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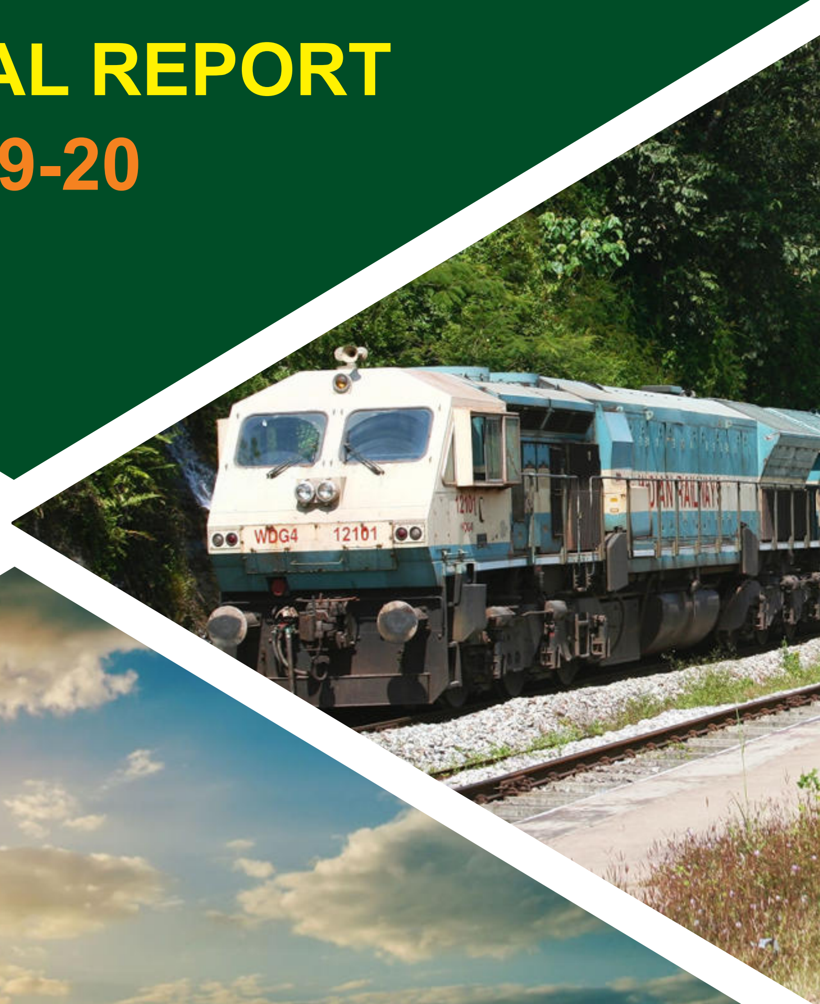
Hassan Mangalore Rail Development Company Limited

(A Joint Venture of Ministry of Railways & Govt. of Karnataka)

17TH ANNUAL REPORT
2019-20



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SEVENTEENTH ANNUAL REPORT 2019-20

Hassan Mangalore Rail Development Company Limited

(A Joint Venture of Ministry of Railways and Government of Karnataka)

Hassan Mangalore Rail Development Company Limited

BOARD OF DIRECTORS	:	Shri. Kapil Mohan, IAS	- Chairman
		Shri. H.S.Verma, IRTS	
		Smt. Aparna Garg, IRAS	
		Shri. Abhijit Narendra, IRTS	
		Shri. Ramesh R	
		Shri. Arun Kumar Rai	
		Shri. Satish Honnakkatte	
		Shri. S. Ananthan, FCA	- Independent Director
		Prof. K. Gayithri	- Independent Director
		Shri. Amit Garg, IRSE	- Director & CEO

COMPANY SECRETARY : Shri.S.N.Srinivasa, B Com, LLB, FCS, FCMA, PGDIRPM
(Upto 31.05.2020)

CHIEF FINANCIAL OFFICER : Shri. C. Pradeep

STATUTORY AUDITORS : M/s. MNS & Co.,
Chartered Accountants
163, 2nd Floor,
R.V. Road, Near Minerva Circle,
Bangalore - 560004

C&AGI AUDITORS : Principal Director of Audit
Indian Audit and Accounts Department
Old GM Office Compound, Club Road,
Keshwapur,
Hubballi – 580023

BANKERS : Canara Bank
Prime Corporate Branch
Bangalore – 560 001

State Bank of India
Industrial Finance Branch
Bangalore – 560 025

IDBI Bank Limited
Gandhinagar
Bangalore - 560 009

REGISTERED OFFICE : MSIL House, 7th Floor,
36, Cunningham Road,
Bangalore – 560 052

CORPORATE OFFICE : Samparka Soudha, 1st Floor,
Survey No. 8, (B.E.P. Premises)
Opp. Orion Mall, Dr. Rajkumar Road,
Rajajinagar 1st Block, Bangalore -560010.

CONTENTS

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Shareholders of **Hassan Mangalore Rail Development Company Limited will be held on Monday, the 14th December 2020 at 1.00 p.m. at Samparka Soudha, Survey No. 8, 1st Floor, (B.E.P. Premises) Opp. Orion Mall, Dr. Rajkumar Road, Rajajinagar 1st Block, Bangalore - 560010** to transact the following business:-

ORDINARY BUSINESS:

1. **Adoption of Financial Statements:** Financial Statements of the Company for the year ended March 31, 2020 and the reports of the Board of Directors (the Board) and Auditors thereon together with the comments received from C&AGI under section 143 of the Companies Act, 2013.

2. **Reappointment of Director:** To appoint a Director in place of Shri. Arun Kumar Rai, (DIN 00016060) who retires by rotation and being eligible offers himself for re-appointment.

3. **Reappointment of Director:** To appoint a Director in place of Shri. Ramesh R, (DIN 06820058) who retires by rotation and being eligible offers himself for re-appointment.

4. To consider fixation of remuneration for the year ending 31st March 2021 payable to Statutory Auditors appointed by Comptroller & Auditor General of India (C&AGI) and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** the appointment of M/s. MNS & Co, (Firm Reg. No.003968S) Chartered Accountants as Statutory Auditors, Bangalore made by the C&AGI under section 139(5) of the Companies Act, 2013 for the financial year 2020-21 be and is hereby noted and the remuneration payable to M/s. MNS & Co, Chartered Accountants, Bangalore for the financial year 2020-21 be and is hereby fixed at ₹ 2,00,000/- plus GST and other taxes if any."

SPECIAL BUSINESS:

5. To consider increase in the remuneration of Statutory Auditors for the year ended 31.03.2020 and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

   "**RESOLVED THAT** the remuneration payable to M/s. MNS & Co, (Firm Reg. No.003968S) Chartered Accountants, Bangalore, Statutory Auditors appointed by Comptroller & Auditor General of India (C&AGI) under Section 139(5) of the Companies Act, 2013 for the financial year 2019-20 be and is hereby increased from ₹ 1,50,000/- to ₹ 2,00,000/- exclusive of GST and other taxes."

By order of the Board
For Hassan Mangalore Rail Development Company Limited

Sd/-
AMIT GARG
Director & CEO

Place : Bangalore
Date : 17.11.2020

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote at the meeting instead of himself and the proxy need not be a member of the Company. The enclosed proxy form should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the AGM.
2. The Company being a Government Company, the Comptroller & Auditor General of India has appointed the Statutory Auditors of the Company for the year 2020-21 under section 139 (5) of the Companies Act, 2013.
3. Route Map is enclosed.
4. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
5. The Registrar of Companies, Karnataka, Bangalore has granted general extension of time for holding the AGM by 3 months upto 31.12.2020 to all the Companies in view of the difficulties faced due to Covid-19 Pandemic vide their order dated 08.09.2020.
6. Explanatory Statement pursuant to section 102 of the Companies Act, 2013 is enclosed.

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO.5

The C&AGI vide its letter No.CA.V/COY/CENTRAL GOVERNMENT, HMRDCL (1)/724 dated 09.08.2019 has appointed M/s.MNS& Co, Chartered Accountants, Bangalore as Statutory Auditors for the financial year 2019-20, on a remuneration of ₹ 1,50,000/-.

M/s.MNS & Co, Chartered Accountants, Bangalore vide their letter dated 05.08.2020 have sought an increase in the remuneration for the year 2019-20 based on the work load involved during the audit of accounts for the year 2019-20 due to adopting, restating and certifying IND-AS Financial Statements, offering comments for CAG supplementary audit queries which have significant bearing on the proprietary aspects of the accounting thereby increasing their senior partners and staff time and efforts spent on the audit assignment conducted by them.

Considering all the factors, the Board in its 77th meeting held on 31.08.2020 has approved the increase in remuneration of Statutory Auditors from ₹ 1,50,000/- to ₹ 2,00,000/- for the years 2019-20 and 2020-21 subject to the approval of shareholders.

None of the Director(s) and Key Managerial Personnel(s) of the Company and their relatives are concerned or interested, financially or otherwise, in this resolution.

The Board recommends the resolution for your approval.

By order of the Board

For Hassan Mangalore Rail Development Company Limited

Sd/-

AMIT GARG

Director & CEO

Place : Bangalore

Date : 17.11.2020

DIRECTORS' REPORT TO THE SHAREHOLDERS

To The Members,

Your Directors have pleasure in presenting the Seventeenth Annual Report on the working of your Company together with the Audited Statement of Accounts and the Auditors' Report with an addendum to this report containing the Management Replies to the observations made in the Auditors Report for the financial year ended on 31st March 2020.

1. OVERVIEW OF OPERATIONS

The financial year 2019-20 is the Fourteenth year of operations since commencement of business in May 2006 and the performance of the Company has entered a critical phase due to non-movement of imported coal from Panambur (Jindal) and also decrease in movement of cement traffic. During the year, the Company was depending upon fertilizers, food grains and POL & LPG movements. The total tonnage carried for the current year is 2.91 MT against 3.94 MT of the previous year. The operating ratio after depreciation & amortisation has been increased from 95.80% to 139.25% during the year when compared to previous year, resulting in operational loss of ₹ 38.03 Crores during the year when compared to operating profit of ₹ 6.23 Crore during previous year. The Comparative performance for the current and previous year is given below:

2. FINANCIAL RESULTS

The summarised financial results are as under:

(₹ In Crores)

Particulars	Current Year 31.03.2020	Previous Year 31.03.2019
Revenue from Operations	**96.88**	148.34
Construction contract Rev under SCA (Ind AS)*	**9.97**	10.74
Other Income	**27.39**	26.41
Total Income	**134.24**	**185.49**
Less: O&M Costs – Project Railway	**116.85**	126.11
Administrative & Other Expenditure	**4.78**	3.03
Construction contract Cost (Ind AS)*	**9.97**	10.74
Finance costs (Ind AS)	**3.87**	4.08
Total Expenditure	**135.47**	**143.96**
Profit/(Loss) before Depreciation & Amortization	**-1.23**	41.53
Less: Depreciation & Amortization	**13.28**	12.97
Net Profit/(Loss) before Taxation	**-14.51**	**28.56**
Less: Exceptional items (Reversal of Excess Provision of O&M cost of earlier years)	**33.91**	0.00
Profit (Loss) before Tax	**19.40**	**28.56**
Tax expense/Deferred Tax (Cr) - Net	**-2.08**	3.69
Net Profit after Tax	**21.48**	**24.87**
Other Comprehensive Income (Net of taxes)	**-0.02**	0.00
Total Comprehensive Income carried to B/S	**21.46**	**24.87**

3. GENERAL INFORMATION ABOUT THE COMPANY

The Company was incorporated on 1st July 2003 as a joint venture SPV with equal equity participation by the Ministry of Railways and Government of Karnataka with the objective of development, financing, designing, construction, operation and maintenance of the broad gauge rail link connectivity between Hassan and Mangalore (referred to as 'Project Railway'). The Shareholder's Agreement was signed by the Company with the Ministry of Railways, Government of Karnataka and Rail Infrastructure Development Company (Karnataka) Limited on 23rd October 2003. M/s. New Mangalore Port Trust and M/s. Mineral Enterprises Limited have become strategic partners by contributing ₹ 10.00 Crores each towards equity share capital constituting 18% of the total equity share capital of the Company.

For the purposes of implementing the Project Railway, Ministry of Railways (MoR) has granted concession rights to the Company for the above activities vide Concession Agreement dated 18th March 2004. The concession is for a period of 32 years from the date of the Agreement. The Company has been given leasehold rights on the assets, which already existed in the Project Area as part of the earlier railway network up to 23.08.1996 including land (existing & acquired subsequently) for development of the leased assets during the concession period.

In order to fulfill its construction obligations, the Company had entered into a Construction Agreement dated 18th March 2004 with South Western Railway (SWR), whereby SWR was appointed as the Engineering, Procurement and construction (EPC) Agents for the Project Railway. The capital expenditure incurred by the Railways on the Project Railway up to 31st March 2002 was converted and treated as subordinated/unsecured debt payable by the Company to Ministry of Railways.

The Company has entered into an Operations & Maintenance Agreement with South Western Railway on 18th March 2004 whereby SWR has been appointed as the operations and maintenance agency to operate the goods train services on the line and undertake maintenance of project assets till the end of the concession period.

The railway line was commissioned for operation of freight services in May 2006 after completion of gauge conversion of the Project Railway.

4. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS, If Any

There are no events subsequent to the date of financial statements.

5. CHANGE IN THE NATURE OF BUSINESS, IF ANY

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

6. DIVIDEND

Since the present position does not warrant declaration of dividend, the Directors are unable to recommend any dividend this year.

7. TRANSFER TO RESERVES IN TERMS OF SECTION 134(3)(J) OF THE COMPANIES ACT, 2013

The Company has not transferred any amount to General Reserve Account for the financial year ended 31st March, 2020.

8. DETAILS RELATING TO DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

9. INSURANCE

The Company has taken insurance to cover the risks arising out of landslides/rock slides in the ghat section during the monsoon months and also on loss of profit on account of stoppage of operations during such events. The landslips occurred in HMRDC section between SKLR & SBHR section during June to November 2019. The trains were stopped on several occasions for 5 to 10 hours and due to heavy landslides. The entire section was closed for 27 days from 20.07.2019 to 25.07.2019 and from 06.08.2019 to 26.08.2019 and restored subsequently by Mysore Division. The track from SKLR to KBPR (109kms) was insured with M/s. National Insurance Company, Bangalore and the Company has to prefer a claim with the Insurance Company for the expenses incurred in connection with restoration of track/damaged assets and also loss of profit due to closure of the section. Considering the huge amount of premium paid for the year 2019, the insurance cover for the track length was reduced to 70.69 kms between SKLR- Bajakere from 2020 renewal onwards.

