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APM Terminals Pipavav

Gujarat Pipavav Port Limited



ANNUAL REPORT
2018-19

CHAIRMAN'S STATEMENT



Dear Members,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Gujarat Pipavav Port Limited for the year ended 31st March 2019. It comprises Standalone as well as the Consolidated financial statement for the year ended 31st March 2019.

During the year, your Company reported a Standalone Net Profit of Rs. 2,056.26 Million, higher by about 4% compared to the previous year. The increase in Net Profit is on account of higher container volume compared to the previous year. The Company had declared and has paid an Interim Dividend of Rs. 1.70 per share in October 2018. In accordance with its objective of a sustained and consistent distribution of profits, the Company is pleased to recommend a Final Dividend to the shareholders of Rs. 1.80 per share for approval in the forthcoming Annual General Meeting taking the total dividend amount to Rs. 3.50 per share.

Your Company holds 38.8% shares in Pipavav Railway Corporation Limited (PRCL), an Associate Company as per the provisions of the Companies Act, 2013. PRCL has provided its Audited Annual Accounts for the year ended 31st March 2019 for the purpose of their consolidation into the Company's Accounts. As per the Consolidated financial statement enclosed, the Company's share of profit in PRCL for the year ended 31st March 2019 is Rs. 310.54 Million, an increase of about 38% compared to the previous year.

During the year 2018, the global economy was expected to grow by 3.9% as per the IMF estimates. But it witnessed a slowdown particularly in the second half of Year 2018 and it is expected to continue during the Year 2019. Accordingly, the IMF has scaled down its growth expectations and has estimated the world economy to grow at 3.3% during 2019 and at 3.6% in the Year 2020. The IMF expects that the growth will come from the two fastest growing economies in the world, namely China and India. But it expects growth in China to eventually soften to 6.3% and 6.1% in Years 2019 and 2020 respectively while India is expected to grow to 7.3% and 7.5% in those two respective years.

The consolidation process within the Global Shipping Industry appears to have settled with the completion of various Mergers and Takeovers though further consolidation amongst the carriers cannot be ruled out. The consolidation process has resulted in reduction in the number of shipping lines, but supply continues to be higher than demand in terms of cargo carrying capacity thus keeping ocean freight rates under pressure. This consolidation process and forming of alliances by the global shipping lines strengthens the bargaining position of the shipping lines vis-à-vis the ports for negotiating port calls more so in the case of West Coast of India which is witnessing over-capacity at ports handling container vessels. However, the outlook for the overall port handling remains positive for India supported by expected strong GDP growth.

The West Coast of India handles almost two-thirds of the country's container business and grew at ~11%. This growth has been mainly driven by strong imports into the country though growth in exports continues to remain a challenge causing a trade imbalance. The newly elected Government at the Centre recognises the necessity for increase in Exports from the country and has set it as one of its priority areas. Meanwhile, the ongoing trade war between the United States of America and China and the trade protectionist practices by countries could have an adverse impact on the global economic growth.

As far as dry bulk cargo is concerned, the West Coast of India handles two main commodities namely, Coal and Fertiliser. In case of Coal the Government's focus has been on increasing domestic production and reducing imports. But in spite of higher Coal production in the country the gap between demand for Coal and its supply is high and requires the country to import. In case of Fertiliser, the Government aims to make the country self-sufficient for Urea in the near term. So, the import of Urea is likely to reduce going forward, but the import of DAP and MOP is likely to continue.

Regarding Liquefied Petroleum Gas (LPG), the Government is promoting households to switch to the cleaner fuel and is supporting this initiative through a subsidy programme under the Government of India's Pradhan Mantri Ujjwala Yojana scheme. As a result, the LPG imports are likely to remain strong in the coming years.

The RORO business for Car Exports from India has been currently facing certain challenges in the international markets. But from a long-term perspective the RORO business appears to be promising considering that Gujarat has developed into an automobile hub.

