

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF SADBHAV NAINITAL HIGHWAY PRIVATE LIMITED**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Sadbhav Nainital Highway Private Limited** ('the Company'), which comprise the balance sheet as at 31 March 2018, 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 a summary of the significant accounting policies and other explanatory information

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to



design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

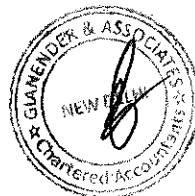
We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit, total comprehensive income, the changes in equity and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.;
  - (d) in our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
  - (e) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting; and
  - (g) 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 :
    - i. The company has no pending litigation which would impact its financial position except those disclosed in financial statements;




- ii. The company did not have any long-term contract including derivative contract for which there were any material foreseeable losses;
  - iii. There were no amounts which were required by the company to be transferred to the Investor Education and Protection Fund, and;
2. As required by Section 143(3) of the Act, based on our audit we report that:

As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure B, a statement on the matters specified in the paragraph 3 and 4 of the Order.

For Gianender & Associates  
Chartered Accountants  
(Firm's Registration No. 004661N)



Place: New Delhi  
Date :5<sup>th</sup> May,2018

  
Jeetender Kumar Gupta  
(Partner)  
(M No. 092547)

## **ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Sadbhav Nainital Highway Private Limited** of even date)

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

We have audited the internal financial controls over financial reporting of **Sadbhav Nainital Highway Private Limited** ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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

#### **Auditors' Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

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



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my /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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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


#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Gianender & Associates  
Chartered Accountants  
(Firm's Registration No. 004661N)



Place: New Delhi  
Date :5<sup>th</sup> May,2018

  
Jeetender Kumar Gupta  
(Partner)  
(M No. 092547)

**Annexure 'B' to the Independent Auditor's Report of Sadbhav Nainital Highway Private Limited for the Year ended as on 31<sup>st</sup> March 2018**

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


- i. According to the information and explanations given to us and on the basis of our examination of the books of accounts, the company has no fixed asset and immovable properties. Hence paragraph 3(i) of the Order is not applicable to the company.
- ii. As the company is engaged in the business of infrastructure development, operations and its maintenance and there is no inventory in hand at any point of time, hence paragraph 3(ii) of the Order is not applicable to the company.
- iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liabilities partnership or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Hence, clause (a) to (c) of Para 3(iii) are not applicable.
- iv. The Company has not entered into any transaction in respect of loans, investments, guarantee and securities, which attracts compliance to the provisions of the sections 185 and 186 of the Companies Act, 2013. Therefore the paragraph 3(iv) of the Order is not applicable to the company.
- v. The Company has not accepted deposits in terms of the provisions of section 73 to 76 of the Companies Act, 2013 and rules framed there under. Therefore the paragraph 3(v) of the Order is not applicable to the company.
- vi. The Company is maintaining the cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013.
- vii.
  - a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the company has been generally regular in depositing undisputed statutory dues including income tax, service tax, value added tax, cess and other statutory dues during the year with the appropriate authorities. As on 31<sup>st</sup> March 2018, there are no undisputed statutory dues payables for period exceeding for a period more than six month from the date they become payable.
  - b) According to the information and explanations given to us, there were no statutory dues pending in respect of income tax, sales tax, VAT, custom duty and cess on account of any dispute.
- viii. In our opinion and according to the information and explanation provided to us, the company has not defaulted in repayment of loans or borrowing to a financial institution and banks. The company has not taken any loans or borrowings from Government or issued any debentures.
- ix. According to the information and explanation provided to us, money raised by way of term loan were applied for the purpose for which it raised. The Company has not raised money by way of initial public offer or further public offer.
- x. According to the information and explanation given to us by the management which have been relied by us, there were no frauds on or by the company noticed or reported during the course of our audit.
- xi. The company has not paid any managerial remuneration, hence paragraph 3(ix) of the order is not applicable to the company.
- xii. The company is not a Nidhi Company, therefore para 3(xii) of the Order is not applicable.
- xiii. In our opinion and according to the information provided to us, the transaction entered with the related parties are in compliance with section 177 and 188 of the Act and are properly disclosed in the financial statements.



- xiv. In our opinion and according to the information provided to us, the company has not issued any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information provided to use, the company has not entered into any non-cash transaction with directors or the persons connected with him covered under section 192 of the Companies Act 2013.
- xvi. According to the information provided to us, the company is not required to be registered under section 451A of the Reserve Bank of India Act, 1934. Therefore, paragraph 3(xvi) of the Order is not applicable to the company.

For Gianender & Associates  
Chartered Accountants  
(Firm's Registration No. 004661N)



  
Jeetender Kumar Gupta  
(Partner)  
(M No. 092547)

