

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SAMALKOT POWER LIMITED

Report on the Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying financial statements of **Samalkot Power Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018 the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements to 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 specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS 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 Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

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

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its total comprehensive loss (comprising of loss and other comprehensive loss), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

9. Attention is invited to note 4 of the notes to the financial statements for the year ended March 31, 2018. The Company is confident of arriving at a positive resolution to the situation arising from the unavailability of natural gas in the country, and concluding sale of its 745 MW plant. Having regard to the foregoing and the continued financial support from the parent company, the management believes that the Company would be able to meet its financial obligations in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Our opinion is not qualified in respect of this matter.

Other Matter

10. The Ind AS financial statements of the Company for the year ended March 31, 2017, were audited by another firm of chartered accountants under the Companies Act, 2013 who, vide their report dated April 12, 2017, expressed an unmodified opinion on those financial statements.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

11. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
12. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive loss, 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) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

- (e) In our opinion, the functioning of the Company will be affected if a positive resolution to situation arising from unavailability of the natural gas is not reached, as explained in Emphasis of Matter paragraph above.
- (f) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- (g) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- (h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2018 on its financial position in its Ind AS financial statements – Refer Note 6;
 - ii. The Company has long-term contracts but no derivative contracts as at March 31, 2018 for which there were no material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018.

For Price Waterhouse
Firm Registration Number: 301112E

Place: Mumbai
Date : April 18, 2018

Piyush Jalandhara
Partner
Membership Number: 122351

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Samalkot Power Limited on the Ind AS financial statements as of and for the year ended March 31, 2018

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
- (c) The title deeds of immovable properties, as disclosed in Note 3.1 on fixed assets to the financial statements, are held in the name of the Company, except for freehold land located at Industrial Park, Peddapuram, East Godavari District, Andhra Pradesh admeasuring 49.75 acres having gross/net block of Rs.2,209 lakhs as at March 31, 2018.
- ii. The Company does not have any inventory and therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. 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. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of professional tax, goods and service act, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including income tax, service tax, and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax as at March 31, 2018 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income tax dues	18,703,980	2014-15	Commissioner of Income Tax, Mumbai
Income Tax Act, 1961	Income tax dues	35,914,540	2015-16	Commissioner of Income Tax, Mumbai

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Samalkot Power Limited on the Ind AS financial statements for the year ended March 31, 2018

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- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has not paid managerial remuneration during the current year and therefore, the provisions clause (xi) of the Order are not applicable to the Company.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse
Firm Registration Number: 301112E

Place: Mumbai
Date : April 18, 2018

Piyush Jalandhara
Partner
Membership Number: 122351

Annexure A to Independent Auditors' Report

Referred to in paragraph 12(g) of the Independent Auditors' Report of even date to the members of Samalkot Power Limited on the Ind AS financial statements for the year ended March 31, 2018

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Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Samalkot Power Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements 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 Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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.
5. 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 with reference to financial statements.

Annexure A to Independent Auditors' Report

Referred to in paragraph 12(g) of the Independent Auditors' Report of even date to the members of Samalkot Power Limited on the Ind AS financial statements for the year ended March 31, 2018

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Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial control with reference to financial statements 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 with reference to financial statements 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 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 with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

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

For Price Waterhouse
Firm Registration Number: 301112E

Place: Mumbai
Date : April 18, 2018

Piyush Jalandhara
Partner
Membership Number: 122351

Samalkot Power Limited
Balance Sheet as at March 31, 2018

Particulars	Note No.	Rupees in lakhs	
		As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	4,706	4,721
Capital work-in-progress	3.2	160,568	184,174
Financial assets			
Investments	3.3 (a)	93	93
Loans	3.3 (b)	243	243
Other financial assets	3.3 (c)	23	80
Non-current tax assets	3.4	279	230
Current assets			
Financial assets			
Cash and cash equivalents	3.5(a)	57	155
Bank balances other than cash and cash equivalents	3.5 (b)	59	3
Loans	3.5 (c)	-	7
Other financial assets	3.5 (d)	13	13
Other current assets	3.6	28	71
Asset classified as held for sale	3.7	231,600	204,675
Total assets		397,669	394,465
EQUITY AND LIABILITIES			
Equity			
Equity share capital	3.8	2,561	2,561
Instruments entirely equity in nature	3.9	1,501	1,501
Other equity	3.10	(131,108)	(120,868)
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	3.11	140,701	204,642
Provisions	3.12	115	89
Current liabilities			
Financial liabilities			
Borrowings	3.13(a)	45,688	4,464
Other financial liabilities	3.13(b)	337,864	301,794
Other current liabilities	3.14	41	19
Provisions	3.15	39	5
Current tax liabilities (net)	3.16	267	258
Total equity and liabilities		397,669	394,465
Significant accounting policies	2		
Notes to financial statements	4 to 22		

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

Samalkot Power Limited

As per our attached Report of even date

For Price Waterhouse

Firm Registration No: 301112 E

Chartered Accountants

Piyush Jalandhara

Partner

Membership No. 122351

For and on behalf of the Board of Directors

Sameer Kumar Gupta

Director

DIN 03486281

Shrikant D Kulkarni

Director

DIN 05136399

Amit Kumar Rathi

Chief Financial Officer

Dipali Shinde

Company Secretary and Manager

Membership No. A27527

Place: Mumbai

Date: April 18, 2018

Place: Mumbai

Date: April 18, 2018

Samalkot Power Limited
Statement of Profit and Loss for the year ended March 31, 2018

Particulars	Note No.	Rupees in lakhs	
		Year ended March 31, 2018	Year ended March 31, 2017
Other Income	3.17	587	1,744
Total Income		587	1,744
Expenses			
Employee benefits expense	3.18	596	635
Depreciation expense	3.1	410	62
Finance costs	3.19	7,006	10,801
Other expenses	3.20	2,789	1,920
Total Expenses		10,801	13,418
Loss before exceptional items and tax		(10,214)	(11,674)
Exceptional Items		-	-
Loss before tax		(10,214)	(11,674)
Income tax expense			
Current tax	9	9	117
Loss for the year (A)		(10,223)	(11,791)
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit plan	8	(17)	(3)
Total Other Comprehensive Loss for the year (B)		(17)	(3)
Total Comprehensive Loss for the year (A+B)		(10,240)	(11,794)
Earnings per equity share: (Face value of Rs. 10 each)			
Basic	15	(39.99)	(58.01)
Diluted	15	(39.99)	(58.01)
Significant accounting policies	2		
Notes to financial statements	4 to 22		