10. CAPITAL EXPENDITURE

Due to various protection works carried out under safety measures such as construction of retaining walls, boulder netting, strengthening of bridges etc. there was no occurrence of stoppage of train movements during the year for the above works except for restoration of landslides. Construction of limited height of RUB's and sub-ways (to eliminate unmanned/manned LC gates), key men pathways in bridges for effective all round inspection, provision of ladders in bridges, increasing the sleeper density, providing manual trolley refugees on major girder bridges and other bridge strengthening works, TRR/TSR works, Supply of Generators, Replacement of signaling assets and Smoke Fire Alarms etc. were carried out. Works to the tune of ₹ 5.05 Crores were completed during the year and pending contractual liability as on 31.03.2020 is ₹ 11.73 Crores.

11. SHARE CAPITAL

There is no change in the equity share capital of the Company, which stood at ₹ 112 Crores at the beginning of the year.

12. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS U/S 186

The particular of loans, guarantees or investments u/s 186 for the year under report may be taken as Nil.

13. DIRECTORS & KEY MANAGERIAL PERSONNEL

There is no change in the Directors of the Company from the date of last annual report. Shri. Amit Garg, IRSE, MD/K-RIDE was appointed as Additional Director by the Board w.e.f 29.08.2019 and also nominated as CEO & Whole Time Director of the Company without remuneration w.e.f. 30.08.2019 and his nomination as CEO and Director will co-terminus with his deputation to K-RIDE as MD/K-RIDE for a period of 3 years w.e.f. 25.07.2019. Shri.Arun Kumar Rai and Shri.R.Ramesh, Directors retire by rotation at the ensuing AGM and being eligible offer themselves for reappointment. Shri.S.N.Srinivasa, Company Secretary of the Company has been continued as the Company Secretary during the year and has attained superannuation on 31.05.2020. Shri.C.Pradeep has been continued as Manager (Accts & Sec) and CFO of the Company.

14. INDEPENDENT DIRECTOR

The Board is of the view that since the Company is a joint venture of MoR & GoK, in terms of provisions of Sec 149(4) and 149(5) of the Companies Act 2013 read with Rule 4 of Companies (Appointmnet and qualification of Directors) Rules 2014 as amended, the Company is not required to appoint Independent Directors. However the Board resolved to continue with the existing Independent Directors till the end of their terms i.e. upto 12.03.2021.

15. AUDITORS

As the Company is a Government Company under section 2(45) of the Companies Act, 2013, the Comptroller and Auditor General of India under section 139(5) of the Companies Act, 2013 appoints the statutory auditors to audit the annual accounts. The C&AGI has appointed M/s.MNS & Co, Chartered Accountants, Bangalore as Statutory Auditors for the year 2020-21. The statutory auditors appointed by C&AGI will hold office until the next Annual General Meeting.

16. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

a. in the preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b. the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit and loss of the Company for that period;

c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the Directors had prepared the annual financial statements on a going concern basis;

e. Company being unlisted sub clause (e) of Section 134(5) is not applicable.

f. the Directors had devised proper systems to ensure Compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

17. ADOPTION OF IND AS

The standalone Ind AS financial statements for the year ended March 31, 2020, are the third standalone financial statements of the Company that are prepared in accordance with Ind AS. Accordingly, the Company has prepared the standalone Ind AS financial statements which comply with applicable Ind AS for year ended on March 31, 2020 together with the comparative period as at and for the year ended March 31, 2019 as described in the summary of significant accounting policies.

18. PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration beyond the stipulated limit in accordance with Sec.197 read with the provisions of Rules 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

19. INFORMATION ABOUT SUBSIDIARY/ JV/ ASSOCIATE COMPANY

The Company has no subsidiary/associate company.

20. RELATED PARTY TRANSACTIONS

There were no contracts or arrangements entered into by the Company in accordance with provisions of section 188 of the Companies Act, 2013 except the disclosures made under Note 28 of notes forming part of the accounts i.e.Revenue generation & O&M through Ministry of Railways.

21. BOARD MEETINGS, COMMITTEES OF DIRECTORS

The Board of Directors of the Company met four times during the financial year on the following dates:

1. 29.07.2019
2. 29.08.2019
3. 26.11.2019
4. Scheduled for 29.03.2020 postponed due to Covid 19 to 22.05.2020

The gap intervening between two meetings of the Board is as prescribed in the Companies Act, 2013 read with the MCA General Circular No.11/2020 dated 24.03.2020.

The details of attendance of members are as follows:

Name	Status	Category	No. of meeting held during the year 2019-20	
			Held	Attended
Shri. Kapil Mohan	Chairman	Non-Executive & Nominee Director	3	3
Shri.H.S. Verma	Member	Non-Executive & Nominee Director	3	3
Shri. Abhijit Narendra	Member	Non-Executive & Nominee Director	4	2
Smt. Aparna Garg	Member	Non-Executive & Nominee Director	4	3
Shri. S. Gagarin	Member	Executive – Whole Time Director	2	2
Shri. S. Ananthan	Member	Non-Executive & Independent Director	4	3
Prof. K. Gayithri	Member	Non-Executive & Independent Director	4	3
Shri.Satish Honnakkatte	Member	Non-Executive & Nominee Director	2	2
Shri.A.V.Harinath	Member	Non-Executive & Nominee Director	2	0
Shri. Ramesh R	Member	Non-Executive & Nominee Director	4	0
Shri. Arun Kumar Rai	Member	Non-Executive & Nominee Director	4	2
Shri. Amit Garg	Member	Executive & Director	2	2

A) AUDIT COMMITTEE

The Audit Committee pursuant to Sec.177 of the Companies Act, 2013 consists of the following Directors:

1. Smt. Aparna Garg - Chairman of the Committee
2. Shri. Kapil Mohan - Member
3. Shri. S. Ananthan - Member
4. Prof. K. Gayithri - Member

The Committee was reconstituted on 26.11.2019 as follows:

1. Shri. S. Ananthan - Chairman of the Committee
2. Shri. Kapil Mohan - Member
3. Shri. H.S. Verma - Member
4. Prof. K. Gayithri - Member

There were 3 Audit Committee Meetings took place during the financial year on the following dates:

1. 29.08.2019
2. 26.11.2019
3. Scheduled for 29.03.2020 postponed due to Covid 19 to 22.05.2020

The details of attendance of members are as follows:

Name	Status	Category	No. of meeting held during the year 2019-20	
			Held	Attended
Smt. Aparna Garg	Chairman	Non-Executive & Nominee Director	2	2
Shri. Kapil Mohan	Member	Non-Executive & Nominee Director	3	3
Shri. S. Ananthan	Chairman	Non-Executive & Independent Director	3	3
Prof. K. Gayithri	Member	Non-Executive & Independent Director	3	3
Shri. H.S. Verma	Member	Non-Executive & Nominee Director	1	1

B) NOMINATION & REMUNERATION COMMITTEE

The Nomination and Remuneration Committee pursuant to Sec.178 of the Companies Act, 2013 consists of the following Directors:

1)	Smt. Apana Garg	-	Chairman of the Committee
2)	Dr. Sandeep Dave	-	Member
3)	Shri. C. Jayaram	-	Member (upto 20.03.2019)
4)	Shri. S.Ananthan	-	Member

The Committee was reconstituted on 29.08.2019 as follows:

1)	Smt. Apana Garg	-	Chairman of the Committee
2)	Shri. Kapil Mohan	-	Member of the Committee
3)	Shri. S. Ananthan	-	Member of the Committee
4)	Prof.K.Gayithri	-	Member of the Committee

In the N&R Committee held on 29.08.2019, all the members of reconstituted committee attended the meeting.

Further, the N&R Committee was reconstituted on 26.11.2019 as follows:

1)	Shri. H.S. Verma	-	Chairman of the Committee
2)	Shri. Kapil Mohan	-	Member of the Committee
3)	Shri. S. Ananthan	-	Member of the Committee
4)	Prof.K.Gayithri	-	Member of the Committee

C) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee pursuant to Sec.135 of the Companies Act, 2013 consists of the following Directors:

1)	Dr. Sandeep Dave	-	Chairman of the Committee
2)	Smt. Aparna Garg	-	Member
3)	Shri. S.Gagarin	-	Member
4)	Shri. S.Ananthan	-	Member

The Committee was reconstituted on 26.11.2019 as follows:

1)	Shri. Kapil Mohan	-	Chairman of the Committee
2)	Smt. Aparna Garg	-	Member of the Committee
3)	Prof.K.Gayithri	-	Member of the Committee
4)	Shri. Amit Garg	-	Member of the Committee

In the CSR Committee meeting held on 26.11.2019, all the members of reconstituted committee attended the meeting.

22. EXTRACT OF ANNUAL RETURN:

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014 as amended, an extract of annual return in **MGT 9** has been disclosed on the website of the Company under the web-link: https://hmrdc.com/ear-for-the-year-ended-31-03-2020.

23. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of their own, the directors individually as well as the evaluation of the working of its Audit, CSR, Nomination & Remuneration Committee etc. The meeting of Independent Directors was held on 22.05.2020 and evaluated the performance of Directors/Chairman/CEO etc. The Directors expressed their satisfaction with the evaluation process and performance.

24. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As resolved by the Board in its meeting held on 26.11.2019, a sum of ₹ 25 Lakhs was earmarked towards CSR, though it is not statutory for the year and the company has not spent any amount towards CSR Activities during the year 2019-20.

The Annual Report on CSR activities is enclosed as an **Annexure - I** to the Directors Report.

25. SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Secretarial Audit for the year 2019-20, has been carried out by Mr. S.Viswanathan, Practising Company Secretary and their report is annexed as Annexure - II to the Directors Report.

26. QUALIFICATIONS IN AUDIT REPORTS

There is no qualifications in the auditors report. However the remarks made by the Statutory Auditors under 'Emphasis of the matter' have been suitably replied by the management as an Addendum under **Annexure - III** to this report.

27. INTERNAL CONTROL SYSTEMS

Your Company appointed M/s.RSM & Associates, Chartered Accountants, Bangalore as Internal Auditors of the Company for the year 2019-20. The scope and extent of Internal Audit encompasses audit and review of transactions. The Internal Auditor furnishes his report to the Company, which is placed before the Audit Committee along with the comments of the Company and also before the Board of Directors.

28. ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

The Company has in place adequate internal financial controls with reference to financial statements. During the year under review, such controls were tested and no reportable material weakness in the design or operation was observed.

29. VIGIL MECHANISMS OF THE COMPANY

The provisions regarding vigil mechanisms are not applicable to the Company.

30. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

Energy conservation continues to receive priority attention at all levels of operation in the Company. All efforts are made to conserve and optimize use of energy. Updation of Technology is a continuous process in the operations of the Company. The information relating to conservation of energy, technology absorption and foreign exchange earning and outgo may be taken as Nil.

31. SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS

No orders which are held significant and material to the Company has been passed by any of the Regulators.

32. APPLICABILITY OF GST

During the year 2017-18 Goods and Service Tax (GST) has subsumed the service tax with effect from 1st July 2017. The Company is of view that no supply is involved by the Company to Railways and vice-versa in sharing of freight revenue & cost by Railways with the Company. Therefore, there are no GST obligations on the Company in respect to sharing of the freight revenue & cost by Railways with the Company including furnishing of the particulars/details for the same. The Company has sought expemtion/clarification from GST Council through MoR for GST on transactions with Railways. Your Company is of the opinion that GST is not applicable on freight sharing revenue and O&M cost to SWR. The Ministry of Railways has taken up the issue with Finance Ministry for issuing clarification/exemption. Further the provision of TDS has been introduced under GST with effect from 01.10.2018 vide notification no. 50/2018-Central Tax dated 13.09.2018 which the Company is complying with the same wherever the GST is applicable other than the transactions between the Railways and the Company as stated above.

33. RISK MANAGEMENT POLICY

Although the company has long been following the principle of risk minimization as is the norm in every industry, it has now become a compulsion.

The main objective is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business.

The common risks inter alia are: Financial, Operational, Human, Political, Economic Cycle/Marketing, Legal & Compliance and Natural calamities.

As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

34. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has constituted Internal Complaints Committee on 02.04.2014 to receive complaints of sexual harassment in work place and its redressal.

There was no complaint received from any employee during the financial year 2019-20 and hence no complaint is outstanding as on 31.03.2020 for redressal.

35. SECRETARIAL STANDARDS

The Company is following the provisions of the Companies Act, 2013 regarding secretarial standards.

36. REMUNERATION POLICY

The Board on the recommendation of the Nomination & Remuneration Committee, framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

37. OUTLOOK FOR THE FUTURE

The number of freight trains moved during the first 2 months of F.Y. 2020-21 is 175 trains with tonnage carried at 0.37 MT with an apportioned revenue of ₹ 10.88 crores. The freight traffic for the beginning of the year 2020-21 is on the declining trend due to outburst of Covid-19 pandemic. M/s.KIOCL is corresponding with the State Government/Hon'ble Court for captive mines for iron ore pelletisation plant at Mangalore, which will give a boost to domestic iron ore movement and the prospects appear better in future years. In addition to this the Food Grains movement has increased. The Company has approached prospective clients viz. M/s. KIOCL, JSW, NMPT, CONCOR & ACC for their revised business plans/forecast and impress upon the operators – Southern Railway & South Western Railway for moving incremental traffic on HMRDC line.

To boost up the freight traffic, company held 2 times stake holders meeting and also enhanced the line capacity from 6 MT to 12 MT and also exploring the possibility of extending concession in the freight rates in consultation with Railways and other stake holders.

38. ACKNOWLEDGEMENTS

The shareholders have been very supportive of the Company since its inception. The Directors appreciate this and hope that this will continue in future also.

HMRDC has forged close links with various departments of the Government of Karnataka, particularly, the Infrastructure Development Department, the Ministry of Railways (Railway Board), South Western Railway, Canara Bank, State Bank of India, IDBI Bank Ltd, New Mangalore Port Trust, Mineral Enterprises Limited, Mysore Sales International Limited, Insurance Companies and rail users including Mangalore Chemicals & Fertilizers Limited.

The Board of Directors wishes to gratefully acknowledge the unstinted cooperation and assistance received from each one of them.

By order of the Board

For Hassan Mangalore Rail Development Company Limited

Sd/-

KAPIL MOHAN, IAS

Chairman

Place : Bangalore

Date : 03-09-2020

Annexure - I

CSR POLICY

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

(1) A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or Programmes.

The CSR Committee decided to spend amount under Education, Healthcare & sanitation, drinking water etc.

Weblink: www.hmrdc.com

(2) The Composition of the CSR Committee.

The CSR Committee consists of the following members:

1. Shri. Kapil Mohan - Chairman
2. Smt. Aparna Garg - Director
3. Shri. Amit Garg - CEO & Director
4. Prof.K.Gayithri - Independent Director

(3) Average net profit of the company for last three financial years

(In ₹)

Details	Financial Year 2018-19	Financial Year 2017-18	Financial Year 2016-17
Profit as per Sec.198 of Companies Act, 2013	29,49,65,016/-	-77,03,86,418/-	38,11,17,278/-
Average Net Profits	**-3,14,34,708/-**		

(4) Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

Prescribed CSR Expenditure is **₹ -6,28,694/-**

(5) Details of CSR spent during the financial year.

