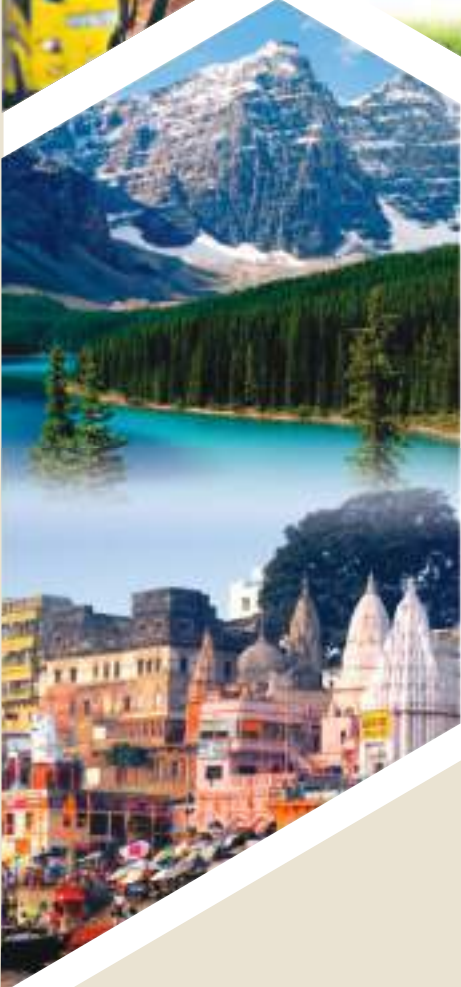


# 51st ANNUAL REPORT 2016-17

 MSIL Chits

Invest  
Safely  
Borrow  
Easily



BEVERAGES

 MSIL

Mysore Sales International Limited  
(A Government of Karnataka Undertaking)



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

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## BOARD OF DIRECTORS

|                               |                      |                            |          |
|-------------------------------|----------------------|----------------------------|----------|
| Shri Hampanagowda Badarli     | Chairman             | Shri N. Balaraj            | Director |
| Dr. G C Prakash, IAS          | Managing Director    | Shri R. Thammanna          | Director |
| Smt. Renuka Chidambaram, IAS  | Director             | Shri M S Sridhara          | Director |
| Dr. Ekroop Caur, IAS          | Independent Director | Shri Gunashekara           | Director |
| Shri Darpan Jain, IAS         | Independent Director | Shri Chaluvaraju           | Director |
| Shri N Jayaram, IAS           | Director             | Shri K Venkataswamappa     | Director |
| Shri Anuradha Basavaraj Tapli | Director             | Shri Rafik Ahamed B Pakali | Director |
| Shri Sanath Kumar S.R.        | Director             |                            |          |

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|                     |                         |
|---------------------|-------------------------|
| Shri A M Chandrappa | Chief Financial Officer |
|---------------------|-------------------------|

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|                   |                   |
|-------------------|-------------------|
| Smt. Sridevi B.N. | Company Secretary |
|-------------------|-------------------|

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**REGISTERED OFFICE** : MSIL HOUSE, 36, CUNNINGHAM ROAD  
BANGALORE - 560 052.

**BRANCH OFFICES** : BANGALORE, MYSORE, DAVANGERE, HUBLI,  
GULBARGA, MANGALORE, BELGAUM,  
MUMBAI, NEW DELHI

**SALES OFFICES / UNITS**

- Bijapur ● Davanagere ● Gulbarga ● Hassan ● Hubli ● Mangalore ● Mysore
- Bhiwandi ● Kanpur ● Ghaziabad ● Jaipur

**BANKERS** : Vijaya Bank, Syndicate Bank, State Bank of Mysore,  
State Bank of Hyderabad, HDFC Bank

**AUDITORS** : **M/s. P. Chandrasekar**, LLP, Chartered Accountants

## Mysore Sales International Limited

MSIL HOUSE, 36 CUNNINGHAM ROAD,  
BENGALURU - 560 052

### NOTICE

**NOTICE** is hereby given that the Fifty-first Annual General Meeting of the Members of Mysore Sales International Limited will be held on **Monday, the September 25, 2017 at 11.00 a.m** at the Registered office at MSIL House, No.36, Cunningham Road, Bengaluru - 560 052 to transact the following business at shorter notice:-

#### ORDINARY BUSINESS:

**Item No.1- Adoption of financial statements:**

To receive, consider and adopt the financial statements of the Company for the year ended March 31, 2017, including the audited Balance Sheet as at March 31, 2017, the Statement of Profit & Loss for the year ended on that date and reports of the Board of Directors (the Board) and Auditors thereon together with the comments received from Auditor General of India under Section 146 (6) of the Companies Act, 2013.

**Item No.2:- To declare a dividend on equity shares:** To declare a dividend of Rs.10/- per equity share for the financial year ended March 31, 2017.

**Item No.3 -** To consider fixation of remuneration for the year ending March 31, 2018 payable to Statutory Auditors appointed by the Comptroller & Auditor General of India (C&AGI) and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of section 139(5) of the Companies Act, 2013, Comptroller and Auditor General of India, has appointed M/s P. Chandrashekar LLP, Chartered Accountants (Reg. No. 000580S) as the Statutory Auditors of the Company for the

financial year 2017-2018, be and is hereby noted the appointment of the Statutory Auditors of the Company and authorized the Board of Directors of the Company to fix the remuneration of the Statutory Auditors of the Company.”

By order of the Board  
For Mysore Sales International Limited

Sd/-

**Sridevi B.N.**  
Company Secretary

Place: Bengaluru

Date: August 7, 2017

#### NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The annexed proxy form should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the AGM.
2. The Company being a Government Company, the Comptroller & Auditor General of India has appointed the Statutory Auditors of the Company for the year 2017-18 under Section 139 (5) of the Companies Act, 2013.

By order of the Board  
For Mysore Sales International Limited

Sd/-

**Sridevi B.N.**  
Company Secretary

Place: Bengaluru

Date: August 7, 2017

## DIRECTORS' REPORT

To,

The Members,

We are delighted to present the report on our business and operations for the Financial Year ended March 31, 2017.

### 1. Financial Highlights

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

(Rs. in lakhs)

| PARTICULARS   | 2016-17         | 2015-16         |
|---|-----------------|-----------------|
| Turnover  | 161407.70       | 151490.75       |
| Profit/Loss before interest, depreciation, taxes & Prior year adjustments | 5987.52         | 5801.24         |
| Interest  | 2.44            | 145.35          |
| Depreciation  | 285.21          | 255.39          |
| Profit/(Loss) before Tax  | 5699.87         | 5400.50         |
| Provision for taxation  |                 |                 |
| - Current   | 1978.80         | 1923.22         |
| - Deferred  | 37.48           | (167.21)        |
| Prior year Adjustments  | 17.89           | 38.67           |
| Profit/(Loss) after Tax   | 3665.70         | 3605.82         |
| Dividend and Tax on dividend  | 237.39          | 243.06          |
| Previous year's balance in Profit & Loss Account                          | 10452.41        | 7089.65         |
| Balance carried to Balance Sheet  | <b>13880.72</b> | <b>10452.41</b> |

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

(Rs. in lakhs)

| DIVISION               | 2016-17          | 2015-16          |
|------------------------|------------------|------------------|
| 1. Beverages           | 133043.02        | 124739.79        |
| 2. Chit Funds          | 23311.33         | 21887.20         |
| 3. Paper               | 4074.76          | 2261.95          |
| 4. Consumer Products   | 217.42           | 40.17            |
| 5. Industrial Products | 162.62           | 1581.67          |
| 6. Tours & Travels     | 586.46           | 975.94           |
| 7. Pharmacy            | 12.09            | 4.03             |
| <b>TOTAL</b>           | <b>161407.70</b> | <b>151490.75</b> |

The Company is a wholly owned-company of Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC). Pursuant to second proviso of rule 6 of the Companies (Accounts) Rules, 2014, the Company has complied with the conditions and opted exemption and hence not prepared the consolidated financial statement for the year ended March 31, 2017

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

**(i) Beverage Division:** The Government of Karnataka has recently sanctioned additional 900 liquor retail outlets in addition to 463 liquor outlets to MSIL under CL 11C License to be opened in all Assembly Constituencies. The Division has initiated all the necessary steps to open these additional outlets within fixed time frame. In total, as on March 31, 2017, 411 retail outlets are under operation across the State of Karnataka. The division has achieved a turnover of Rs.133043.02 lakhs as compared to previous year's achievement of Rs.124739.79 lakhs.

Consequent to verdict passed by Hon'ble Supreme Court banning liquor vends on National and State Highways, the division is also focusing on relocating such outlets affected by the verdict on top priority.

The division is placing its best efforts to open remaining retail outlets under 463 quota by identifying suitable location having good business potential.

**(ii) Chit Funds Division:** The Division has achieved a turnover of Rs. 23311.33 lakh as against previous year achievement of Rs.21887.20 lakhs, thereby registering a considerable growth of 6.5%. To improve further, the division is planning to re-locate some of the non performing branches to potential areas and a new Chit fund Branch at Shimoga is being unveiled.

In order to meet the expectation and aspirations of subscribers, the division has initiated action for installing new software and hardware for seamless operation to conduct chits with Mobile App and Online remittance applications coupled with several customer friendly features. Also, to create more awareness

## DIRECTORS' REPORT (continued)

among the General Public on MSIL Chits, around the year advertisement campaign through printed / visual media are being planned.

**(iii) Paper Division:** The Division has achieved a cumulative (note books & stationery) turnover of Rs. 4074.76 lakhs during the year 2016-17 as against the previous year's turnover of Rs. 2261.95 Lakhs. With the Stationery sales increasing steadily year after year, the Paper Division is able to put up good performance during the current year 2016-17 as compared to previous 10 years.

A Total of 2256 MT of Note Books were sold during the year 2016-17 as against 1830.70 MT during the year 2015-16. The competition in the Note Books Market is getting stiffer with every Note Book, Converters are trying to retail / customize and sell the Note Books on his own.

The Division inevitably needs the service of young and energetic field forces to recapture and strengthen the "VIDYA & LEKHAK" Market. The Division continues to depend on Government Orders for their major share of turnover which needs to be addressed by implementing appropriate Sales strategies in the coming year.

**(iv) Consumer Products Division:** The Division has achieved a turnover of Rs. 217.42 lakhs during the year under review as against previous year turnover of Rs. 40.17 lakhs. In order to revive the business, the Division is in the process of strengthening its product line to tie-up with leading oil manufactures and also exploring launching of existing products to other regions.

During the year the Division has completed tendering process for manufacture and supply of Herbal Soaps and other Allied Personal Care Products for marketing in Karnataka under the Company's own brand name "SOUNDARYA". The Division has put in place well planned strategies to appoint Distributors and launch the "SOUNDARYA" range of products initially in Karnataka and thereafter expand to Southern Region.

During the ensuing year, the Company is also planning to revive the Chennai Branch operations in order to strengthen the CPD activities, where already "TOTAL"

Detergent Bar is being marketed through Co-Operative Societies. With these steps, Division is expected to achieve better results in the coming years.

**(v) Industrial Products Division:** The division has achieved a turnover of Rs.162.62 lakh during the Financial year 2016-17 (from December 2016 to March 2017) under main contribution from "Class-1 " Packaged Drinking Water products.

In order to increase the business the "Class -1" packaged drinking water had been added to the Division.

To achieve maximum turnover the Division has also called Expression of Interest for Solar LED Lighting Systems. In order to increase the business, the Division has already submitted a proposal for 4G exemption to the Government for supply of Solar Products, Wires, Cable and Water Purifier, etc.

**(vi) Tours and Travels Division:** As an IATA Accredited Travel Agency (IATA No.: 1435229). During the year 2016-17 the main activity of the Division has continued to be booking of Air Tickets to Government officials and package tours. The Division has achieved a turnover of Rs. 586.46 lakhs up to 31st March 2017 as against Rs. 975.94 Lakhs achieved during the previous year.

The Division has successfully organized package tours to North Indian Religious places, it has also organized package tours for Government Institutions through service providers for various tourist destinations throughout India.

**(vii) Hire Purchase Division:** Since the operation of the Hire Purchase Division was discontinued during July 2008, the Division is only focusing on recovery of overdues from the hirers. In the current financial year an amount of Rs.33.29 lakh has been recovered resulting in overall recovery of more than 40.50 crore from 2008 onwards. The outstanding dues as on March 31, 2017 is Rs.379.31 lakhs as against Rs.412.60 lakh achieved during the previous year.

**(viii) Pharma Division:** The Pharma Division has achieved a turnover of Rs.12.09 lakh during the financial year 2016-17.

## DIRECTORS' REPORT (continued)

In India Pradhan Mantri Bhartiya Janaushadhi Kendra was started in the year 2008. It is a noble project launched by Government of India. The main objective of Janaushadhi is making quality medicines available at affordable prices for all the people and to create demand for generic medicines.

Government of Karnataka has given permission vide Govt. Order NO.HF&W / 161/HPC/ 2016 (part), Bangalore dated 26.11.2016 for opening of Pradhan Mantri Bharathiya Janaushadhi Kendra in 124 Taluks across Karnataka. Out of which the division has opened 16 JAS Centers. The action will be taken to open the remaining JAS Centers. It is expected to generate a steady turnover in the upcoming years.

### 3.Change in the nature of Business, if any:

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

### 4.Dividend

During the financial year 2016-17, the Company had declared a dividend of Rs. 10/- per equity shares of face value of Rs. 100/- each which is provided for in the accounts absorbing a sum of Rs.2,01,76,600/- with applicable tax on dividend, if approved by the members in the ensuing Annual General Meeting.

### 5. Reserves

The net movement in the major reserve of the Company for the financial year 2016-17 and the previous year are as follows:

(Rs. in lakhs)

| Particulars                             | F.Y. 2016-17 | F.Y. 2015-16 |
|---|--------------|--------------|
| General Reserve                         | 3428.52      | 3236.73      |
| Surplus in Statement of Profit and Loss | 3665.70      | 3605.82      |

### 6. Share Capital

The total Issued, Subscribed and Paid up Share Capital continued to be at Rs.20,17,66,000/- Consisting of 20,17,660 Equity Shares of Rs.100/- each.

### 7. Directors and Key Managerial Personnel

During the financial year 2016-17, the following

changes in the composition of the Board of Directors of the Company had taken place as per the directions of the Government of Karnataka and the holding Company, Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC).

| Sl. No. | Name of the Director                      | Date of Appointment | Date of Cessation |
|---------|---|---------------------|-------------------|
| 01.     | Smt K Ratna Prabha, IAS-Chairman          | 14.01.2016          | 09.06.2016        |
| 02.     | Shri D.V.Prasad, IAS - Chairman           | 09.06.2016          | 02.11.2016        |
| 03.     | Shri. Hampan Gowda Badarli                | 02.11.2016          | -                 |
| 04.     | Dr. G C Prakash*, IAS – Managing Director | 07.10.2016          | -                 |
| 05.     | Shri Kapil Mohan, IAS, Managing Director  | 22.09.2016          | 07.10.2016        |
| 06.     | Shri. Naveen Raj Singh, IAS               | 22.09.2016          | 10.05.2017        |
| 07.     | Shri. Gaurav Gupta, IAS                   | 22.09.2016          | 07.03.2017        |
| 08.     | Shri. Ritesh Kumar Singh, IAS             | 21.07.2015          | 13.07.2017        |
| 09.     | Shri. Harsha Gupta, IAS                   | 15.10.2015          | 06.07.2016        |
| 10.     | Shri. S.R. Sanath Kumar                   | 06.07.2016          | -                 |
| 11.     | Shri. Rafikahamed B Pakali                | 06.07.2016          | -                 |
| 12.     | Shri. Gunashekara                         | 06.07.2016          | -                 |
| 13.     | Shri. Chaluvvaraju                        | 06.07.2016          | -                 |
| 14.     | Shri. M.S.Sridhara                        | 06.07.2016          | -                 |
| 15.     | Shri. K.Venkataswamappa                   | 06.07.2016          | -                 |
| 16.     | Shri. Anuradha B Tapli                    | 06.07.2016          | -                 |
| 17.     | Shri. R. Thammanna                        | 06.07.2016          | -                 |
| 18.     | Shri. N.Balraju                           | 06.07.2016          | -                 |
| 19.     | Smt Renuka Chidambaram, IAS               | 22.09.2016          | 07.03.2017        |
| 20.     | Shri Darpan Jain, IAS                     | 07.03.2017          | -                 |
| 21.     | Shri Srivatsa Krishna, IAS                | 07.03.2017          | 10.05.2017        |

## DIRECTORS' REPORT (continued)

\* - Service of Dr. G C Prakash, IAS, as Managing Director of MSIL had been withdrawn by Government of Karnataka with effect from September 22, 2016 and again appointed him as Managing Director of MSIL on 07.10.2016.

The Board placed on record with deep sense of gratitude for the excellent contribution made by Smt K Ratna Prabha, IAS and Shri D.V.Prasad, IAS, Chairman, Shri Kapil Mohan, IAS, Managing Director, Shri. Harsha Gupta, IAS, Shri. Naveen Raj Singh, IAS, Shri. Gaurav Gupta, IAS, Shri. Ritesh Kumar Singh, IAS, Smt Renuka Chidambaram, IAS and Shri Srivatsa Krishna, IAS, Directors, during their tenure on the Board of Directors of the Company.

**Directors on the date of report are as follows:**

### Name of the Director

|     |                               |   |                      |
|-----|-------------------------------|---|----------------------|
| 1.  | Shri. Hampan Gowda Badarli    | - | Chairman             |
| 2.  | Dr. G.C. Prakash, IAS         | - | Managing Director    |
| 3.  | Dr. Ekroop Caur, IAS          | - | Independent Director |
| 4.  | Shri Darpan Jain, IAS         | - | Independent Director |
| 5.  | Smt. Renuka Chidambaram, IAS- |   | Director             |
| 6.  | Smt. P. Hemalatha, IAS        | - | Director             |
| 7.  | Shri. S.R. Sanath Kumar       | - | Director             |
| 8.  | Shri. Rafikahamed B Pakali    | - | Director             |
| 9.  | Shri. Gunashekara             | - | Director             |
| 10. | Shri. Chaluvvaraju            | - | Director             |
| 11. | Shri. M.S. Sridhara           | - | Director             |
| 12. | Shri. K.Venkataswamappa       | - | Director             |
| 13. | Shri. Anuradha B Tapli        | - | Director             |
| 14. | Shri. R. Thamanna             | - | Director             |
| 15. | Shri. N. Balraju              | - | Director             |

During the financial year 2016-17, the following are the Key Managerial Personnel of the Company as per the provisions of the Companies Act, 2013:

| Sl. No. | Name of the Key Managerial Personnel                | Date of Appointment | Date of Cessation |
|---------|---|---------------------|-------------------|
| 1       | Dr. G C Prakash, IAS<br>- Managing Director         | 11.8.2014           | -                 |
| 2       | Shri Ramakanth Hebballi,<br>Chief Financial Officer | 20.5.2015           | 15.05.2017        |
| 3       | Shri A.M. Chandrappa,<br>Chief Financial Officer    | 15.05.2017          | -                 |
| 4       | Smt Sridevi B.N,<br>Company Secretary               | 18.9.2013           | -                 |

### 8. Meetings

Based on the requisition received from the Divisional Heads subject to the approval of the Managing Director and agenda subjects as statutorily required, the Company Secretary drafts the agenda for each meeting along with explanatory notes, in consultation / consensus with the Managing Director, and distributes same in advance to the Board of Directors. Four Board Meetings, Three Audit Sub-Committee Meetings and one Corporate Social Responsibility Committee Meeting were held during the year ended March 31, 2017 on the following dates:

| Sl. No. | Date of Board Meeting |
|---------|-----------------------|
| 1       | July 16, 2016         |
| 2       | August 30, 2016       |
| 3       | November 19, 2016     |
| 4       | February 17, 2017     |

| Sl. No. | Date of Audit Sub-Committee Meeting |
|---------|-------------------------------------|
| 1       | June 23, 2016                       |
| 2       | August 30, 2016                     |
| 3       | January 6 & 11, 2016                |

| Sl. No. | Date of Corporate Social Responsibility Committee Meeting |
|---------|---|
| 1       | April 28, 2016  |

The intervening gap between the Board Meetings was within the period prescribed under the Companies Act, 2013.