The accompanying notes are an integral part of these financial statements

Samalkot Power Limited

As per our attached Report of even date

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Amit Kumar Rathi

Chief Financial Officer

Dipali Shinde

Company Secretary and Manager

Membership No. A27527

Place: Mumbai

Date: April 18, 2018

Place: Mumbai

Date: April 18, 2018

Samalkot Power Limited
Statement of Cash Flow for the year ended March 31, 2018

Particulars	Rupees in lakhs	
	Year ended March 31, 2018	Year ended March 31, 2017
(A) Cash flow from/ (used in) Operating activities		
Loss before tax	(10,214)	(11,674)
Adjusted for:		
Depreciation	410	62
Interest expenses and other finance charges	7,006	10,801
Interest income	(31)	(347)
Unrealised Exchange rate fluctuation	-	(1,397)
Profit on sale of scrap	(16)	-
Loss on sale / discarding of assets	476	-
Operating Loss before working capital changes	(2,369)	(2,555)
Adjustment for:		
Increase in other current financial liabilities	618	108
Increase in other current liabilities	22	-
Decrease in other non-current financial assets	57	144
Decrease / (Increase) in current loans	7	(2)
Decrease in other current assets	43	220
Increase in provisions	43	32
Decrease in other current liabilities	-	(149)
Taxes paid	(49)	(164)
Net cash used in Operating activities	(1,628)	(2,366)
(B) Cash flow from/ (used in) Investing activities		
Purchase of property, plant and equipment (including Capital work-in-progress)	(459)	(1,326)
Inter corporate deposit given	-	(14,700)
Inter corporate deposit refunded	-	14,700
(Increase) / decrease in other bank balances	(56)	(2)
Interest received	31	344
Investment in equity shares of subsidiary	-	(93)
Proceeds from sale of assets	813	-
Net cash from (used in)/ investing activities	329	(1,077)
(C) Cash flow from/ (used in) Financing activities (Refer note 5)		
Inter corporate deposit received	42,046	76,916
Inter corporate deposit repaid	(822)	(26,837)
Repayment of long term borrowings	(33,204)	(35,466)
Interest and finance charges paid	(6,819)	(11,060)
Net cash generated from financing activities	1,201	3,553
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(98)	110
Cash and cash equivalents at the beginning of the year		
Bank balances - current account	155	45
Cash and cash equivalents at the end of the period		
Bank balances - current account	57	155

Samalkot Power Limited

As per our attached Report of even date

For Price Waterhouse

Firm Registration No: 301112 E

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Piyush Jalandhara

Partner

Membership No. 122351

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Dipali Shinde

Company Secretary and Manager

Membership No. A27527

Place: Mumbai

Date: April 18, 2018

Place: Mumbai

Date: April 18, 2018

Samalkot Power Limited
Statement of Changes in Equity for the Year ended March 31, 2018

A. Share Capital

(i) Equity Share Capital

Rupees in lakhs		
Particulars	Note No.	Equity Share Capital
Balance as at April 01, 2016		1,501
Changes in equity share capital		1,060
Balance as at March 31, 2017	3.8	2,561
Changes in equity share capital		-
Balance as at March 31, 2018		2,561

(ii) Instruments entirely equity in nature

Compulsory Convertible Redeemable Non-Cumulative
Preference Shares (CCRPS)

Rupees in lakhs		
Particulars	Note No.	Preference Share Capital
Balance as at April 01, 2016		1,501
Changes in CCRPS		-
Balance as at March 31, 2017	3.9	1,501
Changes in CCRPS		-
Balance as at March 31, 2018		1,501

B. Other Equity

Rupees in lakhs				
Particulars	Note No.	Reserves and Surplus		Total
		Securities Premium Reserve	Retained Earnings	
Balance as at April 01, 2016		296,691	(510,705)	(214,014)
Loss for the year		-	(11,791)	(11,791)
Other comprehensive income for the year		-	(3)	(3)
Total comprehensive income for the year		-	(11,794)	(11,794)
Transfer from securities premium	3.10.2	-	270,000	270,000
Transfer to retained earnings	3.10.1	(270,000)	-	(270,000)
Addition during the year	3.10.1	104,940	-	104,940
Balance as at March 31, 2017		131,631	(252,499)	(120,868)
Loss for the year		-	(10,223)	(10,223)
Other comprehensive loss for the year		-	(17)	(17)
Total comprehensive loss for the year		-	(10,240)	(10,240)
Addition during the year		-	-	-
Balance as at March 31, 2018	8	131,631	(262,739)	(131,108)

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

Samalkot Power Limited

As per our attached Report of even date

For Price Waterhouse

Firm Registration No: 301112 E

Chartered Accountants

Piyush Jalandhara

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Membership No. 122351

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Chief Financial Officer

Dipali Shinde

Company Secretary and Manager

Membership No. A27527

Place: Mumbai

Date: April 18, 2018

Place: Mumbai

Date: April 18, 2018

Samalkot Power Limited
Notes to the financial statements as of and for the year ended March 31, 2018

1) General information

Samalkot Power Limited ("the Company") is a subsidiary of Reliance CleanGen Limited which in turn is a wholly owned subsidiary of Reliance Power Limited. The Company is set up to develop 2,262 (3x754) mega watt (MW) gas based combined cycle power plant at Industrial Development Area, Peddapuram, East Godavari District, Andhra Pradesh.

The Company is a public limited company and is incorporated and domiciled in India under the provisions of the Companies Act. The registered office of the Company is located at H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai - 400710.

These financial statements were authorised for issue by the Board of Directors on April 18, 2018.

2) Significant accounting policies and critical accounting estimate and judgments:

2.1 Basis of preparation, measurement and significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

Compliance with Ind AS

The financial statements are in compliance, in all material aspects, with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with the [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act and rules made thereunder.

As prescribed by the Ind AS, if the particular Ind AS is not in conformity with the applicable laws, the provisions of the said law shall prevail and financial statements shall be prepared in conformity with such laws. Consequently, the Company has applied this norm while preparing the financial statements.

Functional and presentation currency

The financial statements are presented in 'Indian Rupees', which is also the Company functional currency. All amounts are rounded to the nearest lakhs, unless otherwise stated.

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the following:

- Certain financial assets and financial liabilities at fair value;
- Defined benefit plans – plan assets that are measured at fair value;

The financial statements have been prepared under the historical cost convention except certain financial assets and financial liabilities which are measured at fair value.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Current vis-à-vis non-current classification

The assets and liabilities reported in the balance sheet are classified on a "current/non-current basis", with separate reporting of assets held for sale and liabilities. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the Company or in the 12 months following the balance sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Company or within the 12 months following the close of the financial year. The deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Recent accounting pronouncements**Standards issued but not yet effective****Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:**

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The Company is evaluating the requirements of the amendment and the impact on the financial statements is being assessed.

Ind AS 115- Revenue from Contract with Customers:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize 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. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Company is evaluating the requirements of the amendment and the impact on the financial statements is being assessed.

(c) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost which includes capitalised borrowing cost, less depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure incurred on assets which are not ready for their intended use comprising direct cost, related incidental expenses and attributable borrowing cost are disclosed under Capital Work-in-Progress.

Construction stores have been valued at weighted average cost.

Depreciation methods, estimated useful lives and residual value:

Depreciation is provided to the extent of depreciable amount on Straight Line Method (SLM) based on useful life of the assets as prescribed in Part C of Schedule II to the Companies Act, 2013. The useful lives considered for the purpose of depreciation are as follows:

Property, plant and equipment	Life (in years)
Residential building	60
Office equipment	5
Plant and equipment	15
Furniture and fixtures	10
Computers	3

Estimated useful lives, residual values and depreciation methods are reviewed annually, taking into account commercial and technological obsolescence as well as normal wear and tear and adjusted prospectively, if appropriate.

(d) Intangible assets:

Intangible assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization / depletion and impairment loss, if any. The cost comprises of purchase price, borrowing costs and any cost directly attributable to bringing the asset to its working condition for the intended use.

Expenditure incurred on acquisition of intangible assets which are not ready to use at the reporting date is disclosed under "intangible assets under development".

Amortisation method and estimated useful life

Amortization is charged on a straight-line basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Computer software is amortised over an estimated useful life of 3 years.

(e) Impairment of non-financial assets

Assets which are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Trade Receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(g) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity.

Investments and other financial assets

i. Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments in subsidiaries, the Company has elected at the time of initial recognition to account for such equity investments at cost.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

ii. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method

Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises. Interest income from these financial assets is included in other income.

