KSK Mahanadi Power Company Limited
Balance Sheet as at 31 March, 2017
(All amounts are in ₹ Crores, unless otherwise stated)

	Note	31 Mar 2017	31 Mar 2016	01 Apr 2015
I ASSETS				
1 Non-current assets				
(a) Property, plant and equipment	5	9,620.03	9,973.55	9,862.29
(b) Capital work-in-progress	5	7,237.47	4,869.01	4,460.42
(c) Intangible assets	6	0.01	0.01	0.02
(d) Intangible assets under development	6	1.84	1.84	1.84
(e) Financial assets				
(i) Investments	7	135.84	105.84	0.55
(ii) Loans	9	371.36	200.72	13.49
(iii) Other financial assets	10	51.55	19.35	41.00
(f) Deferred tax assets, net	21	750.43	568.91	524.03
(g) Other non-current assets	11	658.43	622.38	604.17
		18,826.96	16,361.60	15,507.81
2 Current assets				
(a) Inventories	12	68.12	122.28	61.65
(b) Financial assets				
(i) Investments	7	12.24	11.66	11.05
(ii) Trade receivables	8	2,527.39	1,893.98	481.91
(iii) Cash and cash equivalents	13	97.21	91.80	113.63
(iv) Other bank balances	14	447.10	530.03	637.75
(v) Loans	9	369.12	475.61	474.12
(vi) Other financial assets	10	14.75	40.47	38.59
(c) Other current assets	11	555.36	233.03	192.15
		4,091.30	3,398.88	2,010.85
TOTAL		**22,918.26**	**19,760.48**	**17,518.66**
II EQUITY AND LIABILITIES				
Equity				
(a) Equity share capital	15	3,609.50	3,450.14	3,064.81
(b) Other equity		(196.20)	156.72	251.88
		3,413.31	3,606.86	3,316.69
1 Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings	16	16,065.39	12,972.21	12,230.61
(ii) Other financial liabilities	18	-	10.27	198.26
(b) Provisions	17	4.39	3.21	1.95
		16,069.78	12,985.69	12,430.82

KSK Mahanadi Power Company Limited
Balance Sheet as at 31 March, 2017
(All amounts are in ₹ Crores, unless otherwise stated)

	Note	31 Mar 2017	31 Mar 2016	01 Apr 2015
2 Current liabilities				
(a) Financial liabilities				
(i) Borrowings	16	967.56	830.58	224.45
(ii) Trade payables	19	616.90	727.23	290.12
(iii) Other financial liabilities	18	1,833.48	1,603.26	1,250.61
(b) Other current liabilities	20	17.23	6.86	5.85
(c) Short-term provisions	17	-	-	0.12
(d) Current tax liabilities (net)				
		3,435.17	3,167.93	1,771.14
TOTAL		**22,918.26**	**19,760.48**	**17,518.66**

See accompanying notes to the financial statements

As per our report of even date
for Umamaheswara Rao & Co.
Chartered Accountants
Firm Registration No. 004453S

for **and on behalf of the Board**

Sd/-
S.Venugopal
Partner
Membership No. 205565

Sd/-
S.Kishore
Whole-time Director & CEO
DIN : 00006627

Sd/-
K.A.Sastry
Director
DIN : 00006566

Place: Hyderabad
Date : 27 May 2017

Sd/-
Ashu Handa
Chief Financial Officer

Sd/-
M.S.R.Saran Prasad
Company Secretary

KSK Mahanadi Power Company Limited

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

(All amounts are in ₹ Crores, unless otherwise stated)

		Note	Year ended 31 March 2017	Year ended 31 March 2016
I	Revenue from operations	22	3,073.91	3,019.90
II	Other income	23	128.50	38.89
III	**Total revenue (I+II)**		**3,202.41**	**3,058.79**
IV	**Expenses**			
	Cost of fuel consumed	24	1,416.83	1,338.26
	Employee benefits expenses	25	51.91	36.22
	Finance costs	26	1,483.53	1,076.18
	Other expenses	27	325.05	376.04
	Depreciation and amortisation expenses	5 & 6	459.05	371.81
	Total expenses		**3,736.36**	**3,198.52**
V	**(Loss)/ profit before tax (III - IV)**		(533.96)	(139.73)
VI	**Tax expense / (income)**			
	Deferred tax	21	(181.35)	(44.77)
	Total tax expenses / (income)		**(181.35)**	**(44.77)**
VII	**(Loss)/ profit after tax (V - VI)**		**(352.61)**	**(94.96)**
VIII	**Other comprehensive income**			
	(i) Items that will not be reclassified to profit & loss			
	Remeasurement of defined benefit plans		(0.47)	(0.32)
	Income tax relating to above		0.16	0.11
	Other comprehensive (loss)/income (after tax)		**(0.31)**	**(0.21)**
IX	**Total comprehensive (loss)/income for the year (VII+VIII)**		**(352.91)**	**(95.16)**
X	**Earnings / (loss) per share (EPS)**			
	Basic and diluted - face value of Rs.10 per share	33	(1.00)	(0.30)

See accompanying notes to the financial statements

As per our report of even date
for Umamaheswara Rao & Co.
Chartered Accountants
Firm registration No. 004453S

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S.Venugopal
Partner
Membership No. 205565

for and on behalf of the Board

Sd/-
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Whole-time Director & CEO
DIN : 00006627

Sd/-
K.A.Sastry
Director
DIN : 00006566

Sd/-
Ashu Handa
Chief Financial Officer

Sd/-
M.S.R.Saran Prasad
Company Secretary

Place: Hyderabad
Date : 27th May 2017

KSK Mahanadi Power Company Limited
Statement of Changes in Equity for the year ended 31 March 2017
(All amounts are in ₹ Crores, unless otherwise stated)

A. Equity Share Capital

Particulars	No of Shares	Amount
Balance as at 1 April, 2015	3,064,812,944	3,064.81
Changes in equity share capital during the year :		
i) Shares issued on preferential allotment basis	385,330,000	385.33
Balance as at 31 March 2016	**3,450,142,944**	**3,450.14**
Balance as at 1st April, 2016	**3,450,142,944**	**3,450.14**
Changes in equity share capital during the year :		
i) Shares issued on preferential allotment basis	159,360,000	159.36
Balance as at 31 March 2017	**3,609,502,944**	**3,609.50**

B. Other Equity

Particulars	Retained earnings	Total
Balance as at 1st April, 2015	**251.88**	**251.88**
(Loss)/profit for the year	(94.96)	(94.96)
Remeasurement of defined benefit plans, net of tax	(0.21)	(0.21)
Total comprehensive (loss)/profit for the year	**(95.16)**	**(95.16)**
Balance as at 31 March 2016	**156.72**	**156.72**
Balance as at 1st April, 2016	156.72	156.72
(Loss)/profit for the year	(352.61)	(352.61)
Remeasurement of defined benefit plans, net of tax	(0.31)	(0.31)
Total comprehensive (loss)/profit for the year	**(352.91)**	**(352.91)**
Balance as at 31 March 2017	**(196.20)**	**(196.20)**

See accompanying notes to the financial statements

As per our report of even date
for Umamaheswara Rao & Co.
Chartered Accountants
Firm Registration No. 004453S

Sd/-
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Director
DIN : 00006566

Sd/-
Ashu Handa
Chief Financial Officer

Sd/-
M.S.R.Saran Prasad
Company Secretary

Place: Hyderabad
Date : 27 May 2017

KSK Mahanadi Power Company Limited
Cash Flow Statement for the year ended 31 March, 2017
(All amounts are in ₹ Crores, unless otherwise stated)

Particulars		**31 Mar 2017**	**31 Mar 2016**
A Cash flow from operating activities			
Profit / (loss) before tax		(533.96)	(139.73)
Adjustment for			
Depreciation and amortisation expenses		459.05	371.81
Finance cost		1,483.53	1,076.18
(Profit) / loss on sale of asset		(0.11)	0.01
Unrealised foreign exchange		(24.07)	2.04
Dividend income		(0.29)	(0.17)
Interest income		(72.90)	(32.59)
Unwinding of discount on deposits		(2.59)	-
Others		(0.47)	(0.32)
Operating profit before working capital changes		**1,308.18**	**1,277.23**
Working capital changes			
(Increase) / decrease in financial and other asset		(375.88)	(43.52)
(Increase) / decrease in trade receivables		(586.05)	(1,412.07)
(Increase) / decrease in inventories		54.16	(60.63)
Increase / (decrease) in trade payables		(110.33)	437.11
Increase / (decrease) in financial and other liabilities		25.14	5.30
Cash generated from operating activities		315.22	203.43
Tax (paid) / refund		32.91	(4.84)
Net cash from operating activities		**348.13**	**198.59**
B Cash flow from investing activities			
Purchase of fixed assets including capital work-in-progress, net		(1,299.87)	(191.77)
Sale of fixed assets		0.34	0.92
(Investment) / redemption of bank deposit (held as margin money or security against guarantees or borrowings)		51.10	127.61
Interest received		69.00	56.01
Net cash from / (used in) investing activities		**(1,179.43)**	**(7.22)**
C Cash flow from financing activities			
Net proceeds from issue of share capital & application money		60.00	114.00
Proceeds from long-term borrowings		3,456.47	710.22
Repayment of long-term borrowings		(297.86)	-
Proceeds from / repayment of short-term borrowings, net		136.98	606.13
Payment of derivative liabilities		(33.70)	(28.09)
Finance cost paid		(2,485.20)	(1,615.45)
Net cash generated from/(used in) financing activities		**836.70**	**(213.20)**
Net increase / (decrease) in cash and cash equivalents		**5.41**	**(21.83)**
Cash and cash equivalent - opening balance	13	91.80	113.63
Cash and cash equivalent - closing balance	13	**97.21**	**91.80**

