

INDEPENDENT AUDITOR'S REPORT

To the Members of Khargone Transmission Limited

Report on the Ind AS Financial Statements

Opinion

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

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

Basis for opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as 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 Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the board report, but does not include the Ind AS financial statements and our auditor's report thereon.

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

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



Responsibilities of Management for the Ind AS financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS 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.

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

Auditor's Responsibility for the audit of the Ind AS financial statements

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 Ind AS 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 Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of written representations received from the directors as on March 31, 2019, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;



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- (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company as no managerial remuneration is paid to its directors for the year ended March 31, 2019;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

For **SRBC & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



per **Paul Alvares**

Partner

Membership Number: 105754

Place of Signature: Mumbai

Date: May 14, 2019



Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

Re: Khargone Transmission Limited (the "Company")

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- b. All items of property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification 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 by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.
- ii. The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act, 2013 are applicable and hence not commented upon.
- v. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- vi. To the best of our knowledge and as explained, the cost records prescribed by the Central Government under Section 148(1) of the Companies Act, 2013, are not applicable to the Company for the year ended March 31, 2019.
- Vii a. The Company is regular in depositing with appropriate authorities undisputed statutory dues including income-tax, goods and service tax, and other material statutory dues applicable to it. The Company did not have any statutory dues towards provident fund, employees' state insurance, wealth-tax, duty of customs, and cess.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, goods and service tax and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- c. According to the information and explanations given to us, there are no dues of income tax, goods and service tax, sales-tax, service tax, value added tax and cess which have not been deposited on account of any dispute.



- viii. In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to bank and financial institution. The Company did not have any loans or borrowing in respect of government or dues to debenture holders during the year.
- ix. In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised, though idle/surplus funds which were not required for immediate utilization have been gainfully invested in deposits with banks. The maximum amount of idle/surplus funds invested during the year was Rs.5.41 million, which was outstanding at the end of the year. Further, according to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments.
- x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- xi. According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.
- xii. In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Companies Act, 2013 is not applicable to the Company and hence not commented upon.
- xiv. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.
- xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.

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- xvi. According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For SRBC & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



per Paul Alvares

Partner

Membership Number: 105754

Place of Signature: Mumbai

Date: May 14, 2019



ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF KHARGONE TRANSMISSION LIMITED**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 Khargone Transmission Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

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Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting with reference to these standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per **Paul Alvares**

Partner

Membership Number: 105754

Place of Signature: Mumbai

Date: May 14, 2019



KHARGONE TRANSMISSION LIMITED
BALANCE SHEET AS ON 31 MARCH 2019
 (All amounts in Rs. million unless otherwise stated)

	Notes	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
ASSETS			
Non-current assets			
Property, plant and equipment	3	231.41	174.13
Capital work-in-progress	3	12,655.62	5,903.92
Financial assets			
i. Other assets	4	0.05	0.05
Other non-current assets	5	480.34	1,395.12
		13,367.42	7,473.22
Current assets			
Financial assets			
i. Trade receivables	6	1.96	-
ii. Cash and cash equivalents	7	32.23	17.92
iii. Bank balances other than (ii) above	7A	5.41	-
iv. Other assets	4	2.56	0.65
Other current assets	5	78.79	0.95
		120.95	19.52
Total assets		13,488.37	7,492.74
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8	15.60	15.60
Other equity			
Securities premium	9	739.90	739.90
Retained earnings	9	(312.42)	(1.42)
Total equity		443.08	754.08
Non-current liabilities			
Financial liabilities			
Long-term borrowings	10	9,207.68	3,837.07
		9,207.68	3,837.07
Current liabilities			
Financial liabilities			
i. Short term borrowings	11	3,681.17	1,025.87
ii. Trade Payables	12		
- total outstanding dues of micro enterprises and small enterprises		-	-
- total outstanding dues of creditors other than micro enterprises and small enterprises		1.66	-
ii. Other financial liabilities	13	147.58	1,871.71
Other current liabilities	14	7.20	4.01
		3,837.61	2,901.59
Total liabilities		13,045.29	6,738.66
Total equity and liabilities		13,488.37	7,492.74
Summary of significant accounting policies	2.2		

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

As per our report of even date

For SRBC & Co LLP
 Firm Registration No. 324982E/B300003
 Chartered Accountants

per Paul Alvares
 Partner
 Membership Number: 105754
 Place: Mumbai
 Date: 14 May 2019



For and on behalf of the Board of Directors of
 Khargone Transmission Limited

Vithal Acharya
 Director
 DIN: 07680009
 Place: Mumbai
 Date: 14 May 2019

Amarendranath Reddy Tatimukula
 Director
 DIN: 07107290
 Place: New Delhi
 Date: 14 May 2019



KHARGONE TRANSMISSION LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019
(All amounts in Rs. million unless otherwise stated)

	Notes	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Income			
Revenue from contracts with customers	15	7.33	0.61
Total income (I)		7.33	0.61
Expenses			
Other expenses	16	0.74	0.59
Total expenses		0.74	0.59
Earnings before interest, tax, depreciation and amortisation (EBITDA)		6.59	0.02
Depreciation and amortization expense	17	2.79	0.22
Impairment expense	17	307.65	-
Finance costs	18	7.25	0.61
Finance income	19	(0.10)	-
Loss before tax		(311.00)	(0.81)
Tax expenses		-	-
Loss for the year		(311.00)	(0.81)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive income for the year, net of tax		(311.00)	(0.81)
Earnings per equity share			
Basic and diluted			
Computed on the basis of loss for the year	20	(199.36)	(0.93)
Summary of significant accounting policies	2.2		