Equity investments

The Company has elected to measure all equity investments in subsidiaries at cost. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit and loss are recognised in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments are recognised in profit or loss.

iii. Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

iv. Derecognition of financial assets

A financial asset is derecognised only when:

- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised. Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

v. Income recognition

Interest income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Dividend

Dividends are recognised in profit or loss only when the right to receive 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.

(h) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(i) Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Financial liabilities

i. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

ii. Initial recognition and measurement

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

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

iii. **Subsequent measurement**

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

Borrowings: Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade and other payable: These amounts represents obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These payable are classified as current liabilities if payment is due within one year or less otherwise they are presented as non-current liabilities. Trade and payables are subsequently measured at amortised cost using the effective interest method.

iv. **Derecognition**

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

(k) **Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Borrowing costs, incurred during an extended period of suspension of activities necessary to prepare an asset for its intended use or sale, are not capitalized.

Other borrowing costs are expensed in the period in which they are incurred.

(l) **Provisions, Contingent Liabilities and Contingent Assets:**

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is 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.

Contingent liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or reliable estimate of the amount cannot be made, is termed as contingent liability.

Contingent Assets:

A contingent asset is disclosed, where an inflow of economic benefits is probable.

(m) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Indian Rupees' (INR), which is the Company's functional currency and all amounts are rounded to the nearest lakhs, unless otherwise stated.

ii. Transactions and balances

- (i) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.
- (ii) All exchange differences arising on reporting of short term foreign currency monetary items at rates different from those at which they were initially recorded are recognised in the Statement of Profit and Loss.
- (iii) In respect of foreign exchange differences arising on revaluation or settlement of long term foreign currency monetary items, the Company has availed the option available in the Ind AS 101 to continue the policy adopted in previous GAAP for accounting for exchange differences arising from translation of long-term foreign currency monetary items outstanding as on March 31, 2016, wherein foreign exchange differences on account of depreciable asset, is adjusted in the cost of depreciable asset and would be depreciated over the balance life of asset.
- (iv) Non-monetary items denominated in foreign currency are stated at the rates prevailing on the date of the transactions / exchange rate at which transaction is actually effected.

(n) Employee benefits:

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Post employment obligations

The Company operates the following post-employment schemes:

- defined benefit plans such as gratuity
- defined contribution plans such as provident fund and superannuation fund .

Gratuity obligations

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR 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. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement 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. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Defined contribution plans

Provident fund

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Superannuation fund

Certain employees of the Company are participants in a defined contribution plan. The Company has no further obligations to the plan beyond its monthly contributions which are contributed to a trust fund, the corpus of which is invested with Reliance Life Insurance Company Limited.

(o) Inventories

Inventories of tools, stores, spare parts, consumable supplies and fuel are valued at lower of weighted average cost, which includes all non-refundable duties and charges incurred in bringing the goods to their present location and condition, and net realisable value after providing for obsolescence and other losses.

(p) Non-current assets held-for-sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(q) Income tax

Income tax expense comprises current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

(r) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits with banks, short-term balances (with an original maturity of three months or less from date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year.

Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

(t) Cash flow statement

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

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief financial officer that makes strategic decisions.

2.2 Critical accounting estimate and judgements

Preparing the financial statements under Ind AS requires management to take decisions and make estimates and assumptions that may impact the value of revenues, costs, assets and liabilities and the related disclosures concerning the items involved as well as contingent assets and liabilities at the balance sheet date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Refer Note 4 (b) for critical accounting judgements.

(a) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its Property, plant and equipment 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).

Recoverable amount of Property, plant and equipment is the higher of its fair value less costs of disposal and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated efficiency of the plant, fuel availability at economical rates, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact the carrying value of assets.

(b) Fair value measurement and valuation process

The Company has measured certain assets and liabilities at fair value for financial reporting purposes. The management determines the appropriate valuation technique and inputs for fair value measurement. In estimating the fair value, the management engages third party qualified valuer to perform the valuations.

Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

(c) Provision

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

Samalkot Power Limited

Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)

3.1 Property, plant and equipment

Particular	Buildings	Plant and equipment	Furniture and fixtures	Freehold land (Refer note 1 below)	Rupees in lakhs	
					Office equipment	Computers
Gross carrying amount						
Carrying cost as at April 01, 2016	240	48	10	4,483	5	4
Additions during the year	-	@	-	99	1	-
Carrying cost as at March 31, 2017	240	48	10	4,582	6	4
Additions during the year	395	-	-	-	@	-
Carrying cost as at March 31, 2018	635	48	10	4,582	6	4
Accumulated depreciation						
Balance as at April 01, 2016	92	6	3	-	3	3
For the year	58	3	@	-	1	@
Accumulated depreciation as at March 31, 2017	150	9	3	-	4	3
For the year	403	3	4	-	@	-
Accumulated depreciation as at March 31, 2018	553	12	7	-	4	3
Net carrying value						
As at March 31, 2017	90	39	7	4,582	2	1
As at March 31, 2018	82	36	3	4,582	2	1

@ Amount is below the rounding off norm adopted by the Company

Notes:

(1) Freehold land includes land admeasuring 49.75 acres allotted by Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) for Rs. 2,209 lakhs which is pending for transfer of legal title in the name of the Company.

(2) Refer to note 10 for information on property, plant and equipment pledged as a security by the Company.

Samalkot Power Limited

Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)

3.2 Capital work-in-progress

Rupees in lakhs

	Particulars	
A	Capital Work-in-Progress as at April 01, 2016	192,544
B	Additions during the year ended March 31, 2017	
	Assets under Construction (including construction stores)	546
C	Expenditure/(Income) pending allocation/ capitalisation	
(i)	Income	
	Foreign exchange gain (net) (Refer note 19)	(8,916)
D	Capital Work-in-Progress as at March 31, 2017 (A+B+C)	184,174
E	Additions/Deduction during the year ended March 31, 2018	
(i)	Cost of Assets sold	(1,273)
(ii)	Income	
	Foreign exchange loss/ (gain) (net)	1,185
F	Less : Non-current assets classified as assets held for sale	(23,518)
G	Capital Work-in-Progress as at March 31, 2018 (D+E+F)	160,568

Notes:

1 Refer to note 10 for information on capital work-in-progress pledged as security by the Company.

Samalkot Power Limited
Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)

Particulars	Rupees in lakhs	
	As at March 31, 2018	As at March 31, 2017
3.3 (a) Non-current investments (Unquoted)		
Investments in government securities at amortised cost		
Investments in government securities		
National savings certificate (deposited with sales tax authorities)	@	@
99 (March 31, 2017: 99) equity shares of Reliance Power Holding (FZC) of face value of DHS 5,000 each (Refer note 11)	93	93
	<u>93</u>	<u>93</u>
Aggregate amount of unquoted investments	93	93
@ Amount is below the rounding off norm adopted by the Company		
3.3 (b) Loans		
Security deposits	243	243
	<u>243</u>	<u>243</u>
3.3 (c) Other non-current financial assets		
Balances held with banks as margin money against the bank guarantee	23	80
	<u>23</u>	<u>80</u>
3.4 Non-current tax assets		
Advance income tax and tax deducted at source (Net of provision for tax) (Refer note 9)	279	230
	<u>279</u>	<u>230</u>
3.5(a) Cash and cash equivalents		
Balance with banks:		
in current accounts	57	155
	<u>57</u>	<u>155</u>
3.5 (b) Bank balances other than cash and cash equivalents		
Deposits with original maturity of more than three months but less than twelve months held as margin money	59	3
	<u>59</u>	<u>3</u>
3.5 (c) Current Loans		
(Unsecured and considered good unless stated otherwise)		
Loans to employees	-	7
	<u>-</u>	<u>7</u>
3.5 (d) Other current financial assets		
Other Receivables	13	13
	<u>13</u>	<u>13</u>