The Ministry of Railways is developing the Dedicated Rail Freight Corridor (DFC) on the Western and Eastern part of the country. These lines are being developed to improve rail connectivity for efficient evacuation of cargo between the Northern Region of the country with the ports on the Western and Eastern coast of India. Pipavav Railway Corporation Limited (PRCL) the Associate Company of your Company that provides rail connectivity to the Port is incurring the capital expenditure for making the port connectivity DFC compliant. Your Company is also incurring capital expenditure inside the port to make DFC complaint rail sidings. This DFC compliant rail line connecting your Port to the Northern hinterland is likely to be operational by mid-2020. The implementation of this most critical project will be a game changer and a landmark development in the country's logistics sector. It will not only improve the rail connectivity of all the ports to the northern hinterland, it will also make the rail evacuation of cargo much more reliable as well as time and cost efficient. It should also hopefully ease pressure on the road traffic and reduce congestion by shifting some of the road cargo to rail. This development should be able to strengthen the position of Indian manufacturers and make them more competent in the international export markets.

Like every year, this year too your Company along with all entities within AP Moller- Maersk Group observed Global Safety Day on 30th April 2019. This year's theme was Safety Differently: Learning from the way we work. The aim was to learn from workers doing the work and making the entire organisation safer through these safe practices rather than through controls, rules and procedures. At Pipavav Port several events were organised in different departments and at different locations inside the port over four days from 30th April 2019 to 3rd May 2019 covering all the Company employees as well as the Contractor's employees. Those events were followed with a Spot Quiz and the winner of that Quiz was felicitated. The events were a huge success amongst all the employees.

On behalf of the Board of Directors of the Company, I take this opportunity to thank our Shareholders for their faith in us.

My colleagues on the Board join me in expressing their sincere appreciation of all our Customers and Vendors for their continuous support. Our Associate Company Pipavav Railway Corporation Limited and our Employees have played a key role in the Company's performance and I thank them for their dedication and commitment.

I also thank the State and Central Government bodies and my colleagues on the Board for their support, guidance and valuable insight.

India is moving ahead with great hope and a sense of renewed optimism for a sustainable growth. The country has very exciting times ahead.

With Best Wishes,

Yours truly,
Tejpreet Singh Chopra
Chairman

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REGISTERED OFFICE

Pipavav Port, At Post Ramapara- 2 Via Rajula
District Amreli, Gujarat 365560
CIN: L63010GJ1992PLC018106
Website: www.pipavav.com
Tel: 02794 302400
Fax: 02794 302413

CORPORATE OFFICE

301, Trade Centre
Bandra Kurla Complex, Bandra (East),
Mumbai 400098
Tel: 022 30011300
Fax: 022 26522422

BOARD OF DIRECTORS

Mr. Tejpreet Singh Chopra Chairman
Mr. David Skov
Ms. Hina Shah
Mr. Jan Damgaard Sorensen (upto 29 January 2019)
Mr. Julian Bevis
Mr. Mukesh Kumar, IAS (from 31 October 2018)
Mr. Pradeep Mallick
Mr. Pravin Laheri, IAS (Retd.)
Mr. Keld Pedersen Managing Director (upto 31 May 2019)
Director (from 1 June 2019)

CHIEF FINANCIAL OFFICER

Mr. Santosh Breed (from 2 November 2018)