See accompanying notes to the financial statements

As per our report of even date
for Umamaheswara Rao & Co.
Chartered Accountants
Firm registration No. 004453S

for **and on behalf of the Board**

Sd/-
S.Venugopal
Partner
Membership No. 205565

Sd/-
S.Kishore
Whole-time Director & CEO
DIN : 00006627

Sd/-
K.A.Sastry
Director
DIN : 00006566

Place: Hyderabad
Date : 27 May 2017

Sd/-
Ashu Handa
Chief Financial Officer

Sd/-
M.S.R.Saran Prasad
Company Secretary

1 Corporate information

KSK Mahanadi Power Company Limited (“KMPCL” or the “Company”), is a Public Company domiciled in India and incorporated under the provisions of Companies Act applicable in India. The Registered Office of the Company is located at Road No 22, Jubilee Hills, Hyderabad - 500033, Telangana. The Company is engaged in the business of generation and sale of power through its power plant of 6 x 600 MW situated at Janjgir-Champa District, Chhattisgarh.

2 Basis of Preparation

A Statement of Compliance

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The Company's financial statements up to and for the year ended 31 March 2016 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act.

As these are the Company's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, ‘First-time adoption of Indian Accounting Standards’ has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 34.

The financial statements were authorised for issue by the Board of Directors on 27 May 2017.

B Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest crores, unless otherwise stated.

C Basis of measurement

These financial statements have been prepared on historical cost basis except for the following items:

- Derivative financial instruments that are measured at fair value;
- Financial instruments that are designated as being at fair value through profit or loss account or through other comprehensive income upon initial recognition are measured at fair value;
- Net employee defined benefit (asset) / liability that is measured based on actuarial valuation.

3 Significant accounting policies

3.1 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost includes expenditures that are directly attributable to property plant and equipment such as employee cost, borrowing costs for long-term construction projects etc., if recognition criteria are met. Likewise, when a major inspection is performed, its costs are recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. All other repairs and maintenance costs are recognised in P&L.

Depreciation is computed, based on technical assessment made by technical expert and management estimate, on straight-line basis over the estimated useful life which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used as follows:

Nature of asset	Useful life (years)
Buildings	5-60
Plant and equipment	1-25
Furniture & fixtures	1-10
Vehicles	8-10
Office equipment & computers	3-6

Assets in the course of construction are stated at cost and not depreciated until commissioned.

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

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

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of 1st April, 2015 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

3.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss.

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

Nature of asset	Useful life (years)
Software	3

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its Intangible asset recognised as of 1st April, 2015 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

3.3 Financial Instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.4 Financial assets

Initial recognition & Measurement

All regular way purchases or sales of financial assets are recognised/derecognised on a trade date basis

Subsequent measurement

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

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

Debt instruments at amortised cost

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

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

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

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

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

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. For the equity instruments Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

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

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Impairment of financial asset

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, trade receivables and other contractual rights to receive cash or other financial asset.

For recognition of impairment loss on other financial assets and risk exposure, the group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward looking information.

3.5 Financial liabilities

Initial recognition

Financial liabilities within the scope of Ind AS 109 are classified as

- Fair value through profit or loss
- Other financial liability at amortised cost

The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated as such at the initial date of recognition, and only if criteria of Ind AS 109 are satisfied.

Loans and borrowings at amortised cost

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

Offsetting of financial instruments

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

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the EIR.

Derecognition

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

3.6 Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps etc. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of Ind AS 109 are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the financial asset or settle the financial liability takes place either:

- In the principal market, or
- In the absence of a principal market, in the most advantageous market

The principal or the most advantageous market must be accessible by the Company. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use. Fair value measurement and / or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

The Company- uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's - accounting policies.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials - purchase cost on Weighted average basis.
- Stores and spares - purchase cost on a first in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.9 Foreign currency translation

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency are recognised at the rate of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in profit and loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

The Company has elected to continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items outstanding and recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP.

3.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company, and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in accordance with the relevant agreements, net of discounts, rebates and other applicable taxes and duties.

Sale of electricity : Revenue from the sale of electricity is recognised when earned on the basis of contractual arrangement with the customers and reflects the value of units supplied including an estimated value of units supplied to the customers between the date of their last meter reading and year end. Further, claim towards tariff adjustments and taxes are recognised in accordance with the specific provision of change in law specified under the power purchase agreement with respective customers.

Interest and dividend income : Revenue from interest is recognised on an accrual basis (using the effective interest rate method). Revenue from dividends is recognised when the right to receive the payment is established.

Insurance claim : Insurance claims are accounted based on certainty of realisation.

3.11 Taxes

Current income tax : Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.

Deferred income tax: Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

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

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credit and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint operations, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities, relating to items recognised outside statement of profit and loss is recognised outside statement of profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets.

All other borrowing costs including transaction costs are recognised in the statement of profit and loss in the year in which they are incurred, the amount being determined using the EIR method.

3.13 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit and loss, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

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

3.14 Cash and short-term deposits

Cash and short-term deposits comprise cash at banks and on hand and short-term deposits.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and readily convertible short-term deposits, net of restricted cash and outstanding bank overdrafts.

3.15 Earnings per share

The earnings considered in ascertaining the Company's earnings per share (EPS) comprise the net profit or loss for the period attributable to equity holders. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders (after adjusting for effects of all dilutive potential equity shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into equity shares.

3.16 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

3.17 Employee benefits

Gratuity

In accordance with Gratuity laws, the Company provides for gratuity, a defined benefit retirement plan (“the Gratuity Plan”) covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

Liabilities with regard to the Gratuity plan are determined by actuarial valuation, performed by an independent actuary, at each reporting date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the gratuity fund administered and managed by Life Insurance Corporation of India, a Government of India undertaking which is a qualified insurer.

The Company recognises the net obligation of a defined benefit plan in its Balance sheet as an asset or liability, respectively in accordance with Ind AS 19, Employee benefits. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense / (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss

Provident fund

Eligible employees of Company receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary and the employer contribution is charged to statement of profit and loss. The benefits are contributed to the government administered provident fund, which is paid directly to the concerned employee by the fund. The Company has no further obligation to the plan beyond its monthly contributions.

Short- term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid towards bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The principal accounting policies adopted by the Company in the financial statements are as set out above. The application of a number of these policies required the Company to use a variety of estimation techniques and apply judgment to best reflect the substance of underlying transactions.

The Company has determined that a number of its accounting policies can be considered significant, in terms of the management judgment that has been required to determine the various assumptions underpinning their application in the financial statements presented which, under different conditions, could lead to material differences in these statements.

The policies where significant estimates and judgments have been made are as follows:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Estimation of fair value of acquired financial assets and financial liabilities*: When the fair value of financial assets and financial liabilities recorded in the Balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
- *Un-collectability of trade receivables:* Analysis of historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required. Further recoverability of various claims as per power purchase agreement including change in law claim are subject to adjudicate at appropriate regulatory authorities.

- *Taxes*: Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of assessment by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax assessment and differing interpretations of tax laws by the taxable entity and the responsible tax authority. The Company assesses the probability for litigation and subsequent cash outflow with respect to taxes.
- Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.
- *Gratuity benefits*: The cost of defined benefit plans and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

  Actual results can differ from estimates.

  Judgement

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

- *Useful lives of depreciable assets*: Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence, particularly relating to software and information technology equipment.

- *Provision*: The Company is currently defending certain lawsuits where the actual outcome may vary from the amount recognised in the financial statements. None of the provisions are discussed here in further details as that might seriously prejudice the Company's position in the related disputes.

KSK Mahanadi Power Company Limited
Notes to financial statements
(All amounts are in ₹ Crores, unless otherwise stated)

5 Property, plant and equipment

	Land-Freehold	Buildings	Plant & Equipment	Furniture fixtures	Vehicles	Office equipment & Computers	Total	Capital work in progress
Deemed cost								
As at 1 April 2015	121.97	1,405.82	8,325.66	2.62	2.36	3.85	9,862.29	4,460.42
Additions	49.98	96.61	272.21	1.05	-	2.70	422.55	408.59
Disposals/transfers	-	(0.83)	(0.08)	(0.01)	(0.06)	(0.10)	(1.07)	-
Others	-	2.86	58.69	-	-	-	61.54	-
As at 31 March 2016	**171.94**	**1,504.46**	**8,656.48**	**3.67**	**2.30**	**6.46**	**10,345.31**	**4,869.01**
As at 1 April 2016	171.94	1,504.46	8,656.48	3.67	2.30	6.46	10,345.31	4,869.01
Additions	0.00	14.55	97.63	0.13	0.00	0.03	112.34	2,368.46
Disposals/transfers	(0.09)	-	-	-	(0.03)	-	(0.12)	-
Others	-	(0.04)	(6.66)	-	-	-	(6.70)	-
As at 31 March 2017	**171.86**	**1,518.97**	**8,747.45**	**3.79**	**2.27**	**6.49**	**10,450.82**	**7,237.47**
Depreciation								
As at 1 April 2015	-	-	-	-	-	-	-	-
Additions	-	45.20	323.01	0.69	0.55	2.35	371.80	-
Disposals/transfers	-	(0.01)	-	(0.00)	(0.01)	(0.02)	(0.04)	-
As at 31 March 2016	**-**	**45.19**	**323.01**	**0.69**	**0.54**	**2.33**	**371.76**	**-**
As at 1 April 2016	-	45.19	323.01	0.69	0.54	2.33	371.76	-
Additions	-	60.02	396.75	0.30	0.51	1.46	459.04	-
Disposals/transfers	-	-	-	-	(0.01)	-	(0.01)	-
As at 31 March 2017	**-**	**105.21**	**719.76**	**0.99**	**1.03**	**3.80**	**830.79**	**-**
Net book value								
As at 1 April 2015	121.97	1,405.82	8,325.66	2.62	2.36	3.85	9,862.29	4,460.42
As at 31 March 2016	171.94	1,459.27	8,333.47	2.98	1.76	4.13	9,973.55	4,869.01
As at 31 March 2017	171.86	1,413.76	8,027.69	2.80	1.23	2.69	9,620.03	7,237.47