Samalkot Power Limited**Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)**

Particulars	Rupees in lakhs	
	As at March 31, 2018	As at March 31, 2017
3.6 Other current assets		
Prepayments	28	71
	<u>28</u>	<u>71</u>
3.7 Asset classified as held for sale		
Asset held for sale (Refer note 4)	231,600	204,675
	<u>231,600</u>	<u>204,675</u>

Samalkot Power Limited
Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)

Particulars	Rupees in lakhs	
	As at March 31, 2018	As at March 31, 2017
3.8 Equity share capital		
Authorised share capital		
26,025,000 (March 31, 2017 : 26,025,000) equity shares of Rs. 10 each	2,603	2,603
	<u>2,603</u>	<u>2,603</u>
Issued, subscribed and fully paid up capital		
25,609,400 (March 31, 2017 : 25,609,400) equity shares of Rs. 10 each fully paid up	2,561	2,561
	<u>2,561</u>	<u>2,561</u>
3.8.1 Reconciliation of number of equity shares		
Balance at the beginning of the year 25,609,400 (March 31, 2017 : 15,009,400) shares of Rs.10 each	2,561	1,501
Add: Issued and allotted during the year Nil (March 31, 2017 : 10,600,000) shares of Rs.10 each (Refer note 3.8.5)	-	1,060
Balance at the end of the year 25,609,400 (March 31, 2017 : 25,609,400) shares of Rs. 10 each	<u>2,561</u>	<u>2,561</u>

3.8.2 Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of the equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

3.8.3 Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	Percentage of share holding	No. of Shares	Percentage of share holding
Equity shares				
Reliance Power Limited - Ultimate Holding Company	6,000,000	23%	6,000,000	23%
Reliance CleanGen Limited - Holding Company	19,609,400	77%	19,609,400	77%
	<u>25,609,400</u>	<u>100%</u>	<u>25,609,400</u>	<u>100%</u>

3.8.4 Shares held by Holding Company and Ultimate Holding Company

	As at March 31, 2018	As at March 31, 2017
Equity shares		
Reliance CleanGen Limited - 19,609,400 (March 31, 2017 : 19,609,400) equity shares of Rs. 10 each. (Of the above, 19,609,394 (March 31, 2017 : 19,609,394) shares are held by Reliance CleanGen Limited, the Holding Company and 6 Shares are jointly held by Reliance CleanGen Limited and its nominee)	1,961	1,961
Reliance Power Limited - 6,000,000 (March 31, 2017 : 6,000,000) equity shares of Rs. 10 each	600	600
	<u>2,561</u>	<u>2,561</u>

3.8.5 Rights issue

During the year ended March 31, 2017, the Company issued 10,600,000 equity shares of Rs.10 each at a premium of Rs.990 each to Reliance CleanGen Limited under a rights issue.

3.9 Instruments entirely equity in nature

Compulsory convertible redeemable non-cumulative preference shares

	As at March 31, 2018	As at March 31, 2017
Authorised share capital		
15,025,000 (March 31, 2017 : 15,025,000) preference shares of Rs. 10 each	1,503	1,503
	<u>1,503</u>	<u>1,503</u>
Issued, subscribed and fully paid up capital		
15,009,400 (March 31, 2017 : 15,009,400) preference shares of Rs. 10 each fully paid up [Refer note 3.9.2]	1,501	1,501
	<u>1,501</u>	<u>1,501</u>

3.9.1 Reconciliation of number of preference shares

Balance at the beginning of the year 15,009,400 (March 31, 2017 : 15,009,400) shares of Rs.10 each	1,501	1,501
Balance at the end of the year 15,009,400 (March 31, 2017 : 15,009,400) shares of Rs.10 each	<u>1,501</u>	<u>1,501</u>

3.9.2 Terms/ rights attached to preference shares

Preference shares

7.5% Compulsory convertible redeemable non-cumulative preference shares (CCRPS)

Pursuant to the terms of issue, the Company shall have a call option on CCRPS which can be exercised by the Company in one or more tranches and in part or in full before the end of agreed tenure (20 years) of the said shares. In case the call option is exercised, CCRPS shall be redeemed at an issue price (i.e face value and premium). The holders of CCRPS however, shall have an option to convert CCRPS into equity shares at any time during the tenure of such shares. At the end of tenure and to the extent the Company or the shareholder has not exercised their options, CCRPS shall be compulsorily converted into equity shares. On conversion, in either case, each CCRPS shall be converted into one fully paid equity share of Rs. 10 each at a premium of Rs. 990 share. If during the tenure of CCRPS, the Company declares equity dividend, CCRPS holders shall also be entitled to dividend on their shares at the same rate as the equity dividend and this dividend will be over and above the coupon rate of 7.5%. These preference shares shall continue to be non cumulative.

3.9.3 Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	Percentage of share holding	No. of Shares	Percentage of share holding
Preference shares [refer note 3.9.2]				
Reliance CleanGen Limited - Holding Company	15,009,400	100%	15,009,400	100%
	<u>15,009,400</u>	<u>100%</u>	<u>15,009,400</u>	<u>100%</u>

3.9.4 Shares held by Holding Company

	As at March 31, 2018	As at March 31, 2017
Preference shares [refer note 3.9.2]		
Reliance CleanGen Limited - 15,009,400 (March 31, 2017 : 15,009,400) preference shares of Rs.10 each	1,501	1,501
	<u>1,501</u>	<u>1,501</u>

Particulars	Rupees in lakhs	
	As at March 31, 2018	As at March 31, 2017
3.10 Other equity		
Balance at the end of the year		
3.10.1 Securities premium reserve	131,631	131,631
3.10.2 Retained earnings	(262,739)	(252,499)
	(131,108)	(120,868)
3.10.1 Securities premium reserve		
Balance at the beginning of the year	131,631	296,691
Add: On Issue of equity shares (Refer note 3.8.5)	-	104,940
Less: Transfer to retained earnings (Refer note 21)	-	(270,000)
Balance at the end of the year	131,631	131,631
3.10.2 Retained earnings		
Balance at the beginning of the year	(252,499)	(510,705)
Loss for the year	(10,223)	(11,791)
Add: Transfer from securities premium reserve (Refer note 21)	-	270,000
Less: Other comprehensive loss arising out of remeasurement of net defined benefit obligation	(17)	(3)
Balance at the end of the year	(262,739)	(252,499)
	(131,108)	(120,868)
3.11 Non-current borrowings		
Secured - measured at amortised cost		
Term loan:		
Foreign currency loan from a bank	140,701	204,642
	140,701	204,642

3.11.1 Nature of security for term loan

- Term loan from a bank of Rs. 242,956 lakhs (March 31, 2017: Rs. 275,557 lakhs) is secured/ to be secured by first charge on all the immovable and movable assets and intangible asset of the Company and pledge of 100% of the total issued share capital of the Company held by the Holding Company and Ultimate Holding Company. The carrying amount of financial asset and non-financial assets pledged as security are disclosed in note 10.
- The Ultimate Holding Company has given financial commitments/ guarantees to the lender of the Company. [Refer note 11(iii) and (iv)].
- Current maturities of long term borrowings have been classified as other current financial liabilities (Refer note 3.13(b))
- The amortised cost disclosed including for current maturities of long term borrowing, is after netting off incidental cost of borrowings aggregating of Rs. 5,073 lakhs (March 31, 2017; Rs. 8,654 lakhs).

