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# **Corporate Information**

### **Chairman & Managing Director**

Mr. G R K Reddy

### **Directors**

Mrs. V P Rajini Reddy Mr. Karanjit Singh Jasuja Mr. Bahushrut Lugani

### **Company Secretary**

Mr. Rabindra Kumar Samal

#### **Auditors**

M/s. K Ramkumar & Co., Chartered Accountants, A-1, 7<sup>th</sup> Floor, Tower III, Sakthi Towers, 766, Anna Salai, Chennai – 600 002

### **Registered Office & Corporate Office**

'MARG Axis', 4/318, Rajiv Gandhi Salai, Kottivakkam, Chennai – 600 041

#### Website

www.marggroup.com

### Stock Exchange

Where the Company's shares are listed: i) Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001

### **Registrar & Share Transfer Agent**

 $\,$  M/s. Cameo Corporate Services Limited Subramanian Building, No.1 Club House Road, Chennai  $-600\,002$ 













# Directors' Report

To The Members of MARG Limited

Your Directors are presenting the 20<sup>th</sup> Annual Report together with the Financial Statements for the financial year ended 31<sup>st</sup> March 2015.

### 1. FINANCIAL RESULTS:

(₹ in Crores)

Particulars	Year Ended 31 <sup>st</sup> March, 2015	Year Ended 31 <sup>st</sup> March, 2014
Income from operations	168.18	304.66
Non-operating Income	3.13	4.17
Total Income	171.31	308.83
Profit/(Loss) before Depreciation, Finance Cost and Tax Expense (EBDIT)	(16.36)	(51.18)
Depreciation	22.08	11.42
Interest & Finance charges	136.35	171.91
Profit/(Loss) before tax and exceptional items	(174.79)	(234.51)
Tax Expense	(2.34)	29.29
Profit/(Loss) after tax	(172.45)	(263.80)
Balance in Profit & Loss Account	42.09	305.89
Amount available for appropriation	(130.36)	42.09
Dividend	Nil	Nil
Dividend Tax	Nil	Nil
Amount transferred to General Reserve	Nil	Nil
Balance in Profit and Loss Account	(130.36)	42.09

During the Financial Year 2014-15, total revenue of the Company stands at ₹171.31 Crores as against ₹308.83 in the previous year. The EBDIT is ₹(16.36) Crores , compared to previous year of ₹(51.18). The Company incurred a loss before tax of ₹174.79 Crores and a net loss of ₹172.45 Crores during the financial year ended March 31, 2015 as compared to loss before tax of ₹(234.51) Crores and a net loss of ₹(263.80) Crores in the previous year. This is primarily due to lack of fund availability for projects, depressed markets, increase in raw materials, and labour cost.

### 2. DIVIDEND

Due to losses incurred by the Company, your Directors have not recommended any dividend for the financial year ended March 31, 2015.

### 3. BUSINESS HIGHLIGHTS 2014-15

- A. MARG Revenue Stands at ₹ 171.31 Crores in Financial Year 2014-15, including EPC Current order book at around ₹ 2,683.48 Crores
- **B. Karaikal Port Private Limited** (KPPL), a subsidiary of your Company has successfully handled 4.89 MMT of cargo in Financial Year 2014-15 and reported a top line of ₹ 225.97 crores and EBITDA ₹ 95.55 crores.

#### 4. DIRECTORS

The composition of the Board of Directors is in compliance with Clause 49 of the Listing Agreement and Section 149 of the Companies Act, 2013.

The Company has received necessary declarations from the Independent Directors stating that they meet the criteria of independence as specified in Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

In accordance with provisions of the Companies Act, 2013, Mrs. V P Rajini Reddy retires by rotation and being eligible, seeks re-appointment at the ensuing Annual General Meeting.

### 5. MEETINGS

During the year under review, the Board of Directors met 7 times.

In accordance with the provisions of the Companies Act, 2013, a separate meeting of the Independent Directors of the Company was held on February 12, 2015.

### 6. PERFORMANCE EVALUATION

Pursuant to the provisions of Section 134 (3) (p) read with Articles VII and VIII of Schedule IV of the Companies Act, 2013, the Board is of opinion that a system for performance evaluation of itself and its committees would be established very soon. As contemplated by the Act, the independent directors at a meeting conducted a review of the performance of the Chairman after taking into account the views of the non-executive members of the Board. The process put in place by the Board, in accordance with the Companies Act, 2013 and the relevant provisions of the Listing Agreement, is aimed at improving the performance of the Board, its committees and its members.

