

## INDEPENDENT AUDITORS' REPORT

To the Members of Valecha Kachchh Toll Raods Limited  
Report on the Audit of the Financial Statements

### 1. Qualified Opinion

We have audited the accompanying financial statements of **Valecha Kachchh Toll Roads Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

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

### 2. Basis for Qualified Opinion

- a. *The company continues to prepare its Financial Statements on going concern basis even though it has continued to incur significant losses during the current year and previous year and had continued defaulted in repayment of its financial obligation including interest and the construction is going at very slow pace for balance, which has resulted into increase in cost of project mainly due to interest during construction period. However, as advised, the project had been halted due to non-availability of land and environment issues and on 13.05.2015 the Company has received PCOD (provisional commercial operation date) for section 1 for which revenue is being generated. PCOD for Section 2 is likely to be completed by March, 2021. The company has also put an additional claim of Rs. 507.45 crores (P.Y. Rs. 866.25 crores) on GSRDC during the year and is hopeful for getting the same. We are unable to comment on the recoverability of the same including non -impairment of intangible asset and intangible assets under development.*
- b. *We understand that the Lenders of the Company have appointed a forensic auditor to verify the matters with regard to the Company. However, it was explained that the scope of audit and report including draft report has not been shared with the Company and accordingly we are unable to comment on same including any adjustments arising out of the findings of the same.*

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with



*RM*

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CHARTERED ACCOUNTANTS

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these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified audit opinion on the financial statements.

**3. Emphasis of Matter**

*Without qualifying our opinion, we draw attention to Note No. 34 says that the liability for employees' benefit was not worked out as required under IND AS -19 "Employee Benefit". The consequential impact on the financial statements, if any, as a result of the same is presently not ascertainable.*

*Further we draw attention to Note No.25 of financial statement regarding non-reconciliation /non-confirmation of balances of certain creditors and Advances, impact whereof presently cannot be commented.*

**4. Information Other than the Financial Statements and Auditor's Report thereon**

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in Company's Annual Report, but does not include the financial statements and our auditor's report thereon.

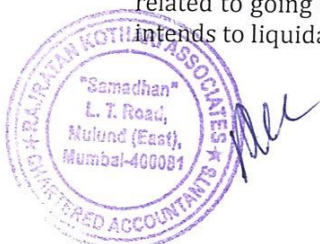
Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

**5. Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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



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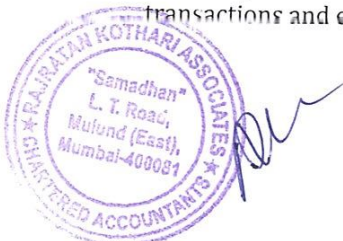
The Board of Directors is also responsible for overseeing the Company's financial reporting process.

**6. Auditors' Responsibility for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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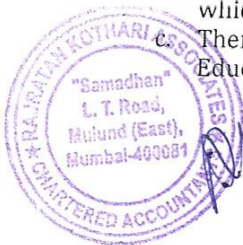
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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

7. **Report on Other Legal and Regulatory Requirements**

- a. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Companies Act, 2013, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- b. As required by Section 143(3) of the Act, we report that:
  - i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
  - iii. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - iv. In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
  - v. On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
  - vi. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - vii. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
    - a. The Company does not have any pending litigations which would impact its financial position.
    - b. The company did not have any long-term contracts including derivative contract for which there were any material foreseeable losses;
    - c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



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- d. With respect to the other matters to be included in Auditor's Report in accordance with the requirements of section 197 (16) of the Act, as amended, in our opinion and to the best of our information's and according to the explanations given to us, no remuneration paid by the Company to its directors during the year.

Place: Mumbai  
Date: 14-08-2020

For RAJRATAN KOTHARI ASSOCIATES

Chartered Accountants

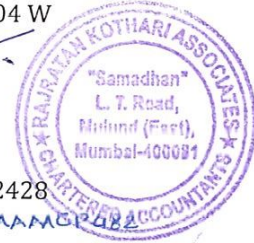
Firm Regn. No: 113704 W

  
R.M.KOTHARI

Proprietor

Membership No. 032428

UDIN: 20032428AAMG1482



( 20032428AAAALP4862 )

**Annexure A to the Auditor's Report**

The annexure referred to in Independent Auditors' Report to the member of the Valecha Kachchh Toll Raods Limited ("the Company") on the financial statement for the year ended 31<sup>st</sup> March 2020, we report that;

**(i) Fixed Assets**

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) The Company has a regular program of physical verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c) According to the informations and explanations given to us, there is no Immovable Property in the books of accounts of the Company. Thus, the provision of clause 3(i)(c) of the Order is not applicable to the Company

**(ii) Inventories**

There were no inventory lying as on 31.03.2020, accordingly, the provisions of clause (ii) of the Order is not applicable to the company.

**(iii) Loans given**

According to the information and explanations given to us, during the year, the Company has not granted any Secured or unsecured loan to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013, the advances given are during normal course of business. Accordingly, reporting under paragraph 3 (iii) (a), (b) and (c) of the order is not applicable to the Company.

**(iv) Compliance of Sec. 185 & 186**

According to the information and explanations given to us, the Company has not given loans or guarantees to directors or other persons in which a director is interested or provide security in connection with a loan and as such section 185 of the Companies Act is not applicable.

**(v) Public Deposit**

During the year, the company has not accepted any deposits from the public. Accordingly reporting under paragraph 3 (v) of the order is not applicable to the Company.



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**(vi) Cost Records**

To the best of our knowledge and according to the information and explanation provided to us, the Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Companies Act.