(i) Property, plant and equipment with a carrying amount of ₹ 16,857.50 (31 March 2016: ₹ 14,842.55; 1 April 2015: ₹ 14,322.71) is subject to security restrictions (refer note 16)

6 Intangible assets

	Computer software	Total	Intangible assets under development
Deemed cost			
As at 1 April 2015	0.02	0.02	1.84
Additions	-	-	-
As at 31 March 2016	**0.02**	**0.02**	**1.84**
As at 1 April 2016	0.02	0.02	1.84
Additions	-	-	-
As at 31 March 2017	**0.02**	**0.02**	**1.84**
Depreciation			
As at 1 April 2015	-	-	-
Additions	0.01	0.01	-
As at 31 March 2016	**0.01**	**0.01**	**-**
As at 1 April 2016	0.01	0.01	-
Additions	0.01	0.01	-
Disposals/transfers	-	-	-
As at 31 March 2017	**0.01**	**0.01**	**-**

(All amounts are in ₹ Crores, unless otherwise stated)

6 Intangible assets (continued)

	Computer software	Total	Intangible assets under development
Net book value			
As at 1 April 2015	0.02	0.02	1.84
As at 31 March 2016	0.01	0.01	1.84
As at 31 March 2017	0.01	0.01	1.84

(i) Intangible assets with a carrying amount of ₹ 0.01(31 March 2016: ₹ 0.01; 1 April 2015: ₹ 0.02) is subject to security restrictions (refer note 16)

7 Investments

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Non-current			
Investments in equity instruments			
(un quoted, fully paid-up)			
Investment in subsidiary at cost			
122,251 Ordinary shares (31 Mar 2016: 122,251 ; 01 Apr 2015: 122,251) of $ 1 each in Sai Power Pte Ltd.	0.55	0.55	0.55
70,277,990 (31 Mar 2016: Nil ; 01 Apr 2015: Nil) Equity shares of Rs.10 each in KSK Water Infrastructures Private Limited (refer note (i) below)	70.28	-	-
Investment in associates at cost			
Nil (31 Mar 2016: 40,277,990 ; 01 Apr 2015: Nil) Equity shares of Rs.10 each in KSK Water Infrastructures Private Limited (refer note (i) below)	-	40.28	-
65,018,090 (31 Mar 2016: 65,018,090; 01 Apr 2015: Nil) Equity shares of Rs.10 each in Raigarh Champa Rail Infrastructure Private Limited	65.02	65.02	-
Total (A)	**135.84**	**105.84**	**0.55**
Current			
Investments at amortised cost			
Investment in mutual fund			
(quoted, fully paid-up)			
Nil (31 Mar 2016: 116,471.553 units @ Rs.1,001.3763; 01 Apr 2015: 110,466.973 units @ Rs.1,000.6866) each in IDFC Cash Fund - Daily Dividend - (Direct Plan)	-	11.66	11.05
12,109,303.42 units @Rs.10.1111 (31 Mar 2016: Nil, 01 Apr 2015:Nil) each in IDFC Ultra Short Term Fund - Daily Dividend - (Direct Plan)	12.24	-	-
Total (B)	**12.24**	**11.66**	**11.05**
Total (A+B)	**148.09**	**117.51**	**11.60**
Aggregate amount of quoted investments and market value thereof	12.24	11.66	11.05
Aggregate amount of unquoted investments	135.84	105.84	0.55
Aggregate amount of impairment in the value of investments	-	-	-

(i) During the current year, the Company has made further investment amounting to ₹ 30 in KSK Water Infrastructure Private Limited. Consequently, KSK Water Infrastructure Private Limited become subsidiary of the Company.

(All amounts are in ₹ Crores, unless otherwise stated)

8 Trade receivables

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Secured considered good	-	41.39	-
Unsecured considered good (refer note 29 (c & d))	2,527.39	1,852.59	481.91
Total	**2,527.39**	**1,893.98**	**481.91**

(i) Trade receivable are interest bearing and are generally due within 1-60 days terms.

(ii) Trade receivable of ₹ 2,527.39 (31 March 2016: ₹ 1,893.98; 1 April 2015: ₹ 481.91) for the Company have been pledged as security for borrowings (refer note 16)

(iii) The Company is having majority of receivables from State Distribution Companies which are Government undertakings and hence they are secured from credit losses in the future.

9 Loans

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Non-current			
Unsecured, considered good			
Security deposits	135.97	32.68	13.49
Advance for investment (refer note (i) below)	235.39	168.03	-
Total (A)	**371.36**	**200.72**	**13.49**
Current			
Unsecured, considered good			
Security deposits	369.12	475.61	474.12
Total (B)	**369.12**	**475.61**	**474.12**
Total (A+B)	**740.48**	**676.33**	**487.60**

(i) During the current year, the Company has given further advance for investment amounting to ₹ 67.36 for acquiring shares of KSK Water Infrastructure Private Limited.

10 Other financial assets

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Non-current			
Deposits with banks	49.53	17.70	37.59
Interest accrued	2.02	1.64	3.41
Total (A)	**51.55**	**19.35**	**41.00**
Current			
Interest accrued	14.27	40.44	38.24
Other receivable	0.48	0.03	0.35
Total (A)	**14.75**	**40.47**	**38.59**
Total (A+B)	**66.30**	**59.82**	**79.59**

(i) The Company has pledged its deposit with banks amounting to ₹ 49.53 (31 March 2016: ₹ 17.70; 1 April 2015: ₹ 37.59) in order to fulfill collateral requirements.

(All amounts are in ₹ Crores, unless otherwise stated)

11 Other assets

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Non-current			
Capital advances	447.32	437.25	422.81
Prepaid expenses	67.65	7.36	7.06
Prepaid lease rental	127.38	128.77	130.15
Advance tax & TDS receivable (net of provision for tax)	16.09	49.00	44.16
Total (A)	**658.43**	**622.38**	**604.17**
Current			
Advance for goods and services	493.03	182.83	126.74
Prepaid expenses	12.36	22.86	38.06
Prepaid lease rental	1.39	1.39	1.40
Claims receivable	48.58	25.95	25.95
Total (B)	**555.36**	**233.03**	**192.15**
Total (A+B)	**1,213.80**	**855.41**	**796.32**

12 Inventories

	31 Mar 2017	31 Mar 2016	01 Apr 2015
(at lower of cost or net realisable value)			
Fuel	28.60	18.32	25.87
Fuel in transit	-	63.13	28.14
Stores and spares (including consumables)	39.49	16.20	7.36
Stores and spares in transit	0.03	24.63	0.28
Total	**68.12**	**122.28**	**61.65**

(i) Inventory of ₹ 68.12 (31 March 2016: ₹ 122.28; 1 April 2015: ₹ 61.65) for the Company is subject to security restrictions (refer note 16)

13 Cash and cash equivalents

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Cash on hand	0.09	0.08	0.19
Draft on hand	15.06	0.40	-
Balances with banks			
On current account	82.07	91.32	113.44
Total	**97.21**	**91.80**	**113.63**

14 Other bank balances

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Deposits with bank	447.10	530.03	637.75
Total	**447.10**	**530.03**	**637.75**

(i) The Company has pledged its deposit with banks amounting to ₹ 447.10 (31 March 2016: ₹ 530.03; 1 April 2015: ₹ 637.75) in order to fulfill collateral requirements.