3.11.2 Terms of repayment and interest

In accordance with terms of financing agreement, the term loan from US Exim was originally repayable in 23 semi-annual instalments commencing from October 25, 2014 at a fixed interest of 2.65% per annum. Based on subsequent amendment to financing agreement dated September 24, 2016, the outstanding balance as on June 30, 2017 is payable in 16 equal quarterly instalments commencing from September 30, 2017. The rate of interest for the term loan is to continued to be 2.65 % per annum. The US Exim however, vide their letter dated April 3, 2018, has deferred the repayment of quarterly instalments (inclusive of interest) due on December 31, 2017 and March 31, 2018 of USD 27,369,500 and USD 27,179,667, respectively, to April 25, 2018.

Samalkot Power Limited
Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)

Particulars	Rupees in lakhs	
	As at March 31, 2018	As at March 31, 2017
3.12 Non-current provisions		
Provision for gratuity (Refer note 8)	52	33
Provision for leave entitlement (Refer note 8)	63	56
	115	89
3.13(a) Loans from related parties		
Inter-corporate deposits (Refer note 11) (Repayable within one year)	45,688	4,464
	45,688	4,464
3.13(b) Other current financial liabilities		
Current maturities of long-term borrowings	97,182	62,261
Interest accrued but not due on borrowings	3,183	3,170
Security deposits received	-	7
Creditors for capital expenditure (Refer note 11)	236,501	235,983
Retention money payable	32	23
Payable to a fellow subsidiary (Refer note 11)	177	101
Others Payables (Refer note 11)	789	249
	337,864	301,794
3.14 Other current liabilities		
Statutory dues	41	19
	41	19
3.15 Current provisions		
Provision for gratuity (Refer note 8)	9	3
Provision for leave entitlement (Refer note 8)	30	2
	39	5
3.16 Current tax Liabilities (net)		
Provision for income tax (net of advance tax) (Refer note 9)	267	258
	267	258

@ Amount is below the rounding off norm adopted by the Company

Samalkot Power Limited
Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)

Particulars	Rupees in lakhs	
	Year ended March 31, 2018	Year ended March 31, 2017
3.17 Other income		
Interest income from financial assets measured at amortised cost:		
Bank deposits	4	10
Inter-corporate deposits	-	337
Interest on income tax refund	27	-
Gain on foreign exchange fluctuations (Net)	-	1,397
Other non-operating income (Insurance claim received)	540	-
Profit on sale of scrap	16	-
	587	1,744
3.18 Employee benefits expense		
Salaries, bonus and other allowances	513	571
Contribution to provident and other funds (Refer note 8b)	24	26
Gratuity	11	9
Leave compensation	48	29
Staff welfare expenses	@	@
	596	635
3.19 Finance costs		
Interest on financial liabilities measured at amortised cost		
Foreign currency loans	6,813	10,762
Other finance charges	193	39
	7,006	10,801
3.20 Other expenses		
Port charges	142	-
Rent expenses	798	844
Repairs and maintenance		
- Plant and equipment	69	51
- Buildings	@	1
- Others	39	26
Stamp duty and filing fees	@	@
Printing and stationery	2	1
Legal and professional charges (including shared service charges) (Refer note 7)	454	242
Postage and telephone	@	7
Travelling and conveyance	161	118
Directors sitting fees	1	4
Rates and taxes	40	65
Insurance	480	470
Loss on sale / Discarding Of Assets	476	
Expenditure towards corporate social responsibilities	2	6
Security expenses	71	21
Miscellaneous expenses	54	64
	2,789	1,920

@ Amount is below the rounding off norm adopted by the Company

4) Project Status

a) Capital Work-in-Progress [1508 MW (754MW X 2) Plant]:

There is continued uncertainty regarding availability of natural gas in the country for operation of the plant, and while the Company is actively pursuing with relevant authorities for securing gas linkages / supply at commercially viable prices / generation opportunities, it is also evaluating alternative arrangements / approaches to deal with the situation. The Company is confident of arriving at a positive resolution to the foregoing in the foreseeable future and therefore the carrying amount of capital work in progress is considered recoverable.

b) Non-current assets held for sale (754 MW Plant):

Reliance Power Limited, the ultimate holding company, had entered into a Memorandum of Understanding (MOU) with the Government of Bangladesh (GoB) for developing an integrated LNG terminal and a gas-based power project of 3000 MW capacity in a phased manner. Pursuant to the above, Reliance Bangladesh LNG & Power Limited (RLNG), is taking steps to conclude a long term Power Purchase Agreement for supply of 718 MW (net) power from a combined cycle gas based power plant to be set up at Meghnaghat near Dhaka in Bangladesh. In this regard, a letter of intent has been issued by Bangladesh Power Development Board to the ultimate holding company on July 26, 2017.

The Company has entered into MOU on March 21, 2017 for sale of its one module of 754MW to RLNG for a consideration not less than its carrying amount. Further, during the year, RLNG has issued letter of award to Company's EPC contactor Reliance Infrastructure Limited for setting up of 745 MW gas based combined cycle power plant at Meghnaghat, Bangladesh with the assets of the Company. The Company expects to enter into definitive sale agreement in the next financial year. The Company is confident that the RLNG will be able to achieve financial closure and remit the sale proceeds.

Having regard to the above plans [(a) and (b)], and the continued financial support from the ultimate holding company, management believes that the Company would be able to meet its financial and other obligations in the foreseeable future. Accordingly, the Financial Statement have been prepared on a going concern basis.

5) Net debt reconciliation

Particulars	Rupees in lakhs Year Ended March 31, 2018
Long term Borrowings	
Opening Balance	
- Non Current	204,642
- Current	62,261
Avalied during the year/period	-
Changes in Fair Value	
- Impact of effective rate of interest	3,580
Effect of foreign exchange fluctuation	604
Repaid during the year/period	(33,204)
Closing Balance	
- Non Current	140,701
- Current	97,182
Inter corporate deposit	
Opening Balance	4,464
Avalied during the year	42,046
Repaid During the year	(822)
Closing Balance	45,688

Particulars	Rupees in lakhs
	Year Ended March 31, 2018
Interest expenses	
Interest accrued but not due on borrowing (Opening)	3,170
Interest Charge as per Statement Profit and Loss / Capital work in progress	10,413
Changes in Fair Value	
- Impact of effective rate of interest	(3,580)
Interest paid to Lenders	(6,819)
Interest accrued but not due on borrowing (closing)	3,183

6) Contingent liabilities And Commitments**(i) Contingent liabilities****(a) Claims against the Company not acknowledged as debt:**

- i. Disputed income tax dues for Assessment Year 2014-15 is Rs. 41 lakhs and for Assessment Year 2015-16 is Rs. 411 lakhs.
- ii. Central Electricity Regulatory Commission (CERC) vide its order dated 06.04.2015 has directed Samalkot Power Limited (SMPL) and Spectrum Power Generation Limited (SPGL) to reimburse 80% of the acquisition price incurred by Power Grid Corporation India Limited (PGCIL) for acquiring Vemagiri Transmission System Limited (VTSL) in proportion to the LTA granted to them (SMPL and SPGL). It was further directed that the balance 20% and the expenditure incurred by VTSL from the date of acquisition till the liquidation of the said company shall be borne by PGCIL. The financial liability for Samalkot Power Limited (SMPL) in this matter amounts to a sum total of Rs 908 lakhs subject to the outcome of the Ld. Appellate Tribunal of Electricity (APTEL)

Both SMPL and SPGL have preferred appeals before the Appellate Tribunal for Electricity (APTEL) against the aforesaid order of the CERC dated 06.04.2015, on the ground that PGCIL has not complied with its obligation of setting up transmission system and other valid reasons. The matter is pending before the Ld. Appellate Tribunal of Electricity (APTEL).