## DIRECTORS' REPORT (continued)

### Board Meeting attendance of directors during financial year 2016-2017

| Name of the Director         | No. of Board Meetings held |          |
|------------------------------|----------------------------|----------|
|                              | Held                       | Attended |
| Shri D.V.Prasad, IAS         | 2                          | 2        |
| Shri Hampan Gowda Badarli    | 2                          | 2        |
| Shri Ritesh Kumar Singh, IAS | 4                          | 1        |
| Shri G.C.Prakash, IAS        | 4                          | 4        |
| Shri Renuka Chidambaram, IAS | 2                          | 2        |
| Shri Naveen Raj Singh, IAS   | 2                          | 1        |
| Shri Gaurav Gupta, IAS       | 2                          | 1        |
| Shri. S.R. Sanath Kumar      | 4                          | 4        |
| Shri. Rafikahamed B Pakali   | 4                          | 4        |
| Shri. Gunashekara            | 4                          | 4        |
| Shri. Chaluvaraju            | 4                          | 4        |
| Shri. M.S.Sridhara           | 4                          | 3        |
| Shri. K.Venkataswamappa      | 4                          | 4        |
| Shri. Anuradha B Tapli       | 4                          | 4        |
| Shri. R. Thammanna           | 4                          | 4        |
| Shri. N.Balraj               | 4                          | 4        |

<sup>1</sup> Shri D.V.Prasad, IAS ceased to be a Chairman with effect from 02.11.2016

<sup>2</sup> Shri Hampan Gowda Badarli, appointed as a Chairman with effect from 2.11.2016

<sup>5</sup> Smt.Renuka Chidambarm, IAS was appointed as Director with effect from 22.09.2016

<sup>6</sup> Shri. NaveenRaj Singh, IAS was appointed as Director with effect from 22.09.2016

<sup>7</sup> Shri Gaurv Gupta, IAS was appointed as Director with effect from 22.09.2016

### 9. Details of Subsidiary Companies

As on March 31, 2017, the Company has two subsidiaries.

Pursuant to the provisions of Section 129(3) read with rule 6 of the second proviso of the Companies

(Accounts) Amendment Rule 2014, MSIL is a wholly owned-company of KSIIDC, the Company has availed the exemption and not prepared consolidated financial statements for the financial year ended March 31, 2017.

In accordance with sub-section (3) of section 129 of the Act, the statement containing the salient feature of the financial statement of a company's subsidiaries is in Form AOC-1 is given in Annexure-II.

### 10. Auditors:

As the Company is a Government Company under section 2(45) of the Companies Act, 2013, the Comptroller and Auditor General of India under section 139(5) of the Companies Act, 2013 appoints the statutory auditors to audit the annual accounts. The C&AGI has appointed M/s P. Chandrasekar LLP, Chartered Accountants, Bengaluru, as Statutory Auditors for the year 2017-18. The statutory auditors appointed by C&AGI will hold office until the next Annual General Meeting.

### 11. Auditors' Report:

The Auditors' Report does contain qualifications. The replies to the qualifications of the Statutory Auditors are appended.

In terms of Section 143 (6) of the Companies Act, 2013 the comments of the Comptroller and Auditor General of India on the accounts of the Company for the year ended March 31, 2017 are annexed to the report.

### 12. Secretarial Audit Report

In terms of Section 204 of the Act and Rules made there under Shri. S Vishwanathan, Practicing Company Secretary have submitted their report for the year ended March 31, 2017. The report of the Secretarial Auditors is **enclosed as Annexure III to this report. The report is self explanatory and do not call for any further comments.**

### 13. Internal Audit & Controls

The Company continues to appoint Internal Auditors. The scope and extent of Internal Audit encompasses

## DIRECTORS' REPORT (continued)

audit and review of transactions. The Internal Auditor furnishes his report to the company, along with the comments of the Company, which shall be placed before the Audit Committee on an ongoing basis to improve efficiency in operations.

### 14. Risk Management Policy

The Company has identified the risk factors of all the operating divisions and mitigation for each risk.

### 15. Extract of Annual Return:

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in **MGT 9** as a part of this Annual Report as **Annexure I**.

### 16. Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

There are no such material changes which have occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report like settlement of tax liabilities, operation of patent rights, depression in market value of investments, institution of cases by or against the Company, sale or purchase of capital assets or destruction of any assets, etc.

### 17. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future

There are no such orders passed, to which impacting the going concern status and Company's operations in future.

### 18. Deposits

During the year under review, the Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013, from the public.

### 19. Related Party Transactions:

During the year under review, there were no contract

or arrangements entered into by the Company in accordance with provisions of section 188 of the Companies Act, 2013.

### 20. Obligation of Company under the Sexual Harassment of women at workplace (Prevention, Prohibition And Redressal) Act, 2013

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 9th December, 2013. Under the said Act every company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee.

Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up Committee for implementation of said policy. During the year, the Company has not received any complaint of harassment.

### 21. Conservation of energy, technology absorption and foreign exchange earnings and outgo

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

#### a) Conservation of energy

The Company being mainly a trading concern, is consuming power for the purpose of office use only. Installed the 15 Kwp on Grid Roof top Solar power plant at Registered Office of the Company, to conserve and minimize the usage of power by.

#### (b) Technology absorption

The Company being a trading Company, has not availed any technology from any one at any time.

#### (c) Foreign exchange earnings and Outgo

Foreign Exchange earned: Nil (Previous year - Nil)

Foreign Exchange outgo: Nil (Previous year – Nil)

### 22. Corporate Social Responsibility (CSR)

The Company has constituted a Corporate Social

## DIRECTORS' REPORT (continued)

Responsibility (CSR) Committee in accordance with the provisions of the Companies Act, 2013 and the Rules made thereunder. The Company has framed Corporate Social Responsibility (CSR) policy duly approved by the Board of Directors. The CSR Committee comprising the following Directors as members:

|                                 |   |          |
|---------------------------------|---|----------|
| 1 Shri Hampan Gowda Badarli     | - | Chairman |
| 2 Shri Darpan Jain, IAS         | - | Member   |
| 3 Smt. Anuradha Basavaraj Tapli | - | Member   |
| 4 Shri Rafik Ahmed B. Pakali    | - | Member   |
| 5 Shri. M.S. Shridhar           | - | Member   |
| 6 Shri Gunashekara              | - | Member   |

During the financial year 2016-17 a sum of Rs. 68.40 lakhs was required to be utilized by the Company towards CSR activities. The Company has contributed Rs. 2 Crore to Chief Minister's Relief Fund.

### 23. Human Resources

Your Company treats its "human resources" as one of its most important assets.

Your Company continued to give thrust for training and development of the employees. During the year 2016-17 to improve the employees performance, imparted 28 employees (Executives/Officer 11 and Employee 17) to various different Training Programmes.

There are 230 employees in your Company (Executives/Officer 33 & Staff 183) of which 13 employees (04 Officers & 09 Employees) continued to be deputed to Karnataka Beverages Corporation Ltd., and one Officer is on deputation at PWD.

### 24. Project / Estate Department

The Company has already ventured into Office-cum warehousing infrastructure sector and the warehousing complex at Mysore is earning revenue. The warehousing complex at Baikampady, Mangalore has been let out and earning revenue.

The Company is in the process of setting up office-cum warehouse complexes at Peenya, Hubli and Kalburgi lands. All these projects will generate additional revenue to the Company in the coming years.

### 25. Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statement in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, shall state that.

(a) in the preparation of the annual accounts for the financial year ended March 31, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at March 31, 2017 and of the profit and loss of the company for that period;

(c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the Directors had prepared the annual accounts for the financial year ended March 31, 2017, on a going concern basis; and

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

### 26. Transfer of Amounts to Investor Education and Protection Fund

Your Company did not have any funds lying unpaid or unclaimed for a period of seven years.

Therefore there were no funds which were required to be transferred to Investor Education and Protection Fund (IEPF).

### 27. Acknowledgements

Your Directors take this opportunity to express their sincere gratitude and thanks for the valuable assistance and support given by the Government of Karnataka, especially the Commerce & Industries

Department, Finance Department, your Parent Company M/s Karnataka State Industrial Infrastructure & Development Corporation Ltd., Principals, Suppliers, Bankers, Customers and the Society at large. The Directors also place on record the continued support extended by the Media for creating public awareness among the general public for achieving total customer satisfaction in consonance with Quality Policy of the Company.

The assistance and co-operation provided by the Comptroller and Auditor General of India, Principal Accountant General (Civil and Commercial Audit), Karnataka, M/s P. Chandrasekar & Associates,

the Statutory Auditors and Chartered Accountants, Secretarial Auditors, the Internal Auditors need special mention and the Directors acknowledge the same.

Your Directors also place on record their appreciation of the contribution made by the employees of your Company at all levels.

For and on behalf of the Board of Directors

Sd/-

**Hampan Gowda Badarli**  
Chairman

Place: Bengaluru

Date: August 7, 2017

#### Annexure Index

| Annexure | Content                         |
|----------|---------------------------------|
| I        | Annual Return Extracts in MGT 9 |
| II       | Details of subsidiary           |
| III      | MR-2 Secretarial Audit Report   |

**Reply to the Statutory Auditors qualification on the Audit Report for the financial year 2016-2017**

**(Ref. Basis for qualified opinion on Audit Report page no. 2)**

- Board recommended to declare 10% Dividend on paid up capital for the financial year 2016-17 in the meeting held on 7th August 2017, subject to the approval of the shareholders in 51st Annual General Meeting. In view of the above the Company has provided liability of Rs.2,01,76,600/- (10% dividend on Paid up Capital) and Dividend distribution tax of Rs.35,62,021/- on Dividend amount for the year ended 31st March 2017. For the approval of the Shareholders, the same is placed in 51st Annual General Meeting..
- Out of the total unusable Raw Materials of 280.65 MTs during the year 2016-2017 which is valued at 39160.25 per MT totalling to Rs.1,09,90,324/- (as per the tender rate Rs.11517.82 per MT). Out of these stocks, the company has disposed 190.02 MTs and consumed 14.53 MTs during the year 2016-17. The balance stock as on 31.03.2017 is only 76.10 MTs valued at Rs.39160.25 per MT instead of Rs.11517.82 per MT resulting in excess value of stock as on 31.03.2017 is only Rs.21,03,589/-. These stocks also disposed in the month of April and May 2017. However, the overstatement of inventories will get set off during the financial year 2017-2018.
- City & Industries Development Corporation of Maharashtra (CIDCO) has entered into a deed of 'Agreement to Lease' with Government of

Karnataka (GoK) for a period of 5 years on 19.06.2000 for a plot of land measuring 2520 sq meters in Navi Mumbai granting license for 5 years (extendable on mutual consent) to enter and occupy the land on the condition that the licensee (GoK) construct a State Guest House.

In turn on 01.10.2008 GoK has entered into an agreement with MSIL for construction of Karnataka Bhavan on Build Own Operate Transfer (BOOT) basis effective for 30 years (extendable on mutual consent) from the date of completion of the building as per the terms and conditions specified therein. The Company has obtained occupancy certificate from Navi Mumbai Municipal Corporation 10th March 2016 and Company has also paid Rs.14,11,556/- towards property tax for the financial year 2016-17. The expenses incurred Rs.33,82,29,174/- as on 31.03.2017 is classified under Capital Work in Progress. The facade glazing work and other miscellaneous works are under progress and company is very much confident to complete the pending work and capitalise the assets during the year 2017-18.

- The Company has sent the balance confirmation as on 31st March 2017 in the accounts of sundry creditors, sundry debtors, business associates including joint venture and advances/deposits for which we have received the confirmation partly.

**Annexure I**

**FORM NO. MGT 9  
EXTRACT OF ANNUAL RETURN**

**As on financial year ended on 31.03.2017**

**Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company (Management & Administration) Rules, 2014.**

**I. REGISTRATION & OTHER DETAILS:**

|    |  |  |
|----|--|--|
| 1. | CIN  | U85110KA1966SGC001612  |
| 2. | Registration Date  | 17.3.1966  |
| 3. | Name of the Company  | MYSORE SALES INTERNATIONAL LIMITED   |
| 4. | Category/Sub-category of the Company                                       | Company limited by shares / State Government Company                       |
| 5. | Address of the Registered Office & contact details                         | "MSIL House", No.36, Cunningham Road, Bangalore-560 052<br>080-22264021-26 |
| 6. | Whether listed company   | Unlisted   |
| 7. | Name, Address & contact details of the Registrar & Transfer Agent, if any. | Not applicable   |

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY** (All the business activities contributing 10 % or more of the total turnover of the Company shall be stated)

| Sl. No. | Name and Description of main products / services | NIC Code of the Product/service | % to total turnover of the company |
|---------|--|---------------------------------|------------------------------------|
| 1       | Beverages  | 47221                           | 82.43                              |
| 2       | Chit Funds                                       | 64990                           | 14.44                              |

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

| Sl. No. | Name  | Address of the Company   | CIN / GLN Associate       | Holding / Subsidiary/ held | % of shares | Applicable Section |
|---------|---|--|---------------------------|----------------------------|-------------|--------------------|
| 1.      | Karnataka State Industrial And Infrastructure Development Corporation Limited | Khanija Bhavan 49,<br>4th Floor<br>Race Course Road<br>Bangalore - 1 | U93000KA196<br>4ULL001532 | Holding                    | 100%        | Section 2(46)      |
| 2.      | Marketing Communication and Advertising Limited                               | No.42, MC&A House,<br>Millers Road<br>Bangalore - 52                 | U51101KA197<br>2PLC002242 | Subsidiary                 | 100%        | Section 2(87)      |
| 3.      | Mysore Chrome Tanning Company Limited   | C/o MSIL, No. 36<br>Cunningham Road<br>Bangalore -52                 | U85110KA194<br>0SGC000261 | Subsidiary                 | 95.10%      | Section 2(87)      |
| 4.      | Food Karnataka Limited  | No.17, Richmond Road<br>Bangalore - 25                               | U01513KA200<br>3PLC031873 | Associate                  | 50%         | Section 2(6)       |

## VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### Category-wise Share Holding

| Category of Shareholders                  | No. of Shares held at the beginning of the year[As on 31-April-2016] end of the year (31.03.2016) |          |         |                   | No. of Shares held at the end of the year[As on 31-March-2017] |          |         |                   | % Change during the year |
|---|---|----------|---------|-------------------|--|----------|---------|-------------------|--------------------------|
|   | Demat   | Physical | Total   | % of Total Shares | Demat  | Physical | Total   | % of Total Shares |                          |
| A. Promoters                              |   |          |         |                   |  |          |         |                   |                          |
| (1) Indian                                |   |          |         |                   |  |          |         |                   |                          |
| a) Individual/ HUF                        |   |          |         |                   |  |          |         |                   |                          |
| b) Central Govt                           |   |          |         |                   |  |          |         |                   |                          |
| c) State Govt(s)                          |   |          |         |                   |  |          |         |                   |                          |
| d) Bodies Corp.                           |   | 2017660  | 2017660 | 100%              | N.A.   | 2017660  | 2017660 | 100%              | NO                       |
| e) Banks / FI                             |   |          |         |                   |  |          |         |                   |                          |
| f) Any other                              |   |          |         |                   |  |          |         |                   |                          |
| <b>Total shareholding of Promoter (A)</b> |   |          |         |                   |  |          |         |                   |                          |
| <b>B. Public Shareholding</b>             |   |          |         |                   |  |          |         |                   |                          |
| 1. Institutions                           |   |          |         |                   |  |          |         |                   |                          |
| a) Mutual Funds                           |   |          |         |                   |  |          |         |                   |                          |
| b) Banks / FI                             |   |          |         |                   |  |          |         |                   |                          |
| c) Central Govt                           |   |          |         |                   |  |          |         |                   |                          |
| d) State Govt(s)                          |   |          |         |                   |  |          |         |                   |                          |
| e) Venture Capital Funds                  |   |          |         |                   |  |          |         |                   |                          |
| f) Insurance Companies                    |   |          |         |                   |  |          |         |                   |                          |
| g) FIs                                    |   |          |         |                   |  |          |         |                   |                          |
| h) Foreign Venture Capital Funds          |   |          |         |                   |  |          |         |                   |                          |
| i) Others (specify)                       |   |          |         |                   |  |          |         |                   |                          |
| <b>Sub-total (B)(1):-</b>                 |   |          |         |                   |  |          |         |                   |                          |

|  |         |         |      |      |         |         |      |    |
|--|---------|---------|------|------|---------|---------|------|----|
| <b>2. Non-Institutions</b>   |         |         |      |      |         |         |      |    |
| a) Bodies Corp.  |         |         |      |      |         |         |      |    |
| i) Indian  |         |         |      |      |         |         |      |    |
| ii) Overseas   |         |         |      |      |         |         |      |    |
| b) Individuals   |         |         |      |      |         |         |      |    |
| i) Individual shareholders holding nominal share capital up to Rs. 1 lakh        |         |         |      |      |         |         |      |    |
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh |         |         |      |      |         |         |      |    |
| c) Others (specify)  |         |         |      |      |         |         |      |    |
| Non Resident Indians   |         |         |      |      |         |         |      |    |
| Overseas Corporate Bodies  |         |         |      |      |         |         |      |    |
| Foreign Nationals  |         |         |      |      |         |         |      |    |
| Clearing Members   |         |         |      |      |         |         |      |    |
| Trusts   |         |         |      |      |         |         |      |    |
| Foreign Bodies - D R   |         |         |      |      |         |         |      |    |
| <b>Sub-total (B)(2):-</b>  |         |         |      |      |         |         |      |    |
| Total Public Shareholding  |         |         |      |      |         |         |      |    |
| (B)=(B)(1)+ (B)(2)   |         |         |      |      |         |         |      |    |
| <b>C. Shares held by Custodian for GDRs &amp; ADRs</b>                           |         |         |      |      |         |         |      |    |
| Grand Total (A+B+C)  | 2017660 | 2017660 | 100% | N.A. | 2017660 | 2017660 | 100% | NO |



**B) Shareholding of Promoter-**

| Sl. No. | Shareholder's Name   | Shareholding at the beginning of the year |                                  |  | Shareholding at the end of the year |                                  |  | % change in shareholding during the year |
|---------|--|---|----------------------------------|--|-------------------------------------|----------------------------------|--|--|
|         |  | No. of Shares                             | % of total Shares of the Company | % of Shares Pledged / encumbered to total shares | No. of Shares                       | % of total Shares of the Company | % of Shares Pledged / encumbered to total shares |  |
| 1       | KSIIDC<br>Following 6 Individuals are holding shares on behalf of KSIIDC<br>1) MD, KSIIDC<br>2) MD, MSIL<br>3) N R N Simha<br>4) Y Sreenivasappa<br>5) N K Parashuram<br>6) D. Viswanath | 2017570                                   | 99.999%                          | -  | 2017570                             | 99.999%                          | -  | -  |
|         |  | 30  |                                  |  | 30                                  |                                  |  |  |
|         |  | 10  |                                  |  | 10                                  |                                  |  |  |
|         |  | 20  |                                  |  | 20                                  |                                  |  |  |
|         |  | 10  |                                  |  | 10                                  |                                  |  |  |
|         |  | 10  |                                  |  | 10                                  |                                  |  |  |
|         |  | 10  |                                  |  | 10                                  |                                  |  |  |

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

| Sl. No. | Particulars  | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|---------|--|---|----------------------------------|---|----------------------------------|
|         |  | No. of shares                             | % of total shares of the Company | No. of shares                           | % of total shares of the Company |
|         | At the beginning of the year   | No change                                 |                                  |   |                                  |
|         | Date-wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.): |   |                                  |   |                                  |
|         | At the end of the year   |   |                                  |   |                                  |

**D) Shareholding Pattern of top ten Shareholders:  
(Other than Directors, Promoters and Holders of GDRs and ADRs): Nil**

**E) Shareholding of Directors and Key Managerial Personnel:**

| Sl. No. | Shareholding of each Directors and each Key Managerial Personnel  | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|---------|---|---|----------------------------------|---|----------------------------------|
|         |   | No. of shares                             | % of total shares of the Company | No. of shares                           | % of total shares of the Company |
|         | At the beginning of the year –  |   |                                  |   |                                  |
| 1.      | Managing Director, KSIIDC   | 30  | 0.001%                           | 30                                      | 0.001%                           |
| 2       | Managing Director, MSIL/ Key Managerial Personnel   | 10  | 0.0005%                          | 10                                      | 0.0005%                          |
|         | Date-wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.): |   |                                  |   |                                  |
|         | At the end of the year – There is no change in the shareholdings  | No. change                                |                                  |   |                                  |