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

As per our report of even date

For SRBC & Co LLP
Firm Registration No. 324982E/E300003
Chartered Accountants

For and on behalf of the Board of Directors of
Khargone Transmission Limited

per Paul Alvares
Partner
Membership Number : 105754
Place: Mumbai
Date: 14 May 2019



Vithal Acharya
Director
DIN: 07680009
Place: Mumbai
Date: 14 May 2019

Amanendranath Reddy Tatimala
Director
DIN: 07167290
Place: New Delhi
Date: 14 May 2019



KHARGONE TRANSMISSION LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019
(All amounts in Rs. million unless otherwise stated)

A. Equity Share Capital

Balance As at 1 April 2017
Changes in equity share capital during the year
As at 31 March 2018
Changes in equity share capital during the year
As at 31 March 2019

Nos. in million	Rs. in million
0.05	0.50
1.51	15.10
1.56	15.60
-	-
1.56	15.60

B. Other equity

Balance As at 1 April 2017
Loss for the year
Other comprehensive income
Issue of shares on conversion of loan into equity
Balance as at 31 March 2018
Loss for the year
Other comprehensive income
Balance as at 31 March 2019

Securities Premium	Retained Earnings	(Rs. in million) Total Equity
-	(0.61)	(0.61)
-	(0.81)	(0.81)
-	-	-
739.90	-	739.90
739.90	(1.42)	738.48
-	(311.00)	(311.00)
-	-	-
739.90	(312.42)	427.48

As per our report of even date

For SRBC & Co LLP
Firm Registration No. 324982E/E300003
Chartered Accountants

per Paul Alvares
Partner
Membership Number: 105754
Place: Mumbai
Date: 14 May 2019



For and on behalf of the Board of Directors of
Khargone Transmission Limited

Vithal Acharya
Director
DIN: 07680009
Place: Mumbai
Date: 14 May 2019

Amarendranath Reddy Tammakula
Director
DIN: 07107290
Place: New Delhi
Date: 14 May 2019



KHARGONE TRANSMISSION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019
(All amounts in Rs. million unless otherwise stated)

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Cash flow from operating activities		
Net loss as per statement of profit and loss	(311.00)	(0.81)
Adjustment for taxation	-	-
Loss before tax	(311.00)	(0.81)
Non-cash adjustment to reconcile loss before tax to net cash flows		
- Depreciation and amortisation expenses	2.79	0.22
- Provision for impairment of other non-current assets (CWIP)	307.65	-
Finance Income	(0.10)	-
Finance costs	7.25	0.61
Operating profit before working capital changes	6.59	0.02
Movements in working capital:		
- Increase in Trade payables	1.66	-
- (Decrease) in Other current financial liabilities	(0.51)	(29.51)
- Increase/(Decrease) in Other current liabilities	3.19	(2.40)
- (Increase) in Trade receivables	(1.96)	-
- (Increase) in Other current financial asset	(1.92)	(0.65)
- (Increase) in Other current assets	(77.85)	(0.95)
Change in working capital	(77.39)	(33.51)
Cash used in operations	(70.80)	(33.49)
Direct taxes paid (net of refunds)	(0.26)	(0.07)
Net cash flow used in operating activities (A)	(71.06)	(33.56)
Cash flow from investing activities		
Purchase of property plant & equipment, including capital work-in-progress and capital advances	(7,476.68)	(2,748.62)
Finance income received	0.11	-
Investment in fixed deposits with original maturity of more than 3 months	(5.41)	-
Net cash flow used in investing activities (B)	(7,481.98)	(2,748.62)
Cash flow from financing activities		
Proceeds from long-term borrowings	6,011.85	2,230.27
Repayment of long term borrowings	(500.00)	-
Proceeds from short-term borrowings	1,351.41	-
Proceeds of borrowings from the immediate holding company	1,303.89	801.85
Finance costs	(599.80)	(237.17)
Net cash flow from financing activities (C)	7,567.35	2,794.95
Net increase in cash and cash equivalents (A + B + C)	14.31	12.77
Cash and cash equivalents as at beginning of period	17.92	5.15
Cash and cash equivalents as at year end	32.23	17.92



KHARGONE TRANSMISSION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019
(All amounts in Rs. million unless otherwise stated)

Components of Cash and cash equivalents:

	31 March 2019 (Rs. in millions)	31 March 2018 (Rs. in millions)
Balances with banks:		
- On current accounts	32.23	1.35
- Deposit with original maturity is less than 3 months	-	16.57
Total cash and cash equivalents (refer note 7)	32.23	17.93

Reconciliation between opening and closing balances for liabilities arising from financing activities

Particulars	Long term borrowings	Short term borrowings
1 April 2017	1,613.80	979.02
Cash flow		
- Interest	(237.17)	-
- Proceeds/(repayments)	2,230.27	801.85
<u>Non- cash Changes</u>		
-Conversion of loan into equity shares (including premium)	-	(755.00)
-classified as current maturities	(58.89)	-
Accrual for the period	289.07	-
31 March 2018	3,837.08	1,025.87
Cash flow		
- Interest	(599.80)	-
- Proceeds/(repayments)	5,511.85	2,655.30
<u>Non- cash Changes</u>		
-classified as current maturities	(142.75)	-
Accrual for the period	601.30	-
31 March 2019	9,207.68	3,681.17

Summary of significant accounting policies

2.2

As per our report of even date

For **SRBC & Co LLP**
Firm Registration No. 324982E/E300003
Chartered Accountants

per Paul Alvares
Partner
Membership Number: 105754
Place: Mumbai
Date: 14 May 2019