#### 7. AUDIT RELATED MATTERS

#### A. AUDITORS

M/s. K Ramkumar & Co., Chartered Accountants, Chennai, Statutory Auditors of the Company retires at the ensuing Annual General Meeting and offer themselves for re-appointment from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting held thereafter as per the provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, subject to ratification of the appointment by the members at every AGM held after the ensuing AGM. The Company has received their Consent Letter to the effect that their re-appointment if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013.

### **B. SECRETARIAL AUDITOR**

The Board had appointed M/s Satyaki Praharaj & Associates, Company Secretaries in Whole-time Practice to carry out the Secretarial Audit under the provisions of section 204 of the Companies Act, 2013 and the Rules made thereunder. The report of the Secretarial Auditor is enclosed to this report as Annexure A.

#### C. COST AUDIT

During the financial year 2014-15, Your Company has maintained cost accounting records in accordance with the provisions of Companies (Cost Records and audit) Rules, 2014. The Company shall file the Compliance Report as certified by the Cost Accountant Mr. G Sunderasan for the financial year 2014-15 with Central Government as prescribed under Companies (Cost Records and audit) Rules, 2014, in due course.

### 8. SUBSIDIARY COMPANIES STATUS

Your Company has total of 58 subsidiaries as on 31st March 2015, out of which 5 Non wholly-owned Companies and 53 Wholly-owned companies, including 25 Step-down Subsidiaries. There has been no material change in the nature of the business of the Company and its subsidiaries. Details of major subsidiaries of the Company and their business operations during the year under review are covered in the Management Discussion and Analysis Report.



### SUBSIDIARY COMPANIES' MONITORING FRAMEWORK

All subsidiary companies are Board managed with their respective Boards having the rights and obligations to manage such companies in the best interest of their stakeholders.

The Company monitors performance of subsidiary companies, interalia, by the following means:

- Financial statements, in particular investments made by unlisted subsidiary companies, are reviewed quarterly by the Company's Audit Committee.
- Minutes of Board meetings of unlisted subsidiary companies are placed before the Company's Board regularly.
- A statement containing all significant transactions and arrangements entered into by unlisted subsidiary companies is placed before the Company's Board.

### Financial Position and Performance of Subsidiaries and Associates

In terms of Section 134 of the Companies Act, 2013 and Rule 8(1) of the Companies (Accounts) Rules, 2014, the financial position and performance of subsidiaries are given as an Annexure to the Consolidated Financial Statements.

## 9. POLICY AND OTHER MATTERS A. CORPORATE SOCIAL RESPONSIBILITY

The Company has constituted Corporate Social Responsibility Committee under the Companies Act 2013, on 30th May 2014 which is making exclusive progress in the field of Corporate Social Responsibility and Societal interventions. The Committee is predominantly involved in the areas of Women empowerment, education, health and hygiene, community based programs, including art, music, sports and other socio economic and culture activities.

This Committee has been entrusted with the responsibility of formulating and recommend to the Board a CSR policy broadly indicating the activities to be undertaken by the company apart from the activities (already under implementing) that are mandatory in the implementation of the frame work of CSR policy and recommend the money to be spent on each of the activities as prescribed under Act and the Rules made there under.

#### B. CODE OF CONDUCT

As prescribed under Clause 49 of the Listing Agreement, a declaration signed by the Chairman and Managing Director affirming compliance with the Code of Conduct by the Directors and senior management personnel of the Company for the financial year 2014-15 forms part of the Corporate Governance Report.

### C. DECLARATIONS BY INDEPENDENT DIRECTORS

Pursuant to the provisions of sub-section (7) of Section 149 of the Companies Act, 2013, the Company has received individual declarations from all the Independent Directors confirming that they fulfill the criteria of independence as specified in Section 149(6) of the Companies Act, 2013.

### D. EXTRACT OF ANNUAL RETURN

In terms of Section 134 of the Companies Act, 2013 read with Rules 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return of the Company for the financial year 2014-15 is provided in Annexure B to this report.

### E. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with the requirements of the Listing Agreement, the Management Discussion and Analysis Report titled as Management Report is presented in a separate section of the Annual Report.

### F. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The particulars of loans, guarantees and investments given by the Company under Section 186 of the Companies Act, 2013 is detailed in Notes to Accounts of the Financial Statements.

### G. RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were on an arm's length basis and all such contracts/arrangements/ transactions have been approved by the audit Committee.