Place: New Delhi  
Date :5<sup>th</sup> May,2018

Sadbhav Nainital Highway Private Limited Balance Sheet as at March 31, 2018			
Particulars	Note No.	As at March 31, 2018 INR in Million	As at March 31, 2017 INR in Million
<b>ASSETS</b>			
<b>1. Non-current Assets</b>			
(a) Other Non Current Assets	5	-	9.39
(b) Deferred tax assets (net)		0.05	-
<b>2. Current Assets</b>		0.05	9.39
(a) Financial Assets			
(i) Cash and Cash Equivalants	6	17.85	1.74
(ii) Receivable under Concession Arrangements	7	946.20	293.14
(b) Other Current Assets			
(iii) Other current	8	606.18	-
		1,570.22	294.88
<b>Total Assets</b>		<b>1,570.28</b>	<b>304.28</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity Share Capital	9	10.00	10.00
Other Equity	10	481.26	287.53
<b>Total Equity</b>		<b>491.26</b>	<b>297.53</b>
<b>LIABILITIES</b>			
<b>Non Current Liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	11	129.59	-
(ii) Other financial liabilities		-	-
(b) Provisions			
<b>Total Non-current liabilities</b>		<b>129.59</b>	<b>-</b>
<b>Current Liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	12	26.12	3.70
(ii) Trade Payables	13	225.02	0.72
(iii) Other Financial Liabilities	14	22.52	0.05
(b) Other Current Liabilities	15	659.30	2.27
(c) Provisions	16	16.46	-
		949.42	6.74
<b>Total Equity and Liabilities</b>		<b>1,570.28</b>	<b>304.28</b>
<b>Summary of Significant Accounting Policies</b>	3		

Accompanying notes are an integral part of the financial statements

As per our report of even date  
For Gianender & Associates  
Chartered Accountants  
(Firm Regn. No. 04661N)

Jitendra Kumar Gupta  
Partner  
M No. 092547



Place: New Delhi  
Date: 5th May, 2018

For & On behalf of the Board of Directors of  
Sadbhav Nainital Highway Private Limited

Shashin Patel  
Director  
DIN: 00048328

Nitin Patel  
Director  
DIN: 000466330



Place: Ahmedabad  
Date: 5th May, 2018



**Sadbhav Nainital Highway Private Limited**  
**Statement of Profit and Loss for the year ended March 31, 2018**

Particulars	Note No.	March 31, 2018 INR in Million	March 31, 2017 INR in Million
<b>INCOME</b>			
I Revenue From Operations	17	670.32	293.14
II Other Income	18	3.50	-
III Total Income (I+II)		<b>673.82</b>	<b>293.14</b>
<b>EXPENSES</b>			
Construction Expense	19	607.63	292.00
Finance Cost	20	10.10	0.53
Other Expenses	21	6.09	0.90
IV Total Expenses		<b>623.82</b>	<b>293.43</b>
V Profit /(Loss) For the year (III-IV)		50.00	(0.29)
VI Tax expenses			
Current tax		16.46	-
Deffered tax		(0.05)	-
Total tax expenses		16.41	-
Profit/(Loss) for the year (V-VI)		33.59	(0.29)
VII Other Comprehensive Income		-	-
VIII Total Comprehensive Income for the year, net of tax		<b>33.59</b>	<b>(0.29)</b>
Earning/(Loss) Per Share (Nominal Value of share INR 10/-) Basic & Diluted ( Amount in INR)		33.59	(4.92)

**Significant Accounting Policies**

3

Accompanying notes are an integral part of the financial statements

As per our report of even date  
For Gianendar & Associates  
Chartered Accountants  
(Firm Regn No. 04661N)

Jitendra Kumar Gupta  
Partner  
M No. 092547



For & On behalf of the Board of Directors of  
Sadbhav Nainital Highway Private Limited

*S V Patel*  
Shashin Patel  
Director  
DIN: 00048328

*Nitin Patel*  
Nitin Patel  
Director  
DIN:00466330



Place: New Delhi  
Date: 5th May, 2018

Place: Ahmedabad  
Date: 5th May, 2018

**Sadbhav Nainital Highway Private Limited**  
**Cash Flow Statement For the year ended March 31, 2018**

Particulars	March 31, 2018 INR in Million	March 31, 2017 INR in Million
<b>(A) Cash flows from operating activities</b>		
Net (Loss) before Tax	33.59	(0.29)
Adjustments to reconcile profit before tax to net cash flows:		
Interest and other borrowing cost	10.10	0.53
<b>Operating profit before working capital changes</b>	43.68	0.24
<b>Working Capital Changes:</b>		
Decrease/(Increase) in other current financial assets	(653.06)	(293.14)
Decrease/(Increase) in other current assets	(606.18)	-
Increase/(Decrease) in Trade payable	224.30	0.25
Increase/(Decrease) in provision	16.46	-
Increase/(Decrease) in other current liabilities	679.50	2.27
Increase/(Decrease) in other Non - Current Assets	9.34	(9.39)
<b>Cash generated/(used) in operating activities</b>	(329.64)	(299.77)
Direct taxes paid (net of income tax refund)	-	-
<b>Net cash (used) / generated in operating activities (A)</b>	<b>(329.64)</b>	<b>(299.77)</b>
<b>(B) Cash Flows from investing activities (B)</b>		-
<b>(C) Cash Flows from financing activities</b>		
Proceeds from Current borrowings	152.01	3.70
Advance from vendor	-	-
Equity share capital Received	-	10.00
Sub Ordinate debt received	193.73	287.82
Interest and other borrowing cost paid	-	(0.01)
<b>Net cash (used) in financing activities (C)</b>	<b>345.75</b>	<b>301.50</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>16.11</b>	<b>1.73</b>
Cash and cash equivalents at beginning of the year	1.73	-
<b>Cash and cash equivalents at end of the year</b>	<b>17.85</b>	<b>1.73</b>

**Notes:**

(i) Components of cash and cash equivalents (refer note 6)

Cash on hand  
Balances with banks in current accounts  
Cash and cash equivalents

	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Cash on hand	0.01	0.01
Balances with banks in current accounts	17.84	1.73
<b>Cash and cash equivalents</b>	<b>17.85</b>	<b>1.73</b>

(ii) The cash flow statement has been prepared under indirect method as per Indian Accounting Standard -7 "Cash Flow Statement".