For and on behalf of the Board of Directors of
Khargone Transmission Limited

Vithal Acharya
Director
DIN: 07680009
Place: Mumbai
Date: 14 May 2019

Amarendranath Reddy Timimakula
Director
DIN: 07107290
Place: New Delhi
Date: 14 May 2019



1. Corporate information

Khargone Transmission Limited ('the Company') is a wholly owned subsidiary of Sterlite Grid 4 Limited. The Company is a developer on Build, Own, Operate and Maintain ('BOOM') basis, for the designing, finalizing, construction and maintenance of power transmission lines in the state of Maharashtra and Madhya Pradesh which include establishment of transmission systems for "Transmission system strengthening in WR associated with Khargone TPP (1320MW). The Company would operate and maintain the same for a minimum period of 35 years. One of the transmission line i.e. Ckt 400KV D/C Khandwa-Rajgarh line was commissioned on March 01, 2018.

The Company was incorporated on 28 November 2015 under the Companies Act, 2013 as a wholly owned subsidiary of REC Transmission Company Limited ("REC TPCL") a wholly owned subsidiary of Rural Electrification Corporation Limited ("REC"). Consequent to the selection of Successful Bidder as per "Guidelines for Determination of Tariff by bidding process for procurement of power by Distribution Licenses" issued by Ministry of Power, Government of India, dated 19 January 2005 (as amended from time to time) and as per bidding documents (as amended from time to time), the Company was transferred to Sterlite Grid 4 Limited vide Share Purchase Agreement dated 22 August 2016.

The financial Statements were authorised for issue in accordance with resolution passed by the Board of Directors of the Company on 14 May 2019.

2. Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015, as amended, prescribed under Section 133 of the Companies Act, 2013 ("Ind AS").

The financial statements have been prepared on a historical cost basis, except for the following assets which have been measured at fair value or revalued amount:

- Certain financial assets measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in Indian Rupees Millions, except when otherwise indicated.

2.2 Summary of significant accounting policies

The following is the summary of significant accounting policies applied by the Company in preparing its financial statements:

a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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



The Company classifies all other liabilities as non-current.

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

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Company has identified twelve months as its operating cycle.

b) Foreign currencies

The Company's financial statements are presented in INR, which is its functional currency. The Company does not have any foreign operation and has assessed the functional currency to be INR.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

c) Fair value measurement

The Company measures financial instruments such as investments in mutual funds at fair value at each balance sheet date.

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 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

In estimating the fair value of transmission assets/projects, the Company engages independent qualified external valuers to perform the valuation. The management works closely with the external valuers to establish the appropriate



valuation techniques and inputs to the model. The management in conjunction with the external valuers also compares the change in fair value with relevant external sources to determine whether the change is reasonable. The valuation results are discussed at the Audit Committee.

At each reporting date, the management analyses the movement of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management in conjunction with the external valuers also compares the change in fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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.

d) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The company has concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Power transmission services

Revenue from contracts with customers comprises of revenue from power transmission services rendered in India to Long Term Transmission Customers (LTTCS) pursuant to the respective Transmission Services Agreements (TSAs) executed by the company with LTTCS for periods of 35 years. The company is required to ensure that the transmission assets meet the minimum availability criteria under the respective TSAs. The company's performance obligation under the TSAs is to provide power transmission services. The performance obligation is satisfied over time as the customers receive and consume the benefits provided by the company's performance as the company performs. Accordingly, the revenue from power transmission services is recognised over time based on the transmission asset availabilities and the tariff charges approved under the respective CERC tariff orders and includes unbilled revenues accrued up to the end of the accounting period. The payment is generally due within 60 days upon receipt of monthly invoice by the customer.

Contract balances

A receivable represents the company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Amounts which have been billed to the customers are disclosed as Trade receivables and amounts which are to be billed to the customers (and not conditional on the group's future performance) are disclosed under Other financial assets. Refer accounting policies for financial assets in Financial instruments – initial recognition and subsequent measurement.

e) Interest income/Dividend income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Income from dividend on investments is accrued in the year in which it is declared, whereby the company's right to receive is established.

f) Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax 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 statement of profit or loss is recognised outside statement of profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. 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 are recognised for all taxable temporary differences, except:

- When the deferred tax liability 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;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. 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 utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of 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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Sales/value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheet.



g) Property, plant and equipment

Capital work in progress, property, plant and equipment are 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 the plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. No decommissioning liabilities are expected or be incurred on the assets of plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:
(Life in number of years)

Asset Category	Useful Life considered	Useful life (Schedule II#)
Transmission lines (including components)	25-35	40

Schedule II to the Companies Act, 2013

The Company, based on technical assessments made by technical experts and management estimates, depreciates the certain items of building, plant and equipment, data processing equipment's, furniture and fittings and office equipment's over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or 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.

h) 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 the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

i) 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.

The Company bases its impairment calculation on detailed budgets and forecast calculations. These budgets are prepared for the entire project life.



Impairment losses of continuing operations are recognised in the statement of profit and loss.

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.

j) Provisions

Provisions are recognised 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, for example, under an insurance contract, 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 or 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.

k) 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.

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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

- i. Debt instruments at amortised cost
- ii. Debt instruments at fair value through other comprehensive income (FVTOCI)
- iii. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- iv. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) 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 (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss. The Company does not have significant financial assets which are subsequently measured at amortised cost.



Debt instrument at FVTOCI

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

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) 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 the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method. The Company does not have significant financial assets which are subsequently measured at FVTOCI.