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Manish Agnihotri

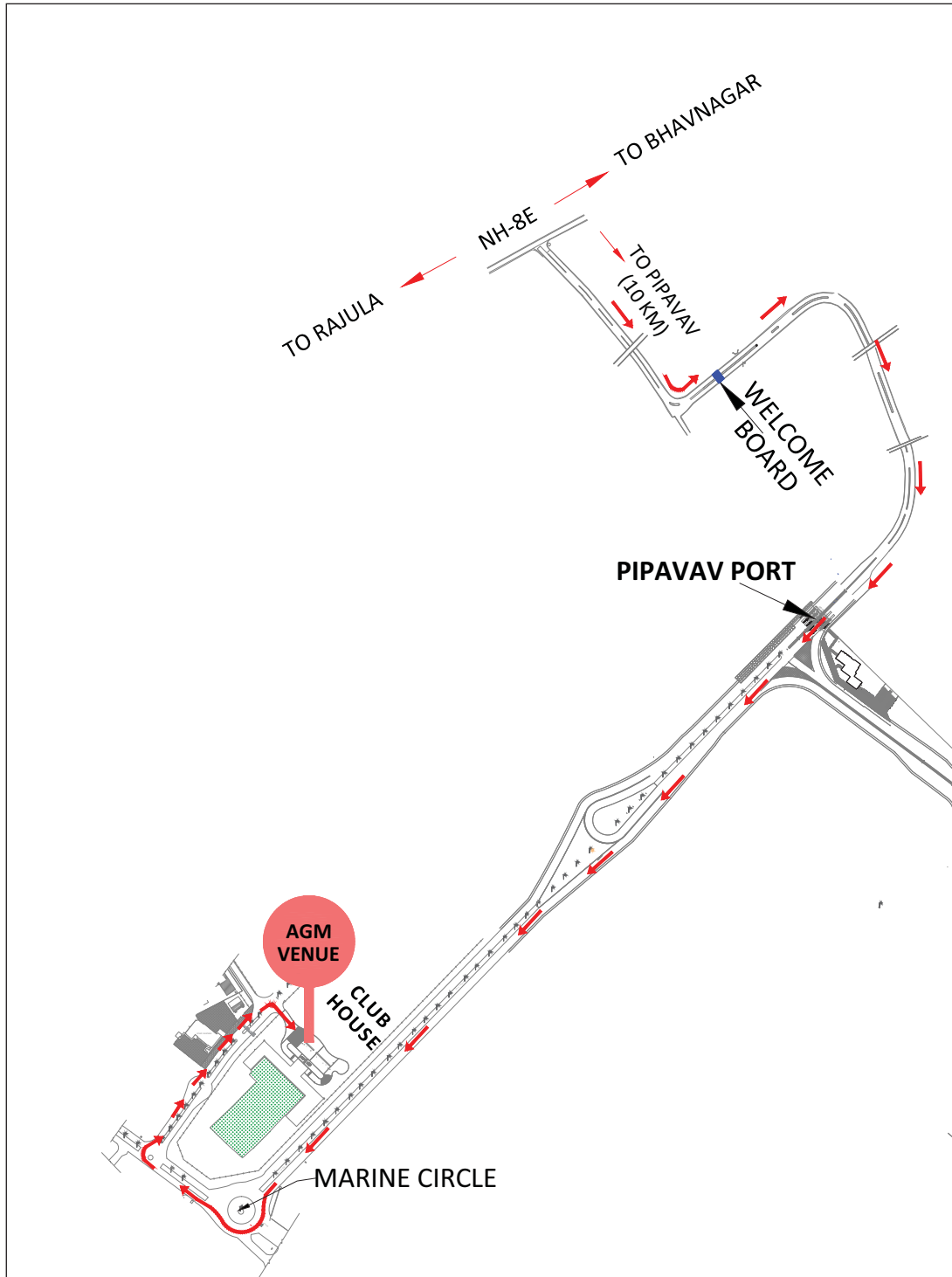
STATUTORY AUDITORS

Price Waterhouse Chartered Accountants LLP
(Firm Regn. No. 012754N/N-500016)
Mumbai

REGISTRAR & SHARE TRANSFER AGENTS

Karvy Fintech Private Limited
(formerly known as Karvy Computershare Private Limited)
Karvy Selenium Tower B, Plot 31-32
Gachibowli, Financial District, Nanakramguda,
Hyderabad 500032

ROUTE MAP TO THE VENUE OF THE AGM



NOTICE is hereby given that the 27th Annual General Meeting of the Members of Gujarat Pipavav Port Limited (CIN:L63010GJ1992PLC018106) ('the Company') will be held at its Registered Office at Pipavav Port, At Post Rampara-2 via Rajula, District Amreli- 365 560 on Thursday 8th August 2019 at 2.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt:
 - a. the Audited Standalone Financial Statements of the Company for the financial year ended 31st March 2019, along with the Reports of the Board of Directors and Auditors thereon; and
 - b. the Audited Consolidated Financial Statements of the Company for the financial year ended 31st March 2019, along with the Reports of the Auditors thereon.
2. To declare a final dividend of Rs. 1.80 per equity share and to confirm the interim dividend of Rs. 1.70 per equity share already paid during the year, for the financial year ended 31st March 2019.
3. To appoint a Director in place of Mr. Julian Bevis (DIN:00146000) who retires by rotation and being eligible, offers himself for re-appointment.

By Order of the Board of Directors
For **Gujarat Pipavav Port Limited**

Manish Agnihotri
Company Secretary
ACS 12045

Registered Office:

Pipavav Port, At Post Rampara-2 via Rajula
District Amreli, Gujarat 365 560
CIN: L63010GJ1992PLC018106
Mumbai
1st June 2019

Notes:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("AGM" or "Meeting") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Proxies in order to be effective, must be received by the Company, duly filled, stamped and signed, at its Registered Office not less than 48 hours before the Meeting.

Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions / authority, as applicable, issued on behalf of the nominating organisation.

A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or Member.

- b) Corporate Members intending to send their authorised representative to attend the AGM are requested to send a duly certified copy of their Board Resolution authorising their representative to attend and vote at the AGM.
- c) In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- d) Members / Proxies / Authorised Representatives should bring the enclosed Attendance Slip, duly filled in, for attending the Meeting. Copies of the Annual Report or Attendance Slips will not be distributed at the Meeting.
- e) Relevant documents referred to in the accompanying Notice and the Statement, are open for inspection by the Members at the Registered Office of the Company on all working days, except Saturdays, and Sundays during business hours up to the date of the Meeting.
- f) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday 1st August 2019 to Thursday 8th August 2019 (both days inclusive).

- g) If the Final Dividend recommended by the Board of Directors is approved at the AGM, the payment of such dividend will be made on or after 9th August 2019, within the stipulated time limit as under:
 - (i) To all Beneficial Owners in respect of shares held in dematerialized form as per the data as may be made available by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the close of business hours on 31st July 2019.
 - (ii) To all Members holding shares in physical form after giving effect to share transfer requests received as of the close of business hours on 31st July 2019.
- h) SEBI has mandated the submission of Permanent Account Number (PAN) for participating in the securities market, deletion of name of deceased holder and for transmission / transposition of shares. Members are requested to submit the PAN details to their Depository Participant (DP) in case of holdings in dematerialised form or to Karvy Fintech Private Limited (Karvy) in case of holdings in physical form, mentioning your correct reference folio number.
- i) Members holding shares in physical form are requested to consider converting their holding to dematerialised form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact Karvy for assistance in this regard.
- j) Members who have not updated their bank details with the DP are requested to do so in order to enable the Company to execute NEFT/ Electronic Transfer of Dividend amount to their bank account to eliminate all risks associated with physical dividend warrants.
- k) In order to support the 'Green Initiative', Members who have not yet registered their email address are requested to register it with their Depository Participants if the shares are held in electronic mode and with Karvy if the shares are held in physical form. As part of Green Initiative, it will enable the Company to send Annual Report in electronic form by email.
- l) The Annual Report 2018-19 of the Company along with the Notice convening the AGM is being circulated in electronic mode to the Members whose email address is registered with Karvy/ Depositories unless the Member has asked for a physical copy of the Report. The Members who have not yet registered their email address, the physical copies are being sent to them. The Annual Report along with the Notice will also be made available on the Company's website www.pipavav.com
- m) Members desirous of getting any information about the Accounts of the Company are requested to write to the Company at least seven days in advance of the Meeting, so that the information can be kept ready at the Meeting.

n) Voting Options:

Remote E-voting: In compliance with the provisions of Section 108 of the Companies Act, 2013 ("the Act") Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the remote e-voting services provided by Karvy Fintech Pvt Ltd (Karvy), on all resolutions set forth in this Notice.

Voting at AGM: The Members who have not casted their vote electronically can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the venue.

The instructions for Remote E-voting are as under:

- A. In case a Member receiving an email of the AGM Notice from Karvy [for Members whose email IDs are registered with the Company/ Depository Participant(s)]:
 - i. Launch internet browser by typing the URL: <https://evoting.karvy.com>.
 - ii. Enter the login credentials (i.e., **User ID and password aforesaid in this letter**). Event No. followed by Folio No. / DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
 - iii. After entering these details appropriately, Click on "LOGIN".
 - iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one uppercase (A-Z), one lowercase (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