(a) Total amount to be spent for the financial year - **Nil**

(b) Amount unspent, if any – **Nil**

(c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or Programme wise	Amount spent on the project or Programme Sub Heads; 1) Direct expenditure on projects or programmes 2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent direct or through implement-ing agency
1)	Health Care, Sanitation, Education, Drinking Water	Health Care, Sanitation, Education, Drinking Water	Nil	Nil	Nil	Nil	Nil
		TOTAL	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

(6) In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

The 2% of the average net pre-tax profits for the last 3 years being negative, there is no mandatory rule to spend any amount towards CSR. Hence, the Company has not spent any amount towards CSR Activities during the year 2019-20 even though ₹ 25 Lakhs has been earmarked for the year.

The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Annexure-II

FORM MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2020

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

To,
The Members,
Hassan Mangalore Rail Development Company Limited
CIN : U45203KA2003PLC032183
MSIL HOUSE, 7th Floor, 36, Cunningham Road,
Bangalore - 560 052.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Hassan Mangalore Rail Development Company Limited (U45203KA2003PLC032183)** [hereinafter called **the Company)**.

Based on my verification of the Company's books, papers, minute books, forms and returns filed an other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that, in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020, compiled with the statutory provisions listed hereunder and also that the Company has proper Board - processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on, 31st March, 2020 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Rules made there under;

(ii) All other Labour, Employee and industrial laws to the extent applicable to the Company, including Contract Act, Railways Act and rules there under etc.

I have also examined compliance with the applicable clauses of the following :

i. Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has compiled with the provisions of the Act, Rules, Regulations and Guidelines, as mentioned above wherever applicable.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non Executive Directors, Women Director and Independent Directors. The Changes in the Composition of the Board of Directors that took place during the period under review were carried out in compliance with provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The decisions carried through at the meeting are recorded in the minutes. I did not find any dissenting views recorded in the minutes. It was informed to me that, in the absence of any such dissenting views, it was not required to record any such views in the minutes.

The Company has constituted the following Committees.

1) Audit Committee
2) CSR Committee
3) Nomination and Remuneration Committee

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, the Company has been following specific actions having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines referred to above.

1. The Company has been formed as a Special Purpose Vehicle for construction / conversion of meter gauge rail track and maintenance of the said rail track from Hassan to Mangalore for a period of 32 years.

2. The Company is governed by the following agreements:

   a. Shareholders agreement dated 24th November, 2002 among the Governor of the State of Karnataka, Infrastructure development corporation, Karnataka and Rail infrastructure development Company (Karnataka) Ltd. as amended.

   b. Construction agreement dated 18.3.2004 between the Company and the President of India, acting through the Ministry of Railways.

   c. Operations and Maintenance Agreement dated 18.3.2004 between the Company and the President of India acting through South Western Railways.

   d. Concession Agreement dt. 18.3.2004 between the President of India, acting through the Ministry of Railways and the Company.

Sd/-
S. Viswanathan
Practicing Company Secretary
ACS No. : 5284
CP No. : 5284
UDIN : A005284B000351894

Place : Bengaluru
Date : 18.06.2020

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

Annexure - A

To
The Members
Hassan Mangalore Rail Development Company Limited
CIN : U45203KA2003PLC032183
MSIL House, 7th Floor, 36, Cunningham Road,
Bangalore - 560 052

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

1) Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express on opinion on these secretarial records based on my audit.

2) I have followed the audit practices and process as are appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.

3) I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4) Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.

5) The compliance of the Corporate and other applicable laws, rules and regulations, standards is the responsibility of management. My examination was limited to the verification of procedure on test basis.

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

Sd/-
S. Viswanathan
Practicing Company Secretary
ACS No. 5284
CP No. 5284
UDIN : A005284B000351894

Place : Bengaluru
Date : 18.06.2020

Annexure - III

MANAGEMENT'S REPLY TO THE STATUTORY AUDITORS REPORT FOR THE YEAR ENDED 31.03.2020

Sl. No.	EXTRACTS FROM AUDITORS REPORT	MANAGEMENT REPLY
	Emphasis of Matter:	
1.	Reference is made to note no 39 wherein Exceptional item represents the reversal of excess provision of O&M costs of ₹ 33.92 Crores for the years from 2006-07 to 2018-19 by virtue of acceptance of 3rd Survey Committee recommendations dated 31st October, 2019.	As per the acceptance of First and Second Survey Committee reports and recommendations, the Company has made a provision for O&M cost amounting to ₹ 131.39 Crs for the year 2017-18 (for the period from FY 2006-07 to 2017-18) and ₹ 3.70 Crs for the year 2018-19 aggregating to a total provision of ₹135.09 Crs upto 31.03.2019. During the year, by virtue of acceptance of 3rd Survey Committee recommendations dated 31st October, 2019 the Company has reversed the excess provision of O&M costs of ₹ 33.92 Crs for the years from 2006-07 to 2018-19.
2.	Reference is made to note no 42 wherein The Company has made a claim of ₹ 609.74 Crores towards Access Charges from SWR for the additional Passenger trains run in the section over and above the Passenger trains permitted as per the O&M agreement which includes an amount of ₹ 130.74 Crores towards the current year. The same will be accounted on receipt basis.	The claim made by the Company is in accordance with the terms of the O&M Agreement read with the Concession Agreement. The Company has preferred its claim as on 31.03.2020 to Railway Board and SWR/Hubli. The Railway Board has informed that there is no methodology to calculate the access charges as of now and it will take some more time to evolve the methodology. However, the Company has furnished its method of calculation and urged the Railway Board to constitute a committee consisting of the representatives of HMRDC and Railway Board to evolve the methodology of calculation of access charges. The matter is being pursued.
3.	Reference is made to note no.19, Wherein the Company has made an additional provision of ₹12,65,09,578/- towards the O&M cost payable for the year 2019-20 as SWR has charged the O&M cost as per 3rd survey committee without inflating with WPI.	As per the O&M Agreement, the O&M costs should be calculated by inflating with WPI. Since, the SWR has charged the O&M cost as per 3rd survey committee without inflating with WPI, the Company has made an additional provision of ₹ 12,65,09,578/- towards O&M costs payable for the year 2019-20. The matter is being reconciled with the SWR.
4.	The Company has not taken steps to get confirmation of balances receivable from/ payable to SWR. In the absence of details, we are not able to comment.	The Company is receiving the monthly apportionment details along with O&M cost, Works bills and the amount receivable/payable from SWR/Mys stating the amount payable/receivable from/to HMRDC. The accounting policy followed by SWR is 'cash' basis and accounting policy followed by our company is "accrual" basis. In view of the complexity arising from the differences in the policies a confirmation as on 31.03.2020 could not be obtained.
5.	The company, though it has not approved the capital work in progress bills from SWR to the extent of ₹5,66,20,517/-, has created the liability to this extent without corresponding increase in the capital work in progress. The un approved amount has been shown separately as Bills rejected receivable under the head Trade Receivables. This will lead to over-statement of Trade receivables and Trade payables by ₹ 5,66,20,517/-.	During the year the Company has disallowed the Capital Works Bills amounting to ₹5,66,20,517/- for want of in principle approval from HMRDC. The same has been informed to SWR and the amount has since been adjusted in the outstanding dues paid to SWR.

Sl. No.	EXTRACTS FROM AUDITORS REPORT	MANAGEMENT REPLY
6.	Internal audit needs to be strengthened in commensurate with the size and nature of the operations of the Company.	The Company will take necessary steps to strengthen the Internal Audit from the year 2020-21 onwards.
7	Reference is made to Note 2 (e) and 2(I) wherein the company has recognized revenue from construction contract under SCA as per IND AS 115, to the extent of cost incurred, considering it as transaction price/ fair value which it expects to be entitled. The construction contract cost is measured to the extent of additions to intangible assets under development during the year. As a result of it, the Company has recognized Nil profit from Construction Contract under SCA.	As stated in note 2(u) read with Note 2 (e) and 2 (i), the project assets shall revert back to MoR for a consideration equivalent to depreciated replacement value (DRV) as per Concession Agreement, the computation of which cannot be arrived at as of now since the same depends on the facts and circumstances at the end of the concession period. Hence, the company has to recognize NIL profit from Construction Contract under SCA.
	Annexure B to the Independent Auditors Report **Company Specific Sub-Directions:**	
1	Whether payments of Operating & Maintenance charges are made as per provisions of O&M agreement and recommendation of the Survey Committee? Comments of the Statutory Auditors: - Yes. The Company has made payment of operating and maintenance charges as per the provisions of O&M agreement and as per 3rd Survey Committee report recommendations dated 31st October 2019. However, the Company has made an additional provision of ₹12,65,09,578/- towards the O&M cost payable for the year 2019-20 as SWR has charged the O&M cost as per 3rd survey committee without inflating with WPI.	No Comments. The reply stated in Sl.No.3 under Annexure IV above will hold good. The provision has been made to comply with the accrual system of accounting.

INDEPENDENT AUDITOR'S REPORT

To the Members of M/s. Hassan Mangalore Rail Development Company Limited, Bangalore

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying Ind AS Standalone Financial Statements of M/s. Hassan Mangalore Rail Development Company Limited which comprise the Balance Sheet as at March 31, 2020 and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash flows for the year ended on that date and Notes to the Standalone financial Statements, including a summary of the significant Accounting policies and other explanatory information (herein after referred to as "the Standalone Financial Statements")

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st 2020, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

1. Reference is made to note no 39 wherein Exceptional item represents the reversal of excess provision of O&M costs of ₹ 33.92 Crores for the years from 2006-07 to 2018-19 by virtue of acceptance of 3rd Survey Committee recommendations dated 31st October 2019.
2. Reference is made to note no 42 wherein The Company has made a claim of ₹ 609.74 Crores towards Access Charges from SWR for the additional Passenger trains run in the section over and above the Passenger trains permitted as per the O&M agreement which includes an amount of ₹130.74 Crores towards the current year. The same will be accounted on receipt basis.
3. Reference is made to note no.19, Wherein the Company has made an additional provision of ₹ 12,65,09,578/- towards the O&M cost payable for the year 2019-20 as SWR has charged the O&M cost as per 3rd survey committee without inflating with WPI.
4. The Company has not taken steps to get confirmation of balances receivable from/ payable to SWR. In the absence of details we are not able to comment.
5. The Company, though it has not approved the capital work in progress bills from SWR to the extent of ₹ 5,66,20,517/- , has created the liability to this extent without corresponding increase in the capital work in progress. The un approved amount has been shown separately as Bills rejected receivable under the head Trade Receivables. This will lead to overstatement of Trade receivables and Trade payables by ₹ 5,66,20,517/-
6. Internal audit needs to be strengthened commensurate with the size and nature of the operations of the Company.
7. Reference is made to Note 2 (e) and 2(I) wherein the Company has recognized revenue from construction contract under SCA as per IND AS 115, to the extent of cost incurred, considering it as transaction price/ fair value which it expects to be entitled.

   The construction contract cost is measured to the extent of additions to intangible assets under development during the year. As a result of it, the Company has recognized Nil profit from Construction Contract under SCA.

   Our opinion is not modified in respect of these matters.

Responsibility of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the Financial Position, Financial Performance (including Other Comprehensive Income), Changes in Equity and Cash Flows of the Company in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Companies Act, 2013. 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 IndAS Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

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

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

We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143 (3) (i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Materiality is the magnitude of misstatements in the Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Standalone Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in Internal Control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, based on the information and explanations given to us and books and records produced to us by the Company for our examination, we, give in the **"Annexure - A",** a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. We are enclosing our report in terms of section 143(5) of the Act, 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, in the **"Annexure-B"** on the directions issued by Comptroller and Auditor General of India.

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

   a) We have 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 Income, Statement of changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid Standalone Financial Statements comply with the Ind AS prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e) On the basis of written representation received from the Directors as on 31st July 2020 taken on record by the Board of Directors, none of the Directors are disqualified as on March 31, 2020 from being appointed as a Director in terms of section 164(2) of the Act.

   f) In terms of the Guidance Note issued by the Institute of Chartered Accountants of India reporting on Internal Financial Controls over Financial Reporting u/s. 143(5) of the Act. With respect to adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-C".

   g) 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 information and according to the explanations given to us:

      i. There were no pending litigations which would impact the financial position of the Company.

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

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the company.

For M N S & Co
Chartered Accountants
FRN No. 003968S

CA Madhava Murthy K S
Partner
Membership No.029946
UDIN No: 20029946AAAAEA8449

Place: Bengaluru
Date : 31-08-2020

"Annexure - A" to the Independent Auditors' Report

(referred to in paragraph 1 under the heading 'Report on Other Legal & Regulatory Requirement' of our report of even date to the Standalone Ind AS financial statements of the Company for the year ended 31st March, 2020):

As per the books and records produced before us and as per the information and explanations given to us, we confirm that:

1. In respect of Fixed Assets,
   a) the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except Project Railway Assets which is represented by Concession Agreement and additions from May 2006 to March 31, 2020 is only accounted from details furnished by SWR and the same is classified as Intangible Assets as per Ind AS.
   b) The fixed assets have been physically verified by the management during the year which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
   c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company does not hold any immovable properties, except the assets under Project Railway classified as Intangible Assets as per Ind AS.
2. The Company is engaged inter-alia in the business of development, financing, establishment, construction, operations, maintenance and management of broad gauge rail link connectivity between Hassan-Mangalore (project railway), accordingly it does not hold any physical inventories. Accordingly paragraph 3(ii) of the order is not applicable.
3. 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 Companies Act, 2013.
4. The provisions of Sec 185 &186 of Companies Act 2013 are not applicable, as the Company has neither given loans nor made investments nor given guarantees and securities.
5. The Company has not accepted deposits from the public covered under section 73 to 76 of the Companies Act 2013.
6. As per information and explanation given by the management, maintenance of cost records has not been prescribed by the Central government under clause (d) of sub section (1) of section 148 of the Companies Act 2013.
7. a) According to the information and explanation give to us, the Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, Income-tax, Goods & Service Tax, duty of customs, cess and any other statutory dues to the appropriate authorities.
   b) According to the information and explanation given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, Income-tax, Goods & Service Tax, duty of customs, Cess and no other statutory dues were in arrears as at 31st March 2020 for a period of more than 6 months from the date they become payable.
   c) According to the information and explanations given to us, there are no material dues to income-tax, Service-tax, Cess and Goods and Service Tax which have not been deposited with the appropriate authorities on account of any dispute except the show cause notice issued and replied in the case of service tax as shown below for which no order of demand has been received till date:

Name of the Statute	Disputed Amount (₹)	Nature of due and forum where dispute is pending	Period to which amounts relates to
Service Tax	68,19,13,607	Show cause notice from DG of Central Excise, Intelligence, Chennai Zonal Unit, Chennai	FY 2009-10 to 2013-14
Service Tax	28,67,22,915	Principal Commissioner of Service Tax - I, Bangalore against the apportioned revenue received from the Ministry of Railways. (Statement of Demand)	April 2014 to September 2015
Service Tax	31,21,91,228	Show Cause Notice from Commissioner of Central Tax, Bangalore North Commissionerate regarding payment of Service tax on revenue received from Indian Railways	October 2015 to June 2017

8. The Company did not have any outstanding dues to any financial institutions, banks, government or debenture holding during the year.

9. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the order is not applicable.

10. According to the information and explanation given to us, there has been no fraud by the Company or any fraud on the Company by its officers or employees that has been noticed or reported during the course of our audit.

11. Sec 197 read with Schedule V to the Companies Act is not applicable as it is a Government Company.

12. As the Company is not a Nidhi Company, accordingly, paragraph 3(xii)of the order is not applicable.

13. According to the information and explanation given to us and on the basis of our examination of the records of the Company, all transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 wherever applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.

14. According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placements of shares or fully or partly convertible debentures during the year under review.

15. According to the information and explanation given to us and on basis of our examination of our records, the Company has not entered into any non-cash transactions with Directors or persons related to the Directors. Accordingly paragraph 3(xv)of the order is not applicable.

16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For M N S & Co
Chartered Accountants
FRN No. 003968S

CA Madhava Murthy K S
Partner
Membership No.029946
UDIN No. 20029946AAAAEA8449

Place : Bengaluru
Date : 31-08-2020

"ANNEXURE B"TO THE INDEPENDENT AUDITOR'S REPORT

The Annexure referred to in our Independent Auditors' Report to the members of M/S HASSAN MANGALORE RAIL DEVELOPMENT COMPANY LIMITED ('THE COMPANY 'or' HMRDC') for the year ended 31st March 2020.

Sl. No.	General Directions	Comments
1	Whether the Company has system in place to process all the accounting transactions through IT systems? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implication, if any, may be stated.	The Company, for its business and operations of "Project Railways", has appointed the south western railway, as its agent for full and comprehensive operations. The said agent i.e., SWR raises bills for its services rendered, for actual and periodical bills/claims for remuneration / compensation from the Company. These bills/claims are scrutinized and accounted through "Tally" software. This procedure is in vogue for several years and appears effective and serving its objectives. We see no major short comings in the software operations.
2	Whether there is any restructuring of an existing of loan or cases of waiver off of debts/loans/interest etc. made by lender to the company due to the Company's inability to repay the loan? If yes, the financial impact may be stated.	In the Company's operations of the project Railways, from our examination, we have not noticed any restructuring/ waiver of debts/ loans/ interest etc.
3	Whether funds received/receivable for specific scheme from Central/ State agencies were properly accounted for/utilized as per its terms and conditions? List the cases of deviation.	The operations of the business of the project railways have been and are carried out employing its own capital and revenue receipts. No funds received / receivable for specific scheme from Central/ State agencies, as envisaged in the direction.
Sl. No.	**Company specific sub directions**	**Comments**
1	Whether payments of Operating & Maintenance charges are made as per provisions of O&M agreement and recommendation of the Survey Committee?	Yes. The Company has made payment of operating and maintenance charges as per the provisions of O&M agreement and as per 3rd Survey Committee Report recommendations dated 31st October 2019. However the Company has made an additional provision of ₹ 12,65,09,578/- towards the O&M cost payable for the year 2019-20 as SWR has charged the O&M cost as per 3rd survey committee without inflating with WPI.

For M N S & Co
Chartered Accountants
FRN No. 003968S

CA Madhava Murthy K S
Partner
Membership No.029946
UDIN No. 20029946AAAAEA8449

Place : Bengaluru
Date : 31-08-2020

INDEPENDENT AUDITOR'S REPORT ON INTERNAL FINANCIAL CONTROL

"ANNEXURE C" TO THE INDEPENDENT AUDITOR'S REPORT

The Annexure referred to in our Independent Auditors' Report to the members of HASSAN MANGALORE RAIL DEVELOPMENT COMPANY LIMITED for the year ended 31st March 2020.

Report on the Internal Financial Controls under clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the Internal Financial Controls over financial reporting of **M/s HASSAN MANGALORE RAIL DEVELOPMENT COMPANY LIMITED ('the Company' or 'HMRDC'** as of March 31st 2020 in conjunction with our audit of standalone financial statements of the Company for the year ended on that date.

Management Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipt and expenditures of the Company are being made only in accordance with authorization of management and Directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020 based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

However, we are of the opinion that the following needs to be strengthened to increase the effectiveness of internal financial control of the Company :

1. <u>Speedy decision making:</u> Delay in decision making by SWR with regard to settling the Company's claim for 'Access Charges' for running additional pairs of passenger trains on the 'Project Railways' over and above the agreed number of passenger trains i.e., 4 pairs, has resulted in an abnormal variation in the financial statements which could have been avoided.

2. <u>Periodical reconciliation of accounts:</u> Constant monitoring of the implementation of contract terms entered by the Company and periodic reconciliation of accounts with SWR can avoid disputes and extraordinary revision of accounts in a single accounting year.

For M N S & Co
Chartered Accountants
FRN No. 003968S

CA Madhava Murthy K S
Partner
Membership No.029946
UDIN No. 20029946AAAAEA8449

Place : Bengaluru
Date : 31-08-2020

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HASSAN MANGALORE RAIL DEVELOPMENT COMPANY LIMITED FOR THE YEAR ENDED 31 MARCH 2020

The preparation of financial statements of Hassan Mangalore Rail Development Company Limited (HMRDCL) for the year ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by their Audit Report dated 31.8.2020.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Hassan Mangalore Rail Development Company Limited for the year ended 31 March 2020 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, i would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

1. Comments on Disclosure

Note No 42- Disclosure on Access Charges

A reference is invited to Note No. 42 wherein it was stated that Company has made a claim of ₹ 609.74 crore towards access charges from SWR for running passenger trains, over and above the number of trains permitted as per O& M Agreement. It was stated that it would be accounted on receipt basis.

The disclosure is deficient to the extent that a clear methodology in the O&M agreement, for verification/reconciliation of the claims with SWR was not finalised. Disclosure was also deficient to the extent that Railways had not accepted the claim and the claim was pending with the Railway Board.

2. Independent Auditor's Report

Emphasis of Matter (S.No. 5)

A reference is invited to Independent Auditors Report, emphasis of Matter (S.No. 5) wherein it has been stated that 'the unapproved amount has been shown separately as bills rejected receivable under the head Trade Receivables. This will lead to over-statement of Trade Receivables and Trade Payables by ₹ 5,66,20,517/-.

The above is not correct to the extent that Trade Payables have not been overstated as the Company has accrued the liability due to execution of restoration of works of urgent nature by SWR.

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

Sanjay Kumar
Principal Director of Audit
South Western Railway

Place : Hubballi
Date : 13.11.2020

Management's Reply to the Comments of CAG u/s 143(6)(b) of the Companies Act, 2013 on the financial statements of HMRDC for the year ended 31-03-2020

Sl. No.	C&AG Comments	Management Replies
1	**Comments on Disclosure** **Note No. 42 – Disclosure on Access Charges:** A reference is invited to Note No. 42 wherein it was stated that Company has made a claim of ₹ 609.74 crore towards access charges from SWR for running passenger trains, over and above the number of trains permitted as per O&M Agreement. It was stated that it would be accounted on receipt basis. The disclosure is deficient to the extent that a clear methodology in the O&M agreement, for verification/reconciliation of the claims with SWR was not finalised. Disclosure was also deficient to the extent that Railways had not accepted the claim and the claim was pending with the Railway Board.	The claim made by the Company is in accordance with the terms of the O&M agreement read with the Concession Agreement. The issue has been taken up with the Railway Board to resolve the issue of Access charges early. The Railway Board has informed there is no methodology to calculate the access charges as of now and it will take some more time to evolve the methodology. However, the Company has furnished its method of calculation and urged the Railway Board to constitute a Committee consisting of representatives of HMRDC and Railway Board as already stated in management's reply to statutory auditor's report. Hence the amount is shown in the notes to accounts.
2	**Independent Auditor's Report** **Emphasis of Matter (Sl.No.5)** A reference is invited to Independent Auditor's Report, emphasis of matter (S. No. 5) wherein it has been stated that 'the unapproved amount has been shown separately as bills rejected receivable under the head Trade Receivables. This will lead to over-statement of Trade Receivables and Trade Payables by ₹ 5,66,20,517/-. The above is not correct to the extent that Trade Payables have not been overstated as the Company has accrued the liability due to execution of restoration of works of urgent nature by SWR.	The Bills amounting to ₹ 5,10,40,201/- is the Bills rejected by the Company for want of in principle approval and the Company has reservations/ objections in the nature of expenditure and the amount claimed for the works carried out by SWR and the same has been included under Trade Receivable amounting to ₹ 5,66,20,517/-. The Company is consistently following the practice of according in principle approval for any capital works which has to be approved by HMRDC Board before the work is undertaken by SWR. In these cases, SWR has not sent the proposals before taking up by the work, hence the work bills were rejected. During the year 2020-21 the Company has already adjusted the above bills amounting to ₹ 5,10,40,201/- in the outstanding dues payable to SWR.

BALANCE SHEET AS AT 31ST MARCH 2020

(All amounts in Indian Rupees, except as otherwise stated)

Particulars	Notes	As at March 31, 2020	As at March 31, 2019 #
I. ASSETS			
1. Non-current assets			
(a) Property, plant and equipment	3	8,90,184	14,66,664
(b) Intangible Assets	3	212,77,11,707	221,74,34,202
(c) Intangible Assets Under Development		6,50,54,294	1,58,91,245
(d) Financial assets			
(i) Other financial assets	4	15,32,443	16,28,053
(e) Other Non-Current Assets	5	32,74,40,318	23,86,77,652
(f) Deferred tax assets (net)	6	-	-
		252,26,28,947	**247,50,97,816**
2. Current assets			
(a) Financial assets			
(i) Trade Receivable	7	5,66,20,517	7,23,15,583
(ii) Cash and cash equivalents	8	258,79,36,961	328,15,39,735
(iii) Other financial assets	4	82,23,224	82,23,224
(b) Other current assets	9	17,55,63,296	21,94,95,260
		282,83,43,998	**358,15,73,802**
TOTAL		**535,09,72,945**	**605,66,71,618**
II. EQUITY AND LIABILITIES			
1. Equity			
(a) Equity share capital	10	112,00,00,000	112,00,00,000
(b) Other equity	11	267,63,51,237	246,17,09,863
		379,63,51,237	**358,17,09,863**
2. Liabilities			
(i) Other Non-current liabilities	12	42,77,15,910	45,43,09,645
(a) Financial liabilities			
(i) Other Financial liabilities	13	47,55,71,719	48,95,61,486
(b) Deferred tax liability (net)	6	3,19,28,274	48,95,219
		93,52,15,903	**94,87,66,350**
(ii) Current liabilities			
(a) Financial liabilities			
(i) Trade payables	14	45,04,31,265	10,32,20,736
(ii) Other financial liabilities	13	-	-
(b) Other current liabilities	15	3,29,857	4,54,334
(c) Provisions	16	16,86,44,684	142,25,20,336
		61,94,05,806	**152,61,95,406**
TOTAL		**535,09,72,945**	**605,66,71,618**
Summary of significant accounting policies	2		
# Refer Note No.40			

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For MNS & Co,
Chartered Accountants
Firm Reg.No. 003968S

For and on Behalf of the Board of Directors
of Hassan Mangalore Rail Development Company Limited

CA Madhava Murthy K S
Partner
Membership Number : 029946

C. Pradeep
Chief Financial Officer

Amit Garg
Director & CEO
DIN: 08212610

Kapil Mohan
Chairman
DIN: 03627128

Place : Bengaluru
Date : 31.08.2020

Place : Bengaluru
Date : 31.08.2020

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2020

(All amounts in Indian Rupees, except as otherwise stated)

Particulars	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019 #
I REVENUE			
Revenue from operations	17	106,85,71,406	159,08,47,640
Other income	18	27,38,60,454	26,40,77,196
Total Income		**134,24,31,860**	**185,49,24,836**
II EXPENSES			
Operating & Maintenance Costs-Project Railway	19	126,82,59,788	136,85,50,404
Employee benefits expense	20	1,47,03,882	1,73,63,391
Finance costs	21	3,86,63,669	4,07,59,401
Depreciation and amortization expense	22	13,28,67,978	12,96,59,948
Other expenses	23	3,30,71,195	1,29,40,869
Total Expenses		**148,75,66,512**	**156,92,74,013**
III Profit before exceptional items and tax		(14,51,34,652)	28,56,50,823
IV Add: Exceptional items	39	33,91,87,740	-
V Profit before tax/ (Loss) (III-IV)		**19,40,53,088**	**28,56,50,823**
VI Tax expense			
(i) Current tax		3,87,73,361	6,78,13,068
(ii) Prior year tax		-	-
(iii) MAT credit entitlement - Current year		(3,52,06,583)	(1,63,67,422)
(iv) MAT credit entitlement - Previous Year		(5,14,45,647)	-
(v) Deferred tax charge/(credit)	6	2,71,04,700	(1,44,96,293)
		(2,07,74,170)	3,69,49,352
VII Profit / (Loss) for the year from continuing operations (V-VI)		**21,48,27,258**	**24,87,01,470**
VIII Other comprehensive income (OCI)			
A. Items that will not be reclassified to profit or loss			
(i) Re-measurement of defined employee benefit plans		(2,57,528)	(44,336)
(ii) Income Tax relating to the above items		71,644	15,344
Total (i + ii)		(1,85,884)	(28,992)
IX Total comprehensive income/(loss) for the year (VII+VIII)		**21,46,41,374**	**24,86,72,478**
X Earnings/(Loss) per equity share [Nominal value of shares ₹ 10 each]	24		
(1) Basic (₹)		1.92	2.22
(2) Diluted (₹)		1.92	2.22
Weighted average number of shares used in computing above			
Basic		11,20,00,000	11,20,00,000
Diluted		11,20,00,000	11,20,00,000
Summary of significant accounting policies	2		
# Refer Note No.40			

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For MNS & Co,
Chartered Accountants
Firm Reg.No. 003968S

For and on Behalf of the Board of Directors
of Hassan Mangalore Rail Development Company Limited