(iii) Figures in brackets represent outflows.

As per our report of even date  
For Gianendar & Associates  
Chartered Accountants  
(Firm Regn No. 04661N)

Jitendra Kumar Gupta  
Partner  
M No. 092547



For & On behalf of the Board of Directors of  
Sadbhav Nainital Highway Private Limited

*Su Patel*  
Shashin Patel  
Director  
DIN: 00048328

*Nitin Patel*  
Nitin Patel  
Director  
DIN: 00466330



Place: New Delhi  
Date: 5th May, 2018

Place: Ahmedabad  
Date: 5th May, 2018

**Sadbhav Nainital Highway Private Limited**  
**Statement of Changes in Equity for the year ended March 31, 2018**

		INR in Million	
<b>A Equity Share Capital</b>		No. of Shares	Amount
<b>Equity Shares of INR 10 each issued, Subscribed and fully paid</b>			
At April 01, 2017		-	-
Changes during the year		10 00 000	10.00
<b>At March 31, 2018</b>		<b>10 00 000</b>	<b>10.00</b>

<b>B Other Equity</b>			
			INR in Million
Particulars	Equity Component of Compound Financial Instrument	Reserves and Surplus Retained Earning	Total equity attributable to equity holders of the Company
As at the April 01, 2017	447.96	(0.29)	447.67
Profit for the year		33.59	33.59
Any other change			-
<b>As at the March 31, 2018</b>	<b>447.96</b>	<b>33.30</b>	<b>481.26</b>

\* The Project of the Company has been funded through sub ordinate debt from the Sponsors in accordance with Sponsor Support and Equity Contribution Agreement / Sponsor Undertaking. As per Common Loan Agreement, such sub ordinate debts is considered as sponsor's contribution to ensure Promotors commitment for the project as per Common Loan Agreement. Sub-ordinate debt is interest free and shall be repayable at the option of the company at the end of the concession period or earlier.

Accompanying notes are an integral part of the financial statements

As per our report of even date  
 For Gianendar & Associates  
 Chartered Accountants  
 (Firm Regn No. 04661N)

Jitendra Kumar Gupta  
 Partner  
 M No. 092547

Place: New Delhi  
 Date: 5th May, 2018



*Su Patel*

Shashin Patel  
 Director  
 DIN: 00048328

For & On behalf of the Board of Directors of  
 Sadbhav Nainital Highway Private Limited

*Nitin Patel*  
 Nitin Patel  
 Director  
 DIN: 00466330

Place: Ahmedabad  
 Date: 5th May, 2018



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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**1. Company information:**

Sadbhav Nainital Highway Private Limited ("the Company") is a private company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. It is wholly owned subsidiary of Sadbhav Infrastructure Project Limited.

The Company was incorporated as a Special Purpose Vehicle (SPV) in May, 2016, to augment existing road from km 42.791 to km 88.00 (approximately 49.78 km) on the Rampur to Kathgodam Section of National Highway No. 87 in the state of Uttarakhand by Four-Laning thereof on Design, Built, Operate and Transfer ("DBOT Annuity" or "Hybrid Annuity") basis. As per the SCA, NHAI grants to the Company exclusive right, license and authority to construct, operate and maintain the project during the Construction Period of 910 days and Operation Period of 15 years commencing from COD.

The financial statements were authorized for issue in accordance with a resolution of the directors on May 16, 2017.

**2. Basis of preparation**

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The first financial statements for the year ended March 31, 2018 have been prepared in accordance with Indian Accounting Standards (Ind AS).

The financial statements have been prepared on a historical cost basis, except for the followings:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments),

The financial statements are presented in INR and all values are rounded to the nearest million (INR 000,000), except when otherwise indicated.

**3. Summary of significant accounting policies**

The following are the significant accounting policies applied by the company in preparing its financial statements:

**3.1 Current versus non-current classification**

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- 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.



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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A liability is current when:

- It is expected to be settled in the 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.

The Company classifies all other liabilities as non-current.

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

**Operating cycle**

The Company's has identified twelve months as its normal operating cycle.

**3.2 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

**Revenue from Service Concession Arrangement:**

**a. Construction Revenue:**

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the percentage of completion of the contract activity at the reporting date. The percentage of completion of a contract is determined considering the proportion that contract costs incurred for work performed upto the reporting date bear to the estimated total contract costs

Contract revenue comprises the initial amount of revenue agreed in the contract, the variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Contract revenue is measured at the fair value of the consideration received or receivable.

Construction revenue is exclusive of Goods and Service Tax as it is not received by the company on its own account and is collected on behalf of the Government.

Percentage of completion is determined based on the proportion of actual cost incurred to the total estimated cost of the project. The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. The effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate and the effect of which is



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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recognised in the Statement of Profit and Loss in the period in which the change is made and in subsequent periods.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred of which recovery is probable and the related contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense in the Statement of Profit and Loss in the period in which such probability occurs.

### **3.3 Impairment – 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 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in the statement of profit and loss.

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 net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecasts calculation. These budgets and forecasts calculations generally covering a period of the concession agreements using long terms growth rates applied to future cash flows.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

### **3.4 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 capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur. Borrowing cost consist of interest and other costs that company incurs in connection with the borrowing of funds. Investment income earned on temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.



### **3.5 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### **Company as lessee**

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the Statement of Profit and Loss on a straight-line basis over the lease term except the case where incremental lease reflects inflationary effect and lease expense is accounted in such case by actual rent for the period.