**V. INDEBTEDNESS - Indebtedness of the Company including interest outstanding/accrued but not due for payment.**

(Rs. in lakhs)

|   | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year |                                  |                 |          |                    |
| i) Principal Amount                                 | -                                | -               | -        | -                  |
| ii) Interest due but not paid                       | -                                | 53.88           | -        | 53.88              |
| iii) Interest accrued but not due                   | -                                | -               | -        | -                  |
| Total (i+ii+iii)                                    |                                  | 53.88           | -        | 53.88              |
| Change in Indebtedness during the financial year    |                                  |                 |          |                    |
| * Addition  |                                  |                 |          |                    |
| * Reduction   |                                  |                 |          |                    |
| Net Change  |                                  |                 |          |                    |
| Indebtedness at the end of the financial year       |                                  |                 |          |                    |
| i) Principal Amount                                 |                                  |                 |          |                    |
| ii) Interest due but not paid                       | -                                | 53.88           | -        | 53.88              |
| iii) Interest accrued but not due                   |                                  |                 |          |                    |
| Total (i+ii+iii)                                    | -                                | 53.88           | -        | 53.88              |

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Rs. in lakh)

| Sl.No. | Particulars of Remuneration   | Name of MD/WTD/ Manager |          |          |          | Total Amount |
|--------|---|-------------------------|----------|----------|----------|--------------|
|        |   | MD*                     | ----     | ----     | ---      |              |
| 1      | Gross salary  |                         |          |          |          |              |
|        | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 7.88                    | -        | -        | -        | 7.88         |
|        | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                             | -                       | -        | -        | -        | -            |
|        | (c) Profits in lieu of salary under Section 17(3) Income- tax Act, 1961             |                         |          |          |          |              |
| 2      | Stock Option  |                         |          |          |          |              |
| 3      | Sweat Equity  |                         |          |          |          |              |
| 4      | Commission - as % of profit - others, specify...                                    |                         |          |          |          |              |
| 5      | Others, please specify  | -                       | -        | -        | -        | -            |
|        | <b>Total (A)</b>  | <b>7.88</b>             | <b>-</b> | <b>-</b> | <b>-</b> | <b>7.88</b>  |
|        | <b>Ceiling as per the Act</b>   |                         |          |          |          |              |

\* Period of salary to the MD is from April 1, 2016 to 21.09.2016

**B. Remuneration to other Directors**

| Sl.No. | Particulars of Remuneration   | Name of Directors             |         |  |  | Total Amount |
|--------|---|-------------------------------|---------|--|--|--------------|
| 1      | Independent Directors:<br>Fee for attending Board Committee Meetings – Rs.1,000/- per Meeting | Shri. D.V. Prasad, IAS        | 3000.00 |  |  |              |
|        |   | Shri. Hampan Gowda Badarli    | Nil     |  |  |              |
|        |   | Dr. G.C. Prakash, IAS         | Nil     |  |  |              |
|        |   | Shri Ritesh Kumar Singh, IAS  | 1000.00 |  |  |              |
|        |   | Smt. Renuka Chidambaram, IAS  | 2000.00 |  |  |              |
|        |   | Shri Gaurav Gupta, IAS        | 2000.00 |  |  |              |
|        |   | Shri Naveen Raj Singh, IAS    | 4000.00 |  |  |              |
|        |   | Shri Rafik Ahmed B. Pakali    | 4000.00 |  |  |              |
|        |   | Shri N. Balraj                | 4000.00 |  |  |              |
|        |   | Shri R. Thamanna              | 4000.00 |  |  |              |
|        |   | Shri Gunashekar               | 4000.00 |  |  |              |
|        |   | Smt. Anuradha Basavaraj Tapli | 4000.00 |  |  |              |
|        |   | Shri Chaluvvaraju             | 7000.00 |  |  |              |
|        |   | Shri K. Venkataswamappa       | 4000.00 |  |  |              |
|        |   | Shri Sanath Kumar S.R         | 7000.00 |  |  |              |
|        |   | Shri. M.S. Shridhara          | 3000.00 |  |  |              |
|        | Commission  |                               |         |  |  |              |
|        | Others, please specify  |                               |         |  |  |              |
|        | <b>Total (1)</b>  |                               |         |  |  |              |
| 2      | Other Non-Executive Directors   |                               |         |  |  |              |
|        | Fee for attending Board Committee Meetings  |                               |         |  |  |              |
|        | Commission  |                               |         |  |  |              |
|        | Others, please specify  |                               |         |  |  |              |
|        | <b>Total (2)</b>  |                               |         |  |  |              |
|        | <b>Total (B)=(1+2)</b>  |                               |         |  |  |              |
|        | <b>Total Managerial Remuneration</b>  |                               |         |  |  |              |
|        | <b>Overall Ceiling as per the Act</b>   |                               |         |  |  |              |

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

(Rs. in lakhs)

| Sl.No. | Particulars of Remuneration   | Key Managerial Personnel |       |       |       |
|--------|---|--------------------------|-------|-------|-------|
|        |   | CEO                      | CS    | CFO   | Total |
| 1      | Gross salary  |                          |       |       |       |
|        | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 |                          | 13.50 | 15.10 | 28.60 |
|        | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                             |                          | 0.27  | 1.99  | 2.26  |
|        | (c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961              |                          | -     | -     | -     |
| 2      | Stock Option  |                          | -     | -     | -     |
| 3      | Sweat Equity  |                          |       |       |       |
| 4      | Commission  |                          |       |       |       |
|        | - as % of profit  |                          |       |       |       |
|        | Others, specify...  |                          |       |       |       |
| 5      | Others, please specify  |                          |       |       |       |
|        | Total   |                          | 13.77 | 17.09 | 30.86 |

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

| Type                                | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|------------------------------|------------------------------------|
| <b>A. COMPANY</b>                   |                              |                   | <b>Nil</b>  |                              |                                    |
| Penalty                             |                              |                   |   |                              |                                    |
| Punishment                          |                              |                   |   |                              |                                    |
| Compounding                         |                              |                   |   |                              |                                    |
| <b>B. DIRECTORS</b>                 |                              |                   | <b>Nil</b>  |                              |                                    |
| Penalty                             |                              |                   |   |                              |                                    |
| Punishment                          |                              |                   |   |                              |                                    |
| Compounding                         |                              |                   |   |                              |                                    |
| <b>C. OTHER OFFICERS IN DEFAULT</b> |                              |                   | <b>Nil</b>  |                              |                                    |
| Penalty                             |                              |                   |   |                              |                                    |
| Punishment                          |                              |                   |   |                              |                                    |
| Compounding                         |                              |                   |   |                              |                                    |

## Annexure - II

### STATEMENT PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

In accordance with the General Circular No: 2/2011 dated 8 February, 2011, issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, the Statement of Profit and Loss and other documents of the subsidiary are not being attached with the Annual Accounts of the Company. The annual Accounts of the subsidiary company and related information will be made available to the shareholders of the Company and its subsidiary company on request and will also be kept open for inspection by the shareholders at the Registered Office of the Company and the subsidiary.

|  |  |
|--|--|
| <b>Name of Subsidiary Company</b>      | <b>M/s Mysore Chrome Tanning Company Limited</b> |
| <b>Issued &amp; Subscribed Capital</b> | <b>Rs.75,74,040/-</b>                            |
| <b>Reserves</b>                        | <b>Rs. (8,53,43,026)/-</b>                       |
| <b>Total Assets</b>                    | <b>Rs. 1,30,13,499/-</b>                         |
| <b>Total Liabilities</b>               | <b>Rs.9,83,56,525/-</b>                          |
| <b>Investments</b>                     | -  |
| <b>Turnover</b>                        | -  |
| <b>Profit/(Loss)before Tax</b>         | <b>Rs. 5,95,572/-</b>                            |
| <b>Provision for Tax</b>               | <b>Rs. 1,85,500/-</b>                            |
| <b>Profit/(Loss) After Tax</b>         | <b>Rs. 4,10,072/-</b>                            |
| <b>Proposed Dividend</b>               | <b>Nil</b>                                       |

|  |   |
|--|---|
| <b>Name of Subsidiary Company</b>      | <b>M/s Marketing Communication &amp; Advertising Ltd.</b> |
| <b>Issued &amp; Subscribed Capital</b> | <b>Rs. 3,57,25,200/-</b>                                  |
| <b>Reserves</b>                        | <b>Rs. 98,51,37,001/-</b>                                 |
| <b>Total Assets</b>                    | <b>Rs.1,71,36,77,648/-</b>                                |
| <b>Total Liabilities</b>               | <b>Rs.72,85,40,647/-</b>                                  |
| <b>Investments</b>                     | -   |
| <b>Turnover</b>                        | <b>Rs. 216,45,15,743/-</b>                                |
| <b>Profit/(Loss)before Tax</b>         | <b>Rs. 20,83,86,967/-</b>                                 |
| <b>Provision for Tax</b>               | <b>Rs. 6,00,00,000/-</b>                                  |
| <b>Profit/(Loss) After Tax</b>         | <b>Rs. 13,89,95,845/-</b>                                 |
| <b>Proposed Dividend</b>               | <b>Rs. 35,72,520/-</b>                                    |

**Annexure - III**  
**FORM NO. MR-3**

**SECRETARIAL AUDIT REPORT**

**For The Financial Year Ended 31st March 2017**

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

To,

The Members,

**MYSORE SALES INTERNATIONAL LIMITED**

I/We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **MYSORE SALES INTERNATIONAL LIMITED** (U85110KA1966SGC001612) having its Registered Office at, MSIL HOUSE, 36, CUNNINGHAM ROAD, BANGALORE 560052 (**hereinafter called the Company**).

The Company is a "Government Company" and is mainly engaged in trading activities besides Chit Fund Business and Tours and Travels. It is a Wholly owned Subsidiary of Karnataka State Industrial Investment and Development Corporation (KSIIDC) a wholly owned Government of Karnataka Company. As per the Articles of Association, the Company is also required to comply with the directions and guidelines issued by Government of Karnataka from time to time. As per Notification No.G.S.R., 463(E) dated 5th June 2015 by Ministry of Corporate Affairs, Government Companies are exempted from complying with some of the provisions of the Companies Act, 2013.

Secretarial Audit was conducted in a manner that provided me/us a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing my opinion thereon.

Based on my/our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I/We hereby report that in my/our opinion, the Company has, during the audit period covering the financial year ended on 31st March 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I/we have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2017, according to the provisions of:

- a) The Companies Act, 2013 (the Act) and the Rules made thereunder; The Company has framed Policy on Corporate Social Responsibility (CSR) and has contributed Rs. 2 Crore to Chief Minister 's Relief Fund and Rs. 17,25,000 to other institutions towards CSR activities/ projects. A proposal is under consideration for issue of further shares.
- b) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- c) The Karnataka Chit Fund Act, 1982 (We were informed that for Chit Fund Business, the Company is not required to be classified as a Non Banking Finance Company)

- d) Karnataka Excise Act, 1968
- e) Karnataka Shops and Commercial Establishment Act, 1961
- f) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Exchange Earnings and Outflow
- g) The Karnataka Tax On Professions, Trades, Callings And Employment Act, 1976
- h) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- i) Employees Provident Fund and Miscellaneous Provisions Act, 1952
- j) Maternity Benefits Act, 1961
- k) Minimum Wages Act, 1948
- l) Payment of Bonus Act, 1965
- m) Payment of Gratuity Act, 1972
- n) Payment of Wages Act, 1936
- o) Apprentices Act, 1961
- p) Essential Commodities Act, 1955
- q) Licence/Registration for retailing pharmacy products

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

- a. Secretarial Standards issued by The Institute of Company Secretaries of India (w.e.f, 1st July 2015).
- b. I/we further report that, the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and a Women Director as required under the proviso to Section 149 (1) and Notification NO G.S.R. ,463(E) dated 5th June 2015 by Ministry of Corporate Affairs, Government of India.
- c. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- d. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

- e. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

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

I/we further report that during the audit period, the Company:

- (i) Has not issued any Public/Right/Preferential shares / debentures/sweat equity, etc.
- (ii) Was not required to Redeem /buy back securities.
- (iii) No Major decisions were taken by the members in pursuance to Section 180 of the Companies Act, 2013
- (iv) Has not undertaken Merger / amalgamation / reconstruction, etc. - NIL
- (v) Has not entered into Foreign technical collaborations – NIL

In general, it was observed that the Company, being a Government Company and subject to CAG Audit, is maintaining all the required records properly and have established systems and procedures for complying with various applicable laws.

Place: Bengaluru  
Date: August 7, 2017

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



**Form AOC -1**

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

**Part A : Subsidiaries**

| Sl. No. | Name of the Subsidiary Company                | Reporting Period | Reporting Currency | Share Capital (incl. Pref. Shares) | Reserves & Surplus | Total Assets | Total Liabilities (excluding Share Capital & Reserves) | Investments | Turnover | Other Income | Total Revenue | Profit / Loss before Taxation | Provision for Taxation (including Deferred Tax) | Profit / (Loss) after taxation | Proposed Dividend on Equity Shares % | Proposed Dividend on Equity Shares | % of Shareholding |
|---------|---|------------------|--------------------|------------------------------------|--------------------|--------------|--|-------------|----------|--------------|---------------|-------------------------------|---|--------------------------------|--------------------------------------|------------------------------------|-------------------|
| 1       | Marketing Communication & Advertising Limited | 31st March 2017  | Indian Rupee       | 357.25                             | 9707.59            | 16068.17     | 6003.33  | -           | 21234.21 | 435.16       | 21669.37      | 2210.39                       | 964.21  | 1246.18                        | 7.50%                                | 26.79                              | 100%              |
| 2       | The Mysore Chrome Tanning Company Limited     | 31st March 2017  | Indian Rupee       | 75.74                              | (853.43)           | 130.13       | 907.82   | -           | -        | 8.46         | 8.46          | 5.96                          | 1.85  | 4.11                           | -                                    | -                                  | 95.10%            |

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF MYSORE SALES INTERNATIONAL LIMITED, BENGALURU FOR THE YEAR ENDED 31ST MARCH 2017.**

The preparation of financial statements of **Mysore Sales International Limited, Bengaluru** for the year ended **31st March 2017** in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The Statutory Auditor / Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act, is responsible for expressing opinion on the financial statements under Section 143 of the Act, based on independent audit in accordance with the standard on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated **18th September 2017**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6) (a) of the Act of the financial statements of **Mysore Sales International Limited, Bengaluru** for the year ended **31st March 2017**. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. In view of the revision(s) made in '**Auditor's Report**', as a result of my audit observations highlighted during supplementary audit, I have no further comments to offer upon or supplement to the Statutory Auditor's report under Section 143(6) (b) of the Act.

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

Sd/-  
**(BIJIT KUMAR MUKHERJEE)**  
ACCOUNTANT GENERAL  
(ECONOMIC & REVENUE SECTOR AUDIT)  
KARNATAKA, BENGALURU

BENGALURU  
Date:21.09.2017

## TEN YEARS PERFORMANCE

### FINANCIAL HIGHLIGHTS FOR TEN YEARS

(Rs. in lakhs)

|  | 2007-08   | 2008-09  | 2009-10  | 2010-11  | 2011-12  | 2012-13  | 2013-14   | 2014-15   | 2015-16   | 2016-17          |
|--|-----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|------------------|
| Net Worth                                | 15818.07  | 15440.12 | 15737.73 | 16166.68 | 18412.05 | 20637.85 | 23701.53  | 26814.97  | 30051.70  | <b>33480.22</b>  |
| Paid-up Capital                          | 366.23    | 366.23   | 366.23   | 366.23   | 366.23   | 366.23   | 2017.66   | 2017.66   | 2017.66   | <b>2017.66</b>   |
| Share Application Money                  |           | 2397.76  | 2780.96  | 2780.96  | 3907.25  | 3907.25  | 2255.82   | 2255.82   | 2255.82   | <b>2255.82</b>   |
| Reserves & Surplus                       | 15451.84  | 12676.13 | 12590.54 | 13019.49 | 14138.57 | 16364.37 | 19428.05  | 22541.49  | 25778.22  | <b>29206.74</b>  |
| Borrowings from Banks                    | -         | -        | 402.90   | -        | -        | -        | -         | -         | -         | -                |
| Net Fixed Assets                         | 1257.75   | 2160.38  | 3249.19  | 3999.03  | 4071.36  | 4097.95  | 4221.84   | 5624.66   | 5626.25   | <b>6225.01</b>   |
| Turnover                                 | 25717.78  | 26487.56 | 28637.27 | 50897.06 | 71749.54 | 97828.66 | 120066.32 | 146039.32 | 151490.75 | <b>161407.69</b> |
| Profit before Tax                        | (2012.14) | (471.77) | (420.32) | 831.09   | 3160.37  | 3528.05  | 4660.26   | 6052.27   | 5400.50   | <b>5699.87</b>   |
| Dividend                                 | -         | -        | -        | -        | -        | -        | 10%       | 10%       | 10%       | <b>10%</b>       |
| Net Earning after tax per share (in Rs.) | (109.00)  | (147.00) | (23.00)  | 146.00   | 755.35   | 625.69   | 162.96    | 166.36    | 178.71    | <b>181.68</b>    |
| Net Worth per Share (in Rs.)             | 3658.46   | 4215.96  | 4297.23  | 4414.35  | 3960.57  | 4568.33  | 1062.90   | 1217.21   | 1377.63   | <b>1547.56</b>   |

**SUMMARISED PROFIT AND LOSS ACCOUNT FOR TEN YEARS**

(Rs. in lakhs)

|                                   | <b>2007-08</b>   | <b>2008-09</b> | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b>  | <b>2016-17</b>   |
|-----------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|------------------|
| Turnover                          | 25717.78         | 26487.56       | 28637.27       | 50897.06       | 71749.54       | 97828.66       | 120066.32      | 146039.32      | 151490.75       | <b>161407.69</b> |
| Gross Income                      | 11435.43         | 5604.82        | 3795.04        | 4946.44        | 8204.97        | 10751.19       | 12325.68       | 14919.86       | 15490.81        | <b>16453.84</b>  |
| Selling & Administrative Expenses | 9403.00          | 5012.49        | 2495.37        | 3830.23        | 6105.53        | 6646.46        | 6965.11        | 8923.90        | 9636.88         | <b>10433.61</b>  |
| Interest                          | 3093.80          | 41.38          | 26.93          | 26.05          | 28.78          | 51.58          | 30.76          | 48.68          | 145.35          | <b>2.44</b>      |
| Depreciation                      | 259.77           | 194.66         | 110.45         | 131.75         | 229.07         | 245.46         | 280.77         | 291.01         | 255.39          | <b>285.21</b>    |
| Provision/Write off               | 691.00           | 828.06         | 1582.61        | 233.86         | 328.48         | 302.75         | 399.05         | 47.72          | 91.36           | <b>50.60</b>     |
| <b>TOTAL</b>                      | <b>113447.57</b> | <b>6076.59</b> | <b>4215.36</b> | <b>4221.89</b> | <b>6691.86</b> | <b>7246.25</b> | <b>7675.69</b> | <b>9311.31</b> | <b>10128.98</b> | <b>10771.86</b>  |
| Profit before tax                 | (2012.14)        | (471.77)       | (420.32)       | 724.55         | 1513.11        | 3504.94        | 4649.99        | 5608.55        | 5361.83         | <b>5681.98</b>   |
| Provision for taxation            | 131.33           | 12.86          | -              | -              | 1080.78        | 1313.16        | 1372.76        | 2252.67        | 1923.22         | <b>1978.80</b>   |
| Deferred Tax Credit               | (276.77)         | 128.60         | 334.73         | (295.60)       | (686.75)       | (76.58)        | (20.96)        | (0.62)         | (167.21)        | <b>37.48</b>     |
| Profit after tax                  | (2420.24)        | (356.03)       | (85.59)        | 428.95         | 1119.08        | 2268.36        | 3298.19        | 3356.50        | 3605.82         | <b>3665.70</b>   |