KSK Mahanadi Power Company Limited
Notes to financial statements
(All amounts are in ₹ Crores, unless otherwise stated)

15 Share capital

Particulars	31 Mar 2017	31 Mar 2016	01 Apr 2015
Authorized			
8,500,000,000 (31 Mar 2016: 8,500,000,000 ; 01 Apr 2015: 5,000,000,000) equity shares of Rs.10 each	8,500.00	8,500.00	5,000.00
1,500,000,000 (31 Mar 2016: 1,500,000,000; 1 Apr 2015: 2,500,000,000) preference shares of Rs.10/- each	1,500.00	1,500.00	2,500.00
	10,000.00	**10,000.00**	**7,500.00**
Issued, subscribed and fully paid-up			
3,609,502,944 (31 Mar 2016: 3,450,142,944 ; 01 Apr 2015: 3,064,812,944) equity shares of Rs. 10 each fully paid-up	3,609.50	3,450.14	3,064.81
	3,609.50	**3,450.14**	**3,064.81**

Notes

1) Terms/rights attached to equity shares

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

2) Reconciliation of number of shares outstanding

Particulars	31 Mar 2017	31 Mar 2016	01 Apr 2015
Equity shares fully paid-up			
Outstanding at the beginning of the year	345.01	306.48	252.82
Issued during the year	15.94	38.53	53.66
Outstanding at the end of the year	**360.95**	**345.01**	**306.48**

3) Aggregate number of shares allotted without payment being received in cash

Particulars	31 Mar 2017	31 Mar 2016	01 Apr 2015
Number of shares allotted pursuant to contract without payment being received in cash	37.07	27.33	-

4) Particulars of share holders holding more than 5% of the outstanding shares

Name of the shareholder	31 Mar 2017	31 Mar 2016	01 Apr 2015
KSK Energy Ventures Limited (holding company)			
No. of shares held	273.72	267.52	242.55
% of shares held	75.83%	77.54%	79.14%
KSK Energy Company Private Limited			
No. of shares held	62.07	52.33	25.00
% of shares held	17.20%	15.17%	8.16%
KSK Energy Limited			
No. of shares held	-	-	13.77
% of shares held	-	-	4.49%
Sai Regency Power Corporation Private Limited			
No. of shares held	20.96	20.96	20.96
% of shares held	5.81%	6.08%	6.84%

5) Equity shares held by holding company, step-up holding company, subsidiaries of holding company and step-up holding company

Name of the shareholder	31 Mar 2017	31 Mar 2016	01 Apr 2015
Holding company			
No. of shares held	273.72	267.52	242.55
% of shares held	75.83%	77.54%	79.14%
Subsidiaries of holding company			
No. of shares held	25.16	25.16	25.16
% of shares held	6.97%	7.29%	8.21%
Subsidiary of step-up holding company			
No. of shares held	62.07	52.33	25.00
% of shares held	17.20%	15.17%	8.16%
Step-up holding company			
No. of shares held	-	-	13.77
% of shares held	0.00%	0.00%	4.49%

16 Borrowings

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Non-current			
Secured			
Term loans			
Rupee loan from banks	9,931.31	8,232.61	7,786.85
Rupee loan from others	5,734.72	4,034.93	3,778.52
Foreign currency loans	399.36	380.93	360.36
Unsecured			
Foreign currency loans	-	323.74	304.88
Total (A)	**16,065.39**	**12,972.21**	**12,230.61**
Current			
Secured			
Loans payable on demand			
From banks	955.86	776.89	177.98
Foreign currency loans	-	41.99	46.47
Unsecured			
Loan from related parties	11.70	11.70	-
Total (B)	**967.56**	**830.58**	**224.45**
Total (A+B)	**17,032.95**	**13,802.79**	**12,455.06**

Details of securities pledged & repayment terms

a) Rupee term loans from banks and others and foreign currency loans aggregating to ₹ 15,568.21 (31 March 2016: ₹ 12,151.38; 1 April 2015: ₹ 11,470.05) are secured by first charge and Rupee term loans from banks and others aggregating to ₹ 497.18 (31 March 2016: ₹ 497.09; 1 April 2015: ₹ 455.68) are secured by second charge over all immovable properties, movable properties, intangible assets, current assets and other assets of the company both present and future. Further secured by pledge of certain equity shares of the Company, Corporate guarantee of KSK Energy Company Private Limited and pledge of 17.10 crores of KSK Electricity Financing India Private Limited held by KSK Energy Ventures Limited.

b) Loans repayable on demand are secured by pari-passu charge on all fixed assets and current assets of the Company. Further secured by pledge of certain equity shares of the Company.

(All amounts are in ₹ Crores, unless otherwise stated)

c) The long term rupee loans are repayable in quarterly instalments with the first instalment of respective loan payable starting from July 2018. These loans carry a weightage average interest rate of 14.17% per annum.

d) Foreign currency loans aggregating ₹ 318.01 (31 March 2016: ₹ 323.74; 1 April 2015: ₹ 304.88) is repayable in structured quarterly instalments commencing from June 2018. The weighted average rate of interest is at around 4.50% per annum.

e) Foreign currency loans aggregating ₹ 81.35 (31 March 2016: ₹ 380.93 ; 1 April 2015: ₹ 360.36) are repayable over the period of one year with an option to roll over upto five years from the initial date of availment. The weighted average rate of interest is at around 5.88% per annum.

17 Provisions

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Non-current			
For employee benefits (refer note a)	4.39	3.21	1.95
Total	**4.39**	**3.21**	**1.95**
Short-term provisions			
For income tax (net of advance tax)	-	-	0.12
Total (B)	**-**	**-**	**0.12**
Total (A+B)	**4.39**	**3.21**	**2.07**

Note

a) The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with LIC in the form of a qualifying insurance policy.

The following table sets out the status of the gratuity plan as required under Ind AS 19

A. Net Benefit liability

	31 Mar 2017	31 Mar 2016
Defined benefit obligation	8.88	6.76
Fair value of plan assets	4.48	3.56
Benefit liability	**4.39**	**3.21**

B. Changes in the present value of the defined benefit obligation are as follows

	31 Mar 2017	31 Mar 2016
Defined benefit obligation as at the beginning of the year	6.76	5.01
Included in income statement		
Current service cost	1.31	1.17
Interest cost	0.53	0.39
	8.60	**6.56**
Included in other comprehensive income		
Remeasurement loss / (gain)		
Re-measurement (or Actuarial) (gain) / loss arising from:		
Change in financial assumptions	0.45	(0.03)
experience variance (i.e. Actual experience vs assumptions)	0.05	0.38
	0.49	**0.35**
Others		
Benefits paid	(0.22)	(0.15)
	(0.22)	**(0.15)**
Defined benefit obligation as at the end of the year	**8.88**	**6.76**

(All amounts are in ₹ Crores, unless otherwise stated)

Changes in the fair value of plan assets are as follows

	31 Mar 2017	31 Mar 2016
Fair Value of Plan Assets		
Fair value of plan assets beginning of the period	**3.56**	**3.05**
Included in income statement		
Interest income	0.28	0.24
	0.28	**0.24**
Included in other comprehensive income		
Remeasurement loss / (gain)		
Return on plan asset (excluding amounts included in net interest expense)	0.02	0.03
	0.02	**0.03**
Others		
Contributions	0.85	0.38
Benefits Paid	(0.22)	(0.15)
	0.63	**0.24**
Fair value of plan assets end of the period	**4.48**	**3.56**

Net defined benefit liability (asset)

	31 Mar 2017	31 Mar 2016
Balance	3.21	1.95
Included in income statement		
Current service cost	1.31	1.17
Interest cost/(income)	0.25	0.15
	1.56	**1.32**
Included in other comprehensive income		
Remeasurement loss / (gain)		
Actuarial (gains) on obligation		
Change in financial assumptions	0.45	(0.03)
experience variance (i.e. Actual experience vs assumptions)	0.05	0.38
Return on plan asset (excluding amounts included in net interest expense)	(0.02)	(0.03)
	0.47	**0.32**
Others		
Contributions by employer	(0.85)	(0.38)
Benefits paid	-	-
	(0.85)	**(0.38)**
Defined benefit obligation as at the end of the year	**4.39**	**3.21**

Asset information

	31 Mar 2017	31 Mar 2016
Insurer managed funds	100.00%	100.00%

The principal assumptions used in determining the obligation towards the Group’s plan as shown below:

	31 Mar 2017	31 Mar 2016
Discount rate	7.45%	7.80%
Rate of increase in compensation levels	10.00%	10.00%

(All amounts are in ₹ Crores, unless otherwise stated)

Sensitivity analysis

	31 Mar 2017		31 Mar 2016	
	Decrease	**Increase**	**Decrease**	**Increase**
Discount Rate (- / + 1% movement)	(1.46)	1.20	(1.16)	0.95
Salary Growth Rate (- / + 1% movement)	0.86	(0.81)	0.69	(0.66)

Discount rate: The discount rate is based on the prevailing market yields of Indian government bonds as at the balance sheet date for the estimated term of the obligations
Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

18 Other financial liabilities

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Non-current			
Creditors for capital goods (including retention money)	-	10.27	198.26
Total (A)	**-**	**10.27**	**198.26**
Current			
Creditors for capital goods (including retention money)	1,268.51	1,028.42	941.96
Share application money	-	2.00	-
Salary and bonus payable	19.14	17.25	3.98
Interest accrued	530.38	550.18	290.62
Other financial liabilities	12.92	1.23	11.36
Derivatives not designated as hedge	2.52	4.17	2.70
Total(B)	**1,833.48**	**1,603.26**	**1,250.61**
Total (A+B)	**1,833.48**	**1,613.53**	**1,448.87**

Derivative not designate as hedge represents forward cover outstanding

19 Trade payables

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Dues to other than micro and small enterprises	616.90	727.23	290.12
	616.90	**727.23**	**290.12**

The company has not received any information from suppliers or service providers, whether they are covered under the ' The Micro, Small and Medium Enterprises Development Act, 2006". Disclosure relating to amount unpaid at the period/year end together with interest payable, if any, as required under the said Act are not ascertainable.