- v. You need to login again with the new credentials.
 - vi. On successful login, the system will prompt you to select the “EVENT” i.e., (Gujarat Pipavav Port Limited).
 - vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut Off Date under “FOR/ AGAINST” or alternatively, you may partially enter any number in “FOR” and partially in “AGAINST” but the total number in “FOR/AGAINST” taken together should not exceed your total shareholding as mentioned therein. You may also choose the option ABSTAIN. If the Member does not indicate either “FOR” or “AGAINST” it will be treated as “ABSTAIN” and the shares held will not be counted under either head.
 - viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each folios/demat accounts.
 - ix. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
 - x. You may then cast your vote by selecting an appropriate option and click on “Submit”.
 - xi. A confirmation box will be displayed. Click “OK” to confirm else “CANCEL” to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).
 - xii. Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail id: associates.rathi8@gmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format “Corporate Name_EVENT NO.”
 - xiii. In case a person has become the Member of the Company after the dispatch of AGM Notice but on or before the cut-off date i.e. 31st July 2019, they may write to Karvy on the email Id: evoting@karvy.com or to Mrs. C Shobha Anand, Dy.Gen.Manager, Contact No. 040-67162222, at Karvy Fintech Private Limited [Unit: Gujarat Pipavav Port Ltd.], Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad-500032, requesting for the User ID and Password. After receipt of the above credentials, please follow all the steps from Sr. No.(i) to (xii) as mentioned in (A) above, to cast the vote.
- B. In case of Members receiving physical copy of the AGM Notice by Post [for Members whose email IDs are not registered with the Company/Depository Participant(s)]:
- i. User ID and initial password as aforesaid in this letter
 - ii. Please follow all steps from Sr. No. (i) to (xiii) as mentioned in (A) above, to cast your vote.
- C. The remote e-voting period commences on **Monday, 5th August 2019 (9.00 a.m. IST)** and ends on **Wednesday, 7th August 2019 (5.00 p.m. IST)**. During this period, the Members of the Company holding shares in physical form or in dematerialized form, as on the cut-off date being Wednesday 31st July 2019, may cast their vote by electronic means in the manner and process set out herein above. The remote e-voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. Further, the Members who have casted their vote electronically shall not be allowed to vote at the Meeting.
- D. In case of any query pertaining to remote e-voting, please visit Help & FAQ’s section of <https://evoting.karvy.com>. (Karvy’s website).
- E. The voting rights of the Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date being **Wednesday 31st July 2019**.
- F. **Voting at AGM:** The Members who have not cast their vote electronically can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM Venue.
- G. Mr. Himanshu Kamdar (Membership No. FCS 5171, CP No. 3030) and in case of his inability Mr. Jayesh Shah (Membership No. 5637, CP No. 2535) of Messrs Rathi and Associates, Practicing Company Secretaries, has been appointed as the Scrutinizer to scrutinize the voting process (electronically or otherwise) in a fair and transparent manner.
- H. The Scrutinizer shall unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company and the Company shall submit it to the Stock Exchanges within Forty-eight hours of conclusion of the AGM.

- I. The resolution(s) will be deemed to be passed on the Annual General Meeting date subject to receipt of the requisite number of votes in favour of the Resolution(s).
- J. The Results declared along with the Scrutinizer's Report(s) will be available on the website of the Company www.pipavav.com and Karvy website <https://evoting.karvy.com> and the communication will be sent to the BSE Limited and the National Stock Exchange of India Limited.

Profile of the Director being re-appointed as required under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Particulars	Mr. Julian Bevis
Date of Birth	28 th April 1950
Date of Appointment	25 th July 2014
Qualification	Masters from Oxford University
Expertise in specific functional areas	Business Management
Disclosure of Relationship between the Directors inter- se	None. He represents the Promoter APM Terminals Mauritius Limited
Directorships in other Public Listed companies in India	None
Membership of Committees held in other Public Listed companies in India	None
Shares held in the Company	Nil
Terms and conditions of appointment	He is Non-Executive Non-Independent Director representing the Promoter Company.
Details of remuneration sought to be paid	Nil
Remuneration last drawn	NA
Number of Meetings of the Board attended during the year	4
Other Directorships, Membership/ Chairmanship of Committees of other Boards	Gateway Terminals India Private Limited- Director; Star Track Terminals Private Limited- Director; APM Terminals India Private Limited- Director

DIRECTORS' REPORT

To

**The Members,
Gujarat Pipavav Port Limited**

The Directors of Gujarat Pipavav Port Limited ('the Company') have pleasure in submitting their 27th Annual Report to the Members of the Company together with the Audited Standalone and Consolidated Statement of Accounts for the year ended 31 March, 2019.

