Sd/-
**(N.R.N. SIMHA)**
Executive Director I/c & CFO

Sd/-
**(N.K.Parashuram)**
Dy.Gen.Manager (F&A)

As per our report of even date
**For NSVM & Associates**
Chartered Accountants
(Firm Regn. No. 010072S)

Sd/-
**(CA D.N. Sreehari)**
Partner
Member No. 027388

Place : Bangalore
Date : 03.11.2017

## Notes to the Financial Statements

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **SHARE CAPITAL** | 1 | | |
| **Authorised** | | | |
| **SHARE CAPITAL** | 1 | | |
| **Authorised** | | | |
| 800000000 Equity shares (previous year 800,000,000 Equity Shares) of ₹10/- Each | | **8,000,000,000** | 8,000,000,000 |
| 200,000,000 Preference Shares of ₹10/- Each | | **2,000,000,000** | 2,000,000,000 |
| | | **10,000,000,000** | 10,000,000,000 |
| **EQUITY SHARE CAPITAL** | | | |
| **Issued, Subscribed and Paid up** | | | |
| 667146690 Equity Shares (Previous year 618456690 equity shares) of ₹10 each fully paid | | **6,671,466,900** | 6,184,566,900 |
| The entire equity share capital is held by Government of Karnataka and its nominees. | | | |
| **Total** | | **6,671,466,900** | 6,184,566,900 |
| **Notes:** | | | |
| **Particulars** | | **31st March 2017(₹)** | 31st March 2016(₹) |
| **a. Reconciliation of Equity Shares outstanding at the beginning and at the end of Reporting period** | | **Equity Shares in Nos.** | Equity Shares in Nos. |
| **Issued, Subscribed and paid up shares** | | | |
| - Opening Balance | | **618,456,690** | 550,325,064 |
| - Issued during the year | | **48,690,000** | 68,131,626 |
| - Closing Balance | | **667,146,690** | 618,456,690 |
| **Terms and Rights attached to equity shares:** | | | |
| The Company has one class of equity shares having a par | | | |
| **Details of share holders holding more than 5% shares in the Company** | | | |
| Governer of Karnataka | | **667,146,530** | 618,456,530 |
| % of holding | | **100** | 100 |
| Nominees of Government of Karnataka | | **160** | 160 |
| % of holding | | **0** | 0 |
| | | **667,146,690** | 618,456,690 |

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **RESERVES AND SURPLUS** | | **2** | |
| (a) Capital Reserve on Consolidation | | | |
| Opening Balance | | **3,000,000** | 3,000,000 |
| Add: Additions during the year | | **0** | 0 |
| Less: Utilised during the year | | **0** | 0 |
| Closing Balance | | **3,000,000** | 3,000,000 |
| (b) Securities Premium account | | | |
| Opening Balance | | **0** | 0 |
| Add: Additions during the year | | **0** | 0 |
| Less: Utilised during the year | | **0** | 0 |
| Closing Balance | | **0** | 0 |
| (c) General Reserves | | | |
| Opening Balance | | **1,917,685,846** | 1,861,870,282 |
| Add: Additions during the year | | **63,386,985** | 55,815,564 |
| Less: Utilised during the year | | **0** | 0 |
| Less: Unamortised carrying value of Fixed Assets | | **0** | -12,698,505 |
| Closing Balance | | **1,981,072,831** | 1,904,987,341 |
| (d) Special Reserve Under Income Tax Act | | | |
| Opening Balance | | **32,500,000** | 32,500,000 |
| Add: Additions during the year | | **0** | 0 |
| Less: Utilised during the year | | **0** | 0 |
| Closing Balance | | **32,500,000** | 32,500,000 |
| (e) Capital Redemption Reserve | | | |
| Opening Balance | | **988,159,110** | 0 |
| Add: Additions during the year | | **0** | 988,159,110 |
| Less: Utilised during the year | | **0** | 0 |
| Closing Balance | | **988,159,110** | 988,159,110 |
| **Total** | | **3,004,731,941** | 2,928,646,451 |
| (g) Balance in Profit and Loss Account | | | |
| Opening Balance | | **-343,085,312** | -995,984,120 |

## Notes to the Consolidated Financial Statements Contd...

| | | | |
|---|---|---|---|
| **Add:** | | | |
| Profit for the year | | **900,008,931** | 736,047,692 |
| Income from Associates: | | | |
| *Opening Balance* | | 0 | |
| *Less: Utilisation of CSR Fund (adjust against current profits)* | **0** | 0 | |
| Closing Balance | | **0** | 0 |
| **Less:** | | | |
| Transfer to General Reserve | | **-63,386,985** | -55,815,564 |
| Proposed Dividend | | **0** | 0 |
| Dividend Distribution Tax | | **-4,086,634** | -4,391,308 |
| Transitional Provision on Fixed Assets | | **0** | 0 |
| Less: Dividends Received and DDT from Associate Companies | | **-408,914** | -9,676,516 |
| Add: Excess IT provision for FY 2015-16 | | **13,921** | 0 |
| **Closing Balance (B)** | | **489,055,008** | -329,819,817 |
| **Grand Total (A + B)** | | **3,493,786,949** | 2,598,826,634 |
| | | | |
| **Particulars** | | **31st March 2017**(₹) | 31st March 2016(₹) |
| **Share application money pending allotment** | **Note-3** | **0** | **0** |
| Share application money | | **260,155,379** | 747,055,383 |
| **Total** | | **260,155,379** | 747,055,383 |