Debt instrument at 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.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

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

This category is generally applied to Investments in short-term mutual funds, Trade and other receivables and Cash and short-term deposits.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit or loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

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

The Company does not have significant investments in the nature of Equity investments.

Derecognition

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 Company's combined 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.



When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Majority of the financial assets of the Company pertain to Trade and other receivables. Considering the nature of business, the Company does not foresee any credit risk on its trade and other receivables which may cause an impairment. As per the TSA, the receivables are covered by clause of payment security mechanism which ensures receipt of all trade receivables. Also, the Company does not have any past history of impairment of Trade receivables.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include borrowings and related costs and trade and other payables.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to borrowings. For more information refer note 10.

Derecognition

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



Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

Original classification	Revised Classification	Accounting Treatment
Amortised Cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in statement of profit or loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to statement of profit or loss at the reclassification date.

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.

1) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.



m) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

n) Presentation of EBITDA

The company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. This is not required by the Ind AS 1. The EBITDA is not defined in the Ind AS. Ind AS compliant schedule III allows companies to present line items, sub line items and sub totals to be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company's financial position or performance.

Accordingly, the company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the company does not include depreciation and amortisation expense, finance income, finance costs and tax expense.

2.3 New/Amended standards adopted by the Company

The Company has applied the Ind AS 115 Revenue from contracts with customers for the first time in the financial year beginning with April 1, 2018. There is no material impact on recognition and measurement of revenue due to adoption of new standard. (Refer note 15)

2.4 Standards issued but not yet effective

The standards/amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standard:

Ind AS 116 Leases

Ind AS 116 shall be applied for accounting of leases by lessee and lessor in their respective books. Compared to previous Standard (Ind AS 17) on leases which shall be omitted w.e.f. April 1, 2019, principles of Ind AS 116 for lessor are substantially same. However, there is significant change in the way a lessee shall account for leases in its books

It provides that an entity, being a lessee, shall treat almost all leases, except leases for short-term and leases of low value assets, as finance leases. The entity shall recognise a right-of-use asset and a lease liability whenever it takes any asset on lease. The right-of-use asset shall be measured at cost that comprises of initial value of lease liability, lease payments made on or before the commencement of lease, initial direct costs incurred by the entity and an initial estimated cost of dismantling & removing the leased asset and restoring the site on which the asset is located. The lease liability shall be measured at the present value of the lease payments due. The interest rate implicit in the lease or lessee's incremental borrowing may be used to arrive at the present value. Subsequently, at each balance sheet date, the right-of-use asset shall be depreciated and lease liability shall be increased by interest amount & decreased by amount paid. The right-of-use asset may also be measured at revalued amount under revaluation model. The Company intends to adopt these standards from 1st April 2019. As the Company does not have any material leases, therefore the adoption of this standard is not likely to have a material impact in its Financial Statements.



Other Amendments to Standards, issued but not effective, which are either not applicable to the Company or the impact is not expected to be material

- (a) Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment
- (b) Amendments to Ind AS 109: Prepayment Features with Negative Compensation
- (c) Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement
- (d) Amendments to Ind AS 28: Long-term interests in associates and joint ventures
- (e) Annual improvement to Ind AS (2018):
 - Amendments to Ind AS 103: Party to a Joint Arrangements obtains control of a business that is a Joint Operation
 - Amendments to Ind AS 111: Joint Arrangements
 - Amendments to Ind AS 12: Income Taxes
 - Amendments to Ind AS 23: Borrowing Costs



KHARGONE TRANSMISSION LIMITED**Notes to Financial Statements for the year ended 31 March 2019****Note 3: Property, Plant and Equipment****(Rs. in million)**

Particulars	Freehold land	Transmission line	Total
<u>Cost</u>			
At 1 April 2017	67.54	-	67.54
Additions	26.89	79.92	106.81
Disposals	-	-	-
At 31 March 2018	94.43	79.92	174.35
Additions	60.07	-	60.07
Disposals	-	-	-
At 31 March 2019	154.50	79.92	234.42
<u>Depreciation</u>			
At 1 April 2017			
Charge for the year	-	0.22	0.22
Disposals	-	-	-
At 31 March 2018	-	0.22	0.22
Charge for the year	-	2.79	2.79
Disposals	-	-	-
At 31 March 2019	-	3.01	3.01
<u>Net Block</u>			
At 31 March 2018	94.43	79.70	174.13
At 31 March 2019	154.50	76.91	231.41

Capital work in progress***(Rs. in million)**

At 31 March 2019 (net of impairment of Rs 307.65 Milion) #

12,655.62

At 31 March 2018

5,903.92

*Mainly includes transmission lines

#Refer note 25 for impairment



Note 4: Other financial assets

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Non-Current		
Deposits with original maturity of more than 12 months*	0.05	0.05
Total	0.05	0.05
*Lien with government authorities		
Current		
Unbilled revenue*	0.61	0.61
Interest accrued on deposits with bank	0.03	0.04
Others (Including reimbursement from related parties)(refer note 24)	1.92	-
Total	2.56	0.65

* Unbilled revenue is the transmission charges for the month of March 2019 amounting to Rs 0.61 million (31 March 2018 Rs. 0.61 million) billed to transmission utilities in the month of April 2019.

Note 5: Other assets

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Non Current		
Capital advances (unsecured, considered good) (refer note 24)	480.01	1,395.05
Advance income tax including TDS	0.33	0.07
Total	480.34	1,395.12
Current		
Prepaid expenses	78.79	0.95
Total	78.79	0.95

Note 6: Trade receivables

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Unsecured, considered good		
Trade receivables	1.96	-
Total	1.96	-

As at 31 March 2019, there are no trade receivables which have significant increase in credit risk or receivables where credit is impaired.