### **3.6 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.

#### **a) Financial assets**

##### **i. Initial recognition and measurement of financial assets**

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets that are not at fair value through profit or loss are added to the fair value on initial recognition. 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.

##### **ii. Subsequent measurement of financial assets**

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

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

- **Financial assets at amortized cost :**

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

- **Financial assets at fair value through other comprehensive income:**

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Financial assets 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).

- **Financial assets at fair value through profit or loss:**

FVTPL is a residual category for financial assets. Any financial asset which does not meet the criteria for categorization as at amortized cost or as FVTOCI is classified as at FVTPL.

**iii. De-recognition of financial assets**

A financial asset is de-recognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual 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.

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

**iv. Impairment of financial assets**

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets. Expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognized as an impairment gain or loss in profit or loss.

**b) Financial Liabilities**

**i. Initial recognition and measurement of financial liabilities**





**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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

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

**ii. Subsequent measurement of financial liabilities**

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

• **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind-AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

• **Loans and Borrowings**

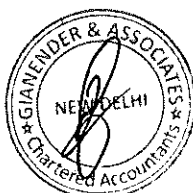
This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

**iii. Derecognition of financial liabilities**

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**c) Offsetting of financial instruments**

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

**3.7 Fair Value Measurement**

The company measures financial instrument such as Investment in Mutual Fund at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes 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.

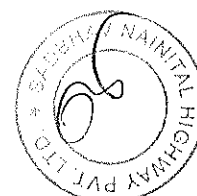
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit 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 price in active markets for identical assets or liabilities



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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- 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments.

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 on yearly basis.

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

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Significant accounting judgements, estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortized cost)

### **3.8 Income tax**

Income tax expense comprises current tax and deferred tax.

#### **Current Tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current income tax are recognised in correlation to



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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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.

**Deferred Tax**

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

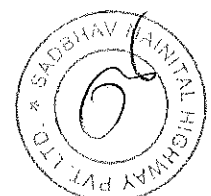
Deferred tax liabilities are recognised for all taxable temporary differences excepts when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which those temporary differences, losses and tax credit can be utilized excepts when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss.

As per provision of Income tax Act 1961, the Company is eligible for a tax holiday under section 80IA for a block of 10 consecutive assessment years out of 20 years beginning of toll operation. The current year is first year of company's operation and it propose to start claiming tax holiday in the subsequent years only. No deferred tax (assets or liabilities) is recognized in respect of temporary difference which reverse during tax holiday period, to the extent such gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing difference which is reverse after the tax holiday period is recognised in the year in which the timing difference originate. However, the company restricts recognition of deferred tax assets to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. For recognition of deferred tax, the timing difference which originate first are considered to reverse first.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rules and tax laws that have been enacted or substantively enacted by the end of the reporting period.



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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Deferred tax assets and deferred tax liabilities are offset, where company has a legally enforceable right 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.

### 3.9 Provisions

#### General

Provision is recognized when the company has a present obligation (legal or constructive) as a result of past event and 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. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

#### Contractual obligation to restore the infrastructure to a specified level of serviceability

The Company has contractual obligations to maintain the road to a specified level of serviceability or restore the road to a specified condition before it is handed over to the grantor of the Concession Agreements. Such obligations are measured at the best estimate of the expenditure that would be required to settle the obligation at the balance sheet date. The timing and amount of such cost are estimated and determined by estimated cash flows, expected to be incurred in the year of overlay. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to such obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss as a finance cost. The estimated future costs of such obligation are reviewed annually and adjusted as appropriate.

### 3.10 Contingent liabilities

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 recognized 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 recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

### 3.11 Cash and cash equivalents

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

### 3.12 Earnings per share



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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

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

**3.13 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

**4. Significant accounting judgements, estimates and assumptions**

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

**Estimates and assumptions**

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

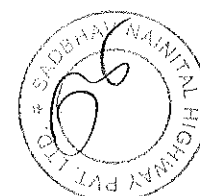
**Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF 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. 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.

**Taxes**

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

**Impairment of non-financial assets**



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial statement for the year ended March 31, 2018**

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Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget generally covering a period of the concession agreements using long terms growth rates and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

**4.1 Standards issued but not yet effective**

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 effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018. The Company will adopt the standard on April 1, 2018. The effect on adoption of Ind AS 115 is expected to be insignificant.



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

5 Other Non Current Assets	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Unamortized Processing Fees	-	9.39
<b>Total</b>	<b>-</b>	<b>9.39</b>

6 Cash and Cash Equivalants	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Cash in Hand	0.01	0.01
Balance with Banks in current accounts	17.84	1.73
<b>Total</b>	<b>17.85</b>	<b>1.74</b>

Note: Balances with banks include balance of INR 17.84 million (March 31, 2017 INR 1.49 million) lying in the escrow accounts as per terms of borrowings with the lenders.

7 Receivable under Service Concession Arrangements	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Receivable from NHAI	946.20	293.14
<b>Total</b>	<b>946.20</b>	<b>293.14</b>

Note: Fair value disclosures for financial assets are given in note 29.