CA Madhava Murthy K S
Partner
Membership Number : 029946

C. Pradeep
Chief Financial Officer

Amit Garg
Director & CEO
DIN: 08212610

Kapil Mohan
Chairman
DIN: 03627128

Place : Bengaluru
Date : 31.08.2020

Place : Bengaluru
Date : 31.08.2020

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

(All amounts in Indian Rupees, except as otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019 #
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**19,40,53,088**	**28,56,50,823**
Adjustments:		
Depreciation and amortization expense	13,28,67,978	12,96,59,948
Other comprehensive income Adjustment	(2,57,528)	(44,336)
Profit on sale of Asset	(3,178)	(46,050)
Interest expense	3,86,59,345	3,97,31,500
Interest income	(23,11,14,371)	(23,11,44,331)
Other unearned revenue	(2,65,93,735)	(2,65,93,735)
Interest expense on Income Tax	-	10,23,579
Operating profit before working capital changes	**10,76,11,599**	**19,82,37,398**
Movements in working capital:		
Decrease/(increase) in Non Current Assets	(21,10,436)	(7,50,00,565)
Decrease/(increase) in Current Assets	6,54,33,706	8,36,21,918
Decrease/(increase) in Trade Receivable	1,56,95,066	5,05,14,765
Decrease/(increase) in Trade payables	34,72,10,529	5,19,01,278
Decrease/(increase) in Other financial assets	95,610	1,48,747
Decrease/(increase) in Other Non Current liabilities	-	-
Increase/(decrease) in Current liabilities and provisions	(129,27,73,490)	3,95,87,972
	(86,64,49,016)	**15,07,74,115**
Cash generated from operations	(75,88,37,417)	34,90,11,513
Direct taxes paid	(4,02,36,720)	(6,95,39,396)
Net cash generated from operating activities	**(79,90,74,137)**	**27,94,72,117**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for fixed assets	(4,25,90,575)	(8,20,21,048)
Sale for fixed assets	24,750	46,050
Interest received	24,98,49,349	20,45,52,113
Expenses/Advances relating to Intangible Asset Under Development	(4,91,63,049)	(97,18,472)
Net cash flow from/(used in) investing activities	**15,81,20,474**	**11,28,58,642**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	-	-
Repayment of Sub-Debt/ Deferred Overheads	(5,26,49,112)	(5,26,49,112)
Net cash from/(used in) financing activities	**(5,26,49,112)**	**(5,26,49,112)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**(69,36,02,774)**	**33,96,81,647**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**328,15,39,735**	**294,18,58,088**
CASH AND CASH EQUIVALENTS, END OF YEAR	**258,79,36,961**	**328,15,39,735**
Components of cash and cash equivalents		
Balances with banks	258,79,18,999	328,15,21,740
Cash on hand	17,962	17,995
	258,79,36,961	**328,15,39,735**
# Refer Note No.40		

Notes:-

1. As set out in Ind AS-7 on "Statement of Cash Flow". Cash flows are reported using indirect method. Where by profit for the year is adjusted for the effects of transactions of a non-cash nature, any defferals and accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated. The Company considers all highly liquid investments that are readily convertible to known amount of cash to be cash equivalents.
2. The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Company has evaluated the disclosure requirements of the amendment and the effect on the standalone financial statements is not expected to be material.
3. Brackets indicate cash outflow.
4. Previous year's figures are reclassified / regrouped to confirm and make them comparable with those of the current year.

Summary of significant accounting policies (Refer Note 2)

As per our report of even date

For MNS & Co,
Chartered Accountants
Firm Reg.No. 003968S

For and on behalf of the Board of Directors
of Hassan Mangalore Rail Development Company Limited

CA Madhava Murthy K S
Partner
Membership Number : 029946

C. Pradeep
Chief Financial Officer

Amit Garg
Director & CEO
DIN: 08212610

Kapil Mohan
Chairman
DIN: 03627128

Place : Bengaluru
Date : 31.08.2020

Place : Bengaluru
Date : 31.08.2020

NOTES TO THE STANDALONE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

(All amounts in Indian Rupees, except as otherwise stated)

1. Corporate information

The Company was incorporated on 1st July 2003 as a joint venture SPV with equal equity participation by the Ministry of Railways and Government of Karnataka with the objective of development, financing, designing, construction, operation and maintenance of the broad gauge rail link connectivity between Hassan and Mangalore (referred to as 'Project Railway'). The Shareholder's Agreement was signed by the Company with the Ministry of Railways, Government of Karnataka and Rail Infrastructure Development Company (Karnataka) Limited on 23rd October 2003. M/s. New Mangalore Port Trust and M/s. Mineral Enterprises Limited have become strategic partners by contributing Rs. 10.00 Crores each towards equity share capital constituting 18% of the total equity share capital of the Company.

For the purposes of implementing the Project Railway, Ministry of Railways (MoR) has granted concession rights to the Company for the above activities vide Concession Agreement dated 18th March 2004. The concession is for a period of 32 years from the date of the Agreement. The Company has been given leasehold rights on the assets, which already existed in the Project Area as part of the earlier railway network up to 23.8.1996 including land (existing & acquired subsequently) for development of the leased assets during the concession period.

In order to fulfill its construction obligations, the Company had entered into a Construction Agreement dated 18th March 2004 with South Western Railway (SWR), whereby SWR were appointed as the Engineering, Procurement and construction (EPC) Agents for the Project Railway. The capital expenditure incurred by the Railways on the Project Railway up to 31st March 2002 was converted and treated as subordinated/unsecured debt payable by the Company to Ministry of Railways.

The Company has entered into an Operations & Maintenance Agreement with South Western Railway on 18th March 2004 whereby SWR has been appointed as the operations and maintenance agency to operate the goods train services on the line and undertake maintenance of project assets till the end of the concession period.

The railway line was commissioned for Operation of freight services in May 2006 after completion of gauge conversion of the Project Railway.

The Statement of Profit & Loss drawn for the current year from 01.04.2019 to 31.03.2020 is for the Fourteenth year of operations.

2. Summary of Significant Accounting Policies:

(a) Basis of preparation

The standalone Ind AS financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

The standalone Ind AS financial statements have been prepared on a historical cost basis, except for assets and liabilities which have been measured at fair value. The standalone Ind AS financial statements are presented in Indian Rupees ("INR"), except when otherwise indicated.

(b) Use of Estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates judgments and assumptions. These estimates and judgments and assumptions affect the application of accounting policies and the reported amounts of assets, liabilities, disclosures of contingent assets and liabilities at the date of financial statements and the reported amount of income and expenses during the period. Such estimates include provision for doubtful debts, future obligations under employee retirement benefit plans and estimated useful life of property, plant and equipment, provisions, contingent liabilities and assets etc. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Future and actual results could differ due to changes in these estimates. Appropriate revision is made in these estimates considering the change in the surrounding circumstances known to management. Any revision to accounting estimates is recognized in the period in which such revision takes place. All financial information presented in Indian rupees.

(c) Current versus non-current classification

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

An asset is treated as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- o expected to be settled in normal operating cycle;
- o held primarily for the purpose of trading;
- o due to be settled within twelve months after the reporting period; or
- o there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities. The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(d) Non Current Assets held for Sale

Non Current Assets are classified as 'assets held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The sale is considered highly probable only when the asset or disposal group is available for immediate sale in its present condition, it is unlikely that the sale will be withdrawn and sale is expected within one year from the date of the classification. Disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale, assets and liabilities classified as held for sale are presented separately in the statement of financial position.

If the criteria stated by IND AS 5 "Non Current Asset Held for sale and Discontinued Operations" are no longer met, the disposal group ceases to be classified as held for sale. Non current asset that ceases to be classified as held for sale are measured at the lower of (i) its carrying amount before the asset was classified as held for sale, adjusted for depreciation that would have been recognized had that asset not been classified as held for sale and (ii) its recoverable amount at the date when the disposal group ceases to be classified as held for sale.

(e) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Revenue from Railway Operations

Under the Concession agreement with MOR, the Company receives share of freight earnings from Railways generated from the freight train operation on Project Railway. Share of freight earnings as accrued to the Company under terms of the Concession agreement for freight operation on the Project Railway is recognised by the Company as Revenue from operation in accordance with Ind AS 115. The Company recognises revenue on satisfaction of performance obligations related to freight operation on Project Railway i.e. on completion of mile to mile movement of the freight train on Project Railway. Revenue is measured at transaction price i.e. actual freight collectable by Railways as per tariff notified by MOR, and apportioned to the Company under the terms of the Concession Agreement.

Contract Revenue from Construction or upgrading Project Railway line

The Company recognizes contract revenue from Construction or upgrading of Project Railway line in accordance with Ind AS 115 in respect of development activities carried out or new facilities created resulting in capacity enhancement or upgradation of the Project Railway, which results in the income to the Company. The Company recognises the revenue on satisfaction of the performance obligation as and when the control over asset is obtained by MOR over the time. The revenue is recognized over the time to the extent of the performance obligations are satisfied. The Company measures revenue from construction or upgrading of Project Railway line and recognises the same at cost reckoning as transaction price which the Company expects to be entitled.

Interest income

Interest income is recognized using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. Interest income is included under the head "other income" in the statement of profit and loss.

Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(f) Cash and cash equivalents

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

(g) Property, plant and equipment

Property, plant and equipment, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the useful lives of the assets, as specified in Schedule II to the Act, useful life of assets is as per the table below.

Sl. No.	Asset Description	No. of years
1	Civil Works - Office	30
2	Furniture and Fixtures	10
3	Computers	3
4	Office Equipment	5

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Transition to Ind AS

On transition to Ind-AS, the Company has elected to continue with the carrying value of all its property, plant & equipment recognized as on 1st April, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as on the transition date. As per the management estimate, there is no decommissioning, restoration or similar liabilities on its property, plant and equipment hence, no adjustment has been made in this regard.

(h) Intangible assets

Project Assets under Service Concession Arrangement are to be recognised either intangible assets or financial assets depending upon the nature of service concession arrangement as per appendix C of Ind AS 115 “Service Concession Arrangement".

i. If operator bears the demand risk and the return depends upon the usage of the infrastructure and right to receive the amount is not unconditional i.e. depend upon usage than, it should be recognised as intangible assets and accordingly, the rights are over the Project Assets are considered as ‘Intangible Assets’.

ii. If operator does not bear the demand risk and have a right to receive identical cash flow in such case infrastructure should be recognised as financial assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(1) Freight Sharing Rights (Railway Line under Concession Agreement) :

i. The Company has constructed Project Railway (i.e. broad gauge railway line from Hassan to Mangalore Junction in the State of Karnataka under Concession Agreement which gives right of freight sharing to the Company. This right is recognized as intangible asset as per Appendix C to Ind AS 115.

ii. These intangible assets are initially recognized at cost incurred by the Company (i.e. construction cost) which is reckoned as the fair value of the service provided including costs directly attributable to the commissioning of the project.

iii. Subsequent to initial recognition, the intangible asset is stated at cost less accumulated amortization and accumulated impairment losses (if any).

iv. These assets are equally amortized prospectively (from transition date) over the remaining useful life using the Straight Line Method. The useful life is the concession period of thirty-two years.

v. Subsequent expenditures incurred on the project assets, including cost of replacement works, incurred to maintain and to restore the project assets at its serviceable level, which do not result in capacity enhancement over assessed capacity is recognized in accordance with Ind AS-37 and Appendix C to Ind AS 115 are charged to the Statement of Profit and Loss. Expenditures incurred to upgrade the project railway or to create additional facilities thereon which give rise to future economic benefits are recognised as intangible asset.

(2) Other Intangible Assets:

Other Intangible Assets are recognized when it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are stated at historical cost less accumulated amortization and impairment loss, if any.

Intangible Assets other than Freight Sharing Rights are amortised over three (3) years of period or according to the useful life of the assets on pro rata basis.

(i) Intangibles under Development

Expenditure incurred on the development of existing assets (including freight sharing right in respect of Project Railway) are recognized as Intangible under development at cost incurred by the Company which is reckoned as the fair value of the service provided including costs directly attributable.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(k) Leases

The Company as a lessee

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

At the date of commencement of the lease, the Company recognizes a right-of-use (ROU) asset and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of 12 months or less (short-term leases) and low value leases. For these short-term and low-value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. ROU assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related ROU asset if the Company changes its assessment of whether it will exercise an extension or a termination option.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

(l) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss, unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at year end and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(m) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated impairment loss, if any. Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

(n) Trade Receivable

The net income receivable on freight movement i.e., after deduction of O&M cost as claimed by the Company is booked as receivables. The debtors outstanding at any time represent the amount due from SWR as per claim of the company which are considered realizable. As such no provision is made for doubtful debt. Claims rejected/disallowed by SWR are further pursued with them and on final settlement of claims necessary rectification in the books of accounts will be passed.

(o) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in OCI or in equity in correlation to the underlying transaction). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities and assets are recognized for all taxable temporary differences and deductible temporary differences, except:

- when the deferred tax liability or asset arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences and deductible temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in OCI or in equity in correlation to the underlying transaction).

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

Minimum Alternate Tax:

Minimum Alternate Tax [MAT] paid under the provisions of The Income Tax Act,1961 which is eligible for entitlement of credit against the future income tax liability is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Accordingly, MAT is recognised as deferred tax asset in the Financial Statements. In case, there is a probability that the Company would not be able to utlise MAT Credit within permissible time limits specified in the Income Tax Act,1961 balances of MAT Credit to the extent are reversed in the year in which such probability arises.

(p) Employee Benefits

(1) Short Term Employee Benefits:

The undiscounted amounts of short term employee benefits expected to be paid for the services rendered are recognized as an expense during the period when the employees render the services. Defined Contribution Plans such as Group Medi-Claim and Group Personal Accident Policy are recognized as expense and charged to the Statement of Profit and Loss.

(2) Post Employment Plans:

I. Defined Contribution Plans:

The Company's contribution to provident fund and superannuation fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

II. Gratuity :

The Employees Gratuity Fund Scheme is funded by the Company and managed by Life Insurance Corporation of India through a Separate Trust created by the Company. The Present value of the Company’s Obligation under Gratuity is recognized on the basis of an actuarial valuation as at the end of the year after adjusting the fair value of the Plan assets to recognize the obligation on net basis.

Actuarial gain or loss is recognized in Other Comprehensive Income for long term benefits including gratuity benefits.

III. Other Long Term Benefits :

Other Long Term benefits such as Leave Encashment and Sick Leave are recognized on the basis of best estimate by the management.

(q) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(r) 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 standalone Ind AS 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

The Company's management determines the policies and procedures for fair value measurement. External valuers are involved, wherever considered necessary.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. This note summarizes accounting policy for fair value and the other fair value related disclosures are given in the relevant notes.

(s) Financial instruments

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

(1) Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in below categories:

I. Debt instruments at amortised cost

II. Debt instruments at fair value through other comprehensive income (FVTOCI)

III. Debt instruments and equity instruments at fair value through profit or loss (FVTPL)

I. *Debt instruments at amortised cost :*

A 'debt instrument' is measured at the amortised cost, if both the following conditions are met:

(I) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

(ii) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method. This category generally applies to trade and other receivables.

II. *Debt instruments at fair value through other comprehensive income (FVTOCI)*

A 'debt instrument' is classified as FVTOCI, if both of the following criteria are met:

(I) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

(ii) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI.

III. *Debt instruments and equity instruments at fair value through profit or loss (FVTPL)*

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

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit or loss.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk, rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

The Company uses a provision matrix based on age to determine impairment loss allowance on portfolio of its trade receivables. ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the profit or loss.

(2) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include borrowings, trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification. Financial liabilities at fair value through statement of profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the profit or loss.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortisation is included as finance costs in the statement of profit and loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 de-recognition 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.