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Trade receivables are non-interest bearing and are generally on terms of 60 days

See Note 27 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

Note 7: Cash and cash equivalents

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Balance with banks on current accounts	32.23	1.35
Deposit with original maturity of less than 3 months	-	16.57
Total	32.23	17.92

Note 7A: Other bank balances

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Deposits with original maturity for more than 3 months but less than 12 months	5.41	-
Total	5.41	-



Note 8: Equity share capital

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Authorised shares		
1.6 million (31 March 2018: 1.6 million) equity shares of Rs. 10 each	16.00	16.00
Issued, subscribed and fully paid-up shares *		
1.56 million (31 March 2018: 1.56 million) equity shares of Rs. 10 each fully paid - up	15.60	15.60
Total issued, subscribed and fully paid-up share capital	15.60	15.60

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

	31 March 2019		31 March 2018	
	Number of shares (in million)	Equity share (in million)	Number of shares (in million)	Equity share (in million)
Opening balance	1.56	15.60	0.05	0.50
Issued during the period	-	-	1.51	15.10
Closing balance	1.56	15.60	1.56	15.60

During the previous year, the Company had issued 1.51 million equity shares of Rs.10 each to its immediate holding Company at a premium of Rs.490 per share.

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 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. Shares held by holding/ ultimate holding company and/or their subsidiaries/associates

	31 March 2019		31 March 2018	
	Number of shares (in million)	% holding	Number of shares (in million)	% holding
Sterlite Grid 4 Limited (immediate holding company)	1.56	100%	1.56	100%

d. Details of shareholders holding more than 5% of shares in the company

	31 March 2019		31 March 2018	
	Nos. in million	% holding	No. in million	% holding
Sterlite Grid 4 Limited (immediate holding company)	1.56	100%	1.56	100%

* Out of total 15,60,000 equity shares, 6 equity shares are held by nominee shareholders, as at March 31, 2019.

Note 9: Other equity

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
a) Retained earnings		
Balance as per last financial statements	(1.42)	(0.61)
Add: Loss for the year	(311.00)	(0.81)
Closing balance	(312.42)	(1.42)
b) Securities premium		
Balance as per last financial statements	739.90	-
Add: Additions during the year (refer note 8)	-	739.90
Closing balance	739.90	739.90



KIHARGONE TRANSMISSION LIMITED

Notes to Financial Statements for the year ended 31 March 2019

Note 10: Long term borrowings

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Non-current		
Term loans (secured)		
Indian rupee loans from banks (secured)	3,247.49	268.34
Indian rupee loans from financial institution (secured)	3,521.61	350.00
Domestic bills discounting	2,438.58	2,718.73
Factoring bills payable	-	500.00
Total	9,207.68	3,837.08
The above amount includes		
Secured borrowings	9,207.68	3,837.08
Unsecured borrowings	-	-
Total non-current borrowings	9,207.68	3,837.08
Current maturities		
Loan from		
Indian rupee loans from banks (secured)	67.76	-
Indian rupee loans from financial institution (secured)	73.48	-
Interest accrued but not due on borrowings	1.51	58.89
Less: Classified under head other financial liabilities (refer note 13)	(142.75)	(58.89)
Total	-	-

Notes:

- (i) Indian rupee term loan from banks and financial institutions of Rs. 6,769.10 million (31 March 2018: Rs. 618.34 million) carries interest rate range between 10.75% p.a. to 14.10% p.a. (linked to the Lead Lenders Benchmark Rate with Spread). 60% of total loan amount is repayable in 48 structured quarterly instalments post one year moratorium period in accordance with amortization schedule starting from 31 March 2020. Balance 40% of the total loan amount shall be repayable as a bullet repayment as a last instalment on 31 December, 2031. The loan is secured by first charge on all the immovable assets pertaining to the project, tangible movable assets, current assets, all the accounts and intangible assets both present and future. Loans are also secured by assignment by way of security of all the right, title, interest benefits, claims and demands whatsoever of the Company in the project documents, duly acknowledged and consented to by the relevant counter parties to such project documents, all as amended, varied or supplemented from time to time; all rights, title, interest and benefits of the Company in to and under all clearances pertaining to the project (including transmission license) to the extent same are assignable; all rights, title, interest, benefits, claims and demands whatsoever of the Company in any letter of credit, guarantee including contract guarantees and liquidated damages, consent agreements, side letters and performance bond provided by any party to the project document; all rights, title, interest, benefits, claims and demands whatsoever of the borrower in, to and under all insurance contracts and insurance proceeds pertaining to the project. Loans are also secured by pledge of 51% of share capital of the Company held by Sterlite Grid 4 Limited voting rights of which do not fall below 51%.
- (ii) Domestic bill discounting carries interest rate 7.40% p.a. to 9.20% p.a. This facility has been sanctioned as a sublimit of the rupee term loan and carries same terms, conditions and securities as described above. The bills are due for maturity within 270 days to 720 days and upon maturity gets automatically converted in into rupee term loan hence this has been classified under long-term borrowings.
- (iii) Factoring bill payable amounting Nil (31 March 2018 Rs.500 million) carries interest @ 9.55% p.a. (Factoring upto Rs.1,500 million : 3 months Yes Bank lending MCLR, Above Rs.1,500 million to total facility limit : 3 months Yes bank lending MCLR + spread of .85 %p.a.). The same is repayable as per the invoice terms. Since the invoice is payable after 12 months, hence classified as long term.