8 Other current asset	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Prepaid Expense	0.05	-
Tax credit receivable	134.71	-
Mobilisation advance from NHAI	468.75	-
Others	2.67	-
<b>Total</b>	<b>606.18</b>	<b>-</b>





**Sadbhav Nainital Highway Private Limited**  
Notes to Financial Statements for the year ended March 31, 2018

9 Equity Share Capital	March 31, 2018		March 31, 2017	
	No. of shares	INR in Million	No. of shares	INR in Million
<b>Authorized Share Capital</b>				
Equity Shares of INR 10 each	10 00 000	10.00	10 00 000	10.00
	<b>10 00 000</b>	<b>10.00</b>	<b>10 00 000</b>	<b>10.00</b>
<b>Issued, Subscribed and fully paid up</b>				
Equity Shares of INR 10 each	10 00 000	10.00	10 00 000	10.00
<b>Total</b>	<b>10 00 000</b>	<b>10.00</b>	<b>10 00 000</b>	<b>10.00</b>

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

Particulars	March 31, 2018		March 31, 2017	
	No. of shares	INR in Million	No. of shares	INR in Million
At the beginning of the year				
Add: Issue during the year	10 00 000	10.00	10 00 000	10.00
Outstanding at the end of the year	<b>10 00 000</b>	<b>10.00</b>	<b>10 00 000</b>	<b>10.00</b>

(b) Terms/Rights attached to the equity shares:

The Company has only one class of shares referred to as equity shares having a par value of INR 10/-. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive the residual assets of the Company, after distribution of all preferential amounts. However, currently no such preferential amount exists. The amount to be distributed will be in proportion to the number of equity shares held by the shareholders.

(c) Share held by holding Company:

All 10,00,000 shares issued, subscribed and paid up equity capital are held by Sadbhav Infrastructure Project Limited- holding company and its nominees.

(d) Number of Shares held by each shareholder holding more than 5% Shares in the company

Name of Shareholder	March 31, 2018		March 31, 2017	
	No. of shares	% of shareholding	No. of shares	% of shareholding
<b>Equity Shares of INR 10 each fully paid</b>				
Sadbhav Infrastructure Project Ltd and its Nominees	10,00,000	100	10,00,000	100
<b>Total</b>		<b>100</b>		<b>100</b>

As per the records of the company, including its registers of shareholders/member and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

10 Other Equity

	March 31, 2018	March 31, 2017
	INR in Million	INR in Million
Equity Component of Compound Financial Instrument	447.96	287.82
<b>Retained Earning</b>		
(Deficit) at the beginning of the Year	-	0.29
Add: Net Profit/ (Loss) after tax transferred from Statement of Profit and Loss	33.59	(0.29)
(Deficit) at the end of the Year	33.30	(0.29)
<b>Total</b>	<b>481.26</b>	<b>287.53</b>

Note:

- 10.1 The Project of the Company has been funded through sub ordinate debt from the Sponsors in accordance with Sponsor Support and Equity Contribution Agreement / Sponsor Undertaking. As per Common Loan Agreement, such sub ordinate debts is considered as sponsor's contribution to ensure Promotors commitment for the project as per Common Loan Agreement. Sub-ordinate debt is interest free and shall be repayable at the option of the company at the end of the concession period or earlier.



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

11 Long Term Borrowings	March 31, 2018 INR in Million	March 31, 2017 INR in Million
<b>Secured Loan</b>		
From Bank	121.90	-
From Financial Institution	38.10	-
Unamortized Processing Fees	(30.41)	-
<b>Total</b>	<b>129.59</b>	<b>-</b>

**(i) Nature of Security:**

The details of Security in respect of long term borrowings are as under:

- 1 first mortgage and charge on all the Company's immovable (Investment) properties, both present and future, save and except the Project Assets;
- 2 first charge on all the Company's tangible moveable assets, including moveable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, both present and future, save and except the Project Assets;
- 3 first charge over all accounts of the Company including the Escrow Account and the Sub-Accounts (or any account in substitution thereof) that may be opened in accordance with Common Rupee Loan Agreement and the Supplementary Escrow Agreement, or any other Project Documents including but not limited to DSR and MMR and all funds from time to time deposited therein, including those arising out of realisation of Receivable and all Permitted Investments or other securities representing all amounts credited thereto.
- 4 first charge on all intangibles assets of the Company including but not limited to goodwill, rights, undertakings and uncalled capital present and future excluding the Project Assets .
- 5 first charge on assignment by way of security in:
  - all the right, title, interest, benefits, claims and demands whatsoever of the Company in the Project Documents;
  - the right, title and interest of the Company in, to and under all the Clearances;
  - all the right, title, interest, benefits, claims and demands whatsoever of the Company in any letter of credit, guarantee including contractor guarantees and
  - all the right, title, interest, benefits, claims and demands whatsoever of the Company under all Insurance Contracts.
- 6 pledge of 51% (fifty one percent) of the paid up and voting equity share capital of the Company as held by Sadbhav Infrastructure Project Limited, for a year up to repayment of entire borrowings.
- 7 the aforesaid mortgages, charges, assignments and guarantees and the pledge of equity shares as stipulated in paragraph 6 above shall in all respects rank pari-passu inter-se amongst the lenders. In accordance with the concession agreement, without any preference or priority to one over the other or others.

**(ii) Terms of Repayment:**

**(a) Rupee Term Loans from Bank:**

The Principal Amounts of the Loan to each of the Lenders shall be repayable in 28 structured Bi-Annually instalments, commencing from the April 30, 2019 and last date of Instalment is September 30, 2032.

Term loans carry interest at bank base rate plus spread i.e. 9.25 per cent per annum as on March 31, 2018.