**(vii) Statutory Dues**

- a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has generally been regular in depositing its undisputed statutory dues including Provident Fund, Employees State insurance, Income-tax, Goods and Service tax, Custom duty, Cess, etc. There are no undisputed dues payable, outstanding as on 31<sup>st</sup> March, 2020 for a period of more than six months from the date they became payable.
- b) According to the information and explanations given to us, there are no amounts in respect of income tax, service tax etc. that have not been deposited with the appropriate authorities on account of any dispute.

**(viii) The company has defaulted in repayment of dues to banks.**

In our opinion and according to the information and explanations furnished to us by the Company the following default existed in the repayment of the due to the financial institutions and Banks at the date of the balance sheet.

Particular	Principal Default amount Rs.	Interest Outstanding Rs.	Period of Default
Canara Bank	197,98,00,000	185,39,16,260	Principal is payable since June 2016 and interest is payable since February 2016.
	15,35,00,000	14,65,22,832	
Total A	213,33,00,000	200,04,39,092	
Indian Overseas Bank	150,55,00,000	94,69,13,239	Principal is payable since June 2016 and interest is payable since February 2016.
	11,44,00,000	78,25,841	
Total B	161,99,00,000	95,47,39,080	
Total (A+B)	375,32,00,000	295,51,78,172	

- (ix) The Company didn't raise any money by way of initial public offer or further public offer or term loans during the year. Accordingly, reporting under paragraph 3(ix) of the Order is not applicable to the Company.
- (x) According to the information and explanation given to us, and based on the audit procedure performed by us, we report that no fraud by the Company or no fraud on the company by its officers or employees has been noticed or reported during the year.
- (xi) According to information & explanations given to us, the Company has not paid any managerial remuneration to its directors. Accordingly, reporting under paragraph 3(xi) of the Order is not applicable to the Company.



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- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, reporting under paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) As per the information and explanations given by the management, all the transactions with the related parties are in compliance with section 188 of the Act, where applicable, and the details have been disclosed in the financial statements, as required by the applicable accounting standards. *However, company has not complied with the provision of section 177 of Companies Act 2013.*
- (xiv) According to the information and explanations given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, reporting under paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) As per the information and explanations given by the management, the company has not entered into any non-cash transaction with directors or persons connected with him. Accordingly, reporting under paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) As per the information and explanations given by the management, company is not required to be registered under section 15 1A of the Reserve Bank of India Act, 1934. Accordingly, reporting under paragraph 3(xvi) of the Order is not applicable to the Company.

Place: Mumbai  
Date: 14-08-2020

For RAJRATAN KOTHARI ASSOCIATES

Chartered Accountants

Firm Regn. No: 113704 W

R.M.KOTHARI

Proprietor

Membership No. 032428

UDIN: 20032428AAACP4862



( UDIN - 20032428AAACP4862 )

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## ANNEXURE B

### Report on the Internal Financial Controls over financial reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

#### Opinion

We have audited the internal financial controls over financial reporting of M/s. Valecha Kachchh Toll Raods Limited ("the Company") as of 31<sup>st</sup> March, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

#### Management's Responsibility for Internal Financial Controls

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

#### Auditors' Responsibility

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

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



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

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

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

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**For RAJRATAN KOTHARI ASSOCIATES**

Chartered Accountants

Firm Regn. No: 113704 W

*R.M. Kothari*

**R.M.KOTHARI**

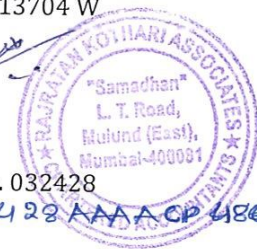
Proprietor

Membership No. 032428

UDIN: 20022428 AAAA CP 4862

Place: Mumbai

Date: 14-08-2020



# Valecha Kachchh Toll Raods Limited

Balance Sheet as on 31st March 2020

Particulars	Note No.	As on 31st March, 2020	As on 31st March, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Property, Plant and Equipment	3	1,269,982	1,427,150
(b) Other Intangible assets	3	1,212,636,532	1,377,724,078
(c) Intangible assets under development	3A	2,160,751,676	2,069,676,378
(d) Other non-current assets	4	50,000	50,000
<b>Current assets</b>			
<b>(a) Financial Assets</b>			
(i) Cash and cash equivalents	5	119,480	724,237
(ii) Bank balances other than (i) above	5	4,798,284	67,757,093
(iii) Loans	6	421,628,366	368,902,614
<b>(b) Current Tax Assets (Net)</b>	7	141,866	141,866
<b>(c) Other Current Assets</b>	8	10,255,907	7,912,749
<b>Total Assets</b>		<b>3,811,652,092</b>	<b>3,894,316,165</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
(a) Equity Share capital	9	685,000,000	685,000,000
(b) Other Equity	10	(4,845,530,009)	(3,766,924,745)
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
<b>(a) Financial Liabilities</b>			
(i) Borrowings		-	-
<b>(b) Provisions</b>	11	249,419,472	239,848,420
<b>Current Liabilities</b>			
<b>(a) Financial Liabilities</b>			
(i) Borrowings	12	4,686,370,529	4,599,248,955
(ii) Trade payables	13	42,608,521	63,969,622
(iii) Other Financial Liabilities	14	2,993,423,998	2,071,119,978
<b>(b) Other Current Liabilities</b>	15	359,582	2,053,935
<b>Total Equity and Liabilities</b>		<b>3,811,652,092</b>	<b>3,894,316,165</b>

As per our report of even date

For Rajratan Kothari Associates

Chartered Accountants

Firm Registration No: 113704W

Rajratan M Kothari

Membership No.: 032428

Proprietor

Place : Mumbai.