Financial Covenants

The Company is required to ensure compliance of certain financial covenants pertaining to maintenance of minimum debt service coverage ratio, debt equity ratio in respect of long term loans obtained from financial institutions. For the financial year ended March 31, 2019, the Company is not required to comply with the said covenants.

Note 11: Short term borrowings

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Unsecured loan from immediate holding company (refer note 24) *	2,329.76	1,025.87
Factoring bills payable	1,351.41	-
Total	3,681.17	1,025.87

Factoring bill payable carries an interest in the range of 8.80% to 9.60% p.a. The same is repayable as per the invoice terms or maximum 36 months from the date of financing which ever is earlier. Since the invoices were payable before 12 months, hence the loan is classified as short term. Factoring terms are as follows:

- Up to Rs. 1,500 million : 3 months Yes Bank Limited MCLR,
- Above Rs. 1,500 million : 3 months Yes Bank Limited MCLR + spread of 0.85% p.a.),

*Unsecured loan from immediate holding company is repayable on demand and carries nil rate of interest.

Note 12: Trade Payables

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Current		
Trade Payables	1.66	-
Total	1.66	-

The Company has not received any information from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, related to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

Trade payables are not-interest bearing and are normally settled on 30-90 days terms.

For explanation on the Company's risk management policies, refer note 27.



KHARGONE TRANSMISSION LIMITED

Notes to Financial Statements for the year ended 31 March 2019

Note 13: Other current financial liabilities

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Current maturities of long term borrowings	142.75	58.89
Payables for purchase of property, plant and equipment (refer note 24)	4.82	1,812.30
Management fees expenses payable to related parties (refer note 24)	0.01	-
Others (Including reimbursements of expenses payable) (refer note 24)	-	0.52
Total	147.58	1,871.71

Payables for purchase of property, plant and equipment are not-interest bearing and are normally settled on 30-180 days terms
For explanation on the Company's risk management policies, refer note 27.

Note 14: Other current liabilities

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
TDS payable	7.20	4.01
Total	7.20	4.01

Note 15: Revenue from contract with customers

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Income from transmission services	7.33	0.61
Total	7.33	0.61

Revenue from contracts with customers

Revenue from contracts with customers comprises of revenue from power transmission services rendered in India to Long Term Transmission Customers (LTTCS) pursuant to the respective Transmission Services Agreements (TSAs) executed by the company with LTTCS. The TSAs are executed for a period of 35 years and have fixed tariff charges as approved by CERC (except some escalable portion and some incentives/penalties relating to transmission assets availabilities). Under the TSAs, the Company's performance obligation is to provide power transmission services. The company is required to ensure that the transmission assets meet the minimum availability criteria under the respective TSAs failing which could result in certain disincentives/penalties. The performance obligation is satisfied over-time as the customers receive and consume the benefits provided by the company's performance as the company performs. The payment is generally due within 60 days upon receipt of monthly invoice by the customer.

The Company receives payments as per the pooling arrangements specified under the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 ('Pooling Regulations'). In the Point of Connection (PoC) mechanism, the transmission charges to be recovered from the entire system are allocated between users based on their location in the grid. Under the PoC mechanism, all the charges collected by the Central Transmission Utility (i.e. Power Grid Corporation of India Limited) from LTTCS are disbursed pro-rata to all Transmission Service Providers from the pool in proportion of the respective billed amount. Applying the practical expedient as given in Ind AS 115, the company has not disclosed the remaining performance obligation related disclosures since the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date.

Management has adopted Ind AS 115 from April 1, 2018. Based on the assessment performed by the management, there is no material impact of Ind AS 115 on revenue recognition as well as measurement.

Note 16: Other expenses*

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Payment to auditors (including taxes)		
As Auditor:		
- Statutory audit fees	0.64	0.59
Legal and professional fees	0.04	-
Insurance	0.05	-
Management fees expenses	0.01	-
Total	0.74	0.59

*Other expenses as above are net of amounts capitalised to property, plant and equipment (refer note 22).

Note 17: Depreciation & impairment expense

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Depreciation of property, plant and equipment	2.79	0.22
Provision for impairment of other non-current assets (CWIP) (refer note 25)	307.65	-
Total	310.44	0.22

Note 18: Finance costs*

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Interest on financial liabilities measured at amortised cost		
-Interest on debts and borrowings	7.25	-
-Other bank and finance charges	-	0.61
Total	7.25	0.61

*Finance cost above are net of amounts capitalised on property, plant and equipment (refer note 22).

Note 19: Finance income

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Interest income from financial assets on amortised cost	0.10	-
Total	0.10	-



KHARGONE TRANSMISSION LIMITED

Notes to Financial Statements for the year ended 31 March 2019

Note 20: Earnings per share

Basic EPS amounts are calculated by dividing the profit/loss for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit/loss attributable to equity holders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

The following reflects the loss and share data used in the basic and diluted EPS computation

	31 March 2019	31 March 2018
Loss after tax for calculating basic and diluted EPS (Rs. in million)	(311.00)	(0.81)
Weighted average number of equity shares in calculating basic and diluted EPS (No. million)	1.56	0.87
Earnings per share		
Basic and diluted (On nominal value of Rs. 10 per share) Rupees/share	(199.36)	(0.93)

Note 21: Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, 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.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Applicability of Appendix C-Service Concession Arrangements of Ind AS 115 Revenue from contract with customers