**SUMMARISED BALANCE SHEET FOR TEN YEARS**

(Rs. in lakhs)

|                              | 2007-08         | 2008-09         | 2009-10         | 2010-11         | 2011-12         | 2012-13         | 2013-14         | 2014-15         | 2015-16         | 2016-17         |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>OWN FUNDS</b>             |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Share Capital                | 366.23          | 366.23          | 366.23          | 366.23          | 366.23          | 366.23          | 2017.66         | 2017.66         | 2017.66         | <b>2017.66</b>  |
| Share Application Money      | -               | 2397.76         | 2780.96         | 2780.96         | 3907.25         | 3907.25         | 2255.82         | 2255.82         | 2255.82         | <b>2255.82</b>  |
| Reserves & Surplus           | 13032.16        | 12676.12        | 12590.54        | 13019.49        | 14138.57        | 16364.37        | 19428.05        | 22541.49        | 25778.22        | <b>29206.74</b> |
| <b>TOTAL</b>                 | <b>13398.39</b> | <b>15440.11</b> | <b>15737.73</b> | <b>16166.68</b> | <b>18412.05</b> | <b>20637.85</b> | <b>23701.53</b> | <b>26814.97</b> | <b>30051.70</b> | <b>33480.22</b> |
| <b>LOAN FUNDS</b>            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Short-Term Loan              | 1698.30         | 1601.23         | 784.45          | 753.05          | 77.42           | 53.88           | 53.88           | 53.88           | 53.88           | <b>53.88</b>    |
| Funds Employed               | 1698.30         | 1601.23         | 784.45          | 753.05          | 77.42           | 53.88           | 53.88           | 53.88           | 53.88           | <b>53.88</b>    |
| Deferred Tax Liability (Net) | 106.02          | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| <b>TOTAL</b>                 | <b>15202.71</b> | <b>17041.34</b> | <b>16522.18</b> | <b>16919.73</b> | <b>18489.47</b> | <b>20691.73</b> | <b>23755.41</b> | <b>26868.85</b> | <b>30105.58</b> | <b>33534.10</b> |
| <b>APPLICATION OF FUNDS</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Fixed Assets                 | 1257.75         | 2160.38         | 3249.19         | 3999.03         | 4071.36         | 4097.95         | 4221.84         | 5624.66         | 5626.25         | <b>6225.01</b>  |
| Investments                  | 1322.06         | 1336.06         | 1336.06         | 1336.06         | 1336.06         | 1336.06         | 1336.06         | 1336.06         | 1336.51         | <b>1346.00</b>  |
| Deferred Tax Asset (Net)     | -               | 22.58           | 357.31          | 61.71           | 748.46          | 825.04          | 846.00          | 846.62          | 1013.83         | <b>976.35</b>   |
| Working Capital              | 12622.90        | 13522.32        | 11579.61        | 11522.93        | 12333.59        | 14432.68        | 17351.51        | 19061.51        | 22128.99        | <b>24986.74</b> |
| <b>TOTAL</b>                 | <b>15202.71</b> | <b>17041.34</b> | <b>16522.17</b> | <b>16919.73</b> | <b>18489.47</b> | <b>20691.73</b> | <b>23755.41</b> | <b>26868.85</b> | <b>30105.58</b> | <b>33534.10</b> |

## REVISED INDEPENDENT AUDITORS' REPORT

To

**The Members of**

**Mysore Sales International Limited**

**Report on the financial statements**

We have audited the accompanying financial statements of Mysore Sales International Limited which comprises the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information on that date and submitted our report on 7th August 2017. Subsequently the audit report have undergone revision in the light of observations of the Comptroller and Auditor General of India. This supersedes our earlier report dated 7th August 2017.

### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. While conducting the Audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143 (10) of the Companies Act 2013, those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

- The Company has provided for proposed equity dividend of Rs.2,01,76,600/- and Dividend distribution tax of Rs.35,62,021/- for the year ended 31st March, 2017, on profits earned during the year under review, which was not approved by the shareholders as on 31st March, 2017

. To that extent we opine that the liabilities are overstated (as per the Accounting Standard 29 provisions, contingent liabilities and contingent assets).

- In Inventory of Paper Division includes unusable inventory of 76.10 MT valued at Rs.39160.25per MT, as on 31st March 2017, where as the accepted tender value for sale of the said inventory was Rs.11517.82 per MT. In accordance with AS-2, the said inventory should have been valued at Rs.11517.82 per MT. This has resulted in overstatement of Inventory and profit to the extent of Rs.21,03,,589/-.
- We draw attention to Note No. 32 on the construction of Karnataka Bhavan at Mumbai -The right of the Company on the building being constructed on land belonging to City & Industries Development Corporation of Maharashtra (CIDCO) leased to Government of Karnataka (GoK) under BOOT Contract is dependent on execution of 'Lease Agreement' between GoK and CIDCO. The Company has obtained occupancy certificate from Navi Mumbai Municipal Corporation on 10th March 2016 and Company also paid Rs.14,11,556/- towards property tax for the financial year 2016-17, capital expenditure incurred Rs.33.82 crores is classified as CWIP. To that extent Fixed assets are understated and depreciation is not ascertainable.
- In the absence of confirmation of balances in respect of Trade Payables, Other Current Liabilities, Trade Receivables and Advances / Trade Deposits pertaining to all divisions, consequent impact on reconciliations, thereof, if any, on the profit / loss and the assets / liabilities is not ascertainable.

#### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph , the aforesaid financial statements give the information required

by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the Company, as at 31st March 2017, and their Profit and their cash flow for the year ended on that date.

#### Emphasis of the matter:

We draw attention to the following matters in the Notes to the financial statements :

- Note No. 51 (i) The Company has made a provision of Rs 3.00 crores against Rs 12.00 crores (inclusive of interest up to 31-03-2017 at 6% per annum) decreed in favour of the insurance companies being 25% of the total claim. The Company assumes only 1/4th of the liability as insurance companies and Customs Department are also parties to the transaction.
- We draw attention to Note No. 51 Contingent liability does not includes the claim made by The Director, Directorate of Pension, Small Savings Asset Monitoring towards short remittance of sale proceeds and interest on delayed remittance, amounting to Rs.46,09,86,366/- vide their letter dt.08.03.2017. Since Full and Final settlement made and intimated by the Company vide letter dt. 18.10.2016 , where in Company stated clearly that the payment of Rs.3,52,60,961/- is towards full and final settlement and no further claim payable by the Company pertaining to the above transaction, the letter also acknowledged.
- We draw attention to Note no.41 to the financial statements which describes the non provision of interest on loan received from Government of Karnataka.
- We draw attention to Note No 51 (excluding SI No 4) to the financial statements, Contingent Liabilities, which describe the uncertainty related to the outcome of the claims / arbitration proceedings and lawsuits filed by / against the Company.

Our opinion is not qualified in respect of these matters.

### Other Matters

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

Our opinion is not qualified in respect of this matter.

### Report on Other Legal and Regulatory requirements

- As required by the Companies (Auditor's Report) order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the Order.
- As required by Section 143(3) of the Act, we report to the extent applicable that:
  - 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 of the financial statements.
  - 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.
  - The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the relevant books maintained for the purpose of preparation of the financial statements.
  - In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
- With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B and
- 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;
  - The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 39,43 & 51 to the financial statements;
  - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
  - The Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 08th November, 2016 to 30th December, 2016 and they are in accordance with the books of accounts maintained by the Company.
  - As required by section 143(5) of the Act, we report that:
    - The Company is having clear title / lease deeds for freehold and leasehold land and immovable properties, as disclosed in the financials for the period ended 31st March, 2017.
    - As per the information and explanations given to us, the Company has not been selected for disinvestment.
    - During the year we have noticed that Company written off as Bad Debts amounting to Rs. NIL (Rs. 46.67 lakhs).



- The Company in the case of Paper Division is maintaining inventories with third parties (Converters) inventory records and confirmations for stocks held by Converters are maintained on record.
- The Company has adequate monitoring mechanism and analysis for pending legal / arbitration cases including the reasons for pendency and also monitoring of expenditure incurred towards legal expenses.
- Liquor inventory and Paper inventory constitutes the major portion of total value of inventory, in both the divisions the inventory is monitored in the computer system. In paper division inventory lying with converters the inventory is monitored periodically, closing stock confirmations received from converters are reconciled with the book stocks, during the year.
- The Company has effective system for recovery of dues in respect of sales activities, recovery is monitored through computerized environment. All the outstanding receivables have been recorded in the books of accounts.
- The Company has effective monitoring system for physical verification , valuation of stocks, any excess or shortage in inventory is accounted as per the accepted consistently followed company policy, the procedure followed by the company is adequate.
- Company is maintaining all the transactions data in computerized environment.

**For M/s. P. CHANDRASEKAR LLP**

Chartered Accountants

Firm Reg no : 000580S/S200066

Place: Bangalore

Date: 18.09.2017

**Mani Kumar.D**

Partner

Membership No.212544

## **“Annexure B ” to the Revised Independent Auditor’s Report of even date on the Financial Statements of Mysore Sales International Limited**

Report on the Internal Financial Controls under Clause (f) 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 Mysore Sales International Limited (“the Company”) as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### **Management’s Responsibility for Internal Financial Controls**

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 company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditors’ Responsibility**

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

applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require

that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls 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 judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

### **Meaning of Internal Financial Controls Over Financial Reporting**

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial 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:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are

subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **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, 2017, 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 M/s. P. CHANDRASEKAR LLP**

Chartered Accountants

Firm Reg no : 000580S/S200066

Place: Bangalore

Date: 18.09.2017

**Mani Kumar.D**

Partner

Membership No.212544

## ANNEXURE A TO THE REVISED INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under the heading "Report on the other legal and regulatory requirements of our report of even date)

- i) In respect of Fixed Assets:
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) As explained to us, fixed assets have been physically verified during the year by the Management.
  - (c) Title deeds of immovable properties are held in the name of the Company.
- ii) In respect of Inventories:
  - (a) The Management has conducted physical verification of Inventory, at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
  - (b) In our opinion the procedures for the physical verification of Inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory, no material discrepancies were noticed on physical verification of inventory.
- iii)
  - (a) As explained to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act. Therefore, the provisions of clause (iii) of paragraph 3 of the CARO 2016 are not applicable to the Company.
  - (b) In respect of loans , investments, guarantees and security , provisions of section 185 and 186 of the Companies Act 2013, have been complied with.
- iv) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public therefore the provisions of clause (v) of paragraph 3 of the CARO 2016 are not applicable to the Company.
- v) The Central Government has not prescribed the maintenance of cost records under section 148 (1) of the Companies Act 2013.
- vi) According to the information and explanations given to us, in respect of statutory dues:
  - a. According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-tax, Sales Tax, Service Tax, Cess and any other statutory dues with the appropriate authorities.
  - b. There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, sales tax, value added tax, cess and other statutory dues in arrears as at 31st March, 2017 for a period of more than six months from the date they become payable.
  - c. Details of dues of Service tax and Income tax which have not been deposited as on 31st March, 2017 on account of disputes are given below:

| Sl. No. | Name of the Statute  | Nature of dues  | Forum where Dispute is pending                              | Period to which amount relates | Amt.Rs. In Cr. | Amt. Deposited Rs.in Cr.* | Balance Rs. In Cr. |
|---------|----------------------|---|---|--------------------------------|----------------|---------------------------|--------------------|
| 1       | Finance Act, 1994    | Service Tax   | Customs, Excise and Service Tax Appellate Tribunal          | 2005-06 and 2006-07            | 0.48           | 0.10                      | 0.38               |
| 2       | Finance Act, 1994    | Service Tax   | Customs, Excise and Service Tax Appellate Tribunal          | 2002-03 and 2003-04            | 0.26           | 0.20                      | 0.06               |
| 3       | Finance Act, 1994    | Service Tax   | Customs, Excise and Service Tax Appellate Tribunal          | 2003-04 to 2005-06             | 0.37           | 0.37                      | 0.00               |
| 4       | Finance Act, 1994    | Service Tax   | Commissioner (LTU)  | June 2007 to March 2011        | 0.13           | 0.00                      | 0.13               |
| 5       | Finance Act, 1994    | Service Tax   | Customs, Excise and Service Tax Appellate Tribunal          | 2007-08 and 2008-09            | 0.36           | 0.10                      | 0.26               |
| 6       | Income Tax Act, 1961 | Income tax, tax collection at source<br>income tax-tax collection at souce<br>Income Tax-interest on tax collection at source | Superme Court<br>High Court, Bengaluru<br><br>Supreme Court | 1995-96 to 2000-01             | 20.05          | 20.05                     | 0.00               |
|         |                      |   |   | 2001-02 to 2003-04             | 10.17          | 4.00                      | 6.17               |
|         |                      |   |   | 1994-95 to 1999-2000           | 30.67          | 0.00                      | 30.67              |
| 7       | Income Tax Act, 1961 | Disallowance under Income Tax Act   | CIT (appeals)   | AY 2010-11                     | 1.69           | 0.00                      | 1.69               |
|         | Income Tax Act, 1961 | Disallowance under Income Tax Act   | CIT (appeals)   | AY 2012-13                     | 0.26           | 0.00                      | 0.26               |
|         | Income Tax Act, 1961 | Disallowance under Income Tax Act   | CIT (appeals)   | AY 2014-15                     | 1.08           | 0.00                      | 1.08               |

\*excluding interest

- vii) As per the information and explanations given to us and based on records verified by us, we state that the Company has not defaulted in repayment of loans or borrowings to a Financial institution, Bank or Government.
- viii) As per the information and explanations given to us and based on records verified by us, during the year Company has not raised monies by way of initial public offer or further public offer (including debt instruments) and term loans.
- ix) In our opinion, according to the information provided to us, based on our audit checks and on an overall examination of the books and records of the Company, no fraud on or by the Company has been noticed or reported during the year.
- x) Managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
- xi) In our opinion and as per the information and explanations given to us, the provisions of special statute applicable to Chit Fund business have been complied with by the Company in respect of Chit Fund business. Further, the Company is not a Nidhi company. Therefore, the provisions of clause (xii) of paragraph 3 of CARO 2016 are not applicable to the company.
- xii) The transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 and the details have been disclosed in the financial statements as required by the applicable accounting standards.
- xiii) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xiv) The Company has not entered into any non-cash transactions with directors or persons connected with him for the period under review.
- xv) The Company is not a Non-Banking Finance Company. Therefore, the provisions of Clause (xvi) of paragraph 3 of the CARO 2016 are not applicable to the Company.

**For M/s. P.CHANDRASEKAR LLP**

Chartered Accountants

Firm Reg no : 000580S/S200066

Place: Bengaluru

Date: 18.09.2017

**Mani Kumar.D**

Partner

Membership No.212544

**MYSORE SALES INTERNATIONAL LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH 2017**

(Amount in Rupees)

| Particulars  | Note No. | As at 31-3-2017 |                      | As at 31-3-2016 |                      |
|--|----------|-----------------|----------------------|-----------------|----------------------|
| <b>I. EQUITY AND LIABILITIES</b>                     |          |                 |                      |                 |                      |
| <b>(1) Shareholder's funds</b>                       |          |                 |                      |                 |                      |
| (a) Share Capital                                    | 3        | 201,766,000     |                      | 201,766,000     |                      |
| (b) Reserves and Surplus                             | 4        | 2,920,674,404   | 3,122,440,404        | 2,577,821,892   | 2,779,587,892        |
| <b>(2) Share application money pending allotment</b> |          |                 | 225,581,779          |                 | 225,581,779          |
| <b>(3) Non-current Liabilities</b>                   |          |                 |                      |                 |                      |
| (a) Other Long-term liabilities                      | 5        | 805,583,312     |                      | 779,843,149     |                      |
| (b) Long-term provisions                             | 6        | 103,263,658     | 908,846,970          | 98,729,346      | 878,572,495          |
| <b>(4) Current Liabilities</b>                       |          |                 |                      |                 |                      |
| (a) Trade payables                                   | 7        | 1,113,960,906   |                      | 1,114,986,890   |                      |
| (b) Other current liabilities                        | 8        | 393,261,416     |                      | 223,934,833     |                      |
| (c) Short-term provisions                            | 9        | 393,083,486     | 1,900,305,808        | 395,365,230     | 1,734,286,953        |
| <b>TOTAL</b>   |          |                 | <b>6,157,174,961</b> |                 | <b>5,618,029,119</b> |
| <b>II. ASSETS :-</b>                                 |          |                 |                      |                 |                      |
| <b>(1) Non-current Assets</b>                        |          |                 |                      |                 |                      |
| (a) Fixed Assets :-                                  | 10       |                 |                      |                 |                      |
| (i) Tangible assets                                  |          | 278,591,546     |                      | 245,307,991     |                      |
| (ii) Intangible assets                               |          | 3,668,740       |                      | 4,144,625       |                      |
| (iii) Capital work-in-progress                       |          | 340,240,465     |                      | 313,172,589     |                      |
| (b) Non-current investments                          | 11       | 134,600,831     |                      | 133,650,831     |                      |
| (c) Deferred tax assets (net)                        | 12       | 97,635,096      |                      | 101,382,759     |                      |
| (d) Long-term loans and advances                     | 13       | 889,955,086     |                      | 955,062,973     |                      |
|  |          |                 | 1,744,691,764        |                 | 1,752,721,768        |
| <b>(2) Current Assets</b>                            |          |                 |                      |                 |                      |
| (a) Inventories                                      | 14       | 942,540,438     |                      | 786,428,124     |                      |
| (b) Trade receivables                                | 15       | 195,105,223     |                      | 87,489,194      |                      |
| (c) Cash and Bank Balances                           | 16       | 2,109,390,121   |                      | 1,630,604,527   |                      |
| (d) Short-term loans and advances                    | 17       | 1,031,673,708   |                      | 1,213,664,178   |                      |
| (e) Other current assets                             | 18       | 133,773,707     | 4,412,483,197        | 147,121,328     | 3,865,307,351        |
| <b>TOTAL</b>   |          |                 | <b>6,157,174,961</b> |                 | <b>5,618,029,119</b> |

Significant accounting policies, Notes on Accounts and Cash Flow Statement form an integral part of financial statements.

**For Mysore Sales International Limited**

As per our Report of Even date  
**For M/s P. Chandrasekar**  
Chartered Accountants  
Firm's Regn. No. 000580S/S200066

Sd/-  
**A.M.Chandrappa**  
Chief Financial Officer

Sd/-  
**Sridevi B N**  
Company Secretary

Sd/-  
**Dr. G.C. Prakash**  
Managing Director

Sd/-  
**Hampan Gowda Badarili**  
Chairman

Sd/-  
**D. Mani Kumar**  
Partner  
Membership No. 212544

Place :Bengaluru  
Date : 07.08.2017

**MYSORE SALES INTERNATIONAL LIMITED**
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017**

(Amount in Rupees)

|       | Particulars   | Note No. | For the year ended<br>31.3.2017 | For the year ended<br>31.3.2016 |
|-------|---|----------|---------------------------------|---------------------------------|
| I.    | Revenue from operations   | 19       | 13,892,846,269                  | 12,839,807,005                  |
| II.   | Other income  | 20       | 185,515,629                     | 200,238,869                     |
| III.  | <b>Total Revenue ( I + II )</b>   |          | <b>14,078,361,898</b>           | <b>13,040,045,874</b>           |
| IV.   | <b>Expenses:</b>  |          |                                 |                                 |
|       | Cost of materials consumed  | 21       | 104,530,364                     | 103,310,484                     |
|       | Purchases of Stock-in-Trade   | 22       | 12,508,660,759                  | 11,530,308,952                  |
|       | Changes in inventories of finished goods<br>and stock-in-trade                    | 23       | (188,935,417)                   | (151,821,972)                   |
|       | Employee benefits expenses  | 24       | 230,845,036                     | 222,980,213                     |
|       | Finance costs   | 25       | 5,330,871                       | 19,208,864                      |
|       | Depreciations and amortization expenses   | 10       | 28,521,468                      | 25,538,958                      |
|       | Other expenses  | 26       | 818,447,377                     | 751,130,579                     |
|       | <b>Total expenses</b>   |          | <b>13,507,400,458</b>           | <b>12,500,656,078</b>           |
| V.    | <b>Profit before exceptional and extraordinary<br/>items and tax ( III - IV )</b> |          | <b>570,961,440</b>              | <b>539,389,795</b>              |
| VI.   | Extraordinary Items   |          | 1,283,155                       | 1,283,153                       |
| VII.  | <b>Profit after extraordinary items and tax (V-VI)</b>                            |          | <b>569,678,285</b>              | <b>538,106,642</b>              |
| VIII. | Prior Period items  | 27       | 1,788,661                       | 3,866,677                       |
| IX.   | <b>Profit before tax ( VII - VIII )</b>   |          | <b>567,889,624</b>              | <b>534,239,965</b>              |
| X     | <b>Tax expense:</b>   |          |                                 |                                 |
|       | (1) Current tax   |          | 197,773,538                     | 191,649,920                     |
|       | (2) Deferred tax  | 12       | 3,747,661                       | (16,721,090)                    |
| XI.   | <b>Profit (Loss) for the period from<br/>continuing operations (IX-X)</b>         |          | <b>366,368,425</b>              | <b>359,311,135</b>              |
|       | <b>Discontinuing Operations</b>   | 28       |                                 |                                 |
| XII.  | Profit/(loss) from discontinuing operations                                       |          | 308,691                         | 1,943,247                       |
| XIII. | Tax expenses of discontinuing operations  |          | 106,832                         | 672,519                         |
| XIV.  | Profit/(loss) from discontinuing operations<br>(after tax) (XII-XIII)             |          | 201,859                         | 1,270,728                       |
| XV.   | <b>Profit (Loss) for the period ( XI+XIV )</b>                                    |          | <b>366,570,284</b>              | <b>360,581,863</b>              |
| XVI.  | <b>Earnings per equity share:</b>   | 29       |                                 |                                 |
|       | (1) Basic   |          | <b>182</b>                      | <b>179</b>                      |
|       | (2) Diluted   |          | <b>182</b>                      | <b>179</b>                      |

Significant accounting policies, Notes on Accounts and Cash Flow Statement form an integral part of financial statements.