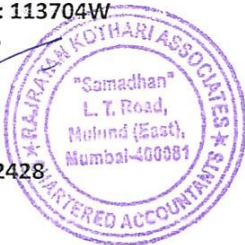
Date : 14th August 2020

For and on behalf of the Board

Vijay Kumar H Modi  
(CFO & CS)

Anil Sakharan Korpe  
(Director)  
DIN : 07543339

Santosh K. Patra  
Santosh Kumar Patro  
(Director)  
DIN : 07571177



(UDIN: 20032428AAACP4862)

**Valecha Kachchh Toll Roads Limited**  
Statement of Profit & Loss for the Year Ended 31st March 2020

Particulars		Note No	As at 31st March, 2020	As at 31st March, 2019
I.	Revenue from Operations		91,341,605	91,668,825
II.	Other Income (Liabilities Written Back etc.)		37,203	2,500,000
III.	Total Revenue (I + II)		91,378,808	94,168,825
IV.	Expenses:			
	Employee benefits expense	16	2,077,458	1,285,264
	Finance Costs	17	951,641,965	807,999,057
	Depreciation and Amortization Expenses		165,244,714	166,146,818
	Impairment of Assets		-	-
	Other Expenses	18	51,019,936	102,217,415
	Total Expenses		1,169,984,073	1,077,648,554
IX.	Loss before tax (VII- VIII)		(1,078,605,265)	(983,479,729)
X	Tax Expense:			
	(1) Current tax		-	-
	(2) Deferred tax		-	-
XI	Loss for the Period		(1,078,605,265)	(983,479,729)
XII	Other Comprehensive Income			
	A Items that will not be reclassified to Profit & Loss (net of tax)		-	-
	B Items that will be reclassified to Profit & Loss (net of tax)		-	-
	C Transaction with owners in their capacity as owners		-	-
	Total Comprehensive income for the period (XI + XII) (Comprising profit/loss and other comprehensive income for the period)		(1,078,605,265)	(983,479,729)
XIII	Earnings per equity share:			
	(1) Basic		(15.75)	(14.36)
	(2) Diluted		(15.75)	(14.36)

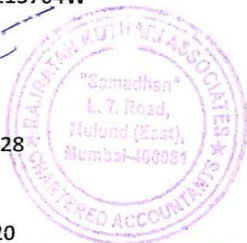
The notes form an integral part of these financial statements

As per our report of even date

For and on behalf of the Board

For Rajratan Kothari Associates  
Chartered Accountants  
Firm Registration No: 113704W

Rajratan M Kothari  
Membership No.: 032428  
Proprietor  
Place : Mumbai.  
Date : 14th August 2020



Vijay Kumar H Modi  
(CFR & CS)



Anil Sakham Korpe  
(Director)  
DIN : 07543339

Santosh Kumar Patro  
(Director)  
DIN : 07571177

(UDIN : 20032428AAAA CP 4862)

# Valecha Kachchh Toll Roads Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31<sup>st</sup> March, 2020

	As at 31st March, 2020	As at 31st March, 2019
<b>A. Cash flow from Operating Activity</b>		
Loss Before Tax and Extraordinary Item	(1,078,605,265)	(983,479,729)
<b>Add / (Deduct) Adjustment for :</b>		
Depreciation	165,244,714	166,146,818
Impairment of Assets	-	-
Interest Paid	951,641,965	807,999,057
Interest Received	(37,203)	(2,500,000)
<b>Operating Profit before working capital changes</b>	<b>38,244,211</b>	<b>(11,833,854)</b>
Trade and other Receivable	(55,068,910)	46,026,177
Trade and other Payables	908,819,618	857,145,490
<b>Net Cash Flow from Operating Activity</b>	<b>891,994,919</b>	<b>891,337,812</b>
<b>B. Cash Flow from Investing Activity</b>		
Interest Received	37,203	2,500,000
Purchase Of Fixed Assets	-	-
Intangible Assets under Development	(91,075,298)	(220,589,831)
<b>Net Cash flow From Investing Activity</b>	<b>(91,038,095)</b>	<b>(218,089,831)</b>
<b>C. Cash Flow from Financing Activities</b>		
Increase in Other Equity	-	-
Promoters Contribution	-	11,542
Interest Paid	(951,641,965)	(807,999,057)
Proceeds from short term borrowing	87,121,574	196,017,807
Repayment Of Loan	-	-
<b>Net Cash From Financing Activities</b>	<b>(864,520,391)</b>	<b>(611,969,708)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(63,563,567)</b>	<b>61,278,273</b>
Opening Balance of Cash and Cash Equivalents	68,481,330	7,203,057
Closing Balance of Cash and Cash Equivalents	4,917,764	68,481,330

As per our report of even date

For Rajratan Kothari Associates  
Chartered Accountants  
Firm Registration No: 113704W

Rajratan M Kothari  
Membership No : 032478  
Proprietor  
Place : Mumbai.  
Date : 14th August 2020



For and on behalf of the Board

Vijay Kumar H Modi  
(CEO & CS)

Anil Sakham Korpe  
(Director)  
DIN : 07543339



Santosh Kumar Patro  
(Director)  
DIN : 07571177

CUDINI 20032428 AAAACP 4262

**Valecha Kachchh Toll Roads Limited****Statement of changes in equity****A. Equity Share Capital**

Particulars	Amount
Balance as on March 31, 2019	685,000,000
Changes in equity share capital during the year	-
Balance as on March 31, 2020	685,000,000

**B. Other Equity**

Particulars	Other Comprehensive Income	Reserves and Surplus	
		Retained Earnings	Total
Balance as at April 1, 2018	150,128,000	(2,933,573,015)	(2,783,445,015)
Profit for the year	-	(983,479,729)	(983,479,729)
Corporate Guarantee Fees	-	-	-
Balance as at March 31, 2019	150,128,000	(3,917,052,745)	(3,766,924,745)
Profit for the period upto March 31, 2020	-	(1,078,605,265)	(1,078,605,265)
Corporate Guarantee Fees	-	-	-
Balance as at March 31, 2020	150,128,000	(4,995,658,009)	(4,845,530,009)

As per our report of even date

For Rajratan Kothari Associates

Chartered Accountants

Firm Registration No. 113704W

Rajratan M Kothari

Membership No.: 032428

Proprietor

Place : Mumbai.