Trade payable are non-interest bearing and mainly includes amount payable to coal suppliers and operation and maintenance vendors in whose case credit period allowed is less than 12 months. Company usually opens usance letter of credit in favour of the coal suppliers. Since the average credit period is less than 12 months, the trade payable amount has been classified as current.

20 Other liabilities

	31 Mar 2017	31 Mar 2016	01 Apr 2015
Current			
Statutory liabilities	17.23	6.86	5.85
Total	**17.23**	**6.86**	**5.85**

(All amounts are in ₹ Crores, unless otherwise stated)

21 Deferred tax liability / (assets)

Deferred income tax at 31 March 2017 and 31 March 2016 relates to the following:

	1 April 2016	Recognised in P&L	Recognised in OCI	Others	31 Mar 2017
Deferred income tax assets					
Unused tax losses carried forward	841.22	308.03	-	-	1,149.26
	841.22	**308.03**	**-**	**-**	**1,149.26**
Deferred income tax liabilities					
Property, plant and equipment	264.91	103.76	-	-	368.68
Others	7.40	22.92	(0.16)	-	30.15
	272.31	**126.68**	**(0.16)**	**-**	**398.83**
Deferred income tax asset, net	**568.91**	**181.35**	**0.16**	**-**	**750.43**

	1 April 2015	Recognised in P&L	Recognised in OCI	Others	31 Mar 2016
Deferred income tax assets					
Unused tax losses carried forward	677.07	164.15	-	-	841.22
	677.07	**164.15**	**-**	**-**	**841.22**
Deferred income tax liabilities					
Property, plant and equipment	146.28	118.64	-	-	264.91
Others	6.76	0.75	(0.11)		7.40
	153.03	**119.38**	**(0.11)**	**-**	**272.31**
Deferred income tax asset, net	**524.03**	**44.77**	**0.11**	**-**	**568.91**

Tax Reconciliation

Reconciliation between tax expense and the product of accounting profit multiplied by India's domestic tax rate for the years ended 31 March 2017 and 31 March 2016 is as follows:

	31 Mar 2017	31 Mar 2016
Accounting Profit Before tax	(533.96)	(139.73)
Enacted tax rates	34.61%	34.61%
Tax on Profit at enacted rates	(184.79)	(48.36)
Expenditure not deductible for tax purpose	3.48	8.32
Income exempted or taxed at lower rates	(0.00)	-
Deferred tax on Land Indexation	-	(4.73)
Actual tax expense	**(181.31)**	**(44.77)**

(All amounts are in ₹ Crores, unless otherwise stated)

22 Revenue from operations

	Year ended 31 March 2017	Year ended 31 March 2016
Sale of electricity	3,073.85	3,019.90
Other operating revenue-scrap sales	0.06	-
	3,073.91	**3,019.90**

23 Other income

	Year ended 31 March 2017	Year ended 31 March 2016
Interest income (refer note (i) below)	72.90	32.59
Dividend income from investments measured at amortised cost	0.29	0.17
Foreign exchange fluctuations	20.60	-
Insurance claim	31.10	5.85
Unwinding of discount on deposit	2.59	-
Miscellaneous income	1.02	0.28
	128.50	**38.89**

Note:

(i) Interest income comprises of:

a) Interest income of ₹ 69.45 (31 March 2016: ₹ 32.53) on financial assets carried at amortised cost, which includes interest from fixed deposits with banks, interest from loans and advances and interest on others and

b) Interest income of ₹ 3.45 (31 March 2016: ₹ 0.06) on tax refunds.

24 Cost of fuel consumed

	Year ended 31 March 2017	Year ended 31 March 2016
Consumption of coal	1,409.29	1,325.96
Consumption of LDO and HFO	7.54	12.31
	1,416.83	**1,338.26**

25 Employee benefits expenses

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries, wages and bonus	47.23	33.59
Contribution to provident and other funds (refer note 17)	1.83	0.87
Staff welfare expenses	2.86	1.76
	51.91	**36.22**

26 Finance costs

	Year ended 31 March 2017	Year ended 31 March 2016
Interest expenses	1,405.39	1,007.12
Other borrowing cost	58.04	39.49
Unwinding of discount on prepaid portion of Security deposit	2.59	-
Loss on derivative instruments-FVTPL	17.50	29.56
	1,483.53	**1,076.18**

(i) Borrowing cost amounting to ₹ 942.54 (31 March 2016: ₹ 819.10) is capitalised to Property plant & equipment.

(All amounts are in ₹ Crores, unless otherwise stated)

27 Other expenses

	Year ended 31 March 2017	Year ended 31 March 2016
Stores and spares	26.27	7.18
Repairs and maintenance		
plant and equipment	124.57	87.77
others	12.31	7.75
Cost of import power / power obligation charges	21.28	96.12
Raw water charges	78.11	130.54
Rent	6.94	3.42
Rates and taxes	1.90	0.60
Insurance charges	14.56	9.53
Legal and professional charges	4.19	1.52
Selling and distribution expenses	1.00	0.39
Remuneration to auditors		
for audit	0.23	0.22
for tax audit	0.01	0.00
for certification	0.00	0.02
Travel and conveyance	6.96	4.54
Foreign exchange fluctuations	-	10.54
Communication expenses	0.79	0.47
Electricity and water charges	1.29	0.47
Freight outward	11.53	6.36
Miscellaneous expenses	13.11	8.60
	325.05	**376.04**

28 Other comprehensive income

	Year ended 31 March 2017	Year ended 31 March 2016
Items that will not be reclassified to profit or loss		
Remeasurements of the defined benefit plans;	(0.47)	(0.32)
Income tax relating to above	0.16	0.11
	(0.31)	**(0.21)**

29 Capital commitment and contingent liabilities

Capital commitment

a) Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances ₹ 6,345.80 (31 Mar 2016: ₹ 8,370.23: 1 April 2015: 6,401.18).

Contingent liabilities

a) Corporate guarantees of ₹ 36.21; (31 Mar 2016: ₹ 36.21; 1 April 2015:₹ 36.21) has been provided to an associate.

b) Claims against the company not acknowledged as debt : ₹ 82.13 (31 Mar 2016:₹ 84.13; 1 April 2015:₹ 2.10).

(All amounts are in ₹ Crores, unless otherwise stated)

Legal claims

a) Company has levied capacity charges and transmission charges to Andhra Pradesh and Telangana Discoms for the period from 16th June, 2013 to 13th August, 2013 amounting to ₹ 87.34 (31 Mar 2016 ₹ 87.34; 1 Apr 2015 ₹ 87.34) on account of delayed fulfilment of obligation under the PPA. Andhra Pradesh and Telangana Discoms have rejected those claims and made the counter claim of ₹ 23.60 (31 Mar 2016 ₹ 23.60; 1 Apr 2015: ₹ 23.60) for failure to furnish advance final written notice of commencement of supply of power as per article 4.1.2 of PPA. The Company has preferred an appeal before Andhra Pradesh Electricity Regulatory Commission and Telangana State Electricity Regulatory Commission for refund of amount collected by Andhra Pradesh and Telangana Discoms by encashment of bank guarantee. The Company's contention is that since the Andhra Pradesh and Telangana Discoms have failed to fulfil the obligation as per PPA, there is default on part of Andhra Pradesh and Telangana Discoms and the counter claim by Andhra Pradesh and Telangana Discoms is merely to negate the effect of Company claim of capacity charges. Pending adjudication of the case, the Company believes that there is a good chance of succeeding before the regulatory commissions and hence no adjustment has been made in the financial statements.

b) Trade receivables includes an amount of ₹ 1,312.20 (31 Mar 2016: ₹ 842.33 1 Apr 2015: ₹ 206.45) receivable over multiple periods from various State Discoms both on account of (a) various statutory duties, levies and cess levied by Government and Government instrumentality and (b) pursuant to Ministry of Power directive with respect to the Presidential directive on coal linkages of Coal India. Based on the legal advice and considering recent ruling of Hon'ble Supreme Court & CERC in similar case, the Company is confident that the entire amounts is receivable.

c) In addition, the company is also subject to various other legal proceedings and claims which have arisen in the ordinary course of business including claims before various tax authorities. The management does not reasonably expect that these legal proceedings, when ultimately concluded and determined, will have a material impact on the company's result of operation or financial condition.

30 Segment reporting

The Company is engaged in setting up of the power plant at Janjgir - Champa district of Chhattisgarh State. Considering the nature of Company's business and operations as well as based on reviews of operating results by the chief operating decision maker to make decisions about resource allocation and performance measurement, there is only one reportable segment in accordance with the requirements of Ind AS - 108 – ''Operating Segments'', prescribed under Companies (Indian Accounting Standards) Rules, 2015.