Offsetting of financial instruments

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

(t) Service Concession arrangements

The Company has been granted concession rights by the Ministry of Railways (MOR), Government of India, under the terms of the Concession agreement entered into by the Company with MOR on 18th March, 2004 to design, engineering, financing, procurement, construction and completion, operation and marketing of freight services for the Project Railway. The Company also enjoys the rights, powers, benefits, privileges, authorizations and entitlements under the Concession agreement.

Pursuant to the said agreement, the Company has constructed Project Railway i.e. broad gauge railway line from Hassan to Mangalore Junction in the State of Karnataka. The Company also operates and maintains the Project Railway, through South Western Railway, and keep the Project Railway in proper working condition and also carries out the replacement of the assets items of the Project Railway on expiry of codal life of such items as per terms of Concession Agreement.

The Company has treated this arrangement as Public-to-private service concession arrangements and has applied Appendix C to Ind AS 115 (Service Concession Arrangement) in respect of the Project Railway so developed.

The arrangement between the Company and MOR meets all the conditions of Appendix C to Ind AS 115 such as:

(i) The MOR (the grantor) controls/ regulates what services the Company (operator) should provide with the Project Railway (i.e. infrastructure) and to whom it must be provided,

(ii) MOR controls the price to be charged to the customers and

(iii) Also, MOR controls residual interest in the infrastructure at the end of the term of the arrangement.

Under the Concession agreement, the Company has freight sharing right in respect of freight generated from freight operation on the Project Railway. This right is recognized as intangible asset and is amortised. The term of Concession agreement is 32 (Thirty two) years. In case of material breach in terms of the agreement, the MOR and HMRDC both have the right to terminate the agreement, if they are not able to cure the event of default in accordance with such agreement. Concession agreement also provides that after the expiry of the concession period, if MOR opts to grant a fresh concession in respect of Project Railway, HMRDC shall, all other things being comparable, have the first right to be awarded new concession.

Depreciated replacement Value (DRV):

At the end of concession period, the project assets created by the Company within project area shall revert back to the MOR for a consideration equivalent to depreciated replacement value (DRV) of these assets. DRV is defined as cost of replacing assets on date of expiry of agreement after deducting depreciation on straight line basis. Replacement cost and life of assets shall be computed in accordance with provisions of Concession agreement. However, DRV has not been specified in the Concession agreement.

Para 16 of Appendix C to Ind AS 115 requires the Company to recognize a financial asset in respect of unconditional right to receive cash from MOR, if same is specified or determinable. DRV has not been specified in the Concession agreement, nor it is determinable as determination of DRV depends on the facts and circumstances that would be available at the end of the concession period only, and therefore condition to recognize the right to receive DRV as financial asset is not fulfilled as required by said Appendix. In view of this fact, DRV has not been recognized as financial asset which is sufficiently compliance with the requirement of the Ind AS.

The assets which were exiting at the time of entering into Concession agreement, i.e. meter gauge railway line (including land) were leased by MOR to the Company. Railways charge annual lease rental to the Company for leased assets. Assets so leased to the Company shall revert back to MOR without any financial consideration at the end of concession period.

Concession agreement provides that, upon expiry of 32 (thirty two) years of operation in case of material disruption of operation and maintenance occurred during the concession period, the Concession period shall be extended by an equal period of time which corresponds to the period for which material disruption of operation and maintenance occurred during the concession period.

In case of material breach in terms of the agreement, MOR and HMRDC both have the right to terminate the agreement, if they are not able to cure the event of default in accordance with such agreement.

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence 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 but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. The Company does not recognize a contingent liability but discloses its existence in the standalone Ind AS financial statements.

(v) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. The effects of anti-dilutive potential equity shares are not considered in calculating dilutive earnings per share.

(w) Events occurring after the balance sheet date

Events occurring after the Balance sheet date are considered in the preparation of financial statements in accordance with Ind AS 10 “Contingencies and events occurring after balance sheet date”.

(x) Significant accounting judgments, estimates and assumptions

The preparation of the standalone Ind AS financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The judgments, estimates and assumptions management has made, which have the most significant effect on the amounts recognized in the standalone In AS financial statements, are explained in relevant notes in the standalone Ind AS financial statements.

Statement of Changes in Equity
(All amounts in Indian Rupees, except as otherwise stated)

a) Equity share capital
Equity shares of ₹10/- each issued, subscribed and fully paid

Particulars	As at March 31, 2020		As at March 31, 2019	
	Nos.	Amount	Nos.	Amount
At the beginning of the year	11,20,00,000	112,00,00,000	11,20,00,000	112,00,00,000
Changes during the year	-	-	-	-
At the end of the year	**11,20,00,000**	**112,00,00,000**	**11,20,00,000**	**112,00,00,000**

b) Other equity

Particulars	Capital Reserve	General Reserve	Retained Earnings	Total
Note Number: 11				
Balance as at April 1, 2019	-	-	246,17,09,863	246,17,09,863
Profit/Loss for the period	-	-	21,46,41,374	21,46,41,374
Transfer from Retained Earnings	-	-	-	-
Balance as at March 31, 2020	**-**	**-**	**267,63,51,237**	**267,63,51,237**

As per our report of even date

For MNS & Co,
Chartered Accountants
Firm Reg.No. 003968S

For and on Behalf of the Board of Directors
of Hassan Mangalore Rail Development Company Limited

CA Madhava Murthy K S
Partner
Membership Number : 029946

C. Pradeep
Chief Financial Officer

Amit Garg
Director & CEO
DIN: 08212610

Kapil Mohan
Chairman
DIN: 03627128

Place : Bengaluru
Date : 31.08.2020

Place : Bengaluru
Date : 31.08.2020

NOTE 3 PROPERTY, PLANT & EQUIPMENTS & INTANGIBLE ASSETS

Notes to the Ind AS financial statements for the year ended 31st March 2020
(All amounts in Indian Rupees, except as otherwise stated)

(Amount in ₹)

Particulars	(A) PROPERTY, PLANT AND EQUIPMENT						(B) INTANGIBLE ASSETS - FRIEGHT SHARING RIGHTS				
	Civil works -office	Furniture & fixtures	Computers	Office equipment	Total (a)	Bridges	Formation	Permanent Way	Station & Buildings	Plant & Machinery	Total (b)
Cost											
At April 1, 2018	1,20,292	18,47,815	14,52,852	14,60,724	48,81,683	120,79,82,850	93,64,18,084	273,64,37,249	13,14,51,476	47,57,48,789	548,80,38,448
Additions	-	-	34,300	3,91,500	4,25,800	4,92,60,812	-	2,46,71,209	-	76,63,227	8,15,95,248
Disposals	-	-	-	3,71,556	3,71,556	-	-	-	-	-	-
At April 1, 2019	**1,20,292**	**18,47,815**	**14,87,152**	**14,80,668**	**49,35,927**	**125,72,43,662**	**93,64,18,084**	**276,11,08,458**	**13,14,51,476**	**48,34,12,016**	**556,96,33,696**
Additions	-	87,970	1,18,561	1,08,683	3,15,214	1,38,05,924	78,36,294	29,69,199	-	2,59,60,015	5,05,71,432
Disposals	-	-	1,34,200	2,07,925	3,42,125	-	-	82,96,071	-	-	82,96,071
At March 31, 2020	**1,20,292**	**19,35,785**	**14,71,513**	**13,81,426**	**49,09,016**	**127,10,49,586**	**94,42,54,378**	**275,57,81,586**	**13,14,51,476**	**50,93,72,031**	**561,19,09,057**
Accumulated depreciation/ amortization and impairment											
At April 1, 2018	34,068	13,64,714	2,86,053	11,49,870	28,34,705	21,18,85,608	79,84,05,397	192,92,89,807	3,61,74,064	24,77,90,783	322,35,45,659
Charge for the year	4,997	1,18,531	6,59,865	2,22,721	10,06,114	5,72,65,281	76,67,372	4,55,99,771	52,93,190	1,28,28,220	12,86,53,834
Disposals	-	-	-	3,71,556	3,71,556	-	-	-	-	-	-
At April 1, 2019	**39,065**	**14,83,245**	**9,45,918**	**10,01,035**	**34,69,263**	**26,91,50,889**	**80,60,72,769**	**197,48,89,579**	**4,14,67,254**	**26,06,19,003**	**335,21,99,494**
Charge for the year	4,998	67,568	5,68,751	2,28,805	8,70,122	5,85,99,228	80,55,009	4,59,46,282	52,93,190	1,41,04,147	13,19,97,856
Disposals	-	-	1,34,200	1,86,353	3,20,553	-	-	-	-	-	-
At March 31, 2020	**44,063**	**15,50,813**	**13,80,469**	**10,43,487**	**40,18,832**	**32,77,50,117**	**81,41,27,778**	**202,08,35,861**	**4,67,60,444**	**27,47,23,150**	**348,41,97,350**
Net Block											
At March 31, 2019	**81,227**	**3,64,570**	**5,41,234**	**4,79,633**	**14,66,664**	**98,80,92,773**	**13,03,45,315**	**78,62,18,879**	**8,99,84,222**	**22,27,93,013**	**221,74,34,202**
At March 31, 2020	**76,229**	**3,84,972**	**91,044**	**3,37,939**	**8,90,184**	**94,32,99,469**	**13,01,26,600**	**73,49,45,725**	**8,46,91,032**	**23,46,48,881**	**212,77,11,707**

Frieght Share Rights :

Freight Sharing Rights on land and other leased assets provided by Indian Railways under the Concession Agreement dated 18.03.2004 with the Ministry of Railways, Government of India. The capital expenditure incurred by the Company for creation of the above assets has been capitalized. Additions include new Capital Works completed during the year. The entire project assets (including new assets created by the Company) remain the property of Ministry of Railways, since the Project Railway is a Government Railway within the meaning of the Railways Act of 1989. The Company has recognized the assets created by it as fixed assets, since it has control of, derives economic benefits from and is the custodian of these assets.

"The balance receivable from SWR/CN/BNC amounting to ₹ 82,23,224/- (P.Y: ₹ 82,23,224/-) representing SWR-Project Railway- Advance is shown as Other than Capital Advance under Short term loans and advances.

The Capital works undertaken by SWR, Mysore in the section have been capitalized during the year as additions upon completion of the respective works amounting to ₹ 5,05,71,432/- (P.Y: ₹ 8,15,95,248/-)."

Particulars	As at March 31, 2020	As at March 31, 2019
4. OTHER FINANCIAL ASSETS		
(Unsecured, Financial assets at amortised cost unless stated otherwise)		
Non-current Considered good		
Other loans		
HMRDC Employees' Gratuity Fund Trust	10,000	10,000
HMRDC Employees' Superannuation Fund Trust	10,000	10,000
SPV Association (AIR) Corpus Fund	10,00,000	10,00,000
Security deposits	5,12,443	6,08,053
	15,32,443	**16,28,053**
Current Considered good		
Advances other than capital advances		
SWR-Project Railway-Advance	82,23,224	82,23,224
	82,23,224	**82,23,224**
5. OTHER NON-CURRENT ASSETS		
Income Tax	11,29,17,047	11,08,06,611
Fringe Benefit Tax	512	512
MAT Credit	21,45,22,759	12,78,70,529
	32,74,40,318	**23,86,77,652**
6. DEFFERED TAX ASSET / (LIABILITY) (NET)		
Deferred tax Liability		
Opening balance	(48,95,219)	(1,94,06,856)
Deferred Tax Liability on account of Timing Differences in depreciation	(2,71,04,700)	1,44,96,293
Deferred Tax Asset on account of Other Comprehensive Income	71,644	15,344
Net deferred tax asset/(liability)	**(3,19,28,274)**	**(48,95,219)**
7. TRADE RECEIVABLE		
Current Considered good		
Trade Receivable	-	6,67,35,267
SWR-Mysore (Bills Rejected Receivable)	5,66,20,517	55,80,316
	5,66,20,517	**7,23,15,583**
8. CASH AND CASH EQUIVALENTS		
Balance with banks		
in current accounts	11,49,671	6,55,475
Fixed Deposits Maturing within 12 Months	258,67,69,328	328,08,66,265
Cash on hand	17,962	17,995
	258,79,36,961	**328,15,39,735**
9. OTHER CURRENT ASSETS		
(Unsecured)		
Considered good		
Advance Paid to Staff	47,499	55,486
Advance to Gratuity Trust	2,85,229	2,86,378
Balance with revenue authorities	4,02,36,720	6,95,39,396
Interest accrued on deposits	12,99,51,205	14,86,86,183
Prepaid Expenses	50,42,643	9,27,817
	17,55,63,296	**21,94,95,260**

Particulars	As at March 31, 2020	As at March 31, 2019
10. EQUITY SHARE CAPITAL		
Authorised shares:		
12,50,00,000 (March 31, 2020 - 12,50,00,000) equity shares of ₹ 10/- each	125,00,00,000	125,00,00,000
	125,00,00,000	**125,00,00,000**
Issued, subscribed and fully paid-up shares:		
11,20,00,000 (March 31, 2020 - 11,20,00,000) equity shares of ₹ 10/- each	112,00,00,000	112,00,00,000
	112,00,00,000	**112,00,00,000**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2020		As at March 31, 2019	
	Nos.	Amount	Nos.	Amount
Equity shares				
At the beginning of the year	11,20,00,000	112,00,00,000	11,20,00,000	112,00,00,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	**11,20,00,000**	**112,00,00,000**	**11,20,00,000**	**112,00,00,000**

(b) Terms/rights attached to equity shares

The Company has one class of equity shares having par value of ₹10/- per share. Each holder of 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. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholding in the Company

Name of the shareholder	As at March 31, 2020		As at March 31, 2019	
Equity shares of Rs. 10 each fully paid	% holding in the class	Amount (₹)	% holding in the class	Amount (₹)
President of India / Ministry of Railways	40.18%	45,00,00,000	40.18%	45,00,00,000
Governor of Karnataka / Govt. of Karnataka	25.00%	28,00,00,000	25.00%	28,00,00,000
Visvesvaraya Trade Promotion Centre	8.93%	10,00,00,000	8.93%	10,00,00,000
Mysore Sales International Ltd	6.25%	7,00,00,000	6.25%	7,00,00,000
Mineral Enterprises Ltd	8.93%	10,00,00,000	8.93%	10,00,00,000
New Mangalore Port Trust	8.93%	10,00,00,000	8.93%	10,00,00,000
Rail Infrastructure Development Company	1.78%	2,00,00,000	1.78%	2,00,00,000
Total	**100%**	**112,00,00,000**	**100%**	**112,00,00,000**

As per records of the Company, including its Register of Members and other declarations received from them regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

The shares issued to M/s. Visvesvaraya Trade Promotion Centre and M/s. Mysore Sales International Ltd forms part of the equity participation of Govt. of Karnataka, so as to constitute (40.18%) of the share capital equal to share capital held by Ministry of Railways.