### H. TRANSFER TO INVESTOR EDUCATION PROTECTION FUND

In accordance with provision of Section 124 of the Companies Act, 2013, the dividends pertaining to the financial year 2007-08, which were lying unclaimed with the Company was transferred to the Investor Education and Protection Fund during the financial year 2014 - 15. The details of unclaimed dividend transferred to the Investor Education and Protection Fund has been detailed in the Corporate Governance Report forming part of the Annual Report. Members who have so far not encashed the divident warrants are requested to make their claim to the Secretarial Department at the Registered and Corporate Office of the Company or send an email to investor@marggroup.com

### 10. GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- 1. Details relating to deposits covered under Chapter V of the  $\operatorname{Act}$ .
- 2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
- 3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme ESOS referred to in this Report.

#### 11. CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements under clause 49 of Listing Agreement. The Corporate Governance Report approved by the Board of Directors of the Company, forms part of this report and a certificate from the auditors of the Company is set out in the Annexure to this Report.

### 12. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, forms part of this annual report is provided in a separate section as stipulated under clause 49 of Listing Agreement.

### 13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS

Your Company has taken adequate measures to conserve energy and the Company believes that productivity from all its workforces can be achieved with interface of latest technology.

Your Company is not an industrial undertaking in terms of Section 134(3)(m) of the Companies Act, 2013 read along with Companies Rule 8(3) of the Companies (Accounts) Rules, 2014 and hence, particulars regarding conservation of energy, technology absorption and adaptation are not applicable and hence the same are not provided.

The information on Foreign Exchange Earnings and Outgo is contained in the note 48 to the Notes on Account. A separate statement is also attached as Annexure I to this Report.

#### 14. PARTICULARS OF EMPLOYEES U/S 197

During the year, there was no employee in receipt of remuneration as prescribed in the Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The prescribed particulars of Employees as required under Section 197 (12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as Annexure C and form part of this Report.

However, in accordance with the provisions contained in the proviso to Section 136(1) of the Companies Act, 2013, the Annual Report and accounts excluding the aforesaid information are being sent to the shareholders of the Company. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company for the same.

### 15. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, in relation to the audited financial statements of the Company for the year ended March 31, 2015, Your Directors hereby confirmed that;

- i. In the preparation of the Annual Accounts for the financial year ended 31st March 2015, the applicable accounting standards has been followed and there were no material departures;
- ii. They have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss account of the Company for the year under review;
- iii. They have taken proper and sufficient care to the best of their knowledge and ability for the 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 fraud and other irregularities;
- iv. They have prepared Annual Accounts for the financial year ended  $31^{\rm st}$  March 2015 on a "going concern basis".
- v. They had devised proper systems, internal financial controls to be followed by your Company and that such internal financial controls are adequate and have been operating effectively.
- vi. The systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.



### 16. EXPLANATION TO THE OBSERVATIONS MADE IN AUDITORS REPORT

The Directors submit their explanation to the Observations made by the Auditors in their report for the FY14-15. The relevant Para nos. of the report and reply are as under:

## REFER PARAGRAPH (BASIS OF QUALIFIED OPINION) OF THE AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

- In respect to Note No. 38 to the audited financial statements of the year ended 31st march 2015 regarding unreconciled amount of ₹ 6.52 Crores relating to the equipment loan availed by the Company. The reconciliation of the loan account is under process. The management is of the opinion that the reconciliation will be completed very soon.
- In respect of M/s. Mukta Infrastructure Private Limited, the respective company is of opinion that price of land shall appreciate in future and hence no provision for impairment loss is made.
- In respect of M/s. Arohi Infrastructure Private Limited, the debenture holder has not exercised the Put option during the FY 2014-15, hence the respective company has not provided any premium on redemption during the FY 2014-15.
- In respect of M/s. Riverside Infrastructure (India) Private Limited, the management is taking efforts for resuming the Mall Project and is in discussion with strategic partners for this purpose. Further, considering the latest valuation of the property of the Company, the management considers it appropriate to capitalize the interest of ₹ 39.58 Crores (PY ₹ 41.84 Crores) and overheads of ₹ 0.67Crores (PY ₹ 3.32 Crores) during the year ended 31st March, 2015. Note No.39 of the Consolidated Financial Statements is self explanatory.
- In respect of M/s. Marg Logistics Private Limited, the subsidiary had availed equipment loan and there is an unreconciled amount of Rs.O.43 Crores. The reconciliation of the loan account is under process. Pending such reconciliation the management considers it appropriate to classify the same under "Other advances" in the Balance Sheet as on 31st March 2015. Note No. 40 of the Consolidated Financial Statements is self explanatory.

## REFER EMPHASIS OF MATTER OF THE AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

a) In respect of preparing financial statements on 'Going Concern' basis reference is drawn to Note No. 31 which is self explanatory.