(ii) Commitments

- (a) Estimated amount of contracts remaining unexecuted on capital account (net of advances paid) and not provided for Rs. 94,657 lakhs (March 31, 2017: Rs. 96,235).

The Company is in discussion with its engineering, procurement and construction contractor for relevant amendment in the contract in view of the development relating to the First module (1 x 754 MW) as mentioned in point 4 above.

7) Payment to the auditors (excluding service tax):

Particulars	Year ended March 31, 2018	Rupees in lakhs Year ended March 31, 2017
For audit*	35	63
For other services	-	1
Out of pocket expenses	-	1

* The above figures are exclusive of goods and service tax and includes payment made to preceeding auditor amounting to Rs. 4 Lakhs.

8) Disclosure under Indian Accounting Standard 19 "Employee benefits" :

The Company has classified various employee benefits as under:

(a) Leave obligations

The leave obligations cover the Company's liability for sick and privileged leave.

Provision for compensated absences	March 31, 2018	Rupees in lakhs March 31, 2017
Current	30	2
Non-current	63	56

(b) Defined contribution plans

- (i) Provident fund
- (ii) Superannuation fund
- (iii) State defined contribution plans
 - Employer's contribution to National Pension Scheme
 - Employer's Contribution to Employees' Pension Scheme, 1995

The provident fund and the state defined contribution plan are operated by the regional provident fund commissioner and the superannuation fund is administered by the trust. Under the schemes, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

The Company has recognised the following amounts in the Statement of Profit and Loss for the year:

	Year ended March 31, 2018	Rupees in lakhs Year ended March 31, 2017
Contribution to provident fund and employees' pension scheme 1995	20	20
Contribution to employees' superannuation fund	1	2
Employer's contribution to National Pension Scheme	3	4

(c) Post-employment obligations

Gratuity

The Company provides for gratuity according to the provisions of Payment of Gratuity Act, 1972 or the Company's schemes whichever is higher. Employees who are in continuous service for a period of 5 years or more are eligible for gratuity. According to the Payment of Gratuity Act, 1972, the amount of gratuity payable on retirement/termination is the employees' last drawn basic salary including dearness allowance, if any, per month computed proportionately for 15 days salary multiplied by the number of years of service with a ceiling at Rs. 20 lakhs. According to the Company's Gratuity Scheme, the amount of gratuity payable varies based on the reasons (retirement, resignation and death) for the termination of employment and the number of continuous year of service with a prescribed ceiling.

(i) Significant estimates: actuarial assumptions

Valuations in respect of gratuity have been carried out by an independent actuary, as at the Balance Sheet date, based on the following assumptions:

	March 31, 2018	March 31, 2017
Discount Rate (Per annum)	7.65%	7.05%
Rate of increase in compensation levels	7.50%	7.50%

The estimate of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

(ii) Balance sheet amounts - Gratuity

	Rupees in lakhs
	Present value of obligations
April 1, 2016	24
Current service cost	7
Interest cost	2
Total amount recognized in profit and loss	9
Remeasurements	
Loss from change in financial assumptions	3
Experience gains	@
Total amount recognized in other comprehensive income	3
March 31, 2017	36
	Rupees in lakhs
	Present value of obligations
April 1, 2017	36
Current service cost	8
Interest cost	2
Total amount recognized in profit and loss account	10
Remeasurements	
gain from change in financial assumptions	(2)
gain from change in financial assumptions	(8)
Experience gains	27
Total remeasurements recognized in other comprehensive income	17
Benefit payments	(2)
March 31, 2018	61

@ Amount is below the rounding off norm adopted by the Company

(iii) The net liability disclosed above relates to unfunded plans are as follows:

	March 31, 2018	Rupees in lakhs March 31, 2017
Present value of obligations (unfunded)	61	36
Current portion	9	3
Non-current portion	52	33

(iv) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Discount rate	0.50%	0.50%	-2.79%	- 6.76%	2.95%	7.44%
Salary growth rate	0.50%	0.50%	2.94%	7.37%	-2.81%	-6.76%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(v) The above defined benefit gratuity plan is unfunded and the Company has not invested in property or securities as at March 31, 2018/ March 31, 2017.

(vi) The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

(vii) Defined benefit liability and employer contributions

The Company has no compulsion to pre fund the liability of the plan. The Company's policy is not to externally fund these liabilities but instead recognizes the provision and pay the gratuity to its employees directly from its own resources as and when the employee leaves the Company.

Samalkot Power Limited
Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)

The weighted average duration of the defined benefit obligation is 5.73 years (March 31, 2017: 14.17 years).

9) Income taxes
(i) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

	Year ended March 31, 2018	Rupees in lakhs Year ended March 31, 2017
Profit / (loss) before income tax expense	(10,214)	(11,674)
Tax at the Indian tax rate of 27.53% (2016-17 – 34.608%)	(2,814)	(4,041)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Pre-operative expenses disallowed	2,976	4,644
Income considered as capital receipt	(153)	-
Other items	-	(3)
Unrealised forex gain being notional income	-	(483)
Income tax expense	9	117

(ii) Tax liabilities/ (Assets):

Particulars	March 31, 2018	Rupees in lakhs March 31, 2017
Provision for income tax – Opening balances (net of advance tax of Rs. 230 lakhs) (March 31, 2017 : Rs. Nil) (Refer note 3.4)	28	75
Taxes paid (net of refund)	(49)	(164)
Current tax payable for the year	9	117
Provision / (Advance) for income tax – Closing balances (net of provision for tax of Rs. 267 lakhs) (March 31, 2017: net of advance tax of Rs. 230 lakhs) (Refer note 3.16)	(12)	28

10) Assets pledged as security

Particulars	Notes	March 31, 2018	Rupees in lakhs March 31, 2017
Non-current			
Financial assets			
First charge			
Investments	3.3(a)	93	93
Other financial assets	3.3(b)	266	323
Non-financial assets			
First charge			
Property, plant and equipment	3.1	4,706	4,721
Capital work in progress	3.2	160,568	184,174
Non-current tax assets (net)	3.4	279	230
Total non-current assets pledged as security		165,912	189,541
Current			
Financial assets			
Cash and bank balances	3.5(a)		
	3.5(b)	116	158
Loans	3.5(c)	-	7
Other financial assets	3.5(d)	13	13
Non-financial assets			
Other current assets	3.6	28	71
Asset held for sale	3.7	231,600	204,675
Total current assets pledged as security		231,757	204,924
Total assets pledged as security		397,669	394,465

11) Related party disclosures:

A. Parties where Control exists:

Ultimate Holding Company

Reliance Power Limited (RPower)

Holding Company

Reliance CleanGen Limited (RCGL)

Subsidiary Company

Reliance Power Holding FZC, (RPHF), (upto 08th May 2017)

B. Fellow subsidiaries

Vidarbha Industries Power Limited (VIPL)

Coastal Andhra Power Limited (CAPL)

C. Investing parties/promoters having significant influence on the Company directly or indirectly:

Companies

Reliance Infrastructure Limited (R Infra)