**For Mysore Sales International Limited**

 As per our Report of Even date  
**For M/s P. Chandrasekar**  
 Chartered Accountants  
 Firm's Regn. No. 000580S/S200066

 Sd/-  
**A.M.Chandruppa**  
 Chief Financial Officer

 Sd/-  
**Sridevi B N**  
 Company Secretary

 Sd/-  
**Dr. G.C. Prakash**  
 Managing Director

 Sd/-  
**Hampan Gowda Badarili**  
 Chairman

 Sd/-  
**D. Mani Kumar**  
 Partner  
 Membership No. 212544

 Place :Bengaluru  
 Date : 07.08.2017



**MYSORE SALES INTERNATIONAL LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017**

(Amount in Rupees)

| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             | <b>Current Year</b>  | <b>Previous Year</b> |
|--|----------------------|----------------------|
| <b>Net Profit before tax</b>                           | <b>568,219,163</b>   | <b>523,579,611</b>   |
| Adjustments for :                                      |                      |                      |
| Depreciation   | 28,521,468           | 38,237,463           |
| (Profit) /Loss on sale of fixed assets                 | (20,590)             | (21,817)             |
| Investment in Bank                                     | (950,000)            | (50,000)             |
| Write-off of investments                               | -                    | 5,000                |
| Interest and guarantee commission paid                 | 3,520,791            | 17,698,438           |
| Rent Received  | (28,925,050)         | (29,025,117)         |
| JV Share of (Income) / Loss                            | (31,751)             | (31,803)             |
| Interest Received                                      | (132,275,772)        | (143,346,246)        |
| Dividend Received                                      | (3,504,295)          | (2,344,987)          |
| <b>Operating Profit before working capital changes</b> | <b>434,553,967</b>   | <b>404,700,541</b>   |
| Adjustments for:                                       |                      |                      |
| Dec./ (Inc.) in Inventories                            | (156,112,314)        | (143,900,812)        |
| Dec./ (Inc.) in Sundry Debtors ( Net )                 | (107,616,029)        | 21,707,398           |
| Dec./ (Inc.) in Loans & Advances                       | 247,098,356          | (350,757,886)        |
| Dec./ (Inc.) in Other Current Assets                   | 13,347,621           | (22,210,351)         |
| Inc. / (Dec). in Current Liabilities & Provisions      | 172,554,709          | (149,774,812)        |
| Cash generated from operations                         | 603,826,311          | (240,235,922)        |
| Income Taxes Paid                                      | (197,880,370)        | (192,322,439)        |
| <b>Net Cash spent in operating activities</b>          | <b>405,945,941</b>   | <b>(432,558,361)</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |                      |                      |
| Purchase of Fixed Assets                               | (61,639,555)         | (9,852,820)          |
| Capital work in progress                               | (27,067,876)         | (69,757,450)         |
| Dividend Received                                      | 3,504,295            | 2,344,987            |
| Interest Received                                      | 132,275,772          | 143,346,246          |
| Rent Received  | 28,925,050           | 29,025,117           |
| JV Share of Income / (Loss)                            | 31,751               | 31,803               |
| Sale proceeds of Fixed Assets                          | 331,007              | 41,235,192           |
| <b>Net Cash generated from Investing Activities</b>    | <b>76,360,444</b>    | <b>136,373,074</b>   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>             |                      |                      |
| Interest and guarantee commission paid                 | (3,520,791)          | (17,698,438)         |
| <b>Net Cash used in financing activities</b>           | <b>(3,520,791)</b>   | <b>(17,698,438)</b>  |
| <b>Net Increase in Cash &amp; Cash Equivalents</b>     | <b>478,785,594</b>   | <b>(313,883,725)</b> |
| <b>Opening Cash &amp; Cash Equivalents</b>             | <b>1,630,604,527</b> | <b>1,944,488,252</b> |
| <b>Closing Cash &amp; Cash Equivalents</b>             | <b>2,109,390,121</b> | <b>1,630,604,527</b> |

**For Mysore Sales International Limited**

Sd/-  
**A.M. Chandrappa**  
 Chief Financial Officer

Sd/-  
**Sridevi B N**  
 Company Secretary

Sd/-  
**Dr. G.C. Prakash**  
 Managing Director

Sd/-  
**Hampan Gowda Badarli**  
 Chairman

As per our Report of Even date  
**For M/s P. Chandrasekar**  
 Chartered Accountants  
 Firm's Regn. No. 000580S/S200066  
 Sd/-

**D. Mani Kumar**  
 Partner  
 Membership No. 212544

Place : Bengaluru  
 Date : 07.08.2017

## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31-03-2017

### 1. COMPANY INFORMATION

Mysore Sales International Limited is a premier Government of Karnataka Undertaking, dealing with various products & services. It was established in 1966 as a trading house. Since then, the Company has grown primarily as a marketing force with a national presence. It is having a wide network of offices all over Karnataka as well as some important locations in the Country. It markets products and services such as dealing in Indian Made Foreign Liquor, conduct of chit funds, manufacturing and marketing of paper products, and Trading/Marketing of Pharmaceutical, Industrial and Consumer Products.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PREPARATION:

The financial statements of the Company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles in India ('Indian GAAP') to comply with the accounting Standards specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013. The Financial Statements have been prepared on accrual basis under the historical cost convention.

Accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the previous year, except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

#### B. USE OF ESTIMATES:

The preparation of Financial Statements in conformity with Indian GAAP requires the

management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the Financial Statements and reported amounts of income and expenses during the year. The management believes that the estimate used in the preparation of the Financial Statements are prudent and reasonable. Future results could defer due to these estimates and the difference between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

#### C. CASH FLOW STATEMENT

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. " set out in Accounting Standard 3 on " Cash flow statements" Under the indirect method, the net profit is adjusted for the effects of:

- I. Transactions of a non-cash nature
- II. Any deferrals or accruals of past or future operating cash receipts or payments and
- III. Items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents comprises Cash on hand and demand deposits with banks, bank balances in Current Account and other short term (with an original maturity of 12 months or less from the date of deposit) highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### D. REVENUE RECOGNITION:

##### 1) SALES, COMMISSION AND SERVICE CHARGES:

- a) Revenue on product sales and commission income on consignment sales are recognised on despatch.
- b) Service income is recognized as per the

terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

- c) Foreman’s commission, dividend income on Foreman’s statutory ticket, interest from defaulted non-prized/prized subscribers, documentation charges from prized subscribers of Chit Fund business and penal interest from hirers are recognised on cash basis due to uncertainty of its collection.

**II) OTHER INCOME:**

- a) Interest income on hire purchase sales is recognised on cash basis.
- b) Commission income due from liquor manufacturers for the period from 1.7.1990 to 13.2.1997, as per High Court directions, is accounted as and when such commission is realised.
- c) Interest income is recognised on accrual basis.
- d) Dividend income on investments and dividend from subsidiary companies are accounted for when the right to receive the payment is established.
- e) The Insurance claim is recognized as Income once the claim gets confirmed from the insurance Company.

**E. FIXED ASSETS AND DEPRECIATION:**

**Tangible Fixed Assets:**

- a. Tangible Fixed Assets are stated at cost of Acquisition or construction net of cen vat credit, grants, depreciation and impairment loss if any. Cost is inclusive of expenses incurred till the asset is put to use.
- b. Assets acquired on lease are amortised over the lease period.
- c. In cases of land acquired on lease cum sale, allotment consideration is capitalised along with yearly lease rental, if any.

- d. Capital work-in-progress represents expenditure incurred in respect of capital projects under development and are carried at cost. Cost includes related acquisition expenses, development costs, borrowing costs (wherever applicable) and other direct expenditure.
- e. Cost of construction of structures on leased assets are amortised over the period of lease.
- f. Fixed Assets fully depreciated or retained by maintaining nominal value of Re. 1 as residual value.

**Intangible Fixed Assets:**

- a. Intangible Assets are stated at acquisition cost net of accumulated amortisation and accumulated impairment losses if any. Software/technical/licenses are capitalised where it is expected to provide future economic benefits.

**F. DEPRECIATION AND AMORTISATION:**

- a. Depreciation on tangible fixed assets has been provided on straight line method on the basis of useful life prescribed in schedule II to the Companies Act 2013. In respect of certain categories of assets, in whose case the life of the assets has been assessed based or technical advice, taking in to account the nature of the assets, the estimated usage of the asset the operating conditions of the asset, past history of replacement and maintenance support etc., consider for depreciation computation is given below:-

|    | <b>Category of Asset</b>                 | <b>Useful life</b> |
|----|--|--------------------|
| a. | Fire Fighting Equipments                 | 20 years           |
| b. | Furniture and Fixtures in liquor outlets | 5 years            |
| c. | Furniture and Fixtures – Others          | 10 years           |
| d. | Handling Equipments                      | 14 years           |
| e. | Weighing Machines                        | 14 years           |
| f. | Building other than RCC frame structure  | 60 years           |
| g. | Computer                                 | 3 years            |
| h. | Office Equipments                        | 5 years            |

|    |                       |          |
|----|-----------------------|----------|
| i. | Electrical Equipments | 10 years |
| j. | Vehicles              | 8 years  |

- b. Depreciation on building constructed on lease hold land is provided over remaining period of the lease commencing from the date it was put to use.
- c. Depreciation on fixed assets added/disposed off/discarded during the year has been provided on prorata basis with reference to the date of addition/disposal/discarding.

#### **G. BORROWING COSTS :**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs are capitalized as a part of the cost of qualifying asset when it is possible that they will result in future economic benefits and the cost can be measured reliably.

Other borrowing costs are recognized as an expense in the period in which they are incurred and charged to the Statement of Profit and Loss.

#### **H. LEASES:**

##### **i. Where the Company is the lessor**

Leases, where the Company effectively retains substantially all the risks and benefits of ownership of leased item are classified as operating lease.

Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.

##### **ii. Where the Company is the lessee**

Finance leases, where substantially all the risks and benefits incidental to ownership of the leased item, are transferred to the company, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

#### **I. FOREIGN CURRENCY TRANSACTION:**

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Assets and Liabilities related to foreign currency transactions remaining unsettled at the year end are stated at the contracted rates, when covered under forward foreign exchange contracts, and in other cases at the year end rates.

The exchange differences on settlement of foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account.

#### **J. INVENTORIES:**

Inventories are valued as under:

Raw materials, stock in transit, traded goods and finished goods are valued at lower of cost or net realisable value. Cost is determined on weighted average basis in case of Paper Division and First In First Out (FIFO) Basis in case of Beverages/Pharma Division. By-products and damaged stocks are valued at lower of weighted average cost or estimated realisable value. Raw materials and consumables issued to convertors are considered as Finished Goods only at the time of receipt of notebooks from the convertors. Freight inward is not considered for valuation of stock of liquor.

#### K. INVESTMENTS:

- a. Current investments are valued and carried at lower of cost or fair value on individual investment basis. Long-term investments are carried at cost. Permanent diminution, if any, in the value, on individual investment basis, is provided for. Such permanent diminution, if any, is ascertained by reference to its market value.
- b. For the purposes of provision;-
  - I) In respect of Investments in equity shares, where current quotation are available valuation is done as per the market value based on the market price of the script at the year end as available from the trades/ports on the stock exchange.
  - II) In respect of shares where current quotations are not available from the stock exchange or where the shares are not quoted on the stocks exchange, these share are valued at break up value as per the latest available balance sheet.

#### L. EMPLOYEE BENEFITS:

- a) Short-term employee benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short-term employee benefits. The benefits like salaries, wages, estimated bonus, ex-gratia and short-term compensated absences are recognised in the period in which the employee renders the related service.
- b) Defined Benefit Plan:
  - i) **Gratuity:** The liability for gratuity, being a defined benefit plan, is determined by actuarial valuation at each balance sheet date and actuarial gains/losses are charged to Statement of Profit and Loss. The Company makes contribution to the MSIL Employee Gratuity Fund Trust managed by LIC.
  - ii) **Compensated absences:** The Company's liability towards leave entitlement benefits is accounted for on the basis of actuarial

valuation at each balance sheet date. The actuarial loss/gain is charged to Statement of Profit and Loss.

- iii) **Death Relief Fund:** The Company's liability towards Death Relief Fund is accounted for on the basis of actuarial valuation at the balance sheet date. The valuation has been arrived at based on Company's policy.
- c) **Defined Contribution Plan:**

The Company's defined contribution plans are Employees' Provident Fund (under the provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1952) and ESI (under the provisions of Employees State Insurance Act, 1948). The Company has no further obligations beyond making the Company's contributions. The Company's contribution to Provident Fund and ESI are made at prescribed rates and are charged to Statement of Profit and Loss.

#### M. GOVERNMENT GRANTS:

In case of depreciable assets, the Government Grant is shown as deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to a specific fixed asset equals the whole or virtually the whole of the cost of the asset, the asset is shown in the balance sheet at a nominal value and those assets which are identified to be treated as scrap are completely depreciated on sale of such scrap.

#### N. ACCOUNTING FOR INTERESTS IN JOINT VENTURE:

Company's share of revenues, common expenses, assets and liabilities are included in revenues, expenses, assets and liabilities respectively.

#### O. TAXES ON INCOME:

Provision for current tax is made in accordance

with the provisions of the Income Tax Act, 1961. Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain as the case may be that sufficient future taxable income will be available.

**P. EARNINGS PER SHARE:**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes if any) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares (if any) are treated as a fraction of an equity share to the extent that they were 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 of bonus issue; bonus element in a rights issue to existing shareholders; share split; and consolidation of shares if any.

For the purpose of calculating Diluted Earnings per Share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive equity shares.

**Q. IMPAIRMENT OF ASSETS:**

At each Balance Sheet date, the carrying amount of assets is assessed for any indication of potential impairment loss in the value of the assets. The impairment loss is recognised when the carrying amount of assets exceeds its recoverable amount. Reversal of impairment loss is recognised immediately as income in the Statement of Profit and Loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**R. PROVISIONS / CONTINGENCIES:**

A provision is recognised when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made. Provisions made in terms of AS 29 are not discounted to its present value and are determined on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure by way of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are not recognised in the Financial Statements.

**S. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS:**

The Company availed the exemption for preparation of Consolidated Financial Statements for the financial year ended 31st March 2017, pursuant to Sec 129(3) read with Rule 6 of the second proviso of the Companies (Accounts) Amendment Rules 2014. In view of this exemption Company has not prepared Consolidated Financial Statements.

**NOTES FORMING PART OF BALANCE SHEET**

**(Amount in Rupees)**

| <b>3 Share Capital</b>  | <b>As at 31-3-2017</b> | <b>As at 31-3-2016</b> |
|---|------------------------|------------------------|
| Authorized Share Capital:<br>75,00,000 Equity Shares (75,00,000) of Rs.100 each   | 750,000,000            | 750,000,000            |
| Issued, subscribed and paid up Share Capital:<br>20,17,660 Equity Shares (20,17,660) of 100 each of which<br>24,000 (24,000) equity shares of Rs.100 each were allotted as<br>fully paid-up Bonus shares by capitalisation of General Reserve | 201,766,000            | 201,766,000            |

**(a) Reconciliation of the number of shares**

|  | <b>As at 31-3-2017</b>  |               | <b>As at 31-3-2016</b>  |               |
|--|-------------------------|---------------|-------------------------|---------------|
|  | <b>Number of Shares</b> | <b>Amount</b> | <b>Number of Shares</b> | <b>Amount</b> |
| Opening Balance                          | 20,17,660               | 20,17,66,000  | 20,17,660               | 20,17,66,000  |
| Additions / Deletions<br>during the year |                         |               |                         |               |
| Closing Balance                          | 20,17,660               | 20,17,66,000  | 20,17,660               | 20,17,66,000  |

**(b) Rights, preferences and restrictions attached to shares**

The Company has only one class of equity shares having a par value of Rs.100 each. Shareholders are eligible for one vote per share held.

**(c) Shares held by Holding Company**

|   | <b>As at 31-3-2017</b>                        | <b>As at 31-3-2016</b>                        |
|---|---|---|
| 20,17,660 Equity Shares (20,17,660) of 100 each are held by<br>Karnataka State Industrial Infrastructure & Development<br>Corporation Ltd., a Government of Karnataka Undertaking | 20,17,660                                     | 20,17,66,000                                  |
| <b>(d) Details of shareholder holding more than 5% shares</b>   | <b>As at 31-3-2017<br/>(Number of shares)</b> | <b>As at 31-3-2016<br/>(Number of shares)</b> |
| - Karnataka State Industrial Infrastructure & Dev. Corp. Ltd.   | 20,17,660                                     | 20,17,660                                     |
| - Percentage of holding   | 100   | 100   |

**4 Reserves and Surplus**

| Particulars  | As at 31-3-2017      | As at 31-3-2016      |
|--|----------------------|----------------------|
| General Reserve  |                      |                      |
| Opening Balance  | 1,628,048,780        | 1,592,233,216        |
| Add: Appropriation during the year   | 43,386,985           | 35,815,564           |
| Closing Balance  | 1,671,435,765        | 1,628,048,780        |
| Surplus  |                      |                      |
| Opening Balance  | 949,773,113          | 661,916,028          |
| Less: Unamortised carrying value of Fixed Assets<br>(as per transitional provision prescribed in<br>Schedule II of the Companies Act 2013) | -                    | 12,698,505           |
| Add: Profit for the year from Statement of Profit & Loss   | 366,570,284          | 360,581,863          |
| Less: Appropriations:  | 43,386,985           | 35,815,564           |
| Proposed Dividend  | 20,176,600           | 20,176,600           |
| Dividend Distribution Tax  | 3,562,021            | 4,129,013            |
| Excess Provision made on Dividend Distribution Tax   | (20,848)             | (94,903)             |
| Closing Balance  | 1,249,238,639        | 949,773,113          |
| <b>Closing Balance</b>   | <b>2,920,674,404</b> | <b>2,577,821,892</b> |

**5 Other Long Term Liabilities**

| Particulars                                 | As at 31-3-2017    | As at 31-3-2016    |
|---|--------------------|--------------------|
| Deposits                                    | 65,035,747         | 44,976,806         |
| Interest accrued on Government Loans        | 5,387,534          | 5,387,534          |
| Collection from Non Prized Chit Subscribers | 726,842,500        | 718,389,500        |
| Others                                      | 8,317,531          | 11,089,309         |
| <b>Closing Balance</b>                      | <b>805,583,312</b> | <b>779,843,149</b> |

**6 Long-term provisions**

| Particulars                            | As at 31-3-2017    | As at 31-3-2016   |
|--|--------------------|-------------------|
| Provision for employee benefits:-      |                    |                   |
| - Provision for Leave Encashment (Net) | 73,286,851         | 70,035,692        |
| Provision for Insurance Claim          | 29,976,807         | 28,693,654        |
| <b>Closing Balance</b>                 | <b>103,263,658</b> | <b>98,729,346</b> |

**7 Trade Payables**

| Particulars                                 | As at 31-3-2017      | As at 31-3-2016      |
|---|----------------------|----------------------|
| Collection from Non Prized Chit Subscribers | 764,321,500          | 794,955,500          |
| Due to others                               | 349,206,116          | 313,233,122          |
| Due to MSMED creditors                      | 433,290              | 6,798,268            |
| <b>Closing Balance</b>                      | <b>1,113,960,906</b> | <b>1,114,986,890</b> |