12 Short Term Borrowings	March 31, 2018 INR in Million	March 31, 2017 INR in Million
<b>Loans Repayable on Demand - Unsecured</b>		
Loan from Holding Company (refer note25)	26.12	3.70
<b>Total</b>	<b>26.12</b>	<b>3.70</b>

\*Loan is repayable on demand / call notice from the lender and it carry interest of 9.60% per annum

**13 Trade Payables**

Trade Payables (refer note 25)

13 Trade Payables	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Trade Payables (refer note 25)	225.02	0.72
<b>Total</b>	<b>225.02</b>	<b>0.72</b>



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

**14 Other Current Financial Liabilities**

Interest accrued and due on borrowings (refer note 25)  
 Retention money

	March 31, 2018 INR in Million	March 31, 2017 INR in Million
	5.23	0.05
	17.29	-
<b>Total</b>	<b>22.52</b>	<b>0.05</b>

Note: Fair value disclosures for financial liabilities are given in note 29.

**15 Other Current Liability**

Statutory dues  
 Mobilisation advance from client  
 Advance to vendors

	March 31, 2018 INR in Million	March 31, 2017 INR in Million
	76.71	2.27
	582.55	-
	0.04	-
<b>Total</b>	<b>659.30</b>	<b>2.27</b>

**16 Provisions**

Income Tax Payable -17-18

	March 31, 2018 INR in Million	March 31, 2017 INR in Million
	16.46	-
<b>Total</b>	<b>16.46</b>	<b>-</b>



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

17 Revenue From Operations	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Construction Contract Revenue (Notional)	576.88	293.14
Price escalation income	76.18	-
Utility Shifting Income	17.26	-
<b>Total</b>	<b>670.32</b>	<b>293.14</b>

18 Other Income	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Gain/Loss on MF	0.54	-
Interest Income on Advance (refer note 25)	2.97	-
<b>Total</b>	<b>3.50</b>	<b>-</b>

19 Construction Expenses	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Road Maintenance Expense (refer note 25)	564.24	292.00
Utility Shifting expense (refer note 25)	17.26	-
Price Escalation Expense - WPI (refer note 25)	26.13	-
<b>Total</b>	<b>607.63</b>	<b>292.00</b>

20 Finance Cost	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Interest on Short Term Loan	2.07	0.05
Interest on Long Term Loan	2.54	-
Interest on Mobilisation advance	3.69	-
Other Borrowing Cost	-	-
Amortisation of Processing fees	1.68	-
Bank Guarantee Commission	-	0.48
Documentation charges	0.05	-
Inspection charges	0.03	-
Interest on I.Tax	0.04	-
<b>Total</b>	<b>10.10</b>	<b>0.53</b>

21 Other Expenses	March 31, 2018 INR in Million	March 31, 2017 INR in Million
Rent	0.68	-
Rates & taxes	0.01	-
Preliminary Expenses	-	0.29
Auditor Remuneration - Statutory Audit	0.04	0.05
Professional Fees & Expenses	5.31	0.54
Travelling & Conveyance expense	0.05	-
<b>Total</b>	<b>6.09</b>	<b>0.87</b>

**21.1 Payment to auditors:**

as Statutory Auditor

	March 31, 2018 INR in Million	March 31, 2017 INR in Million
<b>Total</b>	<b>0.04</b>	<b>0.05</b>



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

**22 Earning Per Share (EPS):**

Loss per share is calculated by dividing the net loss attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under :

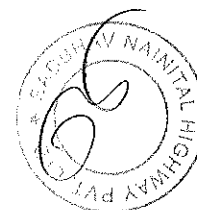
Particulars	March 31, 2018	March 31, 2017
Net (Loss) as per Statement of Profit & Loss (INR in Million)	33.59	(0.29)
Total no. of equity shares at the end of the year	10 00 000	10 00 000
Weighted average of number of equity shares outstanding during the Period	10 00 000	58,507
Nominal value of equity shares	10	10
<b>Basic &amp; Diluted (Loss) per share IN INR</b>	<b>33.59</b>	<b>(4.92)</b>

**23 Disclosure in respect of Construction Contracts**

Revenue from fixed price construction contracts is recognized on the percentage of completion method, measured by reference to the percentage of cost incurred up to the year end to estimated total cost for each contract.

Particulars	(INR in Million) 2017-18	(INR in Million) 2016-17
I Contract revenue recognized as revenue in the year	673.82	293.14
II For Contracts that are in progress:-		
a. Contract costs incurred and recognized upto reporting date	623.82	(293.14)
b. Profits (less recognized losses) upto reporting	50.00	-
c. Advances received	468.75	-
d. Retention Money	0.04	-
III Unbilled Revenue	946.20	293.14
IV Unearned Revenue	-	-

Percentage completion method for income recognition on long term contracts involves technical estimates by engineers/technical officials, of percentage of completion and costs to completion of each project/contract on the basis of which profit/loss is allocated.



**24 Disclosure pursuant to Appendix - A to Ind AS 11 - " Service Concession Arrangements"**

**(I) Description and classification of the arrangement**

The Company has entered into Service Concession Agreement ('SCA') with National Highway Authority of India (NHAI) dated June 02, 2016 for the purpose of augmenting the existing road from km 42.791 to km 88.00 (approximately 49.78 km) on the Rampur to Kathgodam Section of National Highway No. 87 in the state of Uttarakhand by Four-Laning thereof on Design, Built, Operate and Transfer ("DBOT Annuity" or "Hybrid Annuity") basis. As per the SCA, NHAI grants to the Company exclusive right, license and authority to construct, operate and maintain the project during the Construction Period of 910 days and Operation Period of 15 years commencing from COD.