Date : 14th August 2020

For and on behalf of the Board

Vijay Kumar M Modi  
(CFO & CS)Anil Sakharani Korpe  
(Director)  
DIN : 07543339Santosh Kumar Patro  
(Director)  
DIN : 07571177

(UDIN : 20032428AAAA (P 4862))

Notes to Accounts for the year ended 31st March 2020  
Note 3: Property, Plant & Equipment

Details		Gross Block			Accumulated Depreciation			Net Block		
		Balance as at 1 April 2019	Addition during the year	Deduction during the year	Balance as at 31 March 2020	Balance as at 1 April 2019	Depreciation charge for the Period	Deduction/ impairment during the year	Balance as at 31 March 2020	Balance as at 31 March 2019
(I)	Tangible Assets									
	Furniture and Fixtures	31,500		-	31,500	11,627	2,993	-	16,881	19,873
	Computer	23,992,449		-	23,992,449	22,706,504	66,140	-	1,219,805	1,285,945
	Office equipment	463,345		-	463,345	342,013	88,036	-	33,296	121,332
	Total - A	24,487,294	-	-	24,487,294	23,060,144	157,168	-	1,269,982	1,427,150
(II)	Intangible Assets									
	Concessionaire Right	2,002,454,530	-	-	2,002,454,530	624,730,453	165,087,546	-	1,212,636,532	1,377,724,078
	Total - B	2,002,454,530	-	-	2,002,454,530	624,730,453	165,087,546	-	1,212,636,532	1,377,724,078
	Gross Total (A+E)	2,026,941,824	-	-	2,026,941,824	647,790,597	165,244,714	-	1,213,906,514	1,379,151,228



Note 4: Other Non Current Assets		31st March 2020 ( Amount in INR)	31st March 2019 ( Amount in INR)
Advances to related parties:			
Deposits			
Sales Tax Deposit		50,000.00	50,000
Total		50,000.00	50,000

Note 5: Cash and cash equivalents		31st March 2020 ( Amount in INR)	31st March 2019 ( Amount in INR)
(I) Cash on Hand		119,480	724,237
(Sub Total I)		119,480	724,237
(II) Balances with Banks			
In Current Accounts			
Canara Bank A/c 2677201000919		17,690	19,581
Canara Bank Escrow A/c 2630201000167		2,552,602	1,375,027
Canara Bank Toll Collection A/c -3309201000052		2,056,212	8,084,793
Corporation Bank A/c 510101006285562		171,780	58,277,693
In Deposit Account			
Bank term Deposit for Debt Service Reserve Accounts			
(FDR is under lien of bank. Further, the maturity of FDR is less than 12 months)			
(Sub Total II)		4,798,284	67,757,093
Total		4,917,763	68,481,330

Note 6: Loans - Current		31st March 2020 ( Amount in INR)	31st March 2019 ( Amount in INR)
Advances to related parties:			
Unsecured:			
Machinery Advance to Valecha Engineering Limited		53,834,002	53,834,002
Material Advance to Valecha Engineering Limited		241,235,419	188,637,073
Mobilisation Advance to Valecha Engineering Limited		123,884,659	123,884,659
Valecha Infrastructures Ltd Assets		2,174,970	2,174,970
Valecha Badwani Sendhwa Toll Ways Ltd		320,076	192,670
Valecha LM Toll Private Limited		179,240	179,240
Total		421,628,366	368,902,614

Note 7: Other Current Assets		31st March 2020 ( Amount in INR)	31st March 2019 ( Amount in INR)
TDS Receivable		141,866	141,866
Total		141,866	141,866

Note 8: Other Current Assets		31st March 2020 ( Amount in INR)	31st March 2019 ( Amount in INR)
Imprest		122,032	9,884
Amount Withhold by C&RDC		1,268,001	
Advances to Staff		2,060	22,060
Prepaid upfront fees		5,476,553	5,476,553
Prepaid Insurance Expenses		3,386,371	2,394,262
Total		10,255,907	7,912,749

Note 9: Share Capital		31st March 2020 ( Amount in INR)	31st March 2019 ( Amount in INR)
(I) Authorised Share Capital			
6,85,00,000 (Prev. Year 6,85,00,000) Equity Shares of Rs 10 each		685,000,000	685,000,000
(II) Equity Shares - Issued, Subscribed and Paid up			
6,85,00,000 (Prev. Year 6,85,00,000) Equity Shares of Rs 10 each		685,000,000	685,000,000
Total		685,000,000.00	685,000,000
(III) Reconciliation of the shares outstanding at the beginning and the at the end of the reporting period			
At the beginning of the year		2019-20 No. of shares 685,000,000	2018-19 No. of shares 685,000,000
Add : Issued during the year		-	-
Outstanding at the end of the year		685,000,000	685,000,000

Rights, Preferences and Restrictions - The company has only one class of equity shares having par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Shares held by	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Shares
- Its Holding Company (M/s Valecha Engineering Limited)	39,835,000	58%	39,835,000	0.58	39,835,000
Details of Shareholders holding more than 5% shares					
	2019-20		2018-19		
	No. of shares	% holding	No. of shares	% holding	No of Shares
Name of Shareholders					
Valecha Engineering Limited	39,835,000	58%	39,835,000	0.58	39,835,000
PBA Infrastructure Limited	28,665,000	42%	28,665,000	0.42	28,665,000