**8 Other Current Liabilities**

| Particulars                                 | As at 31-3-2017    | As at 31-3-2016    |
|---|--------------------|--------------------|
| Subsidiary Company :-                       |                    |                    |
| Marketing Communication & Advertising Ltd., | 2,110,370          | 3,704,925          |
| Creditors for Capital Goods                 | 892,077            | 358,690            |
| Deposits                                    | 9,257,353          | 30,427,729         |
| Payable to VTPC(ASIDE Grant)                | 24,705,144         | 24,705,144         |
| Other liabilities                           | 356,296,472        | 164,738,345        |
| <b>Closing Balance</b>                      | <b>393,261,416</b> | <b>223,934,833</b> |

**9 Short-term provisions**

| Particulars                                  | As at 31-3-2017    | As at 31-3-2016    |
|--|--------------------|--------------------|
| Provision for TCS Relating to Arrack Dealers | 364,274,788        | 364,274,788        |
| Current Income Tax                           | -                  | -                  |
| Less: Advance Tax, TDS and TCS               | -                  | -                  |
| Provision for Income Tax                     | -                  | -                  |
| Proposed Dividend                            | 20,176,600         | 20,176,600         |
| Dividend Distribution Tax Payable            | 3,562,021          | 4,129,013          |
| Provision for employee benefits:-            |                    |                    |
| Provision for Gratuity (Net)                 | (1,510,168)        | 421,508            |
| Provision for Leave Encashment (Net)         | 5,297,090          | 5,080,168          |
| Provision for Insurance Claim                | 1,283,155          | 1,283,153          |
|  | 5,070,077          | 6,784,829          |
| <b>Closing Balance</b>                       | <b>393,083,486</b> | <b>395,365,230</b> |

| 10. FIXED ASSETS                           | COST                 |                           |                                     | DEPRECIATION          |                      |                                 | NET BLOCK                       |                                     |                       |                       |                       |                                    |  |  |                                 |  |  |             |
|--|----------------------|---------------------------|-------------------------------------|-----------------------|----------------------|---------------------------------|---------------------------------|-------------------------------------|-----------------------|-----------------------|-----------------------|------------------------------------|--|--|---------------------------------|--|--|-------------|
|  | As on 1st April 2016 | Additions during the year | Deletions/ adjusted during the year | As at 31st March 2017 | Up to 1st April 2016 | Provided during the year        | Adjusted to retained earnings * | Deletions/ adjusted during the year | Up to 31st March 2017 | As at 31st March 2017 | As at 31st March 2016 |                                    |  |  |                                 |  |  |             |
| <b>(i) TANGIBLE ASSETS:</b>                |                      |                           |                                     |                       |                      |                                 |                                 |                                     |                       |                       |                       |                                    |  |  |                                 |  |  |             |
| LAND                                       |                      |                           |                                     |                       |                      |                                 |                                 |                                     |                       |                       |                       |                                    |  |  |                                 |  |  |             |
| FREE HOLD                                  | 7,248,812            |                           |                                     | 7,248,812             |                      | -                               |                                 | -                                   |                       | 7,248,812             | 7,248,812             |                                    |  |  |                                 |  |  |             |
| LEASE HOLD                                 | 10,534,547           | 1,714,511                 |                                     | 12,249,058            |                      | -                               |                                 | -                                   |                       | 12,249,058            | 10,534,547            |                                    |  |  |                                 |  |  |             |
| BUILDING                                   |                      |                           |                                     |                       |                      |                                 |                                 |                                     |                       |                       |                       |                                    |  |  |                                 |  |  |             |
| FREE HOLD                                  | 207,143,494          | 709,161                   |                                     | 207,852,655           | 28,886,241           | 3,461,627                       |                                 |                                     | 32,347,868            | 175,504,787           | 178,257,253           |                                    |  |  |                                 |  |  |             |
| LEASE HOLD                                 | 5,291,255            |                           |                                     | 5,291,255             | 1,538,035            | 148,868                         |                                 |                                     | 1,686,903             | 3,604,352             | 3,753,220             |                                    |  |  |                                 |  |  |             |
| FURNITURE & FIXTURES                       | 101,824,210          | 2,477,726                 | 147,148                             | 104,154,788           | 83,843,440           | 7,728,444                       |                                 | 147,146                             | 91,424,738            | 12,730,050            | 17,980,770            |                                    |  |  |                                 |  |  |             |
| COMPUTERS                                  | 18,194,071           | 3,125,479                 | 11,420                              | 21,308,130            | 15,037,757           | 2,054,196                       |                                 | 10,986                              | 17,080,967            | 4,227,164             | 3,156,315             |                                    |  |  |                                 |  |  |             |
| OFFICE EQUIPMENTS                          | 19,605,250           | 46,386,951                | 240,028                             | 66,752,173            | 16,167,083           | 10,525,841                      |                                 |                                     | 26,692,924            | 39,059,249            | 3,438,167             |                                    |  |  |                                 |  |  |             |
| HANDLING EQUIPMENTS                        | 1,174,098            |                           |                                     | 1,174,098             | 1,065,765            | 76,695                          |                                 |                                     | 1,142,460             | 31,638                | 108,333               |                                    |  |  |                                 |  |  |             |
| ELECTRICAL EQUIPMENTS                      | 43,157,828           | 3,209,250                 | 107,034                             | 46,260,044            | 25,371,065           | 2,534,535                       |                                 | 37,081                              | 27,868,519            | 18,391,525            | 17,786,763            |                                    |  |  |                                 |  |  |             |
| LEASED ASSETS                              | 244,499,975          |                           |                                     | 244,499,975           | 244,499,883          |                                 |                                 |                                     | 244,499,883           | 92                    | 92                    |                                    |  |  |                                 |  |  |             |
| VEHICLES                                   | 6,433,050            | 3,289,444                 |                                     | 9,722,494             | 3,389,528            | 788,344                         |                                 |                                     | 4,177,872             | 5,544,622             | 3,043,522             |                                    |  |  |                                 |  |  |             |
| Grant Assets-New Import / Export Warehouse |                      |                           |                                     |                       |                      |                                 |                                 |                                     |                       |                       |                       |                                    |  |  |                                 |  |  |             |
| BUILDING                                   | 6                    | -                         |                                     | 6                     | -                    | -                               |                                 |                                     | -                     | 6                     | 6                     |                                    |  |  |                                 |  |  |             |
| FURNITURE & FIXTURES                       | 82                   | -                         |                                     | 82                    | -                    | -                               |                                 |                                     | -                     | 82                    | 82                    |                                    |  |  |                                 |  |  |             |
| HANDLING EQUIPMENTS                        | 2                    | -                         |                                     | 2                     | -                    | -                               |                                 |                                     | -                     | 2                     | 2                     |                                    |  |  |                                 |  |  |             |
| ELECTRICAL EQUIPMENTS                      | 18                   | -                         |                                     | 18                    | -                    | -                               |                                 |                                     | -                     | 18                    | 18                    |                                    |  |  |                                 |  |  |             |
| OFFICE EQUIPMENTS                          | 88                   | -                         |                                     | 88                    | -                    | -                               |                                 |                                     | -                     | 88                    | 88                    |                                    |  |  |                                 |  |  |             |
| VEHICLES                                   | 1                    | -                         |                                     | 1                     | -                    | -                               |                                 |                                     | -                     | 1                     | 1                     |                                    |  |  |                                 |  |  |             |
| <b>TOTAL</b>                               | <b>665,106,787</b>   | <b>60,912,522</b>         | <b>505,630</b>                      | <b>725,513,679</b>    | <b>419,798,797</b>   | <b>27,318,550</b>               | <b>-</b>                        | <b>195,213</b>                      | <b>446,922,134</b>    | <b>278,591,546</b>    | <b>245,307,991</b>    |                                    |  |  |                                 |  |  |             |
| <b>PREVIOUS YEAR</b>                       | <b>697,234,966</b>   | <b>9,630,060</b>          | <b>41,756,238</b>                   | <b>665,106,788</b>    | <b>383,271,654</b>   | <b>24,408,855</b>               | <b>12,663,151</b>               | <b>544,863</b>                      | <b>419,798,796</b>    | <b>245,307,991</b>    | <b>313,963,312</b>    |                                    |  |  |                                 |  |  |             |
| <b>(ii) INTANGIBLE ASSETS:</b>             |                      |                           |                                     |                       |                      |                                 |                                 |                                     |                       |                       |                       |                                    |  |  |                                 |  |  |             |
| <b>PARTICULARS</b>                         |                      |                           | <b>COST</b>                         |                       |                      | <b>DEPRECIATION</b>             |                                 |                                     | <b>NET BLOCK</b>      |                       |                       |                                    |  |  |                                 |  |  |             |
| COMPUTER SOFTWARE                          | 7,379,513            | 727,033                   | -                                   | 8,106,546             | 3,234,888            | 1,202,918                       |                                 |                                     | 4,437,806             | 3,668,740             | 4,144,625             |                                    |  |  |                                 |  |  |             |
| PREVIOUS YEAR                              | 7,156,753            | 222,760                   | -                                   | 7,379,513             | 2,069,431            | 1,130,103                       | 35,354                          |                                     | 3,234,888             | 4,144,625             | 5,087,322             |                                    |  |  |                                 |  |  |             |
| <b>(iii) CAPITAL WORK IN PROGRESS:</b>     |                      |                           |                                     |                       |                      |                                 |                                 |                                     |                       |                       |                       |                                    |  |  |                                 |  |  |             |
| <b>PARTICULARS</b>                         |                      |                           | <b>OPENING BALANCE</b>              |                       |                      | <b>ADDITION DURING THE YEAR</b> |                                 |                                     | <b>DELETION</b>       |                       |                       | <b>CAPITALISED DURING THE YEAR</b> |  |  | <b>BALANCE AS ON 31-03-2017</b> |  |  |             |
| Constructions In Progress                  |                      | 313,172,589               |                                     | 27,296,553            |                      | 228,677                         |                                 |                                     |                       |                       |                       |                                    |  |  |                                 |  |  | 340,240,465 |

\* Unamortised carrying value of Fixed Assets ( as per transitional provision prescribed in Schedule II of the companies Act 2013)

**11 Non-current Investments:-**

| Particulars   | As at 31-3-2017    | As at 31-3-2016    |
|---|--------------------|--------------------|
| <b>(A) Trade Investments</b>  | <b>NIL</b>         | <b>NIL</b>         |
| <b>(B) Others</b>   |                    |                    |
| <b>a. Equity Investment :-</b>  |                    |                    |
| <b>I UN-QUOTED :-</b>   |                    |                    |
| Marketing Communication & Advertising Limited<br>(wholly owned subsidiary<br>company-3,57,252 (3,57,252) equity shares of Rs.100<br>each fully paid-up<br>which includes 3,10,230 shares of Rs.100 each fully<br>paid-up 41,022 shares acquired at premium of<br>Rs. 600 and 6000 (6000)equity shares of Rs.100 each<br>fully paid-up issued as bonus shares) * | 59,738,400         | 59,738,400         |
| Hassan Mangalore Rail Development Company Ltd.,<br>70,00,000 (70,00,000)<br>equity shares of Rs.10 each fully paid-up   | 70,000,000         | 70,000,000         |
| Food Karnataka Ltd., 50,000 (50,000) equity shares<br>of Rs.10 each fully paid-up   | 500,000            | 500,000            |
| Mysore Chrome Tanning Company Limited (Subsidiary company -<br>7,20,875 (7,20,875) equity shares of Rs.10 each fully paid-up.<br>(issued at nominal value of Rs.5000 as per Government Order)   | 5,000              | 5,000              |
| K T Apartment Owners' Association, 35 (35) shares of Rs 100/-<br>each fully paid-up   | 3,500              | 3,500              |
| K T Mansions Apartments Owners' Association 25 (25)<br>shares of Rs.100/- each fully paid-up  | 2,500              | 2,500              |
| The Karnataka State Co-operative Apex Bank Limited -<br>One -C- Class Ordinary Share of Rs.10,00,000/- each<br>(E-Class Rs.50,000/-)  | 1,000,000          | 50,000             |
| <b>TOTAL UNQUOTED EQUITY INVESTMENTS</b>  | <b>131,249,400</b> | <b>130,299,400</b> |
| <b>II QUOTED :-</b>   |                    |                    |
| J K Tyre Industries Ltd.3,29,060 equity shares<br>of Rs.2 each fully paid-up ( 65812 equity shares<br>of Rs.10/- each fully paid-up )<br><b>(aggregate market value of Rs.4,32,38,484/- (Rs.55,41,370/-)</b>  | 2,861,005          | 2,861,005          |
| Bengal & Assam Co. Ltd., 3,831 (3,831) equity shares of<br>Rs.10/- each fully paid-up (aggregate market<br>value of Rs.65,52,926/- (Rs.18,20,108/-)   | 487,426            | 487,426            |
| <b>TOTAL QUOTED EQUITY INVESTMENTS</b>  | <b>3,348,431</b>   | <b>3,348,431</b>   |
| <b>b. Government Securities :-(unquoted)</b>  |                    |                    |
| National Saving Certificate **  | 3,000              | 3,000              |
| <b>Aggregate amount of unquoted government securities</b>   | <b>3,000</b>       | <b>3,000</b>       |
| <b>Aggregate amount investments (A) + (B) (a I + a II + b)</b>  | <b>134,600,831</b> | <b>133,650,831</b> |

\* 30 shares (30) are in the name of the promoters of the Company

\*\* not in the name of the Company, deposited with the Sales Tax Department

**12 Deferred Tax Assets**

| Particulars  | As at 31-3-2017    | As at 31-3-2016    |
|--|--------------------|--------------------|
| Deferred Tax Liability :   |                    |                    |
| Fixed Assets: Impact of difference between income tax depreciation and depreciation/amortisation charged for the financial reporting | 4,234,961          | 1,663,730          |
| <b>Gross Deferred Tax Liability</b>  | <b>4,234,961</b>   | <b>1,663,730</b>   |
| Deferred Tax Asset :   |                    |                    |
| Provision for doubtful debts and advances  | 73,645,011         | 74,277,258         |
| Provision for leave encashment and Gratuity  | 26,376,739         | 25,918,947         |
| Provision for Death Relief Fund  | 1,848,307          | 2,850,284          |
| <b>Gross Deferred Tax Asset</b>  | <b>101,870,057</b> | <b>103,046,488</b> |
| <b>Net Deferred Tax Asset</b>  | <b>97,635,096</b>  | <b>101,382,759</b> |

**13 Long Term Loans & Advances**

| Particulars                            | As at 31-3-2017    | As at 31-3-2016    |
|--|--------------------|--------------------|
| (a) Loans                              |                    |                    |
| I. Secured considered good             | 27,846             | 182,612            |
| II. Un-Secured considered good         | 193,330            | 448,985            |
|  | 221,176            | 631,597            |
| (b) Advances                           |                    |                    |
| i. Considered good :                   |                    |                    |
| - Secured                              | 757,149,500        | 852,399,500        |
| - Un-secured                           | 132,584,410        | 102,031,876        |
| ii. Considered Doubtful                | 109,546,806        | 109,546,806        |
| Less : Provision for doubtful advances | (109,546,806)      | (109,546,806)      |
|  | 889,733,910        | 954,431,376        |
| <b>Closing Balance</b>                 | <b>889,955,086</b> | <b>955,062,973</b> |

**14 Inventories**

| Particulars   | As at 31-3-2017    | As at 31-3-2016    |
|---|--------------------|--------------------|
| (i) Raw Materials (Lower of cost or market value) *           |                    |                    |
| Paper and Straw Board   | 17,681,338         | 24,206,906         |
| Convertors  | 2,062,231          | 28,359,766         |
| (ii) Finished goods (Lower of cost or net realisable value) * | 128,624,181        | 180,809,076        |
| (iii) Traded goods (Lower of cost or net realisable value)    | 794,172,688        | 553,052,376        |
| (iv) Stock with Hirers  |                    |                    |
| Under Hire Purchase Agreements                                | 37,930,820         | 41,259,575         |
| (at agreed value less amounts received)                       |                    |                    |
| Less: Provision for overdue from hirers                       | (37,930,820)       | (41,259,575)       |
| <b>Closing Balance</b>  | <b>942,540,438</b> | <b>786,428,124</b> |

\* which includes damage stocks of Rs. 31,239/-

**15 Trade Receivables**

| Particulars   | As at 31-3-2017    | As at 31-3-2016    |
|---|--------------------|--------------------|
| Secured, considered good  | 441,411            | 1,457,000          |
| Unsecured, considered good                                      |                    |                    |
| (i) Less than six months from the date they are due for payment | 50,633,897         | 51,969,848         |
| (ii) Others   | 144,029,915        | 34,062,346         |
| (iii) Considered Doubtful                                       | 53,497,111         | 53,484,380         |
|   | <b>248,602,334</b> | <b>140,973,574</b> |
| Less : Provision for doubtful debts                             | 53,497,111         | 53,484,380         |
| <b>Closing Balance</b>  | <b>195,105,223</b> | <b>87,489,194</b>  |

**16 Cash and Bank Balances**

| Particulars   | As at 31-3-2017      | As at 31-3-2016      |
|---|----------------------|----------------------|
| (i) Cash and cash equivalents   |                      |                      |
| (a) Balances with Banks;  |                      |                      |
| Current A/cs  | 280,455,782          | 109,027,309          |
| Deposit A/c   | 512,621,010          | 229,680,127          |
| (b) Cheques, drafts on hand   | -                    | 6,537,844            |
| (c) Cash and stamps on hand   | 43,215,121           | 40,269,449           |
| (d) Remittances in transit  | 212,345              | 117,668              |
| (ii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments | 639,585,965          | 659,015,606          |
| (iii) Bank deposits with maturity of 3 to 12 months   | 633,299,898          | 585,956,524          |
| <b>Closing Balance</b>  | <b>2,109,390,121</b> | <b>1,630,604,527</b> |

**17 Short-term Loans and Advances**

| Particulars                                     | As at 31-3-2017   | As at 31-3-2016   |
|---|-------------------|-------------------|
| (a) Loans and advances to related parties       | -                 | -                 |
| (b) Loans                                       |                   |                   |
| I. Secured considered good                      | 204,134           | 204,134           |
| II. Un-Secured considered good                  | 99,901            | 99,901            |
|   | 304,035           | 304,035           |
| (c) Advances                                    |                   |                   |
| i. Considered good                              |                   |                   |
| - Secured                                       | 860,586,000       | 764,650,500       |
| - Un-secured                                    | 122,145,287       | 397,212,728       |
| ii. Considered Doubtful                         | 11,822,913        | 10,333,770        |
| Less : Provision for doubtful advances          | (11,822,913)      | (10,333,770)      |
|   | 982,731,287       | 1,161,863,228     |
| (d) Others - Unsecured, Considered Good         |                   |                   |
| Advance Income Tax, TCS and TDS (Earlier Years) | 24,408,195        | 24,408,195        |
| Less: Previous Years Income Tax Provisions made | -                 | -                 |
|   | <b>24,408,195</b> | <b>24,408,195</b> |

|   |                          |                          |
|---|--------------------------|--------------------------|
| Advance Income Tax, TCS and TDS (Current Year)                        | 171,828,355              | 184,050,776              |
| Less: Income Tax Provision  | 197,880,370              | 192,322,439              |
|   | (26,052,015)             | (8,271,663)              |
| Prepaid Expenses  | 47,831,377               | 35,133,337               |
| Duties & Taxes  | 2,450,829                | 227,046                  |
|   | 50,282,206               | 35,360,383               |
|   | 48,638,386               | 51,496,915               |
| <b>Closing Balance</b>  | <b>1,031,673,708</b>     | <b>1,213,664,178</b>     |
| <b>18 Other Current Assets</b>  |                          |                          |
| <b>Particulars</b>  | <b>As at 31-3-2017</b>   | <b>As at 31-3-2016</b>   |
| Interest Accrued on Investments                                       | 2,706                    | 2,397                    |
| Interest Accrued on Deposits  | 127,887,457              | 134,630,525              |
| Rent receivable   | 5,883,544                | 12,488,406               |
| <b>Closing Balance</b>  | <b>133,773,707</b>       | <b>147,121,328</b>       |
| <b>19 Revenue from Operations</b>                                     |                          |                          |
| <b>Particulars</b>  | <b>For the year 2017</b> | <b>For the year 2016</b> |
| <b>Sales</b>  |                          |                          |
| Liquor  | 13,304,301,833           | 12,473,978,909           |
| Note Books & Stationery   | 407,475,507              | 226,194,724              |
| Pharmaceutical  | 1,209,000                | 403,431                  |
| Others  | 38,004,089               | 4,232,169                |
| <b>Income Earned on Chit Fund Business</b>                            |                          |                          |
| Foreman's Commission  | 113,413,700              | 107,361,625              |
| Dividend  | 15,039,038               | 12,720,643               |
| Default Interest  | 12,579,646               | 11,961,792               |
| Commission and service charges  | 823,456                  | 2,953,712                |
| <b>Closing Balance</b>  | <b>13,892,846,269</b>    | <b>12,839,807,005</b>    |
| <b>20 Other Income</b>  |                          |                          |
| <b>Particulars</b>  | <b>For the year 2017</b> | <b>For the year 2016</b> |
| i. Interest on :-   |                          |                          |
| - Deposits & Advances- Gross  | 10,545,498               | 937,411                  |
| - Bank Deposits - Gross   | 121,730,274              | 142,408,835              |
| ii. Income from Joint Venture :-                                      |                          |                          |
| - Share of Profit / (Loss) ESSPL                                      | 31,751                   | 31,803                   |
| iii. Rent   | 28,925,050               | 29,025,117               |
| iv. Dividend from Long Term Investments                               |                          |                          |
| - Subsidiary Company -<br>Marketing Communication & Advertising Ltd., | 2,679,390                | 1,786,260                |
| - Others  | 824,905                  | 558,727                  |
| v. Provision for doubtful debts no longer required                    | 4,783,712                | 8,628,404                |
| vi. Discount received   | 2,214,130                | 5,367,607                |
| viii. Miscellaneous income  | 13,780,919               | 11,494,705               |
| <b>Closing Balance</b>  | <b>185,515,629</b>       | <b>200,238,869</b>       |