Reliance General Insurance Company Limited (RGCL)

Reliance Communications Limited (RCL)

Individual

Anil D Ambani

D. Details of transactions during the year and closing balance at the end of the year

		Rupees in lakhs	
	Particulars	2017-2018	2016-2017
(i)	Transactions during the year :		
	Purchase of materials/ services and related costs		
	R Infra	765	1,443
	RGCL	-	@
	RCL	1	3
	Reimbursement of expenses paid by		
	RPower	69	24
	VIPL	144	242
	RCGL	-	10
	Reimbursement of expenses paid for		
	CAPL	2	-
	Interest income		
	R Infra	-	337
	Inter-corporate deposits received		
	RCGL	42,046	76,650
	RPower	-	266
	Inter-corporate deposits given		
	R Infra	-	14,700
	Inter-corporate deposits repaid		
	RCGL	822	20,356
	R Power	-	6,481
	Investment		
	RPHF	-	93
	Inter-corporate deposits refunded		
	R Infra	-	14,700
	Issue of equity shares (excluding premium), through conversion of inter corporate deposit		
	RCGL	-	106,000
	Guarantees issued on behalf of the Company		
	RPower	-	139

@ Amount is below the rounding off norm adopted by the Company

		Rupees in lakhs	
(ii)	Closing Balance	March 31, 2018	March 31, 2017
	Equity share capital (excluding premium)		
	RPower	600	600
	RCGL	1961	1961
	Preference share capital		
	RCGL	1501	1,501
	Creditors for capital expenditure		
	R Infra	236,501	235,983
	Payable to fellow subsidiary		
	RCL	@	@
	VIPL	108	101
	RPower	69	-
	Other Payables		
	Rinfra	473	-
	Investment		
	RPHF	93	93
	Short term borrowings – Inter-corporate deposits received		
	RCGL	45,688	4,464
	Guarantees issued on behalf of the Company		
	RPower	260	400
	Capital commitment		
	R Infra	87,403	89,003
	@ Amount is below the rounding off norm adopted by the Company		
(iii)	The Ultimate Holding Company has entered into agreement/ arrangement towards outstanding borrowings/ other payables of the Company wherein it has committed/ guaranteed to extend financial support to the Company in the form of equity or debt as per the agreed means of finance, in respect of the project being undertaken, including that for mandatory pre-payments and permitted investments and to meet shortfall in the forex hedging, based on the future outcome of various uncertainties.		
(iv)	RPower has given financial guarantee to lender of the Company {(Refer note 3.11.1(b) and 3.13(b) for outstanding amount of borrowing) }		
(v)	Terms and conditions of outstanding balances: The amounts outstanding are unsecured and will be settled in cash. No expenses has been recognised in the current and previous reporting periods for bad or doubtful debts in respect of the amounts owed by related parties.		
(vi)	The above disclosures do not include transactions with public utility service providers, viz, electricity, telecommunications in the normal course of business.		

12) Fair value measurements

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements.

Samalkot Power Limited
Notes to the financial statements as of and for the year ended March 31, 2018 (Continued)
(i) Financial instruments by category

	March 31, 2018 Amortised cost	Rupees in lakhs March 31, 2017 Amortised cost
Financial assets		
Non-current investments		
Government securities	@	@
Investment	93	93
Other non-current financial assets		
Security deposit	243	243
Balances held with banks as margin money against the bank guarantee	23	80
Current investments		
Cash and cash equivalents	57	155
Bank balances other than cash and cash equivalents	59	3
Current loans		
Loans to employees	-	7
Other current financial assets		
Others	13	13
Total financial assets	488	594

@ Amount is below the rounding off norm adopted by the Company

	March 31, 2018 Amortised cost	Rupees in lakhs March 31, 2017 Amortised cost
Financial liabilities		
Foreign currency loan from a bank	241,066	270,073
Current borrowings		
Intercompany deposits	45,688	4,464
Other current financial liabilities		
Security deposits	-	7
Creditors for capital expenditure	236,501	235,983
Retention money payable	32	23
Payable to fellow subsidiary	177	101
Other Payables	789	249
Total financial liabilities	524,253	510,900

(ii) Fair value of financial assets and liabilities measured at amortised cost

	March 31, 2018		March 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investment in government securities	@	@	@	@
Investment	93	93	93	93
Security deposits	243	243	243	243
Balances held with banks as margin money against the bank guarantee	23	23	80	74
Total financial assets	359	359	416	410
Financial liabilities				
Borrowings	241,066	231,157	270,073	261,079
Total financial liabilities	241,066	231,157	270,073	261,079

@ Amount is below the rounding off norm adopted by the Company

Notes:

- The fair values of current financial assets and financial liabilities are considered to be the same as their carrying amounts, mainly due to their short term maturities.
- The fair value for borrowings and retention money was calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy. The fair value of fixed deposits was calculated based on the interest rate prevailing as on the date of reporting for same tenure.
- The Company's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the end of the reporting period.

(iii) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Assets and liabilities which are measured at amortised cost for which fair values are disclosed	Level 1	Level 2	Rupees in lakhs	
			Level 3	Total
As at March 31, 2018				
Investment in government securities	-	-	@	@
Investment in Equity Shares	-	-	93	93
Security deposits	-	-	243	243
Balances held with banks as margin money against the bank guarantee	-	-	23	23
Total financial assets	-	-	359	359
Financial liabilities				
Foreign currency loan from a bank	-	-	231,157	231,157
Total financial liabilities	-	-	231,157	231,157

Assets and liabilities which are measured at amortised cost for which fair values are disclosed	Level 1	Level 2	Level 3	Total
As at March 31, 2017				
Investment in government securities	-	-	@	@
Investment	-	-	93	93
Security deposits	-	-	243	243
Balances held with banks as margin money against the bank guarantee	-	-	74	74
Total financial assets	-	-	410	410
Financial liabilities				
Foreign currency loan from a bank	-	-	261,079	261,079
Total financial liabilities	-	-	261,079	261,079

@ Amount is below the rounding off norm adopted by the Company

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 (for example, traded bonds, over the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

There are no transfers between any levels during the year.

The Company's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the end of the reporting period.

13) Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the Company is exposed to and how the Company manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, financial assets measured at amortised cost	Credit ratings	Diversification of deposits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Financial support from the ultimate holding company
Currency risk	Recognised financial assets and liabilities not denominated in Indian Rupee (INR)	Sensitivity analysis	Treasury department monitors foreign exchange fluctuation on a periodical basis for determination of foreign currency requirements.

The Company's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investment of excess liquidity.

A. Credit risk

The Company is exposed to credit risk, which is the risk that counterparty will default on its contractual obligation resulting in a financial loss to the Company. Credit risk arises from cash and cash equivalents, financial assets carried at amortised cost and deposits with banks and financial institutions.

For banks and financial institutions, only high rated banks/institutions are accepted. Generally all policies surrounding credit risk have been managed at Company level. The Company's policy to manage this risk is to invest in debt securities that have a good credit rating.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

B. Liquidity risk

Management monitors the rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's liquidity management process involves projecting the cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios and maintaining debt financing plans.

(i) Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

With the continuing financial support from the ultimate holding company, management believes that the Company would be able to meet its financial and other obligations in the foreseeable future.