31 Related party transactions

A. List of related parties and nature of relations

Syno	Name of related party	Nature of relationship
Enterprises where control exist		
1	KSK Energy Ventures Limited	Holding company
2	KSK Power Ventur plc	Step up holding company
3	KSK Water Infrastructures Private Limited	Subsidiary
4	Sai Power Pte Limited	Subsidiary
Enterprises where significant influence exist		
1	KSK Mineral Resources Private Limited	Fellow subsidiary company
2	Sai Wardha Power Generation Limited	Fellow subsidiary company
3	KSK Energy Company Private Limited	Fellow subsidiary company
4	Raigarh Champa Rail Infrastructure Private Limited	Associate company
5	Sai Lilagar Power Generation Limited	Fellow subsidiary company
6	V S Lignite Power Private Limited	Fellow subsidiary company
7	KSK Electricity Financing India Private Limited	Fellow subsidiary company

KSK Mahanadi Power Company Limited
Notes to financial statements
(All amounts are in ₹ Crores, unless otherwise stated)

B. Key management personnel

Syno	Name	Nature of relationship
1	S.Kishore	Whole-time Director & CEO
2	K.A.Sastry	Director
3	Anil Kumar Kutty	Director

C. Particulars of related party transactions for the year ended

Synod.	Nature of transaction	31 Mar 2017			31 Mar 2016		
		Holding Company	Subsidiaries Company	Fellow subsidiaries / Associates	Holding Company	Subsidiaries Company	Fellow subsidiaries / Associates
Transactions							
1	Sale obligation charges	-	-	21.28	-	-	27.54
2	Sale of inventory	-	-	0.01	-	-	0.04
3	Purchase of power	-	-	3.05	-	-	3.22
4	Purchase of inventory	-	-	0.04	-	-	-
5	Raw water transportation charges	-	54.12	-	-	-	103.95
6	Coal transportation charges	-	-	33.30	-	-	66.60
7	Advance for investment	-	97.36	-	-	-	168.03
8	Loans given /(refund)	-	-	58.47	-	-	-
9	Deposit given / (refund)	-	(108.39)	-	-	-	-
10	Loan taken / (returned)	(9.79)	-	(0.22)	23.94	-	0.22

Balances

S.No.	Nature of transaction	Holding Company	Subsidiaries Company	Fellow subsidiaries / Associates
31 March 2017				
1	Amount receivable	181.28	-	320.51
2	Advance for investment	-	-	235.39
3	Amount payable	(12.86)	(10.25)	(7.61)
31 March 2016				
1	Amount receivable	181.28	-	339.95
2	Advance for investment	-	-	168.03
3	Amount payable	(22.66)	-	(40.39)
1 April 2015			-	
1	Amount receivable	181.28	-	349.37
2	Advance for investment	-	-	-
3	Amount payable	-	-	(16.87)

Corporate guarantees of ₹ 5,687.15 (31 Mar 2016: ₹ 2,258.00; 1 Apr 2015:₹ 2,258.00), bank guarantees of ₹ 259.47 (31 Mar 2016: ₹ 319.67; 1 Apr 2015:₹ 364.67), letter of credits of ₹ 32.40 (31 Mar 2016: ₹ 33.09; 1 Apr 2015:₹ 47.28) have been given by the holding company, corporate guarantee of ₹ 6,421.00 (31 Mar 2016: Nil; 1 Apr 2015:₹ Nil) by fellow subsidiary and corporate guarantees of Rs 537.00 (31 Mar 2016: ₹ 270.00; 1 Apr 2015:₹ 270.00) given by step up holding company.

Corporate guarantees of ₹ 36.21 (31 Mar 2016: 1 Apr 2015:₹ 36.21) have been provided to Associate Company.

(All amounts are in ₹ Crores, unless otherwise stated)

32 Operating leases

The Company has entered in to certain operating lease agreements. An amount of ₹ 9.79 (31 Mar 2016: ₹ 6.11) paid under such agreements has been disclosed as 'Rent' under other expenses in the statement of profit and loss and under "expenditure during construction, pending allocation".

33 Earnings per share (EPS)

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Net profit / (loss) attributable to equity share holders	(352.61)	(94.96)
Weighted average number of equity shares outstanding during the year	3,533,608,369	3,145,497,807
Basic & diluted EPS	(1.00)	(0.30)
Face value of shares	10.00	10.00

34 First-time adoption of Ind-AS

The Company has adopted Ind AS from 1st April, 2016 and the date of transition to Ind AS is 1st April, 2015. These being the first financial statements in compliance with Ind AS, the impact of transition has been accounted for in opening reserves and comparable periods have been restated in accordance with Ind AS 101 –"First-time Adoption of Indian Accounting Standards". An explanation of how the transition from Previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

Following are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

a Deemed cost of property, plant and equipment and intangible assets

The Company has elected to continue with the carrying value of all its property, plant and equipments and intangible assets recognised as of 1st April, 2015 measured as per the previous GAAP and use that carrying value as its deemed cost on transition date.

b Derecognition of financial assets and financial liabilities

The Company has applied the derecognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after transition date.

c Exchange differences on long term foreign currency borrowings

The Company has elected to continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items outstanding and recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP.

d Classification and measurement of financial assets

The Company has assessed classification and measurement of financial assets on the basis of facts and circumstances that exist as on transition date.

e Impairment of financial assets

The Company has applied impairment requirements of Ind AS 109 retrospectively; however, as permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised in order to compare it with the credit risk at the transition date.

KSK Mahanadi Power Company Limited
Notes to financial statements

(All amounts are in ₹ Crores, unless otherwise stated)

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for the prior periods. The following tables represents the reconciliations from previous GAAP to Ind AS.

Reconciliation of equity as at 1 April 2015

	Notes to first-time adoption	Previous GAAP*	Adjustments	Ind AS
I. ASSETS				
1 Non-current assets				-
(a) Property plant and equipment	1, 6	10,075.87	(213.58)	9,862.29
(b) Capital work in progress	2, 6	4,545.39	(84.97)	4,460.42
(c) Other intangible assets		0.02	-	0.02
(d) Intangible assets under development		1.84	-	1.84
(e) Financial asset				
(i) Investments		0.55	-	0.55
(ii) Loans		13.49	-	13.49
(iii) Other financial asset		41.00	-	41.00
(f) Deferred tax assets (net)	5	508.95	15.09	524.03
(g) Other non-current assets	1, 6	481.42	122.76	604.17
		15,668.52	**(160.71)**	**15,507.81**
2 Current assets				
(a) Inventories		61.65	-	61.65
(b) Financial asset				
(i) Investments		11.05	-	11.05
(ii) Trade receivables		481.91	-	481.91
(iii) Cash and cash equivalents		113.63	-	113.63
(iv) Other bank balances		637.75	-	637.75
(v) Loans		474.12	-	474.12
(vi) Other financial assets	3	263.33	(224.74)	38.59
(c) Other current assets	1, 6	191.88	0.27	192.15
		2,235.33	(224.47)	2,010.85
		17,903.84	**(385.18)**	**17,518.66**
II EQUITY AND LIABILITIES				
1 Equity				
(a) Equity share capital		3,064.81	-	3,064.81
(b) Other equity	9	278.26	(26.37)	251.88
Total equity		**3,343.07**	**(26.37)**	**3,316.69**
2 Non-current liabilities				
(a) Financial liability				
(i) Borrowings	6	12,364.82	(134.21)	12,230.61
(ii) Other financial liabilities		198.26	-	198.26
(b) Provisions		1.95	-	1.95
		12,565.03	**(134.66)**	**12,430.82**
3 Current liabilities				
(a) Financial liability				
(i) Borrowings		224.45	-	224.45
(ii) Trade payables		290.12	-	290.12
(iii) Other financial liabilities	3	1,475.21	(224.60)	1,250.61
(b) Other current liabilities		5.85	-	5.85
(c) Short-term provisions		0.12	-	0.12
		1,995.74	**(224.60)**	**1,771.14**
		17,903.84	**(385.63)**	**17,518.66**

KSK Mahanadi Power Company Limited
Notes to financial statements

(All amounts are in ₹ Crores, unless otherwise stated)

Reconciliation of equity as at 31 March 16

	Notes to first-time adoption	Previous GAAP *	Adjustments	Ind AS
I. ASSETS				
1 Non-current assets				
(a) Property plant and equipment	1, 6 , 3	10,180.03	(206.48)	9,973.55
(b) Capital work in progress	2, 6, 3	4,973.90	(104.90)	4,869.01
(c) Other intangible assets		0.01	-	0.01
(d) Intangible assets under development		1.84	-	1.84
(e) Financial asset				
(i) Investments		105.84	-	105.84
(ii) Loans	4	180.81	19.90	200.72
(iii) Other financial asset		19.35	-	19.35
(g) Deferred tax assets (net)	5	549.10	19.82	568.91
(h) Other non-current assets	1, 6, 4	509.55	112.83	622.38
		16,520.43	(158.83)	16,361.60
2 Current assets		-	-	
(a) Inventories		122.28	-	122.28
(b) Financial asset				
(i) Investments		11.66	-	11.66
(ii) Trade receivables		1,893.98	-	1,893.98
(iii) Cash and cash equivalents		91.80	-	91.80
(iv) Other bank balances		530.03	-	530.03
(v) Loans		475.61	-	475.61
(vi) Other financial assets	3	242.26	(201.78)	40.47
(c) Other current assets	1, 6, 4	259.68	(26.64)	233.03
		3,627.30	(228.43)	3,398.88
		20,147.73	**(387.25)**	**19,760.48**
II EQUITY AND LIABILITIES				
1 Equity				
(a) Equity share capital		3,450.14	-	3,450.14
(b) Other equity	9	200.14	(43.43)	156.72
Total equity		3,650.29	(43.43)	3,606.86
2 Non-current liabilities				
(a) Financial liability				
(i) Borrowings	6	13,113.49	(141.28)	12,972.21
(ii) Other financial liabilities		10.27	-	10.27
(b) Provisions		3.21	-	3.21
		13,126.97	(141.73)	12,985.69
3 Current liabilities				
(a) Financial liability				
(i) Borrowings		830.58	-	830.58
(ii) Trade payables		727.23	-	727.23
(iii) Other financial liabilities	3	1,805.79	(202.54)	1,603.26
(b) Other current liabilities		6.86	-	6.86
(c) Short-term provisions		-	-	-
		3,370.46	(202.54)	3,167.93
		20,147.72	**(387.69)**	**19,760.48**

KSK Mahanadi Power Company Limited
Notes to financial statements

(All amounts are in ₹ Crores, unless otherwise stated)

Reconciliation of total comprehensive income for the year ended 31 March 2016.