Particulars	As at March 31, 2020	As at March 31, 2019
11. OTHER EQUITY		
Surplus in the Statement of Profit and loss		
Balance as per last financial statements	246,17,09,863	221,30,37,385
Profit/Loss for the year/period	21,46,41,374	24,86,72,478
Less-Transferred		
Net deficit in the Statement of Profit and Loss	267,63,51,237	246,17,09,863
Total Other Equity	**267,63,51,237**	**246,17,09,863**
12. OTHER NON CURRENT LIABILITIES		
Unearned revenue (Ref Note 38 (a))	42,77,15,910	45,43,09,645
	42,77,15,910	**45,43,09,645**
13 OTHER FINANCIAL LIABILITIES		
Deferred Payment Loan-SWR(Indirect Overheads)		
Deferred Payments- Indirect Overheads	47,55,71,719	48,95,61,486
	47,55,71,719	**48,95,61,486**
14. TRADE PAYABLES		
Total outstanding dues of micro and small enterprises	-	-
Total outstanding dues of creditors other than micro and small enterprises		
SWR-Mysore (O&M Payable)	21,73,96,166	-
SWR-Mysore (Bills Payable)	23,19,46,417	10,16,05,486
Other Payables	10,88,682	16,15,250
	45,04,31,265	**10,32,20,736**
15. OTHER CURRENT LIABILITIES		
Advances from customers	-	-
Statutory dues payable	3,29,857	4,54,334
	3,29,857	**4,54,334**
16. PROVISIONS (Ref Note 19)		
Provision for employee benefits		
Ex-Gratia	5,22,380	5,22,380
Leave Encashment Payable	28,39,359	22,63,172
Provision for Operating & Maintenance Cost - Upto 2017-18	-	131,39,14,193
Provision for Operating & Maintenance Cost - 2018-19	-	3,69,83,938
Provision for Operating & Maintenance Cost - 2019-20	12,65,09,578	-
Provision for Income Tax	3,87,73,367	6,88,36,653
	16,86,44,684	**142,25,20,336**

Particulars	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019 #
17. REVENUE FROM OPERATIONS		
Revenue from Freight Traffic	96,88,36,925	148,34,58,513
Other Operating Revenue		
Construction Contract Revenue under SCA (Ref Note 2 (e))	9,97,34,481	10,73,89,127
	106,85,71,406	**159,08,47,640**
18. OTHER INCOME		
Interest income on Bank deposits	23,11,14,371	23,11,44,331
Insurance Claim	39,57,100	38,99,033
Sale of Scrap	1,21,37,680	18,43,399
Other Interest Income	54,390	5,50,648
Profit on sale of Fixed Assets	3,178	46,050
Other Income (Ref Note 38 (a))	2,65,93,735	2,65,93,735
	27,38,60,454	**26,40,77,196**
19. OPERATING & MAINTENANCE COSTS-PROJECT RAILWAY		
A. Fixed operating cost:		
Manpower Cost	25,37,13,252	17,62,75,980
Other than Manpower Cost	21,18,37,728	7,88,11,979
Direct Supervision Cost	2,12,70,444	82,05,361
Indirect Over Heads	17,95,49,748	8,54,00,004
Others	4,23,480	1,24,332
Sub-Total A	**66,67,94,652**	**34,88,17,656**
B. Variable Operating Cost:		
Cost of Fuel	27,94,09,898	60,31,15,100
Cost of Crew	7,58,45,510	6,16,97,550
Cost of Loco & Wagon Usage	2,61,47,464	4,98,53,054
Running Repairs of Wagons	1,32,75,156	1,81,30,050
Indirect Over Heads - Variable	10,64,49,276	17,94,19,762
Others - Variable	6,03,351	1,28,105
Sub-Total B	**50,17,30,655**	**91,23,43,621**
C. Other Costs		
Construction Contract Cost under SCA (Ref Note 2(i)(v))	9,97,34,481	10,73,89,127
Sub-Total C	**9,97,34,481**	**10,73,89,127**
Total (A+B+C)	**126,82,59,788**	**136,85,50,404**

The Operations & Maintenance Agreement [O & M] entered with South Western Railway [SWR] by the Company prescribes that the fixed and variable O&M costs from second year onwards shall be fixed after verification and audit of the actual costs incurred during the first year by the survey team constituted jointly by the Company and SWR. The cost so fixed would hold for the next 4 years annually inflated with reference to the Whole Sale Price Index. The exercise of survey is to be repeated after every 5 years.

On the basis of the acceptance of the 3rd Survey Committee recommendations by the HMRDC and SWR, the O&M cost has been reconciled from 2006-07 to 2018-19 and Company has paid a sum of ₹ 85,34,06,874 to SWR during the year.

The Company is providing the O&M cost as per the 3rd Survey Committee, duly inflated with WPI.

The Company has made an additional provision of ₹ 12,65,09,578/- towards the O&M cost payable for the year 2019-20 as SWR has charged the O&M cost as per 3rd Survey Committee without inflating with WPI.

Particulars	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
20. EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	1,19,33,126	1,47,81,000
Gratuity expense	3,76,901	(2,46,766)
Leave Encashment	8,19,715	8,17,622
Contribution to Provident and Other Fund	15,74,140	20,11,535
	1,47,03,882	**1,73,63,391**
21. FINANCE COSTS		
Bank Charges	3,324	3,322
SWR Annual Lease Rent	1,000	1,000
Interest on delay payment of Taxes	-	10,23,579
Interest Expense on Indirect Overhead Cost payable (Ref Note 38 (a))	3,86,59,345	3,97,31,500
	3,86,63,669	**4,07,59,401**
22. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of property, plant and equipment	13,28,67,978	12,96,59,948
	13,28,67,978	**12,96,59,948**
23. OTHER EXPENSES		
Rent	11,57,567	11,57,567
Insurance	2,68,05,422	32,39,881
Communication	2,85,090	2,97,493
Electricity Charges	90,571	86,528
Office Maintenance Expenses	4,30,717	4,56,620
Repairs & Maintenance	4,64,579	1,14,949
Professional Fee	9,42,400	13,19,400
Meeting Expenses	84,810	56,942
Rates and Taxes	5,35,496	8,05,523
Travelling Expenses	14,61,365	16,65,246
Printing & Stationery	2,33,040	4,11,814
Business Development Expenses	23,883	74,456
Conference Fee	-	590
Auditors Remunaration		
a. Statutory Audit fee	1,50,000	1,50,000
b. Secretarial Audit fee	30,000	30,000
c. Tax Audit fee	50,000	50,000
Advertisement	34,550	19,480
Misc. Expenses	21,705	14,380
Directors Sitting Fee	1,20,000	1,90,000
SPV Association (AIR) Fee	1,50,000	3,00,000
Corporate Social Responsibilities	-	25,00,000
	3,30,71,195	**1,29,40,869**

Particulars	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019 #
24. EARNINGS PER SHARE (EPS)		
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Net Proft for calculation of basic EPS	21,48,27,258	24,87,01,470
Net Profit for calculation of diluted EPS	21,48,27,258	24,87,01,470
Weighted average number of equity shares in calculating basic EPS	11,20,00,000	11,20,00,000
Weighted average number of equity shares in calculating diluted EPS	11,20,00,000	11,20,00,000
Basic and Diluted Earnings per Share	1.92	2.22

25. Construction Contracts [Ind AS 115]

₹ in Lakhs

Particulars	2019-20	2018-19
Construction Contract Revenue recognised	997.34	1,073.89
Aggregate amount of Costs incurred and recognised in Statement of Profit & Loss	997.34	1,073.89
Contractual Commitments:	**As at 31-03-2020**	**As at 31-03-2019**
Aggregate amount of works to be executed on capital account and not provided for (net of advances)	1,173.00	796.00

26. Leases [Ind AS 116 read with Ind AS 109]

(i) Office Building:

The Company has entered into cancellable operating leases in respect of its leased premises for term three years which are renewable with mutual consent of both the lessor and lessee in certain leases. There are escalation clauses in certain lease agreements. There are certain restrictions under the sub-lease arrangements. Rental expense for operating leases during the year is ₹ 11,57,567/- (March 31, 2019 ₹ 11,57,567/-) accounted by following amortised value method.

(ii) Leased Assets from South Western Railways:

In compliance with the Concession Agreement (read with Lease Agreement) dated 18th March, 2004 with Ministry of Railways, certain assets existed assets in the project site area at the time of grant of concession and also the land to be newly acquired for the project are leased out by Ministry of Railway to the Company for the purpose of usage in construction of Broad Guage railway line for an annual lease value of ₹ 1,000/- per annum, payable annually in first week of January. The Lease Term shall be co-terminus with the concession period, unless extended for a further period by mutual agreement of lessor and lessee.

Minimum Lease Payments payable for the above lease are as under: Value'INR

	As at 31-03-2020	As at 31-03-2019
Due within one year :	1,000	1,000
Due later than one year and not later than 5 years :	5,000	5,000
Later than 5 years :	17,000	18,000

27. Segment information

The Project Railway constitutes a single business segment and is also located in a single geographic segment. Since the entire business of the Company constitutes a single business and geographic segment, disclosures under Operating Segments (IND AS 108) does not arise.

28. Related party disclosures

Names of related parties

a. Names of related parties where control exists irrespective of whether transactions have occurred or not:

Entities having Significant Control : Ministry of Railways

b. Names of other related parties with whom transactions have taken place during the year:

Key management Personnel ('KMP')	: 1.	AMIT GARG	Director & CEO (from 30.08.2019)
	: 2.	S. GAGARIN	Director & CEO (upto 30.08.2019)
	: 3.	S.N. SRINIVASA	Company Secretary (upto 31.05.2020)
	: 4.	PRADEEP C	Chief Financial Officer (from 06.11.2019)
	: 5.	S. CHANDRASEKHAR	Chief Financial Officer (upto 11.04.2019)
	: 6.	K . GAYITHRI	Independent Director
	: 7.	S. ANANTHAN	Independent Director

Group Concerns : Rail Infrastructure Development Company (Karnataka) Limited.

Details of transactions entered into with related parties along with balances as at year end are as given below:

Ministry of Railways owns 40% of the equity of the Company and is the sole agency for revenue generation activity through South Western Railway. The Revenue Models are worked out on par with Zonal Railway arrangements with various agencies, companies and other Special Purpose Vehicles for similar such activities. As there is no comparison with any other agency, the Revenue Model as accepted by the company is based on commercial prudence. The total Revenue earned on freight for the year on the Project Railway for FY 2019-20 is ₹ 96,88,36,925/- (FY 2018-19: ₹ 1,48,34,58,513/-) and the total O&M Cost to the Company for FY 2019-20 is ₹1,16,85,25,307/- (FY 2018-19 ₹ 1,26,11,61,277/-).

Note : Ministry of Railways is not a Related Party in terms of Para - 11 of Ind AS 24.

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

Particulars of Remuneration	FY 2019-20	FY 2018-19
a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (FY-2019-20 upto 30.08.2019)	17,32,003	40,27,758
b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
Total	**17,32,003**	**40,27,758**

B. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD

Particulars of Remuneration	Name of Directors			
	K.Gayithri	C. Jayaram	S. Ananthan	Total
Fees for attending board/committee Meetings FY 2019-20	70,000	-	50,000	1,20,000
FY 2018-19	50,000	80,000	60,000	1,90,000
No fees nor any commission paid to other Non-Executive Directors for attending board/committee meetings during the year.				

C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD

Particulars of Remuneration	Key Managerial Personnel			
	S.Gagarin CEO (up to 30.08.2019)	S.N. Srinivasa CS	C Pradeep CFO (from 06.11.2019)	Total
FY 2019-20				
a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	17,32,003	34,39,378	7,58,497	59,29,878
b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
Total	**17,32,003**	**34,39,378**	**7,58,497**	**59,29,878**
FY 2018-19	**S.Gagarin** CEO	**S.N. Srinivasa** CS	**S.Chandrasekhar** CFO (upto 11.04.19)	**Total**
a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	40,27,758	29,08,962	22,50,373	91,87,093
b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
Total	**40,27,758**	**29,08,962**	**22,50,373**	**91,87,093**

29. Contingent liabilities

a) **Contingent Liability on account of any third party claim - ₹ Nil - (P.Y: - ₹ Nil)**

b) **Estimated amount of contract remaining to be executed on capital account :** ₹ in Lakhs

Party	Amount remaining to be executed	
	FY - 2019-20	FY - 2018-19
SWR – Mysore	1,173.00	796.00

c) **Claims against the Company not acknowledged as debt**

The Company has received 3 Show Cause Notices from the Service Tax department demanding service tax on the apportioned revenue received from the Ministry of Railways as detailed below:

Sl. No.	Received from	Period	Amount (₹)
1st Showcause	DG of Central Excise, Intelligence, Chennai Zonal Unit, Chennai	FY -2009-10 to 2013-14	68,19,13,607
2nd Showcause	Principal Commissioner of Service Tax - I, Bangalore	April 2014 to September 2015	28,67,22,915
3rd Showcause	Principal Commissioner of Central Tax, Bangalore	October 2015 to June 2017	31,21,91,228
		Total	**128,08,27,750**

The Company is contesting the case on merits and hence no provision is made in the accounts. (P.Y: - Rs. Nil). The Company has already informed the Ministry of Railways about the above dues since the Service Tax liability cast on the company shall be payable by the Ministry of Railways.

30. Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary plus dearness allowance (last drawn salary) for each completed year of service.

Statement of Profit and Loss and Other Comprehensive Income	For the year ended March 31, 2020	For the year ended March 31, 2019
Net employee benefit expense (recognised in Employee benefits expense)		
Current service cost	2,41,823	2,20,925
Interest cost on benefit obligation	1,73,153	1,42,566
Expected return on plan assets	(2,10,645)	(1,48,734)
Net Actuarial (gain)/ loss recognized in the year	(2,57,528)	(44,336)
Net benefit expense	**(53,197)**	**1,70,421**
Re-measurement gain/(loss) (recognised in Other Comprehensive Income)		
Actuarial gain/(loss) on obligation	2,57,528	44,336
Actuarial gain/(loss) on assets	-	-
	2,57,528	**44,336**
Balance sheet		
Details of provision for gratuity		
Defined benefit obligation	29,81,206	23,08,702
Fair value of plan assets	(32,66,435)	(25,95,080)
Net liability/ (Net Asset)	**(2,85,229)**	**(2,86,378)**
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	23,08,702	19,00,875
Current service cost	2,41,823	2,20,925
Interest cost	1,73,153	1,42,566
Benefits settled	-	-
Actuarial loss/gain on obligation	2,57,528	44,336
Closing defined benefit obligation	**29,81,206**	**23,08,702**

Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	25,95,079	18,12,045
Expected return	2,10,645	1,48,734
Contribution by employer	4,60,711	6,34,300
Benefits paid	-	-
Actuarial gain/(loss)	-	-
Closing fair value of plan assets	**32,66,435**	**25,95,079**

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

Discount rate	7.50%	7.50%
Salary increase rate	7.00%	7.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the year over which the obligation is to be settled. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

31. Corporate Social Responsibility

With the enactment of Companies Act 2013 and Companies (Corporate Social Responsibility) Rules, 2014 read with various clarification issued by MCA, the company has undertaken activities as per CSR policy. The 2% of the average net pre-tax profits for the last 3 years being negative and the company has not spent any amount towards CSR. The disclosures as required under CSR Policy/Rules have been made in the Directors Report and also displayed on the website of the Company.