The amounts disclosed in the table are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Rupees in lakhs			
Contractual maturities of financial liabilities March 31, 2018	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivatives				
Borrowings	105,278	150,613	-	255,891
Inter-corporate deposits	45,688	-	-	45,688
Creditors for capital expenditure	236,501	-	-	236,501
Retention money payable	32	-	-	32
Payable to fellow subsidiary	177	-	-	177
Other Payables	789	-	-	789
Total non-derivative liabilities	388,465	150,613	-	539,078

	Rupees in lakhs			
Contractual maturities of financial liabilities March 31, 2017	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivatives				
Borrowings	75,359	219,643	-	295,002
Inter-corporate deposits	4,464	-	-	4,464
Security deposits	7	-	-	7
Creditors for capital expenditure	235,983	-	-	235,983
Retention money payable	23	-	-	23
Payable to a fellow subsidiary	101	-	-	101
Other Payable	249	-	-	249
Total non-derivative liabilities	316,186	219,643	-	535,829

C. Market risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of volatility of prices in the financial markets. Market risk can be further segregated as: a) Foreign currency risk and b) Interest rate risk.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from recognized liabilities denominated in a currency that is not the Company's functional currency (INR).

a) Foreign currency risk exposure:

The Company's total exposure to foreign currency risk (all in USD) at the end of the reporting period expressed in INR, are as follows:

	March 31, 2018	Rupees in lakhs March 31, 2017
Financial liabilities		
Foreign currency borrowing	246,139	278,726
Capital creditors for expenditure	184,146	183,564
Total foreign currency liability	430,285	462,290

b) Sensitivity

The sensitivity of profit or loss and capital work-in-progress to changes in the exchange rates of foreign currency denominated financial instruments is as under:

	Impact on profit before tax / capital work in progress	Rupees in lakhs March 31, 2017
	March 31, 2018	
USD sensitivity		
INR / USD - Increase by 6% (March 31, 2017 - 6%)*	(25,817)	(27,737)
INR / USD - Decrease by 6% (March 31, 2017 - 6%)*	25,817	27,737

*Holding all other variables constant

Since the Company has adopted the exemption of capitalizing foreign currency translation differences to fixed assets on transition to Ind AS (Refer Note 19). Accordingly the sensitivity for foreign currency exposure also includes sensitivity on long term foreign currency monetary items attributable to property plant and equipment/ Capital work-in-progress.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Company's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

a) Interest rate risk exposure

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

	March 31, 2018	Rupees in lakhs March 31, 2017
Fixed rate borrowings	237,883	266,903
Total borrowings	237,883	266,903

The fixed rate borrowings mentioned above do not include interest free inter corporate deposits received from the holding company.

b) Sensitivity of interest

The Company has only fixed rate borrowings and hence its profit or loss is not sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates.

14) Capital management**a) Risk Management**

The Company manages its capital structure in a manner to ensure that it will be able to continue as a going concern while optimising the return to stakeholders through the appropriate debt and equity balance.

The Company's capital structure is represented by equity (comprising issued capital and securities premium as detailed in notes 3.8 and 3.10, respectively) and debt (borrowings as detailed in note 3.11 and 3.13 (b)).

The Company's management reviews the capital structure of the Company on an annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	March 31, 2018	Rupees in lakhs March 31, 2017
Debt*	241,066	270,073
Equity	(127,046)	(116,806)

Debt / Equity ratio

*External debt including interest accrued thereon

15) Earnings per share:

	Year ended March 31, 2018	Rupees in lakhs Year ended March 31, 2017
Profit attributable to equity shareholders (Rupees in lakhs) (A)	(10,240)	(11,791)
Weighted average number of equity shares for basic earnings per share (B)	25,609,400	20,323,921
Weighted average number of equity shares for diluted earnings per share (C)	25,609,400	35,333,321
Earnings per share - basic (Rupees) (A/B)	(39.99)	(58.01)
Earnings per share - diluted (Rupees) (A/C)	(39.99)	(58.01)
Nominal value of an equity share (Rupees)	10	10

7.5% Compulsory Convertible Non-Cumulative Redeemable Preference Shares had an anti-dilutive effect on earnings per share and hence have not been considered for the purpose of computing dilutive earnings per share.

16) Micro and Small Scale Business Entities

Disclosure of payable to vendors as defined under the "Micro, Small and Medium Enterprise Development Act, 2006" is based on the information available with the Company regarding the status of registration of such vendors under the said Act. There are no overdue principal amounts/ interest payable amounts for delayed payments to such vendors at the balance sheet date. There are no delays in payment made to such suppliers during the year or for any earlier years and accordingly there is no interest paid or outstanding interest in this regard in respect of payments made during the year or brought forward from previous years.

- 17) The area in which the plant is under construction includes land admeasuring 61 acres, owned by R Infra which is under possession of the Company through Memorandum of Understanding. The Company is in process of entering into a lease agreement with R Infra for the same. Further, pending execution of lease agreement, the Company has obtained an affirmation from R Infra that the assets on the land is the property of the Company.

18) Segment reporting

Presently, the Company is engaged in only one segment viz 'Generation of Power' and as such there is no separate reportable segment as per Ind AS 108 'Operating Segments'. The Company does not have any revenue from external customers and non-current assets outside India.

19) Exchange differences on foreign currency monetary items:

In accordance with Para D13AA of Ind AS 101 "First time adoption of Indian Accounting Standards" and the option available in the Companies (Accounting Standards) (Second Amendment) Rules, 2011, vide notification dated December 29, 2011 issued by the Ministry of Corporate Affairs. Accordingly, during the year ended March 31, 2018 the Company has adjusted the value of Capital Work-in-Progress by Rs. 1,185 lakhs loss/(Gain) [March 31, 2017: Rs. 8,916 lakhs (Gain)] towards the exchange difference arising on long term foreign currency monetary liabilities.

- 20) The project has received provisional mega power status certificate from the Ministry of Power/ Government of India which, inter alia, entails the project to avail the exemptions/ benefits of Mega power projects. However, Customs authorities and Customs, Excise and Service Tax Appellate Tribunal have not considered the exemption of custom duty and the Company has filed an appeal before the Honourable Supreme Court of India claiming the benefits of Mega project.

The engineering, procurement and construction (EPC) contract entered into with R Infra, is inclusive of all taxes and duties and hence such custom duty benefit, if granted, under the aforesaid scheme will be passed on to R Infra.

- 21) During the year ended March 31, 2017, the Company filed a scheme of Reduction of Share Capital (Securities Premium Reserve) under section 52 of the Companies Act, 2013 and section 100 to 103 of the Companies Act, 1956 which was sanctioned by the Hon'ble High court of Bombay vide its order dated December 02, 2016 and filed with Registrar of Companies on January 18, 2017. Pursuant to the said scheme, the securities premium reserve was utilised to recoup the financial effect of considering fair value of certain items of capital work in progress as deemed cost on transition to Ind-AS to the extent of Rs. 270,000 lakhs by offsetting reduction in retained earnings.
- 22) Previous year's figures have been regrouped/reclassified wherever necessary to the current year's comparison.

Samalkot Power Limited

Notes to the financial statements as of and for the year ended March 31, 2018

As per our attached Report of even date

For Price Waterhouse

Firm Registration No: 301112 E

Chartered Accountants

For and on behalf of the Board of Directors

Piyush Jalandhara

Partner

Membership No. 122351

Sameer Kumar Gupta

Director

DIN 03486281

Shrikant D Kulkarni

Director

DIN 05136399

Amit Kumar Rathi

Chief Financial Officer

Dipali Shinde

Company Secretary and Manager

Membership No. A27527

Place: Mumbai

Date: April 18, 2018

Place: Mumbai

Date: April 18, 2018