	Notes to first-time adoption	Previous GAAP *	Adjustments	Ind AS
Revenue from operations	7	3,029.40	(9.50)	3,019.90
Other income		38.89	-	38.89
Total revenue		**3,068.29**	**(9.50)**	**3,058.79**
Expenses				-
Cost of fuel consumed		1,338.26	-	1,338.26
Employee benefits expenses	8	36.29	(0.06)	36.22
Finance costs	3, 6	1,065.89	10.29	1,076.18
Other expenses	1, 2, 7	381.54	(5.49)	376.04
Depreciation and amortisation expenses	1	364.57	7.24	371.81
Total expenses		**3,186.54**	**11.97**	**3,198.52**
Profit / (loss) before exceptional items and tax		**(118.26)**	**(21.47)**	**(139.73)**
Tax expense / (income)				-
Deferred tax	5	(40.15)	(4.62)	(44.77)
Total tax expense / (income)		**(40.15)**	**(4.62)**	**(44.77)**
Profit / (loss) after tax (VII - VIII)		**(78.11)**	**(16.85)**	**(94.96)**
Other comprehensive income				-
Items that will not be reclassified to profit or loss	8, 10	-	(0.32)	(0.32)
Income tax relating to above	5, 10	-	0.11	0.11
Other comprehensive loss for the year, net of tax		**-**	**(0.21)**	**(0.21)**
Total comprehensive loss		**(78.11)**	**(17.05)**	**(95.16)**

* The Previous GAAP figures have been reclassified to conform to Ind AS presentation requirement for the purpose of this note

Impact of Ind AS adoption on the statement of cash flows for the year ended 31 March 2016

	Notes to first-time adoption	Previous GAAP	Adjustments	Ind AS
Net cash from operating activities	1, 2, 3, 6	200.62	(2.03)	198.59
Net cash from investing activity	1, 2, 3	(8.64)	1.42	(7.22)
Net cash from financing activities	3, 6	(213.81)	0.61	(213.20)
Net increase / (decrease) in cash and cash equivalents		**(21.83)**	**-**	**(21.83)**
Cash and cash equivalents as at 1 April 2015		113.63	-	113.63
Cash and cash equivalents as at 31 March 2016		**91.80**	**-**	**91.80**

1 Lease

As per Ind AS 17, payments for leasehold land under an operating lease (considering that it has indefinite economic life), shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. Amounts paid over and above the lease rentals due is shown as prepaid expenses under other assets. However under previous GAAP the same has been recorded and classified under Property, plant and equipment.

2 Capital work in progress:

Ind AS 16 – Property, plant and equipment, specifically excludes general and administrative expenditure from being capitalised and require it to be charged to the statement of profit and loss in the year in which they incur. Whereas guidance under previous GAAP permits capitalisation of these costs provided they are specifically attributable to construction of a project, to the acquisition of a fixed asset or bringing it to its working condition. This change has reduced the carrying amount of capital work in progress by ₹ 2.03 with corresponding effect in profit or loss for the year ended 31 March 2016.

3 **Fair valuation of foreign currency forward & option contract:**

Forward Contract:

Under previous GAAP, the company applied the requirements of Accounting Standard 11 - The effects of changes in foreign exchange rates, to account for principal swap entered for hedging foreign exchange risk related to recognised borrowings. At the inception of the swap, the forward premium was separated and amortised as expense over the tenure of the swap. The underlying borrowing and the swap were restated at the closing spot exchange rate.

Under Ind AS, derivatives which are not designated as hedging instruments are fair valued with resulting changes being recognised in profit or loss. The fair valuation of swap resulted in a loss of ₹ 29.56 as at 31 March 2016 (1 April 2015 – ₹ 2.30). The unamortised premium amounting to ₹ 1.69 as at 31 March 2016 (1 April 2015 – ₹ 2.26) was adjusted against retained earnings. Consequently, the total equity as at 31 March 2016 decreased by ₹ 4.17 (1 April 2015- ₹ 0.15). The profit for the year ended 31 March 2016 decreased by ₹ 4.02 as a result of the fair value change on the principal swap and reversal of the premium amortisation.

4 **Security deposits:**

Under the previous GAAP, interest free security deposits (that are refundable in cash on completion of the contract term) are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value.

Accordingly, the Company has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid expenses. Consequent to this change, the amount of security deposits decreased by ₹ 6.16 as at 31 March 2016 (1 April 2015 – Nil). The prepaid expenses increased by ₹ 6.16 as at 31 March 2016 (1 April 2015 - ₹ Nil).

5 **Deferred taxes:**

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

6 **Borrowings:**

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method.

Under previous GAAP, these transaction costs were charged to profit or loss (or capitalised as part of property plant and equipment) as and when incurred.

Accordingly, borrowings as at 31 March 2016 have been reduced by ₹ 141.28 (1 April 2015 – ₹ 134.21) with a corresponding adjustment of ₹ 167.01 (1 April 2015: ₹.167.01) to property, plant & equipment and capital work-in-progress, ₹ 24.07 (1 April 2015: ₹ 8.51) to other assets and balance of ₹ (49.80) (1 April 2015: ₹ (41.31)) to retained earnings. The profit for the year ended 31 March 2016 reduced by ₹ 8.49 as a result of the amortisation of the above costs.

7 **Revenue:**

As per definition of Revenue under Ind AS 18, the Company recognises revenue at the fair value of consideration received or receivable. Any sales incentive, discounts or rebates in any form, including cash discounts given to customers will be considered as selling price reductions and accounted as reduction from revenue. Under previous GAAP, some of these costs were included in 'Other expenses'.

8 **Re-measurements of post-employment benefit obligations:**

Under Ind AS, re-measurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in OCI instead of profit or loss. Under the previous GAAP, these re-measurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2016 decreased by ₹ 0.32. There is no impact on the total equity as at 31 March 2016.

(All amounts are in ₹ Crores, unless otherwise stated)

9 **Retained earnings:**

Retained earnings as at April 1, 2015 & 31 March 2016 has been adjusted, consequent to the above Ind AS transition adjustments.

10 **Other comprehensive income:**

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans, foreign exchange differences arising on translation of foreign operations, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

35 **Financial risk management objectives and policies**

The Company's risk management activities are subject to the management direction and control under the framework of Risk Management Policy as approved by the Board of Directors of the Company. The Management ensures appropriate risk governance framework for the Company through appropriate policies and procedures and that risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

In the ordinary course of business, the Company is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as commodity risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The sensitivity analysis have been carried out based on the exposure to interest rates for instruments not hedged against interest rate fluctuation at the end of the reporting period. The said analysis has been carried on the amount of floating rate long term liabilities Outstanding at the end of the reporting period. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

In case of fluctuation in interest rates by 50 basis points and all other variables were held constant, the Company's profit before tax for the year would increase or decrease as follows:

Currency	**Change in basis points**	**Effect on profit before tax / equity**	
		31 Mar 2017	**31 Mar 2016**
₹	+50	(54.97)	(43.09)
USD	+50	(1.06)	(1.08)
₹	-50	54.97	43.09
USD	-50	1.06	1.08

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to foreign currency borrowings and imports of raw-material, spares and capital goods.

The Company manages its foreign currency risk by hedging transactions that are expected to realise in near future by using foreign currency forward contracts. Short-term foreign exchange exposures are hedged progressively based on their maturity. Long term exposures are normally unhedged.

(All amounts are in ₹ Crores, unless otherwise stated)

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR are as follows:

	31 Mar 2017		31 Mar 2016		1 Apr 2015	
	USD	**RMB**	**USD**	**RMB**	**USD**	**RMB**
Financial asset						
Bank balance	-	0.04	0.17	0.04	0.01	0.06
Financial liabilities						
Foreign currency loan	399.36	-	746.66	-	711.72	-
Capital creditors	1,172.41	-	719.49	-	1,599.10	-
Interest on loans	2.36	-	7.41	-	1.52	-
Derivative liabilities						
Forward contracts	46.59	-	200.09	-	222.49	-

The Company’s exposure to foreign currency arises where a company holds monetary assets and liabilities denominated in a currency different to the functional currency of the entity. Set out below is the impact of a 5% change in the US dollar on profit and equity arising as a result of the revaluation of the Company’s foreign currency financial instruments:

31 March 2017	**Closing exchange rate**	**Effect of 5% strengthening of US $ on net earnings**	**Effect of 5% strengthening of US $ on total equity**
United States Dollar	64.880	(76.82)	(76.82)

31 March 2016	**Closing exchange rate**	**Effect of 5% strengthening of US $ on net earnings**	**Effect of 5% strengthening of US $ on total equity**
United States Dollar	66.256	(64.25)	(64.25)

(c) Commodity price risk

The Company is affected by the price volatility of certain commodities which is moderated by optimising the procurement under fuel supply agreement. Its operating activities require the on-going purchase or continuous supply of coal. Therefore the Company monitors its purchases closely to optimise the price.