- b) In respect of Property of the Subsidiary Companies provided security for various loans, reference is drawn to Note No. 32 which is self explanatory.
- c) In respect of Property of the Subsidiary Companies provided security for various loans, reference is drawn to Note No. 33 which is self explanatory.
- d) In respect of the Investments in and Advances receivable due from some of its Subsidiaries Companies, reference is drawn to Note No. 34 which is self explanatory.
- e) In respect of deductions made/amount withheld by some customers reference is drawn to Note No. 35 which is self explanatory.
- f) In respect of Work in Progress relating to EPC work done by the Company to one of its Subsidiary reference is drawn to Note No. 36 which is self explanatory.
- g) In respect of investment in shares of a subsidiary of Rs 202.39 Crores given as security for loan raised by the Subsidiary company, which were invoked by the Bank, such shares continues to be included in investments, reference is drawn to Note No. 37 which self explanatory.
- h) In respect of Companies which were converted and obtained license under Section 25 of the Companies Act, 1956 during the year, reference is drawn to Note No. 41 which self explanatory.

## REFER PARAGRAPH (BASIS OF QUALIFIED OPINION) OF THE AUDITOR'S REPORT ON STANDALONE FINANCIAL STATEMENTS:

• In respect to Refer to Note 34 to the audited financial statement of the year ended 31st March 2015, regarding un-reconciled amount of ₹ 6.52 Crores relating to the equipment loan availed by the company. The reconciliation of the loan account is under process. Pending such reconciliation the management considers it appropriate to classify the same under "other advances" in the Balance Sheet as on 31-Mar-2015. Note 34 of the standalone financial statements is self explanatory.



## REFER EMPHASIS OF MATTER OF THE AUDITORS' REPORT ON STANDALONE FINANCIAL STATEMENTS.

- In respect of the financial statements on a 'going concern' basis reference is drawn to note 29 which is self explanatory.
- In respect of the investments in and advances receivables due from some of its subsidiaries reference is drawn to note 30 which is self explanatory.
- In respect of deductions made/amount withheld by some customers reference is drawn to note 31 which is self explanatory.
- In respect of Work in progress relating to EPC work done by the company to one of its subsidiary reference of is drawn to note 32 which is self explanatory.
- In respect of investment in shares of a subsidiary of Rs 202.39 Crores given as security for loan raised by the Subsidiary company, which were invoked by the Bank, such shares continues to be included in investments, reference is drawn to Note No. 33 which self explanatory.

## REPLY TO THE QUALIFICATION MADE IN ANNEXURE TO THE STANDALONE AUDIT REPORT

Point 7(a) & 7(b) of Annexure to Standalone Auditors' report: The delay in the payment of Provident fund, Employee's State Insurance, Income Tax, Wealth Tax, Custom Duty, Cess, Sales Tax, Service Tax and other material statutory dues were due to lower cash inflows from the existing projects and the company is arranging to make the payments shortly.

Due to slow down in the Infrastructure and Real estate sector and the resultant impact on the performance of your Company there were defaults in repayments of principle and interest dues to the Banks and Financial Institutions. However, the management opines that with improved business scenario, your Company will be able to meet its obligation.

### REPLY TO THE OBSERVATIONS OF THE SECRETARIAL AUDITOR REPORT

- a) The Company will file the Annual Financial Statements for the Financial Year 2013- 2014 with Registrar of Companies shortly.
- b) Currently, Infrastructure/Real Estate Market is facing hurdles due to various reasons which also have an impact on our company. Complying to the payments and maintenance of records under Labour laws is the top most priority of our Company.

Based on the stabilization of the Cash flow, the payments will be streamlined.

### 17. FIXED DEPOSITS

During the year under review, your Company has not invited or accepted fixed deposits from the public.

#### 18. EMPLOYEE STOCK OPTION SCHEME

Your Company has implemented Employee Stock Option Scheme for the benefit of the employees of the Company and its subsidiaries, and is being governed by the Compensation Committee of the Board of Directors. During the FY 2014-15, the Company has not granted any option under the Employee Stock Option Scheme. Further, No employee has exercised any option during the year. The statement is given as Annexure II.

The Company has established a vigil mechanism to promote ethical behaviour in all its business activities and has in place a mechanism for employees to report any genuine grievances, illegal, unethical behaviour, suspected fraud or violation of laws, rules and regulation or conduct to the Chief Vigilance Officer and the Audit Committee of the Board of Directors. The Policy also provides for adequate protection to the whistle blower against victimization or discriminatory practices.

#### **ACKNOWLEDGEMENT**

The Directors wish to express their appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors, Employees and members during the year under review.

For and on behalf of the Board of Directors

G R K Reddy Chairman & Managing Director (DIN: 00903778)

Place: Chennai

Date: 31st May, 2015