1. FINANCIAL STATEMENTS & RESULTS:

a. STANDALONE FINANCIAL RESULTS:

(Rs. In Million)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating Income	7,019.80	6,489.00
Less: Total Expenditure	3,131.15	2,748.29
Operating Profit	3,888.65	3,740.71
Add: Other Income	452.43	370.45
Profit before Interest, Depreciation, Tax and Exceptional Item	4,341.08	4,111.16
Less: Interest	3.65	3.48
Less: Depreciation	1,128.35	1,035.64
Profit Before Tax	3,209.08	3,072.04
Less: Taxes	1,152.82	1,087.44
Profit for the year after Tax	2,056.26	1,984.60
Total comprehensive income for the year	2,051.09	1,982.23

b. OPERATIONS:

The Company is engaged in the business of Port Development and Operations at Pipavav Port, in the Saurashtra Region of Gujarat State. It has a 30-year Concession vide Agreement dated 30 September 1998 from Gujarat Maritime Board (GMB). The Port located in Southwest of Gujarat handles Containers, Dry Bulk, Liquid, and RORO vessels. The performance details are as follows:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Bulk Cargo Handled (In MT)	2,009,512	1,821,237
Containers Handled (In TEUs)	903,344	702,862
Liquid Handled (In MT)	639,529	1,023,616
RORO (No. of Cars)	76,163	98,384

c. REPORT ON PERFORMANCE OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES:

The Company holds 38.8% shares in Pipavav Railway Corporation Limited (PRCL) and the salient features in Form AOC-1 are mentioned in Annexure B. In view of the provisions of Section 2(6) of the Companies Act, 2013 ('the Act'), PRCL is an Associate Company and pursuant to the provisions of Section 129 of the Act, PRCL's audited annual accounts have been consolidated into the Company's accounts. A snapshot of the Consolidated Accounts is as follows:

(Rs. In Million)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating Income	7,019.80	6,489.00
Less: Total Expenditure	3,131.15	2,748.29
Operating Profit	3,888.65	3,740.71
Add: Other Income	452.43	370.45
Profit before Interest, Depreciation, Tax and Exceptional Item	4,341.08	4,111.16
Less: Interest	3.65	3.48
Less: Depreciation	1,128.35	1,035.64
Profit Before Tax	3,209.08	3,072.04
Add: Share of Net Profit of Associate Company accounted for using the Equity Method	310.54	225.54
Less: Taxes	1,152.82	1,087.44
Profit for the year after Tax	2,366.80	2,210.14
Total comprehensive income for the year	2,361.40	2,207.87

d. DIVIDEND:

The Board of Directors in their Meeting held on 31 October 2018 declared Interim Dividend of Rs. 1.70 per share and it has been paid. The Board is pleased to recommend a Final Dividend of Rs. 1.80 per share on the Company's outstanding Equity Share Capital.

The Dividend is subject to the approval by Members at the Annual General Meeting to be held on 8 August 2019 and will be paid on or after 9 August 2019, within the stipulated time limit to all Members whose Name appears in the Register of Members, as of the close of business hours on 31 July 2019. The final dividend if approved by the Members would involve a cash outflow of Rs. 1,047.34 Million including the Dividend Distribution Tax of Rs. 177.15 Million which will be borne by the Company.

The Company has a Dividend Distribution Policy, which is available on the website <https://www.apmterminals.com/en/pipavav/investors/governance>

e. TRANSFER TO RESERVES:

The Board of Directors have not recommended any transfer of profit to reserves during the period under review. Hence, the entire amount of profit has been carried forward to the Statement of Profit and Loss.

f. REVISION OF FINANCIAL STATEMENT:

The Company has not carried out any revision in its financial statements in any of the three preceding financial years as per the requirement under Section 131 of the Act.

g. DEPOSITS:

The Company has not accepted or renewed any amount falling within the purview of provisions of Section 73 of the Companies Act 2013 ("the Act") read with the Companies (Acceptance of Deposit) Rules, 2014 during the year under review. Hence, the requirement for furnishing of details of deposits which are not in compliance with Chapter V of the Act is not applicable.

h. DISCLOSURES UNDER SECTION 134(3)(I) OF THE COMPANIES ACT, 2013:

Except as disclosed elsewhere in this report, no material changes and commitments which could affect the Company's financial position, have occurred between the end of the financial period of the Company and date of this report.

i. DISCLOSURE OF INTERNAL FINANCIAL CONTROLS:

The Internal Financial Controls with reference to financial statements as designed and implemented by the Company are adequate considering the nature of its business and the scale of operations. During the year under review, no material or serious observation has been made by the Statutory Auditors and the Internal Auditors of the Company regarding inefficiency or inadequacy of such controls. Wherever suggested by the auditors, the control measures have been further strengthened and implemented.