Note 17: Finance Costs	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
Interest Cost	951,326,684	806,073,700
Other finance cost	315,281	1,925,357
<b>Total</b>	<b>951,641,964.88</b>	<b>807,999,057</b>

Note 18: Other Expenses	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
Legal & Professional Fees	294,904	43,600
Postage & Telegram	3,270	1,407
Power & Fuel	97,590	115,570
Rent & Hire Charges	969,315	894,780
Rent, Rates & Taxes	10,300	9,600
Repair & Maintenance	12,265,849	11,511,844
Sundry Operational Expenses	153,416	257,658
Toll Operation & maintenance Expenses	15,635,353	15,423,573
Travelling & Conveyance Expenses	88,367	93,641
Excess Provision W/off	-	414,773
Payment to Auditors	236,000	356,950
Provision for Resurfing Expenses	21,214,080	73,094,019
Toll Refreshment Expenses	51,492	
<b>Total</b>	<b>51,019,936</b>	<b>102,217,415</b>

Note 19: Commitments	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
Estimated amount of contracts remaining to be executed on capital account (Net of Capital Advances)	409,546,124	474,592,035

Note 20: Auditors Remuneration (Including taxes)	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
Statutory Audit Fee	160,000	227,500
Tax Audit	40,000	75,000
GST	36,000	54,450
<b>Total</b>	<b>236,000</b>	<b>356,950</b>

Note 21: Earning Per Share	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
Net Profit attributable to equity shareholders	(1,078,605,265)	(983,479,729)
Weighted average number of shares for Basic and Diluted EPS (Numbers)	68,500,000	68,500,000
<b>Basic &amp; Diluted Earnings Per share (Equity share of Rs. 10/- each)</b>	<b>(15.75)</b>	<b>(14.36)</b>

Note 22: Segment Reporting	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
The Company is a special purpose vehicle which has a single special purpose of development of Bhuj Bhachau Road Section in the state of Gujarat on DOT basis; therefore the only segment of company as per Ind AS 108.		

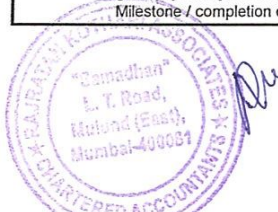
Note 23: Construction Work in Progress	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
The Project Milestone(s) / Schedule Construction Completion Date as per Clause 10.3.5 of the Concession Agreement with GSRDC could not be achieved for reasons attributable to GSRDC. Accordingly the company had made representation to GSRDC for extension of time and the GSRDC had allowed the interim extension of time in Schedule Construction Completion Date upto 31/12/2014. However, since the construction work could not be completed before the extended date, the company has made representation to GSRDC for extension of time upto 31/12/2015 and the company is hopeful of getting the extension of time. In view of the same, the company does not anticipate any demand from GSRDC for non-achievement of Milestone(s) / Construction Completion Date. Since the project delay caused delay in COD / toll recovery the bankers have re-scheduled the repayment obligation and sanctioned additional loan of Rs.26.79 crores towards interest during construction period. As such there is no cost overrun and escalation on the EPC cost. Further, the company has received provisional certificate from Independent Engineer appointed by GSRDC to operate up to 53.659 KM from 13.05.2015. The Company has started Toll Collection w.e.f 16.05.2015.		
GSRDC has conveyed that the Extension of Time sought by is under consideration. In the mean time the project has got delayed beyond 31/12/2015. In which the company has to sought extension of time suitably as per letter dated 25.12.2015. In view of the same the GSRDC has to modify the Milestone / completion of work accordingly and to arrive a realistic project completion date.		
Further, the company has received provisional certificate from Independent Engineer appointed by GSRDC to operate up to 53.659 KM from 13.05.2015. Accordingly, the Company has started to collect Toll Collection w.e.f 16.05.2015. However, during the year 2016-17 no work has been carried out, hence balance amount of intangible assets under development is not capitalised.		
Balance work now started in month of January'18 and GSRDC has infused Rs. 74 Crores to complete the same.		

Note 24:	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
In the opinion of the management, the Current Assets, Loans and Advances and Current Liabilities are approximately of the value stated, if realised / paid in the ordinary course of business. The provision for all known liabilities is adequate and is not in excess of amounts considered reasonably necessary.		

Note 25:	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
Balance disclosed under advances and creditors are subject to reconciliation.		

Note 26:	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
Micro and small Micro and small enterprises as defined under MSME Act, 2006 There are no Micro and small scale business Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2020. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, has been determined to the extent such parties have been identified on the basis of information available with the Company.		

Note 27: Contingent Liabilities	31st March 2020	31st March 2019
	(Amount in INR)	(Amount in INR)
As per Concession Agreement Article 14.4.1, Damage liability may arise due to non-completion of Project list with 90 days from dated of provisional certificate issued. (Provisional Certificate Dated. 13.05.2015). Lower of 0.1% of the Performance Security and 0.2% of the costs of completing such items as estimated by the Independent Engineer on per day basis, amounting to Rs. 000,40,000 (PY : 000,40,000). GSRDC has conveyed that the Extension of Time sought by is under consideration. In the mean time the project has got delayed beyond 31/12/2015. In which the company has to sought extension of time suitably as per letter dated 25.12.2015. In view of the same the GSRDC has to modify the Milestone / completion of work accordingly and to arrive a realistic project completion date.		



## Note 28:

## Related party Disclosure

The Company has undertaken following transactions with the related parties in terms of Accounting Standard – 18 "Related Party Disclosure":

Enterprise where control exist:

M/s.Valecha Engineering Ltd (VEL) (Holding Company)

Enterprise having significant influence :

M/s.PBA Infrastructure Limited (PBA)

Enterprise over which holding company having significant influence :

Valecha Infrastructure Limited

Valecha Badwani Sendhwa Toll Ways Ltd

Valecha LM Toll Pvt. Ltd.