Credit risk analysis

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including short-term deposits with banks and financial institutions, and other financial assets.

The carrying value of financial assets represents the maximum exposure for credit risk. The maximum exposure to credit risk of each class of financial assets at the reporting date was as follows:

	Carrying value		
	31 Mar 2017	**31 Mar 2016**	**1 Apr 2015**
Investments - at amortised cost	12.24	11.66	11.05
Trade receivables	2,527.39	1,893.98	481.91
Deposits with banks	496.63	547.73	675.35
Loans	740.48	676.33	487.60
Other financial asset	16.77	42.12	42.00
	3,793.51	**3,171.83**	**1,697.92**

(All amounts are in ₹ Crores, unless otherwise stated)

The Company has exposure to credit risk from a limited customer group on account of supply of power. However, the Company ensures concentration of credit does not significantly impair the financial assets since the customers to whom the exposure of credit is taken are State Electricity Board which are Government undertakings and hence they are secured from credit losses in the future. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. The Company's maximum exposure for financial guarantees are noted in note 29.

The Company's management believes that all the above financial assets are not impaired for each of the reporting dates under review and are of good credit quality (refer note 29).

Liquidity risk analysis

The Company's main source of liquidity is its operating businesses. The treasury department uses regular forecasts of operational cash flow, investment and trading collateral requirements to ensure that sufficient liquid cash balances are available to service on-going business requirements. The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 90 day projection. Long-term liquidity needs for a 90 day and a 30 day lookout period are identified monthly.

The Company requires funds both for short-term operational needs as well as for long-term investment programmes for construction of balance four units. The Company continues to generate cash flows from current operations which are further expected to increase with improved PLF in the existing 1200 MW and incremental cash flows upon expected commissioning of another two units of 600 MW each and also on account of reduction in coal procurement costs with the new coal policy called 'SHAKTI'. In addition, a number of the facilities that are due to expire at or before 31 March 2018 are in the process of being extended and have a rollover clause in a number of cases and that facilities will remain available to the Company based on current trading, current covenant compliance and ongoing discussions with the Company's primary lending consortium regarding future facilities and arrangements in respect of current borrowings.

The following is an analysis of the Company contractual undiscounted cash flows payable under financial liabilities at 31 March 2017:

	Current	**Non-current**		**Total**
	< 12 months	**1-5 years**	**>5 years**	
Loan and borrowings	3,084.37	13,006.70	19,479.25	35,570.32
Trade and other payables	616.90	-	-	616.90
Other financial liabilities	1,833.48	-	-	1,833.48
Total	**5,534.75**	**13,006.70**	**19,479.25**	**38,020.70**

The following is an analysis of the Company contractual undiscounted cash flows payable under financial liabilities at 31 March 2016:

	Current	**Non-current**		**Total**
	< 12 months	**1-5 years**	**>5 years**	
Loan and borrowings	2,425.45	9,837.01	15,265.51	27,527.97
Trade and other payables	727.23	-	-	727.23
Other financial liabilities	1,603.26	10.27	-	1,613.53
Total	**4,755.94**	**9,847.28**	**15,265.51**	**29,868.72**

The following is an analysis of the Company contractual undiscounted cash flows payable under financial liabilities at 1 April 2015:

	Current	**Non-current**		**Total**
	< 12 months	**1-5 years**	**>5 years**	
Loan and borrowings	1,712.98	8,875.49	16,345.15	26,933.61
Trade and other payables	290.12	-	-	290.12
Other financial liabilities	1,250.61	198.26	-	1,448.87
Total	**3,253.70**	**9,073.75**	**16,345.15**	**28,672.60**

(All amounts are in ₹ Crores, unless otherwise stated)

Capital management

Capital includes equity attributable to the equity holders of the Company and debt. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value objectives include, among others:

- Ensure Company's ability to meet both its long-term and short-term capital needs as a going concern;
- Constantly evolve multiple funding alternatives – equity and /or preference capital, senior and /or subordinated debt, corporate loan facilities to arrive at an optimal capital mix;

No changes were made in the objectives, policies or processes during the year ended 31 March 2017 and 31 March 2016.

The Company maintains a mixture of cash and cash equivalents, long-term debt and short-term committed facilities that are designed to ensure the Company has sufficient available funds for business requirements.

The Company net debt to equity ratio at the reporting date is as follows:

	31 Mar 2017	31 Mar 2016	1 Apr 2015
Total borrowing	17,021.25	13,791.09	12,455.06
Less : Cash and bank balances	97.21	91.80	113.63
less : Other bank balances	447.10	530.03	637.75
Net debt	16,476.94	13,169.26	11,703.68
Equity	3,413.31	3,606.86	3,316.69
Total equity	3,413.31	3,606.86	3,316.69
Net debt to equity ratio	5.00	4.00	4.00

36 Financial Instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts in the statement of financial position are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	31 Mar 2017	31 Mar 2017	31 Mar 2016	31 Mar 2016	1 Apr 2015	1 Apr 2015
Non- current financial assets						
Loans	371.36	371.36	200.72	200.72	13.49	13.49
Other financial asset	51.55	51.55	19.35	19.35	41.00	41.00
Total non-current	422.92	422.92	220.07	220.07	54.49	54.49
Current financial assets						
Investments-Amortised cost	12.24	12.24	11.66	11.66	11.05	11.05
Trade receivables	2,527.39	2,527.39	1,893.98	1,893.98	481.91	481.91
Cash and bank balances	97.21	97.21	91.80	91.80	113.63	113.63
Other bank balances	447.10	447.10	530.03	530.03	637.75	637.75
Loans	369.12	369.12	475.61	475.61	474.12	474.12
Other financial asset	14.75	14.75	40.47	40.47	38.59	38.59
Total current	3,467.81	3,467.81	3,043.56	3,043.56	1,757.06	1,757.06
Total	**3,890.73**	**3,890.73**	**3,263.63**	**3,263.63**	**1,811.54**	**1,811.54**
Non- current financial liabilities						
Borrowings	16,065.39	16,263.50	12,972.21	13,113.49	12,230.61	12,364.82
Other financial liabilities	-	-	10.27	10.27	198.26	198.26
Total non-current	16,065.39	16,263.50	12,982.48	13,123.76	12,428.87	12,563.08
Current financial liabilities						
Borrowings	967.56	967.56	830.58	830.58	224.45	224.45
Trade payables	616.90	616.90	727.23	727.23	290.12	290.12
Derivative liabilities - FVTPL	2.52	2.52	4.17	4.17	2.70	2.70
Other financial liabilities	1,830.96	1,830.96	1,599.09	1,599.09	1,247.91	1,247.91
Total current	3,417.94	3,417.94	3,161.06	3,161.06	1,765.18	1,765.18
Total	**19,483.33**	**19,681.44**	**16,143.55**	**16,284.83**	**14,194.05**	**14,328.26**

(All amounts are in ₹ Crores, unless otherwise stated)

37 Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised in to different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices that is observable for the asset or liability, either directly or indirectly.
- Level 3: valuation techniques that include inputs for the asset or liability that are not based on observable market data

31 March 2017	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value				
Foreign exchange forward contract	-	2.52	-	2.52
Total	**-**	**2.52**	**-**	**2.52**

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfer has occurred. During the year ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

31 March 2016	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value				
Foreign exchange forward contract	-	4.17	-	4.17
Total	**-**	**4.17**	**-**	**4.17**

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfer has occurred. During the year ended 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

1 April 2015	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value				
Foreign exchange forward contract	-	2.70	-	2.70
Total	**-**	**2.70**	**-**	**2.70**

Valuation techniques

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

38 Disclosure of Specified Bank Notes (SBN's)

During the year, the Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308(E) dated March 30, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	SBN's*	Other denomination	Total
Closing cash in hand as on November 8, 2016	0.05	0.10	0.15
(+) Permitted receipts	-	0.06	0.06
(-) Permitted payments	-	0.07	0.07
(-) Amount deposited in Banks	0.05	0.00	0.05
Closing cash in hand as on December 30, 2016	-	0.10	0.10

* It is further stated that the term ‘Specified Bank Notes’ shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

(All amounts are in ₹ Crores, unless otherwise stated)

39 The Company has incurred an amount of ₹ 2.80 (31 March, 2016: ₹ 6.62) towards Corporate Social Responsibility (CSR) as per Section 135 of the Companies Act, 2013 and is included in other expenses.

Particulars	**31 Mar 2017**		**31 Mar 2016**	
	In cash	Yet to be paid	In cash	Yet to be paid
(a) Gross amount required to be spend	-	-	-	-
(b) Amount spend on				
(i) Construction/Acquisition of asset	-	-	-	-
(ii) On purpose other than (i) above	1.87	0.93	5.34	1.28
Total	**1.87**	**0.93**	**5.34**	**1.28**

As per our report of even date
for Umamaheswara Rao & Co.
Chartered Accountants
Firm registration No. 004453S

for and on behalf of the Board

Sd/-
S.Venugopal
Partner
Membership No. 205565

Sd/-
S.Kishore
Whole-time Director & CEO
DIN : 00006627

Sd/-
K.A.Sastry
Director
DIN : 00006566

Place: Hyderabad
Date : 27 May 2017

Sd/-
Ashu Handa
Chief Financial Officer

Sd/-
M.S.R.Saran Prasad
Company Secretary