**(II) Significant Terms of the Arrangements**

**(a) Bid Project Cost:-**

The cost of the construction of the project which is due and payable by NHAI as on the Bid date is considered as the bid project cost under the concession agreement. The bid project cost has been finalised as INR 6570.00 Million as at the bid date. Bid project cost is inclusive of the cost of construction, interest during construction, working capital, physical contingencies and all other costs, expenses and charges for and in respect of the construction of the project.

**(b) Payment of Bid Project Cost:-**

40% of the Bid Project Cost, adjusted for the Price Index Multiple, shall be due and payable to the company in 5 equal installments of 8% each during the Construction Period in accordance with the provisions of Clause 23.4 of the SCA.

The remaining Bid Project Cost, adjusted for the Price Index Multiple, shall be due and payable in 30 biannual installments commencing from the 180th day of COD in accordance with the provision of Clause 23.6 of the SCA.

Interest shall be due and payable on the reducing balance of Completion Cost at an interest rate equal to the applicable Bank Rate plus 3%. Such interest shall be due and payable biannually along with each installment specified in Clause 23.6.3 of SCA.

**(c) Bonus on early completion:-**

The SCA also provides for the payment of Bonus to the company in the event the COD is achieved on or more than 30 days prior to the schedule completion date.

**(d) Operation & Maintenance Payments:-**

All Operation and Maintenance expenditure shall be borne by the concessionaire. However, as provided in SCA, the company shall be entitled to received lump sum financial support in the form of biannual payments by the NHAI, which shall be computed on the amount quoted in the O&M bid. Each installment of O&M payment shall be the product of the amount determined in accordance with clause 23.7.1 of the SCA and the price index multiple on the reference index date preceding the due date of payment thereof.

**(e) Termination of the SCA:-**

SCA can be terminated on account of default of the company or NHAI in the circumstances as specified under article 37 of the SCA.

**(f) Restriction on assignment and charges:-**

In terms of the SCA the company shall not assign, transfer or dispose of all or any rights and benefits under SCA or create any encumbrances thereto except with prior consent of NHAI.

**(g) Changes in SCA:-**

There has been no change in the concession arrangement during the year.



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

**25 Related Party Disclosures:**

Related party disclosures as required under the Indian Accounting Standard (AS) – 24 on “Related Party Disclosures” are given below:

**(I) Name of the related parties and description of relationship :**

Sr. No	Description of Relationship	Name of the Related Party
(A)	Enterprises having control:	
	Ultimate Holding Company	Sadbhav Engineering Limited (SEL)
	Holding Company	Sadbhav Infrastructure Project Limited (SIPL)

(II) Transactions with Related Parties during the Year:		(INR in Million)	(INR in Million)
No.	Particulars	March 31, 2018	March 31, 2017
(i)	Equity share Capital issued -SIPL & its nominees	-	10.00
(ii)	Unsecured Loan received -SIPL	22.42	3.70
(iii)	Sub-debt Received -SIPL	160.14	287.82
(iv)	Interest on Unsecured Loan -SIPL	1.87	0.05
(v)	Reimbursement of Expenses -SEL	0.68	0.47
(v)	EPC contract -SEL	308.74	-
(vi)	Operating and Maintenance Expense -SIPL	255.50	292.00
(vii)	Reimbursement of Expenses -SIPL	0.00	0.04
(viii)	Mobilization Advances -SEL	468.75	-
(ix)	Interest on Mobilization Advances -SEL	2.97	-
(x)	Price Escalation Expense -SEL	26.13	-

(III) Balance outstanding as at the Year end:		(INR in Million)	(INR in Million)
No.	Particulars	March 31, 2018	March 31, 2017
(i)	Equity Share Capital -SIPL & its nominees	10.00	10.00
(ii)	Unsecured Loan -SIPL	26.12	3.70
(iii)	Sub-debt -SIPL	447.96	287.82
(iv)	Interest Payable -SIPL	1.91	0.05
(v)	Payable towards Operating, Maintenance & Reimbursement of Expenses -SEL	239.12	0.47
(vi)	Payable towards Operating, Maintenance & Reimbursement of Expenses -SIPL	0.04	0.04
(vii)	Mobilization Advances -SEL	468.75	-
(viii)	Interest Receivable on Mobilization Advances -SEL	2.67	-

**(IV) Terms and conditions of the balance outstanding:**

- The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free excepts short term loan and settlement occurs in cash as per the terms of the agreement.
- Loans in INR taken from the related party carries interest rate 9.60%.
- The Company has not provided any commitment to the related party as at March 31, 2018.



Sadbhav Nainital Highway Private Limited  
Notes to Financial Statements for the year ended March 31, 2018

26 Income Tax Expenses

As there is no taxable income, current tax liability as per the provision of Income Tax Act, 1961 is NIL.

In accordance with the Indian Accounting Standard 12 (IND AS) "Income Taxes", the company has Deferred Tax Assets on account of differences in preliminary expense allowable in income tax. The Company does not have Deferred Tax Liabilities during the year. As a matter of prudence Deferred Tax Assets, have not been recognised.

Details of Deferred Tax Assets not recognized in the Balance Sheet

Particulars	(INR In Million)	
	31.03.2018 Amount	31.03.2017 Amount
Deductible Expenses - Company incorporation Expenses	0.05	0.08

27 Segment Reporting

The operating segment of the company is identified to be "DBOT Annuity", as the Chief Operating Decision Maker (CODM) reviews business performance at an overall company level as one segment and hence, does not have any additional disclosures to be made under Ind AS 108 Operating Segments. Further, the Company also primarily operates under one geographical segment namely India.