The name of related parties with the nature of relationship

NATURE OF TRANSACTIONS:		Holding Company		Enterprise having significant influence		Enterprise over which holding company having significant influence	
		April 2019 to Mar 2020	April 2018 to Mar 2019	April 2019 to Mar 2020	April 2018 to Mar 2019	April 2019 to Mar 2020	April 2018 to Mar 2019
TRANSACTION DURING THE YEAR							
Expenses debited into Intangible Assets Under Development							
EPC Cost		65,045,911	209,500,673				
Advance given							-
Advance received back							-
Share Application Money Recd			-				
Promoters Contribution Recd.			-				
Short Term Borrowing							
Shares Allotted					-		
OUTSTANDING AT THE YEAR END							
LIABILITIES							-
Sub-ordinate debt		584,511,542	584,511,542				
Payable to EPC Contractor Holding Company		19,727,179	45,676,548				
Short Term Borrowing							
ASSETS							
Mobilization Advance		53,834,002	53,834,002				
Material Advance		241,235,419	188,637,073				
Machinery Advance		123,884,659	123,884,659				
Other Advance		-	-			2,674,286	2,546,880



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**Note 29 Fair value Measurement**  
Financial Instruments by category

Particulars	31-03-2020			31-03-2019		
	FVPL	FVOCI	Amortised Cost	FVPL	FVOCI	Amortised Cost
<b>Financial Assets</b>						
Cash and Bank Balance	-	-	4,917,763	-	-	68,481,330
Loans	-	-	421,628,366	-	-	368,902,614
<b>Total financial assets</b>	-	-	<b>426,546,129</b>	-	-	<b>437,383,944</b>
<b>Financial liabilities</b>						
Borrowing	-	-	4,686,370,529	-	-	4,599,248,955
Trade payables	-	-	42,608,521	-	-	63,969,622
Other financial liabilities	-	-	2,993,423,998	-	-	2,071,119,978
<b>Total financial liabilities</b>	-	-	<b>7,722,403,048</b>	-	-	<b>6,734,338,555</b>

The carrying amounts of trade payables, cash and cash equivalent including other current bank balances and other liabilities including creditors, etc. are considered to be the same as their fair values, due to current and short term nature of such balances.  
For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

**Note 30 Capital management**

The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to our shareholders. The capital structure of the Company is based on management's judgment of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

**Note 31 Financial risk management**

The company activities exposes it to market risk, liquidity risk and credit risk.  
This note explains the source of risk which the entity is exposed to and how the entity is manage the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost.	Ageing analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit
Market risk - interest rate	Long-term borrowings at variable Rates	Sensitivity analysis	Actively Managed
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

**Market risk — interest rate risk**

The Bank loans follows floating rates with resets defined under agreements. While interest rate fluctuations carry a risk on financials, the company earn toll income which is linked to WPI thus providing a natural hedge to the interest rate risk.

**Sensitivity**

Profit or loss is sensitive to higher/lower interest income from borrowings as a result of changes in interest rates.

Impact on profit/loss after tax	As at 31st March, 2020	As at 31st March, 2019
Interest rates (increase) by 1%	₹10,000,700	₹17,997,490
Interest rates decrease by 1%	₹10,000,700	₹17,997,490

**Note 32 Financial risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Company's finance department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The management monitors the Company's net liquidity position through forecasts on the basis of expected cash flows. The company is also taking steps to improve liquidity going forward by focusing on new initiatives taken recently.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020 and March 31, 2019

Particulars	Carrying amount	Less than 12 months	More than 12 months
<b>As at March 31, 2020</b>			
<b>Liabilities</b>			
Borrowing	4,686,370,529	4,686,370,529	-
Trade payables	42,608,521	42,608,521	-
Other financials liabilities	2,993,423,998	2,993,423,998	-
<b>Assets</b>			
Cash and Bank Balance	4,917,763	4,917,763	-
Loans	421,628,366	421,628,366	-
<b>As at March 31, 2019</b>			
<b>Liabilities</b>			
Borrowing	4,599,248,955	4,599,248,955	-
Trade payables	63,969,622	63,969,622	-
Other financials liabilities	2,071,119,978	2,071,119,978	-
<b>Assets</b>			
Cash and Bank Balance	68,481,330	68,481,330	-
Loans	368,902,614	368,902,614	-



Note 33: Deferred Tax Assets:  
The Company on the basis of prudence has preferred not to recognize the deferred tax assets.

Note 34: Employees' Retirement and other Benefits:  
As per management no liability for retirement benefit costs (Gratuity Provision) arises to the Company, as the employees work for short term basis on payroll, therefore compliances with the Ind AS – 19 on "Employees Benefits" is not applicable to the Company.

Note 35: The Company has incurred substantial losses from its operations for the last few years which have eroded its net worth substantially. This raises doubt about its ability to continue as going concern. However, the management is of the opinion that since GSRDC has given approval to start balance work in month of January'18 and has infused Rs. 74 Crores to complete the same. Further management is in the process of negotiating on bank term loans, increase in toll collection due to yearly rate revision and consistent growth in the traffic, the company will be able to return profitability over the next few years. Hence the financial statements have been prepared assuming that the company will continue as going concern. No adjustments are, hence, made in the financial statement that might result from the outcome of this uncertainty.

Note 36: Previous Year Comparatives:  
The previous year figures have been regrouped, rearranged, and reclassified wherever necessary.