## Notes to the Consolidated Financial Statements (Contd.)

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **Non Current Liabilities** | | | |
| **Long Term Borrowings - Unsecured** | **4** | | |
| Loan from Government of Karnataka -I | | **1,500,000** | 1,500,000 |
| Loan from Government of Karnataka -II | | **34,967,555** | 34,967,555 |
| **Total** | | **36,467,555** | 36,467,555 |

| **Notes** | |
|---|---|
| Loan from Government of Karnataka -I | Released for onward disbursement to Particle Board Mfg Coop. Society Ltd for rehabilitation and to meet woking capital requirements. |
| Loan from Government of Karnataka -II | Released to pay arrears of workers dues of Gangavathi Sugars Ltd through the Deputy Commissioner, Koppal with a condition that KSIIDC shall claim and recover the same from the Official Liquidator and repay the amount to Government of Karnataka. The unutilized amount of ₹ 2532445/- received and repaid to Government of Karnataka. |

## Notes to the Consolidated Financial Statements (Contd.)

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **Other Long Term Liabilities** | **5** | | |
| (a) Rent Deposits | | **93,705,870** | 117,927,549 |
| (b) Caution Money - Flats | | **17,687** | 23,117 |
| (c) Trade / Security deposits received | | **6,364,578** | 6,364,577 |
| (d) Statutory dues | | **3,674,077** | 3,693,043 |
| (e) Central Government Grants Released | | **44,332,000** | 44,332,000 |
| (f) State Government Grant Released: | | **241,464,611** | 237,591,046 |
| (g) Deposits | | **65,035,747** | 17,976,806 |
| (h) Interest on Government Loans | | **5,387,534** | 5,387,534 |
| (i) Accumulated subscription on chit funds | | **726,842,500** | 718,389,500 |
| (J) Others | | **9,567,530** | 12,339,309 |
| **Total** | | **1,196,392,134** | 1,164,024,481 |

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **Long Term Provisions** | **6** | | |
| Provision for Leave Encashment | | **94,199,966** | 90,825,409 |
| Provision for Insurance claim | | **29,976,807** | 28,693,654 |
| **TOTAL** | | **124,176,773** | 119,519,063 |

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **SHORT TERM BORROWINGS:** | **7** | | |
| Working Capital Loans from banks | | **-** | - |
| (i) Secured | | | |
| SBI Cash Credit | | **-** | - |
| (ii) Unsecured | | | |
| Loan from Directors/Share holders | | | |
| Deposits | | **-** | - |
| **Total** | | **-** | **-** |

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **TRADE PAYABLES:** | **8** | | |
| Due to Micro, Small & Medium Enterprises | | **1,873,927** | 9,024,651 |
| Due to other than Micro, Small & Medium Enterprises | | **816,031,393** | 758,006,946 |
| Sundry Creditors | | **764,321,500** | 794,955,500 |
| **Total** | | **1,582,226,820** | 1,561,987,097 |

## Notes to the Consolidated Financial Statements (Contd.)

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **Other Current Liabilities** | 9 | | |
| (a) Current Maturity of Long Term Debt - HUDCO Loan | | - | - |
| (b) Interest Accrued on GOI Loan | | - | - |
| (c) Advance Received Project Development | | 539,970,772 | 374,375,860 |
| (d) Advance from sale of Secured Assets | | 68,620,879 | 138,732,756 |
| (e) Advance from customers | | 38,414,024 | 154,386,405 |
| (f) Interest On Project Funds | | 13,546,872 | 22,011,716 |
| (g) Lease Rent BIAL Payable to GOK | | 133,274,025 | 0 |
| (h) IDBI - Seed Capital Dues | | 63,993,500 | 63,993,500 |
| (i) Loan From Government of India | | 0 | 0 |
| (j) Statutory remittances | | 5,310,323 | 6,228,838 |
| (k Trade / security deposits received | | 120,564,693 | 136,949,644 |
| (l) Life Insurance payable | | 74,767 | 54,368 |
| (m) Auditor's Remuneration Payable | | 17,250 | 278,425 |
| (n) Other Liabilities | | 66,943,614 | 107,200,807 |
| (o) Other Liabilities - OTS | | 163,224,830 | 271,588,678 |
| (p) Share application money pending allotment | | - | - |
| (q)Other Loans | | - | - |
| (r) Others | | 497,360,344 | 335,794,070 |
| **Total** | | **1,711,315,893** | 1,611,595,067 |

| Particulars | Note No | 31st March 2017 (₹) | 31st March 2016 (₹) |
|---|---|---|---|
| **Short Term Provisions** | 10 | | |
| **(a) Provision for Employee Benefit** | | | |
| Provision for Leave Encashment | | 3,089,174 | 2,602,911 |
| Provision for Earned Leave Encashment | | 5,297,090 | 5,080,168 |
| Provision towards Gratuity | | -1,510,168 | 448,930 |
| Provision for other employees benefit | | 2,169,747 | 1,929,363 |
| **(b) Others** | | | |
| Provision for Income Tax | | 725,826,639 | 608,064,101 |
| Provision for Sales Tax | | 4,709,938 | 4,709,938 |
| Provision for Devolved guarantees | | 24,305,358 | 24,205,415 |
| Provision for Tax relating to Government Dealers | | 364,274,788 | 364,274,788 |
| Provision towards Insurance | | 1,283,155 | 1,283,153 |
| Provision towards Corporate Social Responsibility | | 18,573,468 | 15,126,810 |
| Duties and Taxes | | 989,629 | 1,348,228 |
| Other Provisions | | 791,483 | 1,253,056 |
| Provision for proposed dividend | | 0 | 0 |
| **Total** | | **1,149,800,301** | 1,030,326,861 |