The Company is a transmission licensee under the Electricity Act 2003 holding valid license for 25 years. It has also entered into a Transmission Services Agreement ("TSA") with Long Term Transmission Customers ("LTTTC") through a tariff based bidding process and is required to Build, Own, Operate and Maintain ("BOOM") the transmission infrastructure for a period of 35 years. The management of the Company is of the view that the grantor as defined under Appendix C of Ind AS 115 ("Appendix C") requires transmission licensee to obtain various approvals under the regulatory framework to conduct its operations both during the period of the license as well as at the end of the license period. However, in the view of management, the grantor's involvement and approvals are to protect public interest and are not intended to control through ownership, beneficial entitlement or otherwise, any significant residual interest in the transmission infrastructure at the end of the term of the arrangement. Accordingly, management is of the view that Appendix C is not applicable to the Company.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. For the purpose of assessment for impairment, the management has compared the carrying value of an asset or cash generating unit with the value in use. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and other assumptions.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has Rs.32.96 million (31 March 2018 - Rs. 28.56 million) of losses carried forward. If the Company was able to recognise all unrecognised net deferred tax assets, loss after tax would have reduced and equity would have increased by Rs. 9.59 million (31 March 2018- Rs. 8.23 million).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. For the purpose of assessment for impairment, the management has compared the carrying value of an asset or cash generating unit with the value in use. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and other assumptions. (refer note 25)

Note 22: Capitalization of expenditure

During the year, the Company has capitalised the following expenses to the cost of fixed assets/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalised by the Company:

	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
A. Opening Balance	518.76	227.83
B. Additions during the year		
Professional fees	5.52	1.93
Rates and taxes	1.01	1.11
Membership fees	-	2.12
Finance cost	535.18	288.46
Misc expenses	0.51	-
Total (B)	542.22	293.62
C. Transferred to property, plant and equipment during the year	-	2.69
D. Closing Balance of expenditure in CWIP (A+B-C)	1,060.98	518.76

Note 23: Capital and other commitments

(a) As at 31 March 2019, the Company has a commitment of Rs. 222.90 Million (31 March 2018 - Rs. 5,568.17 million) relating to the establishment of Transmission system Strengthening in WR associated with Khargone TPP (1320 MW), net of capital advances.

(b) The Company has entered into transmission services agreement (TSA) with long term transmission customers pursuant to which the Company has to transmit power of contracted capacity and ensure minimum availability of transmission line over the period of the TSA. The TSA contains provision for disincentives and penalties in case of certain defaults.



KHARGONE TRANSMISSION LIMITED
Notes to Financial Statements for the year ended 31 March 2019
Note 24: Related Party Disclosures
(A) Name of related party and nature of its relationship:
Related parties where control exists
Holding Company

Sterlite Grid 4 Limited
Sterlite Power Grid Ventures Limited
Sterlite Power Transmission limited
Twin Star Overseas Limited, Mauritius
Volcan Investments Limited, Bahamas

Immediate holding company
Intermediate holding company
Intermediate holding company
Intermediate holding company
Ultimate holding company

(B) The transactions with related parties during the year and their outstanding balances are as follows:-

	Sterlite Grid 4 Limited		Sterlite Power Grid Ventures Limited	
	2018-19	2017-18	2018-19	2017-18
	Rs in million	Rs in million	Rs in million	Rs in million
Transactions during the year				
Purchase of Capital goods and services (Net of Indirect taxes)	-	-	5,357.43	4,148.14
Conversion of Loan into Equity Shares (including security premium)	-	755.00	-	-
Unsecured Loans taken	1,303.89	801.85	-	-
Reimbursement of expenses (Received or Receivable)	-	-	1.89	-
Reimbursement of expenses (paid or payable)	-	-	-	2.45
Bank guarantee given	-	-	-	0.50
Management Fess Expense	0.01	0.01	-	-
Outstanding balances	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Unsecured loan payable	2,329.76	1,025.87	-	-
Payable for purchase of fixed assets	-	-	4.82	1,812.30
Advance outstanding for purchase of fixed assets	-	-	480.01	1,395.05
Reimbursement of expenses (Received or Receivable)	-	-	1.89	-
Management Fess payable	0.01	-	-	-



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Note 25: Key assumptions for impairment evaluation

As required by Ind AS-36 - Impairment of Assets, the Company had determined the recoverable amounts of the transmission assets as at March 31, 2019 on the basis of the value in use by estimating the future cash flows over the period of the Transmission Services Agreement ('TSA'). For such estimation, management had used certain key assumptions which are as follows:

- i. Cost of equity: 13.70%
- ii. Cost of debt: 9.00%
- iii. Debt refinancing after completion of the project of Rs. 300 million
- iv. Total project cost: Rs. 13,938 million
- v. Availability of transmission lines at 99.75% throughout the TSA period;

Based on management evaluation, these assumptions were considered reasonable as at 31 March 2019. The Company had obtained valuation reports from external valuers in order to arrive at the recoverable amounts as at 31 March 2019. The recoverable amount of the transmission assets was lower than the carrying value as at March 31, 2019 by Rs. 307.65 million and accordingly the Company had recorded an impairment charge for that amount during the year ended March 31, 2019.

Note 26: Segment reporting

The Company's activities comprise of transmission of electricity in certain states in India. Based on the guiding principles given in Ind AS - 108 "Operating Segments", this activity falls within a single operating segment and accordingly the disclosures of Ind AS - 108 have not separately been given.

Note 27: Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings and other financial liabilities. 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, balances with banks and other financial assets that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams 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 management reviews and agrees policies for managing each of these risks, which are summarised below.

The Risk Management policies of the Company are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. In performing its operating, investing and financing activities, the Company is exposed to the Credit Risk, Liquidity Risk and Market risk.

(A) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from advances given to its vendors and bank balances.