**21 Cost of materials consumed**

| Particulars                          | For the year 2017  | For the year 2016  |
|--------------------------------------|--------------------|--------------------|
| Opening Stock of Raw Materials       | 52,566,672         | 60,487,833         |
| Add. Purchase of Raw Materials       | 71,707,261         | 95,389,323         |
|                                      | 124,273,933        | 155,877,156        |
| Less. Closing Stock of Raw Materials | 19,743,569         | 52,566,672         |
| <b>Cost of materials consumed</b>    | <b>104,530,364</b> | <b>103,310,484</b> |

**22 Purchases of Stock-in-Trade**

| Particulars            | For the year 2017     | For the year 2016     |
|------------------------|-----------------------|-----------------------|
| (i) Liquor             | 12,333,606,230        | 11,501,772,464        |
| (ii) Stationery        | 137,178,412           | 23,756,115            |
| (iii) Pharmaceutical   | 1,438,224             | 1,145,878             |
| (iii) Others           | 36,437,893            | 3,634,495             |
| <b>Closing Balance</b> | <b>12,508,660,759</b> | <b>11,530,308,952</b> |

**23 Changes in inventories of finished goods and stock-in-trade**

| Particulars                                 | For the year 2017    | For the year 2016    |
|---|----------------------|----------------------|
| Inventories at the end of the year          |                      |                      |
| Traded goods                                | 794,172,688          | 553,052,376          |
| Finished goods                              | 128,624,181          | 180,809,076          |
|   | <b>922,796,869</b>   | <b>733,861,452</b>   |
| Inventories at the beginning of the year    |                      |                      |
| Traded goods                                | 553,052,376          | 390,003,837          |
| Finished goods                              | 180,809,076          | 192,035,643          |
|   | <b>733,861,452</b>   | <b>582,039,480</b>   |
| <b>(Increase) / Decrease in inventories</b> | <b>(188,935,417)</b> | <b>(151,821,972)</b> |

**24 Employee Benefits Expenses**

| Particulars                                  | For the year 2017  | For the year 2016  |
|--|--------------------|--------------------|
| (i) Salaries & Wages                         | 176,002,655        | 165,297,336        |
| (ii) Contribution to Provident & Other Funds | 13,433,229         | 17,047,909         |
| (iii) Provision for Compensated Absences     | 12,899,398         | 14,672,272         |
| (iv) Gratuity                                | 530,824            | 3,199,445          |
| (v) Staff Welfare Expenses                   | 27,978,930         | 22,763,251         |
| <b>Closing Balance</b>                       | <b>230,845,036</b> | <b>222,980,213</b> |

**25 Finance Costs**

| Particulars            | For the year 2017 | For the year 2016 |
|------------------------|-------------------|-------------------|
| Interest               | 243,864           | 14,535,373        |
| Bank charges           | 1,810,080         | 1,510,426         |
| Guarantee Commission   | 3,276,927         | 3,163,065         |
| <b>Closing Balance</b> | <b>5,330,871</b>  | <b>19,208,864</b> |

**26 Other Expenses**

| Particulars                             | For the year 2017  | For the year 2016  |
|---|--------------------|--------------------|
| Conversion charges - Notebooks          | 14,018,664         | 17,542,311         |
| Packing Material & Secondary Freight    | 67,905,227         | 63,412,527         |
| Outsourcing expenses                    | 242,345,257        | 206,319,979        |
| Rent                                    | 70,075,422         | 62,953,304         |
| Repairs & Maintenance :                 |                    |                    |
| - Building                              | 10,206,488         | 17,740,385         |
| - Vehicle                               | 800,029            | 1,109,633          |
| - Others                                | 9,354,897          | 8,334,694          |
| Insurance                               | 7,724,119          | 7,233,176          |
| Rates & Taxes                           | 222,227,524        | 160,986,421        |
| Miscellaneous Expenses                  | 13,391,013         | 12,207,260         |
| Advertisement                           | 29,630,590         | 39,699,967         |
| Payment to the Auditor :                |                    |                    |
| - For Audit                             | 402,500            | 288,625            |
| - Tax Audit                             | 80,500             | 62,500             |
| Postage, Telex & Telephones             | 8,644,997          | 8,657,591          |
| Printing & Stationery                   | 9,220,959          | 7,572,496          |
| Legal and Professional Charges          | 33,475,903         | 25,976,075         |
| Travelling                              | 19,411,074         | 15,786,247         |
| Electricity & Water                     | 10,547,856         | 9,762,750          |
| Security Services                       | 5,063,217          | 4,479,581          |
| Commission                              | 17,062,172         | 6,913,903          |
| Chief Minister's Relief Fund (CSR)      | 20,000,000         | 60,000,000         |
| Donations                               |                    |                    |
| Under Sec 80G                           | 225,000            | -                  |
| Other than 80G                          | 1,500,000          | -                  |
| Directors Sitting fees                  | 53,000             | 17,000             |
| Bad & Doubtful Debts                    | -                  | 4,666,867          |
| Foreign exchange fluctuation            | -                  | 249,311            |
| Loss on Sale of Assets                  | 20,590             | 21,817             |
| Provision for Doubtful Debts / Advances | 5,060,379          | 9,136,160          |
| <b>Closing Balance</b>                  | <b>818,447,377</b> | <b>751,130,579</b> |



**27 Prior Period Items- (Income) and Expenses**

| Particulars            | For the year 2017 | For the year 2016 |
|------------------------|-------------------|-------------------|
| Income Tax             | 196,027           | 4,143,520         |
| Rent                   | 122,885           |                   |
| Debtors                | 1,087,091         |                   |
| Creditors              | 550,479           |                   |
| Sales Tax              | 27,392            |                   |
| Depreciation           | (195,213)         | (276,843)         |
| <b>Closing Balance</b> | <b>1,788,661</b>  | <b>3,866,677</b>  |

**28 Discontinuing Operations**

The company has discontinued its HP operations on July 2008, which was also a separate segment as per AS-17, Segment Reporting. The company accounts interest income from HP operations on cash basis. The scheduled EMI periods terminate in 2013-14. The following statement shows the revenue and expenses related to Hire Purchase division.

| Particulars  | For the year 2017 | For the year 2016 |
|--|-------------------|-------------------|
| <b>Revenue</b>                                     |                   |                   |
| Interest   | 1,141,116         | 2,398,836         |
| Miscellaneous income                               | 4,154,963         | 5,975,778         |
| Total revenue                                      | 5,296,079         | 8,374,614         |
| Operating expenses                                 | 4,987,388         | 6,431,367         |
| <b>Profit/(Loss) from discontinuing operations</b> | <b>308,691</b>    | <b>1,943,247</b>  |
| Taxable income from discontinuing operations       | 308,691           | 1,943,247         |
| Tax expense on discontinuing operations            | 106,832           | 672,519           |

**29 Earnings Per Share**

The following reflects the profit and share data used in the basic and diluted EPS calculations

| Particulars                                       | For the year 2017 | For the year 2016 |
|---|-------------------|-------------------|
| Profit/(Loss) for the period used for Basic EPS   | 366,570,284       | 360,581,863       |
| Profit/(Loss) for the period used for Diluted EPS | 366,570,284       | 360,581,863       |
| No of shares used for Basic EPS                   | 2,017,660         | 2,017,660         |
| No of shares used for Diluted EPS                 | 2,017,660         | 2,017,660         |

Share application money pending allotment amounting to Rs.22,55,81,779/- has not been considered for arriving at the number of shares as the issue price and the number of shares to be issued are not yet determined.

## NOTES FORMING PART OF ACCOUNTS

30. Figures, wherever given, in brackets relate to the previous year. Previous year's figures have been regrouped wherever necessary.
31. Pending execution of lease cum sale agreement with Karnataka Industrial Area Development Board in respect of land allotted near Bangalore Air Cargo Complex (BACC), the Company has capitalised the payments made towards lease hold land amounting to Rs.52,11,063/- (Rs.52,11,063/-) based on the possession certificate issued by KIADB.
32. A) City & Industries Development Corporation of Maharashtra (CIDCO) has entered into a deed of 'Agreement to Lease' with Government of Karnataka (GoK) for a plot of land measuring 2520 sq meters in Navi Mumbai to enter and occupy the land on the condition that the licensee (GoK) construct a State Guest House.

In turn on 01.10.2008 GoK has entered into an agreement with MSIL for construction of Karnataka Bhavan on Build Own Operate Transfer (BOOT) basis effective for 30 years (extendable on mutual consent) from the date of completion of the building as per the terms and conditions specified therein.

B) The Company has obtained occupancy certificate from Navi Mumbai Municipal Corporation in connection with construction work of Karnataka Bhavan and work related to occupancy certificate is completed. The façade glazing work and other miscellaneous works are under progress, expected completion by October 2017.

The amount of Rs 33,82,29,174/- incurred towards construction of Karnataka Bhawan in Navi Mumbai is considered as Capital Work In Progress.

33. Fixed Assets include 86 capacitor banks, leased out to Klenn & Marshall Manufacturers and Exporters Ltd., value of which is depreciated over the period and the written down value on the balance sheet date is Rs. 86/- (Rs 86/-). As the lessee failed to pay the lease rentals as stipulated, the Company referred the matter to arbitration claiming arrears of lease rentals amounting to Rs. 8,09,63,895/- together with interest thereon. The sole arbitrator gave ex-parte award dated October 2, 2009 allowed the claims of the Company and awarded Rs. 35,05,60,211/- towards arrears of lease rent and interest thereon.

The Company learned that Klenn & Marshall, the lessee, are listed under vanishing company by Ministry of Corporate Affairs, Government of India and also that the lessee had obtained multiple finance from other financial institutions. As per the company's opinion, since the amount is not recoverable, the Company has not recognized the lease rentals in respect of this lease since 2005-06 and Rs. 8,09,63,895/- (Rs 8,09,63,895/-) due towards lease rentals up to 2004-05 has been fully written off in the books. The Company has not recognised the amount awarded in view of uncertainty of realisation. However the Company has filed criminal complaint against retired officers/officials in the jurisdictional police station and referred the case to COD as per the order by Committee on Public Undertakings of the Karnataka Legislative assembly.

### 34. Joint Working Agreements:

The Company has entered into Joint Working Agreements with HAL & CONCOR to carry out air cargo business. MSIL & CONCOR had withdrawn from JWA with effect 31ST March 2014 and 15th January 2011 respectively.

Company has also entered into a Joint Venture agreement with ESSPL for leasing solar water heaters to non-domestic sector.

The above Joint working/Joint Venture agreements envisage pooling of resources for carrying out its business activity and ownership of the assets vests with the respective parties.

Share of income / (-) loss for current year from joint working agreements are:

| Particulars | 2016-2017 | 2015-2016 |
|-------------|-----------|-----------|
| ESSPL       | 31,751/-  | 31,803 /- |

- 35** Accounting Standard 15 - "Employees Benefits": Disclosures of employees benefits as defined in the Accounting Standard are given below:-

**(A) Gratuity:**

The Company has a defined benefit gratuity plan. The scheme is funded by the Company and is managed by a separate trust. The liability for the same is recognised on the basis of actuarial valuation.

(Amount in Rupees)

|  | 2016-2017          | 2015-2016          |
|--|--------------------|--------------------|
| <b>a) Expenses recognised in the Statement of Profit and Loss:</b>         |                    |                    |
| i) Current Service Cost  | 25,82,955/-        | 30,66,130/-        |
| ii) Interest Cost  | 1,03,02,847/-      | 1,04,34,768/-      |
| iii) Expected return Plan Assets   | (1,03,48,615/-)    | (1,03,64,626/-)    |
| iv) Actuarial (Gain)/Loss recognised in the year                           | 2,72,716/-         | 21,174/-           |
| <b>Total (i to iv)</b>   | <b>28,09,903/-</b> | <b>31,57,446/-</b> |
| <b>b) The amount recognised in the Balance Sheet:</b>                      |                    |                    |
| Present value of obligations as at the end of the year (i)                 | 13,09,17,987/-     | 12,87,85,591/-     |
| Fair Value of Plan Assets at the end of the year (ii)                      | 13,24,28,155/-     | 12,83,64,083/-     |
| Funded status (i) – (ii)   | 15,10,168/-        | (4,21,508/-)       |
| Net asset/(liability) recognised in the Balance Sheet                      | 15,10,168/-        | (4,21,508/-)       |
| <b>c) Changes in the present value of the defined benefit obligations:</b> |                    |                    |
| Present value of obligation as at 01.04.2016                               | 12,87,85,591/-     | 13,04,34,598/-     |
| Current service cost   | 25,82,955/-        | 30,66,130/-        |
| Interest cost  | 1,03,02,847/-      | 1,04,34,768/-      |
| Benefits paid  | (1,10,26,122)      | (1,51,71,079)      |
| Actuarial (Gain)/ Loss on obligations                                      | 2,72,716/-         | 21,174/-           |
| Present value of obligations as at 31.3.2017                               | 13,09,17,987/-     | 12,87,85,591/-     |
| <b>d) Changes in the fair value of plan assets:</b>                        |                    |                    |
| Fair value of plan assets as at 01.04.2016                                 | 12,83,64,083/-     | 12,84,54,174/-     |
| Expected return on plan assets   | 1,03,48,615/-      | 1,03,64,626/-      |
| Contributions  | 47,41,579/-        | 47,16,362/-        |
| Benefits paid  | (1,10,26,122)      | (1,51,71,079)      |
| Actuarial gain (loss) on plan assets                                       | Nil                | Nil                |
| Fair value of plan assets as at 31.03.2017                                 | 13,24,28,155/-     | 12,83,64,083/-     |

## NOTES OF ACCOUNTS (Contd..)

### e) Actuarial Assumptions:

Principal assumptions used for actuarial valuation are:

|                        |                                     |    |
|------------------------|-------------------------------------|----|
| i) Mortality           | LIC(94-96) Ultimate Mortality Table |    |
| ii) Discount Rate      | 8%                                  | 8% |
| iii) Salary Escalation | 7%                                  | 7% |

### (B) Compensated Absences Encashment:-

Basis of Actuarial Valuation for Compensated Absences Encashment: Liability as on 31.03.2017

|                  |   |        |
|------------------|---|--------|
| Retirement Age   | 60  | 60     |
| Mortality        | Indian Assured Lives (2006-08) Ultimate Mortality Table |        |
| Rate of Interest | 7.31% p.a   | 8% p.a |
| Salary increase  | 7% p.a  | 7% p.a |
| Attrition rate   | 1% p.a  | 1% p.a |
| Benefits Payable | As per Company Rules                                    |        |

### (C) Death Relief Fund:

Basis of Actuarial Valuation for Compensated Absences Encashment: Liability as on 31.03.2017.

| Particulars      | 2016-2017             |
|------------------|-----------------------|
| Interest rate    | 7.31%                 |
| Attrition rate   | 1%                    |
| Retirement Age   | 60 years              |
| Benefits payable | As per Company Policy |

36. The Company had entered into Hire Purchase agreement with government employees (Hirers) and arranged the supplies of vehicles and consumer durables. Outstanding installment dues including interest from the hirers are shown under "stock with hirers". Hire Purchase business has been discontinued from July 2008.
37. Balances in the accounts of sundry creditors, sundry debtors, business associates including joint ventures and advances/deposits are subject to confirmation and reconciliation. Consequential impact of such reconciliation and confirmation, if any, on the net profit and on the assets/liabilities is not ascertainable.
38. The Company had in the past received demand notices from Income tax Department for non collection of tax at source amounting to Rs. 30,23,31,283/- (Rs. 30,23,31,283/-) and interest thereon amounting to Rs. 30,67,65,640/- (Rs. 30,67,65,640/-). The Company had paid Rs. 24,05,81,902/- (Rs.24,05,81,902/-) and furnished bank guarantee for Rs. 36,17,49,381/- (Rs. 36,17,49,381/-) . Further Income Tax department has also adjusted refund of Rs.42,40,233/- due in respect of financial year 2006-07 against the pending demand. The matter is presently pending in Supreme Court.
39. Short-term loans and advances in Note 17 include:  
Rs.77,23,849/- ( Rs 77,23,849/-) being the service tax refund receivable from Service Tax Department. The Department claimed in all Rs 1,47,99,829/- (Rs 1,47,99,829/-) towards service tax for the period from 16.08.2002 to 30.06.2008 on baggage and export cargo, destination charges and cargo handing over charges collected by the Company in respect of import and export cargo. The Company filed an appeal against the above claims before the Commissioner (Appeals) Central Excise , Bangalore, who allowed relief to the extent of Rs. 6,18,363/-. The Company paid the amount of Rs. 77,23,849/-. The Department

## NOTES OF ACCOUNTS (Contd..)

has also filed an appeal before Customs Excise & Service Tax Appellate Tribunal (CESTAT) against the order of commissioner (appeals) for allowing relief of Rs. 6,18,363/- to the company. CESTAT referred 3 cases back to the Department which was rejected by Commissioner (Appeals). MSIL has filed further appeals before CESTAT on July 2012. Fresh Orders and demand are still awaited. Appeals for the years 2005-06 to 2008-09 are still pending before CESTAT. The total demands up to 31.03.2009 amounting to Rs.1,47,99,829/- (Rs.1,47,99,829/-) excluding penalty, interest etc., has not been provided in the books.

40. The Company had entered into an agreement on November 13th, 2009 with a Supplier, Mallappa Mineral Industries (MMI), for procurement of 50,000 MT iron ore of 52% Fe content for export to China at Rs.1,000/- per MT and in turn entered into an agreement with overseas buyer, Fremery Holdings Limited, for export FOB Goa at US\$ 28 ( Rs.1,288/- ) per MT. The Company projected profit of Rs.88/- per MT after factoring in service charge of RS.200/- per MT payable.

The agreement with the overseas buyer envisaged Lay-can period between November 25th to 30th, completion of shipment on or before December 15th 2009 and FE content of 52%. One of the conditions of the agreement was that all disputes are to be referred to arbitration with venue at Hong Kong.

An irrevocable Letter of Credit in favour of MMI for Rs. 5 Crores was established. The supplier, having failed to mobilize funds to procure ore, sought advance from MSIL. As the ship had already arrived at the port on December 10th 2009, to avoid demurrage, the Company had advanced Rs. 2.15 Crores against post dated cheques and commitment to create equitable mortgage on properties which the Company could not complete. In view of continued failure to supply the ore, the Company had deposited the cheques for collection but these were dishonoured and hence a criminal case under Negotiable Instruments Act, 1881 was filed on 25.02.2010, now the case is pending before the Chief Metropolitan Court, Bangalore and it is at the 'Evidence' stage.