As per our report of even date

For Rajratan Kothari Associates  
Chartered Accountants  
Firm Registration No: 113704W

Rajratan M Kothari  
Membership No.: 032428  
Proprietor  
Place : Mumbai.  
Date : 14th August 2020

(UDIN: 20032428AAAA4862)



For and on behalf of the Board

Vijay Kumar H Modi  
(CFO & CS)

Anil Sakham Korpe  
(Director)  
DIN : 07543339



Santosh Kumar Patro  
(Director)  
DIN : 07571177

## Notes on Accounts Forming Part of the Balance Sheet as at 31<sup>st</sup> March, 2020

### 1. BACKGROUND:

#### 1.1 Corporate Information:

Valecha Kachchh Toll Roads Limited (VKTRL) is a Public Limited Company incorporated in India on 8th July 2011 with the registered office at Valecha chamber, 4th Floor, Andheri New Link Road, Andheri (W), Mumbai -400 053. VKTRL is a subsidiary Company of Valecha Engineering Limited which holds 58% of the equity share capital of the Company. The remaining 42% of the equity capital is held by PBA Infrastructure Limited.

VKTRL has been set up to Design, Engineering, Construction, Development, Finance, Operation and maintenance, construction of four/ two Laning Road of Bhuj - Bhachau Road Section, in the state of Gujarat on BOT basis and it operates under a single business and geographical segment. Further, the company has received provisional certificate from Independent Engineer appointed by GSRDC to operate up to 53.659 KM out of total 77.68 KM (i.e. 69% of total KM) on 13.05.2015. Accordingly, intangible assets under development has been capitalised in the year 2015 and intangible assets has been created. The amortisation of intangible assets carried out as per **SLM method** according to holding company policy. The Company has started Toll Collection i.e. 16.05.2015. However, from the year 2016-17 no work has been carried out, hence balance amount of intangible assets under development is not capitalised. Balance work now started in month of January 2018 and GSRDC has infused Rs. 74 Crores to complete the same.

The financial statements were authorized for issue by the Company's Board of Directors on 14<sup>th</sup> August 2020 Pursuant to the provisions of section 130 of the Act.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### 2.1 Basis of preparation

These Financial Statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act. These Financial Statements have been prepared in accordance with the requirements of the information and disclosures mandated by Schedule III of the Act, applicable Ind AS, other applicable pronouncements and regulations.

These Financial Statements have been prepared on a historical cost basis, except for certain assets and liabilities which have been measured at fair value.

These Financial Statements are presented in absolute Indian Rupee, except where otherwise indicated.

The financial statements have been prepared in accordance with the requirements of the information and disclosures mandated by Schedule III to the Act, applicable Ind AS, other applicable pronouncements and regulations.

#### 2.2 Current versus non-current classification

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

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a



liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

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

### 2.3 Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional statements are presented in Indian Rupees (INR), which the company's functional and presentation currency.

### 2.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable



Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

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

## **2.5 Financial instruments**

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

### **Financial assets**

#### **Initial recognition and measurement**

All financial assets are recognised initially at fair value, in the case of financial assets not recorded at fair value through Statement of Profit and Loss, net of directly attributable transaction cost to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in following categories;

- at amortised cost
- at fair value through profit or loss (FVTPL)
- at fair value through other comprehensive income (FVTOCI)

#### **Financial Assets at amortised cost**

Financial assets are measured at the amortised cost if both the following conditions are met:

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

This category is the most relevant to the Company. All the Loans and other receivables under financial assets (except Investments) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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 amortization is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognized in the Statement of Profit and Loss. This category generally applies to loans and other receivables.

#### **Financial Assets at Fair Value through Statement of Profit and Loss/Other Comprehensive Income**

All investments in scope of Ind AS 109 are measured at 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 instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the Other Comprehensive Income. There is no recycling of the amounts from Other Comprehensive Income (OCI) to the Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

#### **De-recognition**

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

The rights to receive cash flows from the asset have expired, or

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

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

#### **Impairment of financial assets**

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

The impairment methodology for each class of financial assets stated is as follows:

**Loans receivables measured at amortised cost:** Loans receivables at amortised cost are generally short term in nature considered to be low risk, and thus the impairment provision is determined as 12 months expected credit losses.

**Loans given to employees:** For loans given to employees outstanding as on the reporting dates, the has determined reliably that assessing the probability of default at the initial recognition of each and every loan or receivable would result in undue cost and effort. As



permitted by Ind AS 109, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognized. Using the impairment methodology the Company has assessed that no loan loss allowance needs to be recorded in the books of accounts.

Expected credit loss ('ECL') impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Statement of Profit and Loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

Financial assets measured as at amortized cost and other contractual revenue receivables - ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

### **Financial Liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through Statement of Profit and Loss, loans and borrowings, trade payables or other payables.

All financial liabilities are recognized initially at fair value.

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

#### **Subsequent measurement**

Financial liabilities at amortized cost: After initial measurement, such financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Statement of Profit and Loss.

#### **Loans and borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. However, the Company has borrowings at floating rates. The impact of restatement of effective interest rate, year on year due to reset of interest rate, is not material. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the transaction cost amortization process.

#### **Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.



### Retention money payable

This is the category most relevant to the Company. Retention moneys are measured at Fair value initially. Subsequently, they are measured at amortised cost using the EIR (Effective interest rate) method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process.

### De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss.

### Offsetting of financial instruments

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

### 2.6 Revenue Recognition:

Revenue is measured at the fair value of the consideration received or receivable. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for the Company's activities, as described below.

- A. **Toll Collection:** Toll Revenue is recognised in respect of toll collected at the Toll plaza of the company at Kachchh – Bhuj, Gujrat on receipt basis.
- B. **Interest Accrued on Deposit with Bank:** Income from Interest on deposits is recognized on time proportionate method.
- C. **Others**  
Insurance and other claims are recognized as revenue on certainty of receipt basis.