The Company is engaged in transmission infrastructure development business under BOOM (Build, Own, Operate and Maintain) model and currently derive its revenue primarily from BOOM contracts with long term transmission customers ('LTTC'). Being transmission licensee, the Company receives payments as per the pooling arrangements specified under the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 ('Pooling Regulations'). In the PoC method, the transmission charges to be recovered from the entire system are allocated between users based on their location in the grid. Under the PoC mechanism, all the charges collected by the Central Transmission Utility (CTU) from LTTCs are disbursed pro-rata to all Transmission Service Providers ('TSPs') from the pool in proportion of the respective billed amount. Due to this, the TSPs are shielded against any potential default by a particular customer. If a particular customer delays or defaults, the delay or shortfall is prorated amongst all the TSPs. Based on past history of payments, payments due have always been paid and there have been no write-offs for due amounts. Due to the payment mechanism explained above as well as due to no history of any write-offs of payments which were due, the Company has not considered any expected credit loss on the financial assets in the nature of trade receivables. During the various periods presented, there has been no change in the credit risk of trade receivables. However, this assessment may need a review if there is any change in the Pooling Regulations.

Credit risk from balances deposited/invested with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within limits assigned to each counterparty. Counterparty limits are reviewed by the top management on an annual basis, and may be updated throughout the year subject to approval of the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Based on this policy, the Company does not foresee any risk on account of credit losses, either in the bank deposits which are made with AAA rated banks and also in regard to mutual funds which is primarily debt oriented funds. No loss allowances have been provided for any trade receivables, or other receivables from financing activities like cash and bank deposits, mutual funds and other similar deposits. Also, there have been no modifications in contractual cash flows on financial assets.

Further, the Vendor to whom the advances have been given holds 100% equity of the Company.

The Company's maximum exposure to credit risk for the components of the Balance Sheet as at March 31, 2019 and March 31, 2018 is the carrying amounts of bank balances and Other financial assets as disclosed in Note 4,5,6 & 7. However, the credit risk is low due to reasons mentioned above.

(B) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral obligations. The Company requires funds both for short term operational needs as well as for long term investment programs mainly in projects. The Company closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents, liquid investments and sufficient committed fund facilities, will provide liquidity.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle payables in respect of property plant and equipment is about 30 to 60 days. The other payables are with short term durations. The carrying amounts are assumed to be reasonable approximation of fair value. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Rs in million					Total
	Payable on demand	Less than 3 months	3 months to 12 months	1 to 5 years	More than 5 years	
31 March 2019						
Borrowings	2,329.76	-	1,492.65	1,981.64	7,226.04	13,030.09
Trade payables	-	1.66	-	-	-	1.66
Other financial liabilities	-	1.51	4.82	-	-	6.33
Total	2,329.76	3.17	1,497.47	1,981.64	7,226.04	13,038.08
31 March 2018						
Borrowings	1,025.87	-	-	1,613.56	2,223.51	4,862.94
Other financial liabilities	-	58.89	1,812.81	-	-	1,871.71
Total	1,025.87	58.89	1,812.81	1,613.56	2,223.51	6,734.65



(C) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings and bank deposits.

The sensitivity analysis in the following sections relate to the position as at March 31, 2019 and March 31, 2018.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt as at March 31, 2019 and March 31, 2018.

The following assumption has been made in calculating the sensitivity analyses:

• The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2019 and March 31, 2018.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate primarily relates to the Company's long term debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on that portion of loans and borrowings affected. With all the other variables held constant, the Company's loss before tax is affected through the impact on floating rate borrowings, as follows:

Particulars	(Rs. in million)	
	Increase/Decrease in Basis Points	Effect on capital expenditure*
March 31, 2019		
Base Rate	+50	28.90
Base Rate	-50	(28.90)
March 31, 2018		
Base Rate	+50	2.64
Base Rate	-50	(2.64)

* Since the project was under construction during the given period, any change in the interest rate would have been adjusted to the cost of property, plant and equipment.

Note 28A: Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio optimum. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents, other bank balances and short term investments.

Particulars	31 March 2019 (Rs. in million)	31 March 2018 (Rs. in million)
Borrowings*	12,888.85	4,862.94
Trade payables	1.66	-
Other financial liabilities	147.58	1,871.71
Less: Cash and cash equivalents, other bank balances and short term investments	(37.64)	(17.92)
Net debt	13,000.45	6,716.73
Equity share capital	15.60	15.60
Other equity	427.48	738.48
Total capital	443.08	754.08
Capital and net debt	13,443.53	7,470.81
Gearing ratio	97%	90%

* Includes unsecured loan from immediate holding company amounting to Rs 2,329.76 million (March 31, 2018: Rs.1025.87 million)

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 loans and borrowings that define capital structure requirements. For the financial years ended 31 March 2019 and 31 March 2018, the Company was not required to comply with the said covenants.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

Note 28B: Fair value measurement

There are no financial instruments which are measured at fair value as at period end. The management assessed that fair values of cash and cash equivalents, other bank balances, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of borrowings approximate their carrying amounts mainly due to the variable interest rates.

For SRBC & Co LLP

Firm Registration No. 324987/E/3000003
Chartered Accountants

per Paul Alvarez
Partner
Membership Number: 105754
Place: Mumbai
Date: 14 May 2019



**For and on behalf of the Board of Directors of
Khargone Transmission Limited**

Vithal Acharya
Director
DIN: 07680009
Place: Mumbai
Date: 14 May 2019

Amarendranath Reddy Tatingkula
Director
DIN: 07107290
Place: New Delhi
Date: 14 May 2019