When MMI failed to supply, the Company approached another supplier, Saram Exports, who had agreed on the same terms and conditions. MSIL advanced Rs. 4.5 Cr to the new supplier and the ship loaded with 46,846.48 MT ore sailed on January 14th 2010 after a delay of 29 days. MSIL had to incur additional customs duty of Rs.32,22,680/- due to increase by Government of India. The supply by Saram Exports was dispatched on an urgent basis as the time available for shipping was over and could not wait for Test Report. Subsequently the test report revealed that Fe content of the shipment was only 49.37%.

The Company raised an invoice on the buyer and negotiated the documents through LC which could not be negotiated as it was lapsed. On the cargo reaching Hong Kong port, Chinese Inspection Quality Report revealed an Fe content of 45.9% and hence the buyer rejected the ore as sub standard. Subsequently, overseas buyer was authorized to sell the ore and realize the proceeds. The ore was sold at US\$ 35 per MT on CFR basis realising US\$ 16,39,626.80 vide invoice dated March 23rd 2010. MSIL requested the foreign buyer to remit the sale proceeds who in turn claimed US\$ 24,25,051.88 towards its claim against the Company, which the Company didn't agree.

Considering the above facts and adopting exchange rate of US \$ 1 = Rs.46/- and freight between Goa to China at US \$ 24, the Company had accounted sales, cost of sales, contractual claims against the Company and claims of the Company provisionally in the books for the year ended March 31, 2010. Claims of the overseas buyer in respect of expenses incurred in China and liability under FEMA are not considered at this stage. Fremery Holdings Limited had claimed US\$ 19,74,545 (Rs. 11,79,98,809/- Considering exchange rate of Rs.59.76/- US\$) after adjusting realisation of US\$ 5,02,071 by way of sale of iron ore. As per the arbitration award, MSIL is liable to pay Fremery Holdings Limited \$18,80,851

(Rs.12,46,72,209) and interest amounting to Rs. 2,77,72,466/-. The Company accepted the liability to be US \$ 67,473/- ( Rs. 44,72,429/- ) after deducting sale proceeds amounting to US \$ 16,39,627 from US\$ 17,07,100 (Rs. 10,68,47,359/- pertaining to demurrage and freight. The balance amount of US\$ 18,13,378 (Rs. 12,01,99,779/- considering exchange rate of Rs. 66.285 US\$) is disputed by the Company and disclosed under contingent liability. The application filed u/s 34 of the Indian Arbitration Act before the City Civil Court, Bangalore to set aside the Arbitration award is at the 'hearing' stage. In the light of irregularities reported by the Committee on Public Undertakings of the Karnataka Legislative Assembly in the above transactions, the company has filed criminal complaint in the jurisdictional police station and the police are investigating the case. In respect of these criminal complaint police have framed the charge sheet and filed the case before the ACMM Court , Bengaluru.

41. The Company had received a loan of Rs.5,00,00,000/- (Rs.5,00,00,000/-) from the Government of Karnataka during the year 1997-98. The Company had provided interest of Rs.5,27,42,466/- up to 31-03-2004.

In the financial year 2004-05, the Company had approached the Government of Karnataka to convert the above amounts totaling to Rs.15,09,48,779/- into equity. The proposal was cleared by Finance Department, Government of Karnataka in 17-09-2004. The Department of Directorate of Pension Small Saving Asset Management by its letter dated 20-07-2012 approved the Company's proposal. This amount is included in share application money.

In the absence of any specific demand from the Government of Karnataka the Company has not made any provisions for interest on the loan since financial year 2004-05 (after the financial year in which the Company had approached the Government of Karnataka for conversion). The interest not provided in the books for the year amount to Rs. 50 lakhs and the total amount of interest not provided, since the financial year 2003-04 in which approached the Government to convert the outstanding amount into equity, amounts to Rs.6.50 crores (Rs. 6.00 crores) excluding penal interest, if any.

42. (A) The amount lying in share application money includes amounts due to Government of Karnataka to be issued at par. The decision whether to issue the shares to GoK or KSIIDC, the Holding Company, is pending with GoK.
- (B) Other liabilities include Rs. 2,10,46,347/- (Rs. 2,10,46,347/-) of advances received from various Government Departments in respect of contract to supply imported cement.
43. a) Honourable Supreme Court, vide order dated 13.2.2003 had directed that MSIL is eligible by way of commission on liquor sales effected by five liquor manufacturers. The finalization officer appointed as per directions of High Court of Karnataka, and upheld by Supreme Court, had quantified Rs. 25.18 crores as commission due from Skol Breweries Limited (previously known as Mysore Breweries Limited), which is not accounted in the absence of certainty of realization in accordance with the accounting policy mentioned in Note 2.D (II) (b).
- b) For the claim made by M/s Wescare (India) Limited, in the previous year Company disclosed under contingent liability amounting to Rs. 1,19,23,000/- , and Company filed a case under arbitration against Wescare in the year 2015-16. The arbitration award was disposed off by the arbitrator on 27.04.2016. The arbitrator allowed on Company's claim of lease rentals along with interest till 31.03.2009 amounting to Rs. 155.59 lakhs and disallowed rest of the claim of Rs. 239.37 lakhs. (Refere Note no. 51 SI.No. 9 in contingent liability)

While awarding the arbitrator failed to consider disposal of windmill turbines but awarded adjustments of dues of MSIL as well as M/s Vaata Smart Limited from the security deposit which is not in line with the lease agreement.

On the opinion of Company advocate, the arbitral award was challenged by the Company before the judicature of Madras High Court by filing original petition on 27.04.2016, the matter is being heard before the Honorable High court of Madras. Further, in order to counter the orders passed by the High Court in another connected matters an application was moved before the court for unilaterally allowing Wescare to take inventory of the dismantled windmill turbines. The next date of hearing is not yet intimated. In the absence of uncertainty of outcome of the case filed in Madras High Court, the Company has not recognized any claims in the books.

44. Investments in Note.11 include 50,000 shares of Rs.10 each held in Food Karnataka Limited. The Government of Karnataka ,vide its order no AHD 172 AFT 2010 dated 05-03-2011, ordered transfer of the shares to Karnataka State Agricultural Produce Processing and Export Corporation which has also been approved in the Board Meeting of the company held on 30.6.2011. The transfer is pending finalization of the transfer price.
45. Other non - current liabilities include contribution to Death Relief Fund by MSIL and employees amounting to Rs. 76,40,692/- (Rs. 85,85,910/-) and Rs. 27,51,855/- (Rs. 26,28,415/-) respectively. As per the scheme of the Company in case of death of an employee while in employment, the legal heir / s of the deceased get Rs.1,00,000/-. In case of retirement or employee demits the office, he will get his contribution together with Company's contribution standing to his credit.
46. The Company holds consignment stocks valued at Rs. 45,307/- (Rs 45,307/-) on behalf of the consignors as on the last day of the financial year.
47. Contributions to provident fund and other funds include contribution to:
- Death Relief fund Rs 3,19,618/- (Rs.3,22,304/-)
  - Gratuity Rs 5,30,824/- (Rs. 31,73,477/-)
  - Superannuation Rs 28,46,730/- (Rs.38,85,036/-)
  - Company's contribution to PF Rs 1,05,48,540/- (Rs.1,30,68,043/-)
48. Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2nd October 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company has identified Micro, Small and Medium enterprises as per section 22 of the Micro, Small and Medium Enterprises Development Act 2006 during the FY 2016-2017

| Particulars  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year.  |                           |                           |
| • Principal Amount   | -                         | -                         |
| • Interest payable under MSMED Act, 2006   | Rs. 15,920/-              | Rs. 16,609/-              |
| • Total  | Rs. 15,920/-              | Rs. 16,609/-              |
| The amount of interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of payment made to the supplier beyond the appointed day during the accounting year ending 31st March, 2017. | NIL                       | NIL                       |

|  |              |              |
|--|--------------|--------------|
| The amount of interest due and payable for the period of delay in making payment (which have been paid beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006 *   | Rs. 15,920/- | Rs. 16,609/- |
| The amount of interest accrued and remaining unpaid at the end of the accounting year - March 2017.*   | Rs. 15,920/- | Rs. 16,609/- |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure u/s 23 of the Micro, Small and Medium Enterprises Development Act, 2006.* | Rs. 15,920/- | Rs. 16,609/- |

\*The above information has been furnished to the extent such parties have been identified as MSME by the company which are net of discounts / waivers as a part of business practice. The same has been relied upon by the auditors.

**49. Capital work in progress of Rs. 34,02,40,465/- (Rs. 31,31,72,589/-) includes:**

- i) Navi Mumbai – Build Own Operate Transfer (BOOT) Rs. 33,82,29,174/- (Rs. 31,21,73,798/-)
- ii) Construction of Warehouse in Gulbarga Rs. 13,39,496/- (Rs. 3,26,996/-)
- iii) Construction of Warehouse in Dharwad Rs 4,65,672/- ( Rs. 4,65,672/-)
- iv) Construction of Office at Cunningham Road Rs 2,06,123/- (Rs. 2,06,123/-)

**50.** The Company is in possession of 16 Nos. (16 Numbers) of Art Paintings, the value of which is not ascertained.

**51.** Contingent Liabilities include :

(Amount in Rupees)

| Sl.No. | Contingent Liabilities  | 2016-2017    | 2015-2016    |
|--------|---|--------------|--------------|
| 1      | KIADB Penalty   | 1,20,000     | 1,20,000     |
| 2      | TCS Interest from AY 2001-02 to 2003-04                                     | 16,27,00,399 | 14,67,05,396 |
| 3      | Guarantees / Counter Guarantees given by the Company to Banks               | 36,49,68,381 | 36,37,49,381 |
| 4      | Insurance Claim on Fire Policy-pending cases - Note (i) below               | 2,07,73,297  | 2,07,73,297  |
| 5      | Insurance Claim on Fire Policy-decreed cases - Note (i) below               | 4,88,70,362  | 4,88,70,362  |
| 6      | Interest on Insurance Claim - Note (i) below                                | 4,49,09,522  | 4,10,60,060  |
| 7      | Claim against KIADB Land near BACC by land user                             | 30,19,863    | 30,19,863    |
| 8      | Claim made by party in the business of Iron Ore Export (including interest) | 14,63,83,432 | 14,79,72,245 |
| 9      | Claim against lease of windmill by Wescare (India) Limited                  | 1,19,23,000  | 1,19,23,000  |



- i) Certain Insurance companies who have settled the claims of their customers on account of fire accident at Bangalore Air Cargo Complex, owned by the Company, during 2000-01, have filed several suits against the Company for recovery of claims settled by them under the principles of subrogation. The Company contested the claims in the city civil courts. Aggrieved by the orders of the city civil courts in case of decreed suits, the Company appealed to High court of Karnataka. The Honourable High Court in its order dated 09-03-2009 has decreed that MSIL and Department of Customs are jointly and severally responsible to pay this amount to the claimants. Aggrieved by the orders of the High court, the Company along with Department of Customs appealed against the order of the High Court to Supreme Court. The Honourable Supreme Court after hearing the parties to dispute, directed vide its order dated 06-11-2009, that all the parties concerned being government agencies, should discuss mutually and settle the claim amicably. In a few cases on similar matter, the civil courts have applied the same rationale of the High Court and have decreed that MSIL and Department of Customs are jointly and severally liable for settlement of the insurance claim. The Company has provided one fourth of the liability of Rs 3,12,59,961/- including interest capitalized at 6% in the books and balance amount of Rs. 9,37,79,884/- is shown as contingent liability. Since the claims for recovery from Company's insurer and on the Department of Customs are not arrived at. The Company has insured the Cargo lying in BACC warehouse with its Insurance Company at the rate of US \$20 per kg as per trade circular dated issued by Customs.
- ii) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 58,74,025/- (Rs. 10,05,09,125/-).
- (iii) The company had claimed Income Tax refunds for the Assessment Years 2010-11 , 2012-13 and 2014-15. As per the Income Tax Department's Order, the following are the tax demands:

| Year    | Amount (in Rs.) |
|---------|-----------------|
| 2010-11 | 1,69,19,269/-   |
| 2012-13 | 26,18,238/-     |
| 2014-15 | 1,08,45,920/-   |

The company has gone on appeal for the above mentioned demands and hence the same has not been accounted for in the books. The above figures do not include the interest from the date of Assessment Order till 31st March, 2017.

**52.** Disclosure as required under AS – 19 “Accounting for Leases” is given below:

The Company has entered into operating lease under a Joint venture with Emmvee Solar System Private Ltd. for leasing out Solar Water Heater to non-domestic customers.

| Lease Payments in aggregate                     | As at 31.3.2017 | As at 31.3.2016 |
|---|-----------------|-----------------|
| 1. Not later than 1 year                        | Nil             | Nil             |
| 2. Later than 1 year but not later than 5 years | Rs 43,770/-     | Rs. 43,770/-    |
| 3. Later than five years                        | Nil             | Nil             |

**53.** Related Party Disclosures as per Accounting Standard AS- 18. The Company is a State controlled enterprise and there are no related party disclosures which are required to be made except in respect of key management personnel viz., Directors as disclosed below.

Remuneration to Managing Director

| Particulars             | 2016-2017       | 2015-2016       |
|-------------------------|-----------------|-----------------|
| Salaries and Allowances | Rs. 16,22,939/- | Rs. 10,97,094/- |
| Medical Expenses        | Rs . 3,85,633/- | Rs 5,61,280/-   |

**54. Details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016**

| Particulars                           | SBN'S in Rs.  | Other Denomination Notes in Rs. | Total in Rs.     |
|---------------------------------------|---------------|---------------------------------|------------------|
| Closing cash in hand as on 08.11.2016 | 4,00,04,500/- | 68,290/-                        | 40,072,790/-     |
| (+) Permitted Receipts                | -             | 1,78,27,12,568/-                | 1,78,27,12,568/- |
| (-) Permitted Payments                | -             | -                               | -                |
| (-) Amount Deposited in Banks         | 4,00,04,500/- | 1,75,03,03,791/-                | 1,79,03,08,291/- |
| Closing cash in hand as on 30.12.2016 | -             | 3,24,77,067/-                   | 3,24,77,067/-    |

**55. Disclosures pursuant to AS – 17 on Segment Information for the year ended 31.03.2017 is annexed.**

Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed under "Others".

Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed under "Others".

Signature to Notes 1 to 55

**For Mysore Sales International Limited**

Sd/-  
**A.M. Chandrappa**  
Chief Financial Officer

Sd/-  
**Sridevi B N**  
Company Secretary

Sd/-  
**Dr. G.C. Prakash**  
Managing Director

Sd/-  
**Hampan Gowda Badarli**  
Chairman

As per our Report of Even date  
**For M/s P. Chandrasekar**  
Chartered Accountants  
Firm's Regn. No. 000580S/S200066  
Sd/-

**D. Mani Kumar**  
Partner  
Membership No. 212544

Place : Bengaluru  
Date : 07.08.2017

**DISCLOSURE PURSUANT TO ACCOUNTING STANDARD 17**  
**REF : NOTE No. 55**  
**SEGMENT INFORMATION FOR THE YEAR ENDED 31ST MARCH 2017**

(Amt.in Rs.)

|                         | Paper<br>Rs. | Beverages<br>Rs. | Chit Funds<br>Rs. | Others<br>Rs. | TOTAL<br>Rs.  |
|-------------------------|--------------|------------------|-------------------|---------------|---------------|
| 1 REVENUE               | 357235081    | 13548463243      | 183517561         | 181756137     | 14270972023   |
|                         | (216443756)  | (12639971143)    | (178957254)       | (163678954)   | (13199051107) |
| 2 SEGMENT RESULTS       | 16370557     | 593167054        | 76132178          | -110348118    | 575321671     |
|                         | -(14937526)  | (601168354)      | (82386581)        | -(109355644)  | (559261764)   |
| 3 FINANCIAL EXPENSES    | 264656       | 1063520          | 417971            | 3593883       | 5334691       |
|                         | (278907)     | (67011)          | (498854)          | (17758460)    | (19211876)    |
| 4 PROFIT BEFORE TAX     | 16105901     | 592103534        | 75714207          | -113942001    | 569986980     |
|                         | -(15216433)  | (600498244)      | (81887727)        | -(127114104)  | (540049888)   |
| 5 TAXATION FOR THE YEAR |              |                  |                   | 197880370     | 197880370     |
|                         |              |                  |                   | (192322439)   | (192322439)   |
| 7 DEFERRED TAX          |              |                  |                   | 3747661       | 3747661       |
|                         |              |                  |                   | -(16721090)   | -(16721090)   |
| 8 PROFIT AFTER TAX      | 16105901     | 592103534        | 75714207          | -317553906    | 368358949     |
|                         | -(15216433)  | (600498244)      | (81887727)        | -(302715453)  | (364448538)   |

**OTHER INFORMATION :**

|                     |             |             |              |              |              |
|---------------------|-------------|-------------|--------------|--------------|--------------|
| SEGMENT ASSETS      | 568509571   | 1246168424  | 2190516032   | 2741220663   | 6746414690   |
|                     | (356313914) | (782872177) | (2171013673) | (2429489548) | (5739689311) |
| SEGMENT LIABILITIES | 263124168   | 87175465    | 1700689342   | 856257854    | 2907246829   |
|                     | (69126749)  | (73008492)  | (1681241133) | (1092013665) | (2915390039) |
| CAPITAL EXPENDITURE | 397249      | 46828138    | 2500237      | 11913931     | 61639555     |
|                     | (1100324)   | (872179)    | (1313595)    | (5460915)    | (8747013)    |
| DEPRECIATION        | 901932      | 4512584     | 375234       | 22731718     | 28521468     |
|                     | (1591143)   | (20681310)  | (3732323)    | (12232689)   | (38237464)   |

**Notes:**

- The products included in each of the reported segments are as follows:
  - Paper includes Note Books and Stationery
  - Beverages Division includes Sale of Liquor
  - Chit Fund Division includes Chit Fund operation
  - Others include Hire Purchase, Consumer and Industrial Products, rental income, BACC, Export, Pharmaceutical and Tours & Travels etc.
- Segment Revenue relating to each of the above business segments represents sales, income from services and other related income.



**Form No. MGT-11**

**Proxy Form**

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: U85110KA1966SGC001612

Name of the Company: Mysore Sales International Limited

Registered Office: 'MSIL House', No.36, Cunningham Road, Bengaluru – 560 052

Name of the Member(s):

Registered address:

E-mail Id:

Folio No / Clint Id:

DP ID:

I/ We being the member of ....., holding.....shares, hereby appoint

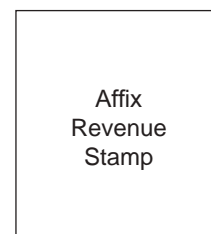
- 1. Name: .....
- Address: .....
- E-mail Id: .....
- Signature: ..... or failing him
  
- 2. Name: .....
- Address: .....
- E-mail Id: .....
- Signature: .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 51st Annual General Meeting of Mysore Sales International Limited, to be held on Monday, the September, 25, 2017 at Registered Office of the Company at MSIL House, No.36, Cunningham Road, Bengaluru - 560 052 at 10.30 a.m. and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No. 1 to 3

Signed this ..... day of..... 20....

Signature of Shareholder



Signature of Proxy holder(s)

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the AGM.

**Mysore Sales International Limited**  
MSIL House, 36, Cunningham Road, Bengaluru– 560 052

**ATTENDANCE SLIP**

**(51st General Meeting of the Company to be held on Monday, September 25, 2017 at 11.00 a.m.)**

Name of the Shareholder: .....

Regd. Folio No.: .....

No. of Shares held: .....

Note: Shareholder / Proxy must hand over the duly signed attendance slip at the venue.

Signature of Shareholder / Proxy

**51st General Meeting of the Company to be held on September 25, 2017 at 11.00 a.m. at the Register Office of MSIL, MSIL House, 36, Cunningham Road, Bengaluru-560 052**

**ROUTE MAP**



By order of the Board  
For Mysore Sales International Limited

**Sridevi B.N.**  
Company Secretary



**MSIL**

**Mysore Sales International Limited**

MSIL House, # 36, Cunningham Road, Bengaluru - 560 052

**Phone** : 080 - 2226 4021 - 25 **Fax** : 080 - 2225 3311

**E-mail** : [msil@msionline.com](mailto:msil@msionline.com) **Website** : [www.msionline.com](http://www.msionline.com)