32. Details of dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

Based on the information available with the Group, there are no suppliers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as at 30th September, 2019 / as at 31st March, 2020.

The information given above is to the extent such parties have been identified by the Company on the basis of information disclosed by the suppliers.

33. Financial instruments fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the standalone Ind AS financial statements are categorised within the fair value hierarchy, as below, 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

The fair value measurement hierarchy of the Company's assets and liabilities is as below:

Particulars of Remuneration	Carrying amount	Fair values		
		Level 1	Level 2	Level 3
As at March 31, 2020				
Financial assets measured at fair value	5,07,643	-	-	5,07,643
Financial liabilities measured at fair value				
Financial Liabilities				
Deferred Payments- Indirect Overheads	47,55,71,719	-	-	47,55,71,719
As at March 31, 2019				
Financial assets measured at fair value	4,53,253	-	-	4,53,253
Financial liabilities measured at fair value				
Financial Liabilities				
Deferred Payments- Indirect Overheads	48,95,61,486	-	-	48,95,61,486

There has been no transfers between levels during the year.

The management assessed that the carrying values of trade and other receivables, cash and short term deposits, other assets, borrowings, trade and other payables, based on their notional amounts, reasonably approximate their fair values because these instruments have short-term maturities and are re-priced frequently.

34 Financial risk management objectives and policies

The Company's principal financial liabilities comprise deferred fixed and variable indirect overhead, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, cash and cash equivalents, bank balances and security deposits that are out of regular business operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks and provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialists that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument that will fluctuate because of changes in market prices. Market risk Comprises two types of risk i.e. interest rate risk and currency risk. Financial instruments affected by market risk include trade payables.

i. Interest rate risk

The Company does not have any interest bearing borrowings during the year hence not exposed to any interest risk.

ii. Foreign currency risk

The Company has not entered into any transactions in foreign currency, hence does not have any foreign currency risk during the year.

b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments if a counterparty default on its obligations. The Company's exposure to credit risk arises majorly from trade receivables and bills receivable. The Company does not expect any credit risk with respect to other financial assets i.e. security deposits, bank deposits, etc. The management reviews trade receivables and bills receivables on a periodic basis and take necessary mitigations, wherever required. The Company creates allowance for all unsecured trade receivables based on lifetime expected credit loss.

c) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The table below summarises the maturity profile of the Company's financial liabilities:

Particulars	Maturities				Total
	Upto 1 year	1-2 years	2-3 years	Above 3 years	
March 31, 2020					
Financial Liabilities	5,26,49,112	5,26,49,112	5,26,49,112	31,76,24,383	47,55,71,719
Trade payables	45,04,31,265	-	-	-	45,04,31,265
Other financial liabilities	-	-	-	-	-
Total	**50,30,80,377**	**5,26,49,112**	**5,26,49,112**	**31,76,24,383**	**92,60,02,984**
March 31, 2019					
Financial Liabilities	5,26,49,112	5,26,49,112	5,26,49,112	33,16,14,150	48,95,61,486
Trade payables	10,32,20,736	-	-	-	10,32,20,736
Other financial liabilities	-	-	-	-	-
Total	**15,58,69,848**	**5,26,49,112**	**5,26,49,112**	**33,16,14,150**	**59,27,82,222**

35. Other Financial Liabilities

The O&M Agreement provides for deferment of payment of overhead charges for the first ten years of operation and the same shall be paid in a period of 20 years commencing from the 11th year of operation i.e., F.Y: 2016-17. The date of commencement of HMRDC line was on 05.05.2005 and the 11th year of operation starts from 06.05.2016 onwards. The deferment and payment of over head charges was deferred upto 30th April 2016. Hence the Company has started repayment of Deferred Payment of Fixed and Variable Indirect Overheads w.e.f. May 2016. Deferred Overhead charges are covered in the definition of financial liability as per IND AS 109. Therefore it has been recognised at the fair value as on 1st April 2016 of ₹ 5244.67 Lakhs in accordance with IND AS 109 (at amortised cost). The difference in carrying value as per previous GAAP and fair value has been deferred and amortised over the period of liability on SLM basis.

36. Obligation to restore project assets to specified level of serviceability

As per the terms and conditions for Grant of Concession by Ministry of Railways to the Company, Para 4.3 (d) of the Concession agreement dated 18th March, 2014, the Company has undertaken as a part of its obligation in order to maintain the Project Assets in a proper working condition, including making replacement in accordance with the standards laid down by Ministry of Railways, of all the Project Assets whose codal lives have expired and such replacement shall be carried out by the Company either by itself or through MoR, and the costs of such replacements shall be borne by the Company.

Therefore, the Company is required to provide for in respect of replacement obligations arising during the remaining concession period as per requirement of Appendix A of the Ind AS 115 for best estimate of expenditure required to settle the obligation. However, at present the reliable estimate for restoration obligation is not available, therefore the provision for the same is not provided in Financial statements and the same will be provided in the year in which such estimate becomes reliable.

37. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity shareholders. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and capital ratios in order to support its business and maximise shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital. The Company includes within net debt, all non-current and current borrowings reduced by cash and cash equivalents and other bank balances.

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
(i) Other Non-current liabilities	12	42,77,15,910	45,43,09,645
Long Term Deferred Payments	13	47,55,71,719	48,95,61,486
Less: Cash and cash equivalents	8	2,58,79,36,961	3,28,15,39,735
Net debt		**(1,68,46,49,332)**	**(2,33,76,68,604)**
Equity share capital	10	1,12,00,00,000	1,12,00,00,000
Other equity	11	2,67,63,51,237	2,46,17,09,863
Total capital		3,79,63,51,237	3,58,17,09,863
Gearing ratio		-0.44	-0.65

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing borrowings that define capital structure requirements. The breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of interest-bearing borrowings in the current year.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31st, 2020 and March 31st, 2019.

38 Key assumptions concerning the future and the key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities with next financial year:

(a) Financial liabilities at amortized cost

Under Indian GAAP, there are certain deferred overhead cost payables which are carried at nominal value. Ind AS requires to measure these liability at fair value at inception and subsequently these payables are measured at amortized cost. At inception date, company recognises difference between overhead cost fair value and nominal value as unearned revenue and same is being recognised as other income on straight line basis over the repayment period. Further, Company recognises notional interest expense on these deferred overhead payable over the repayment period of liability.

(b) Deferred tax

The deferred tax asset/liability has been recognised on temporary differences arising on transition to Ind AS.

(c) Other comprehensive income

Under Previous GAAP, the Company had not presented other comprehensive income separately. Hence, it has reconciled Previous GAAP profit or loss to total comprehensive income as per Ind AS.

(d) Reclassifications

Following reclassification adjustments have been carried out as per Ind AS requirements:

i. Capital work in progress has been classified as Intangible assts under development

ii. Capital and other advances, Prepaid expenses and advance paid to staff, SWR Project railway advance and advance income tax have been classified under other assets instead of loans and advance as per Previous GAAP.

iii. Deferred overhead payments of Fixed and variable overheads have been classified under non current financial liabilities instead of other long term and current liabilities as per Previous GAAP.

(e) Statement of Cash flows

The transition from Previous GAAP to Ind AS did not have a material impact on statement of cash flows.

39. Exceptional Items:

On the basis of 2nd survey committee report, the O&M cost for the years from 2006-07 to 2018-19 was provided at ₹ 135.09 Crores pending 3rd Survey Committee Report during the year 2017-18. On receipt of 3rd Survey Committee Report dated 31st October, 2019, a sum of ₹ 33.92 crores being excess provision of O&M cost reversed and recognized as revenue during the year under the head Exceptional items.

40. Disclosures for Prior Period Item

Consequent upon the observation of the C & AG in their Supplementary Audit 2018-19 that a sum of ₹ 99,02,634/- from sale of scrap arising out of Intangible Asset - Permanent Way, was wrongly recognized as revenue in that year. During the year the same has been reversed from the income and reduced from the intangible asset in the financial statements of previous year 2018-19 as per IND AS 8.

ii) Effect on Financial Statements for FY 2018-19 :

		Note	Increase	Decrease
A.	**Balance Sheet as on 31st March,2019:**	**Note**	**Increase**	**Decrease**
	Intangible Assets - Frieght Sharing Rights [Permanent Way]	3 (b)	-	99,02,634
	Accumulated depreciation/amortization and impairment	3 (b)	-	5,03,422
	Other Non-Current Assets	5	20,25,417	20,25,417
	Deferred tax liability	6	-	1,68,486
	Other equity	11	-	71,20,289
	Provisions	16	-	21,10,437
B.	**Statement of Profit and Loss for the year ended 31st March, 2019:**	**Note**	**Increase**	**Decrease**
	Revenue from Operations	17	-	99,02,634
	Depreciation and amortization expense	22	-	5,03,422
	VI. Tax expense - Current Tax		-	21,10,437
	VI. Tax expense - Deferred Tax Credit	6	1,68,486	-
	IX. Total comprehensive income/(loss) for the year/period (VII+VIII)		-	71,20,289
	X. Earnings/(Loss) per equity share			
	(1) Basic (₹)		-	0.06
	(2) Diluted (₹)		-	0.06
C.	**Cash Flow Statement for the year ended 31st March, 2019:**		**Increase**	**Decrease**
	A. Cash Flows From Operating Activities		-	99,02,634
	B. Cash Flows From Investing Activities		99,02,634	-

41. Newly introduced Goods and Service Tax (GST) has subsumed the service tax with effect from 1st July 2017. During the current financial year, the Company has maintained the same stand as was taken in the matter of service tax, with respect to applicability of the taxes on the share of the freight received by the Company from Indian Railways and the Operation & Maintenance costs recovered by Railways from the Company. The Company is of the view that no supply is involved by the Company to railways and vice-versa in sharing of freight revenue & Operations and maintenance cost by Railways with the Company. Ministry of Railways has taken up the issue with Finance Ministry for issuing clarification/exemption.

42. The Company has made a claim of ₹ 609.74 Crs towards Access Charges from SWR for the additional passenger trains run in the section over and above the passenger trains permitted as per the O&M agreement which includes an amount of ₹ 130.74 Crs towards the current year. The same will be accounted on receipt basis.

As per our report of even date

For MNS & Co,
Chartered Accountants
Firm Reg.No. 003968S

For and on Behalf of the Board of Directors
of Hassan Mangalore Rail Development Company Limited

CA Madhava Murthy K S
Partner
Membership Number : 029946

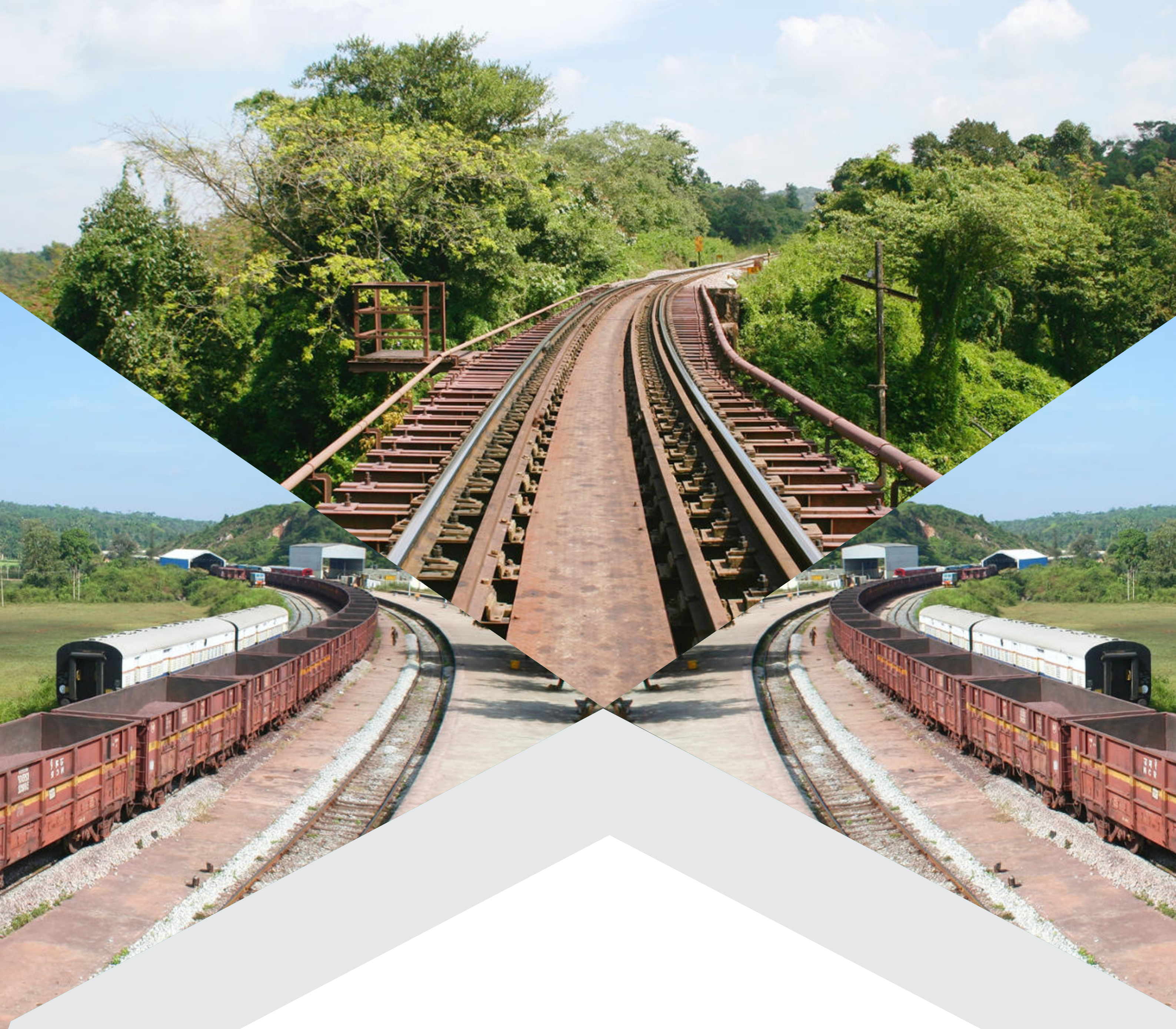
C. Pradeep
Chief Financial Officer

Amit Garg
Director & CEO
DIN: 08212610

Kapil Mohan
Chairman
DIN: 03627128

Place : Bengaluru
Date : 31.08.2020

Place : Bengaluru
Date : 31.08.2020



Hassan Mangalore Rail Development Company Limited

(A Joint Venture of Ministry of Railways & Govt. of Karnataka)

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Corporate Office : Samparka Soudha, 1st Floor, Survey No. 8, (B.E.P. Premises) Opp. Orion Mall, Dr. Rajkumar Road, Rajajinagar 1st Block, Bangalore -560010.

website: www.hmrdc.com