### 2.7 Property, plant and equipment

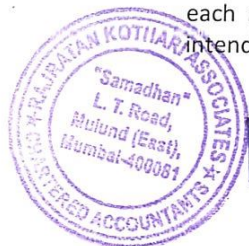
Property, plant and equipment are measured at cost of acquisition net of recoverable taxes less accumulated depreciation and impairment loss, if any. Cost includes expenses that is directly attributable to acquisition of the assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

### Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2016 measured as per the Previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for their intended use before such date are shown as Capital Work in Progress.



Depreciation on property, plant and equipment is provided on **straight line method** over the useful lives as specified in Part 'C' of Schedule II to the Companies Act, 2013, which is also estimated as useful lives by the management.

#### **Intangible assets and Amortization**

Intangible assets are recognized only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably. Expenditure on an intangible item is expensed when incurred unless it forms part of the cost of intangible asset that meets the recognition criteria. Intangible assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization and impairment loss, if any.

Intangible assets comprising of software purchased and licensing cost are amortized on **straight line basis** over the useful life of the software up to a maximum period of 10 years.

### **2.8 Accounting of intangible assets under service concession arrangement**

The Company has Toll Road Concession rights where it Builds, Operates and Transfers (BOT) infrastructure used to provide public service for a specified period of time. These arrangements may include Infrastructure used in a public-to-private service concession arrangement for its entire useful life.

These arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that the Company receives a right (a license) to charge users of the public service. The financial asset model is used when the Company has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If the Company performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Intangible assets is measured at the fair value of consideration transferred to acquire asset, which is the fair value of consideration received or receivable for the construction services delivered.

#### **Intangible assets model**

Intangible assets arising out of service concession arrangements are accounted for as intangible assets where the Company has a contractual right to charge users of service when the projects are completed.

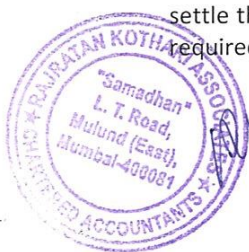
The intangible assets is measured at the fair value of consideration transferred to acquire asset, which is the fair value of consideration received or receivable for the construction services delivered.

#### **Amortization of concession intangible assets**

The Intangible assets recognized are amortized over the concession period on proportionate basis.

#### **Maintenance obligations**

Contractual obligations to maintain, replace or restore the infrastructure (principally resurfacing costs and major repairs and unscheduled maintenance which are required to maintain the Infrastructure asset in operational condition except for any enhancement element) are recognized and measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date for which next resurfacing would be required as per the concession arrangement. The provision is discounted to its present value



at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### Impairment of non-financial assets

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

## 2.9 Taxes

### Current Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized outside the Statement of Profit and Loss is recognized outside the Statement of Profit and Loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and liabilities are offset only if, the Company:

- a) has a legally enforceable right to set off the recognised amounts; and
- b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Deferred tax

Deferred tax is provided using the balance sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities and assets are recognized for all taxable temporary differences.

Deferred tax assets are recognized for unused tax losses 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 losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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



Deferred tax relating to items recognized outside the Statement of Profit and Loss is recognized outside the Statement of Profit and Loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

## 2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

## 2.11 Contingent liabilities and contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The contingent liability is not recognised in the books of accounts but its existence is disclosed in the Financial Statements. A Contingent asset is not recognized in financial statements, however, the same are disclosed where an inflow of economic benefit is probable.

## 2.12 Provisions

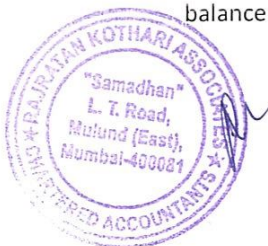
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.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

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

## 2.13 Employees' Benefits:

### Short term obligations

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



## Post - employment obligations

### A. Defined Contribution Plan:

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

## 2.14 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). Chief operating decision maker's function is to allocate the resources of the entity and access the performance of the operating segment of the entity.

The Board assesses the financial performance and position of the Company and makes strategic decisions. It is identified as being the chief operating decision maker for the company.

## 2.15 Critical accounting estimates and judgements

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed below.

### Applicability of service concession arrangement accounting to toll roads concessionaire arrangements

The Company has determined that Appendix A of Ind AS 11 'Service concession arrangements' is applicable to the Company which provides on accounting by the operators for public-to-private service concession arrangements. The Company has entered into concession arrangement with GSRDC as per which the Company would participate in the Design, Build, Finance, Operate and Transfer (DBFOT) basis the toll roads infrastructure. After the end of the concession arrangement, the Company has to transfer the infrastructure i.e. toll roads constructed to GSRDC.

### Income taxes

The Company has recognized deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilized. However, the utilization of tax losses also depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. Management has forecasted future taxable profits and has therefore recognized deferred tax assets in relation to tax losses.

### Amortization of concession Intangible assets

The Intangible asset recognized are amortised over the concession period on the basis of projected toll revenue which reflects the pattern in which the assets economic benefits are consumed. The projected total toll revenue is based on the independent traffic volume projections; Amortization is revised in case of any material change in the expected pattern of economic benefits.



### Provision for resurfacing obligation (major maintenance expenditure)

The Company records the resurfacing obligation for its present obligation as per the concession arrangement to maintain the toll roads at every five years during the concession period. The provision is included in the Financial Statements at the present value of the expected future payments. The calculations to discount these amounts to their present value are based on the estimated timing of expenditure occurring on the roads.

The discount rate used to value the resurfacing provision at its present value is determined through reference to the nature of provision and risk associated with the expenditure.

### 2.16 Recent accounting pronouncements

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

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


**Ind AS 115- Revenue from Contract with Customers:** On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

For, Valecha Kachchh Toll Roads Limited

  
Anil Sakharam Korpe  
Director  
(DIN : 07543339)

  
Santosh Kumar Patro  
Director  
(DIN : 07571177)

  
Vijay Kumar H Modi  
(CFO & CS)