28 There are no Micro, Small and Medium Enterprises, to whom the company owes dues, which are outstanding for more than 45 days at the balance sheet date. This is based on the information available with the company.

29 Financial Instruments

(i) Disclosure of Financial Instruments by Category

Financial instruments by categories	Note no.	March 31, 2018			March 31, 2017		
		FVTPL	FVTOCI	Amortized cost	FVTPL	FVTOCI	Amortized cost
<b>Financial Asset</b>							
Cash On Hand	6	-	-	0.01	-	-	0.01
Balance with Banks	6	-	-	17.84	-	-	1.73
Receivable from NHAI	7	-	-	946.20	-	-	293.14
<b>Total Financial Assets</b>		-	-	964.05	-	-	294.88
<b>Financial Liabilities</b>							
Loan From Holding Company	12	-	-	26.12	-	-	3.70
Trade Payable	13	-	-	225.02	-	-	0.72
Interest accrued and due on borrowings	14	-	-	22.52	-	-	0.05
<b>Total Financial Liabilities</b>		-	-	273.66	-	-	4.47

(ii) Fair value disclosures for financial assets and financial liabilities

a. The management assessed that the fair values of cash and cash equivalents, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

b. The carrying value of Company's interest-bearing borrowings are reasonable approximations of fair values as the borrowing are carries floating interest rate.





**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

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**30 Financial Risk Management**

**Financial instruments risk management objectives and policies**

- (I) The Company's principal financial liabilities comprise borrowings and trade & other payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's principal financial assets include other receivables and cash and bank balance that derive directly from its operations.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management systems are reviewed periodically to reflect changes in market conditions and the Company's activities. The Board of Directors oversee compliance with the Company's risk management policies and procedures, and reviews the risk management framework.

**(II) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include borrowings, Investments, other receivables, trade and other payables and derivative financial instruments.

**(III) Interest Rate Risk**

Interest rate risk arises from the sensitivity of financial assets and liabilities to changes in market rates of interest.

The Company's exposure to interest rate risk due to variable interest rate borrowings is as follows:

Particulars	(INR in Million)	
	31.03.2018	31.03.2017
Variable rate borrowings in INR	26.12	3.70

**Sensitivity analysis**

Since the Construction expenses, including interest expense during construction period, and Construction Income are recognised on the basis of percentage completion method, the proportionate revenue shall also be adjusted due to increase or decrease in to the interest expenses and therefore the Profit / Loss after tax shall not have any impact during the year. Consequently, impact on profit/loss after tax due to increase or decrease of interest rate has not been calculated for the year.



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

**(IV) Liquidity Risk**

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and deploys cash management system. It maintains adequate sources of financing including debt at an optimised cost.

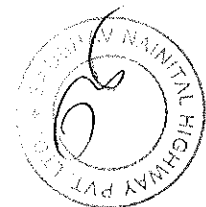
The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	(INR in Million)					
	Carrying Amount	On Demand	upto 1 year	1 - 2 years	2 - 5 years	> 5 years
<b>As at March 31, 2018</b>						
Non Derivative Financial Liability						
Long term Borrowings	160.00		-	7.55	25.63	126.82
Short term Borrowings*	26.12	26.12				
Trade Payables	225.02		225.02			
Other Payables	22.52		22.52			
<b>As at March 31, 2017</b>						
Non Derivative Financial Liability						
Short term Borrowings*	3.70	3.70	-			
Trade Payables	0.72	-	0.72			
Other Payables	0.05	-	0.05			

\* Short term borrowings are payable on demand

**(V) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is not exposed to credit risk from its operating activities as the company will receive annuity fees from National Highway Authority of India and does not have any outstanding receivables.



**Sadbhav Nainital Highway Private Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

**31 Capital Management**

For the purpose of the Company's capital management, capital includes issued equity capital, share premium, Other equity in form of Subordinate Debt, all other reserves attributable to the equity holders of the Company and short term unsecured loans for short fall in cash flow.

The Company's objective for capital management is to maximize shareholder value and safeguard business continuity.

The Company determines the capital requirement based on annual operating plans and other strategic plans. The funding requirements are met through equity share capital, equity in form of subordinate debt and operating cash flows generated.

The sponsor (SIPL) has also enter into Supsponsor Support Agreement to support the company for capital requirement in case of cost over run and short fall in cash flow.

Summary of Quantitative Data is given hereunder:

Particulars	(INR in Million)	(INR in Million)
	31-Mar-18	March 31, 2017
Equity	10.00	10.00
Other Equity	481.26	287.53
	<b>491.26</b>	<b>297.53</b>
Short term unsecured Loan from Sponsor	26.12	3.70
<b>Total</b>	<b>517.38</b>	<b>301.23</b>

The company does not have any externally imposed capital requirement.

Accompanying notes are an integral part of the financial statements

As per our report of even date  
 For Gianendar & Associates  
 Chartered Accountants  
 (Firm Regn No. 04661N)

Jitendra Kumar Gupta  
 Partner  
 M No. 092547

Place: New Delhi  
 Date: 5th May, 2018



*S V Patel*

**Sashin Patel**  
 Director  
 DIN: 00048328

For & On behalf of the Board of Directors of  
 Sadbhav Nainital Highway Private Limited

*Nitin Patel*  
**Nitin Patel**  
 Director  
 DIN: 00466330

Place: Ahmedabad  
 Date: 5th May, 2018

