



Karnataka Neeravari Nigam Limited
(A Government of Karnataka Enterprise)

No.1, Coffee Board Building, 4th Floor, Dr B R Ambedkar Veedhi, Bangalore 560 001

CIN No. U85110KA1998SGC024503

Tel No. (080) 22283074-78, Fax (080) 22386015, e-mail knnl@knnlindia.com, www.knnlindia.com

Statement of un-audited Financials Results for half year ended 30th Sep, 2016

(Rs. in lakhs)

Sl. No.	Particulars	6 months ended	Corresponding 6
		30.09.2016	months ended
		Unaudited	Unaudited
1	(a) Net Sales / Income from Operations	91.58	97.47
	(b) Other Operating Income	-	
2	Expenditure		
	(a) Employee Remuneration and Benefits	4,011.92	3,379.77
	(b) Depreciation	10,361.36	8,106.15
	(c) Repairs and Maintenance (Irrigation Assets)	2,762.79	2,951.22
	(d) Expenditure on GOK Scheme	4,896.92	3,647.86
	(e) Other expenditure	1,620.63	1,255.78
	(f) Total	23,653.62	19,340.78
3	Profit (+) / Loss (-) from Operations before Other Income interest and Exceptional items	-23,562.04	-19,243.32
4	Other Income		
	a) Government Grants	11,704.73	12,044.25
	b) Others	5,796.86	2,137.79
5	Profit (+) / Loss (-) before interest and Exceptional items	-6,060.45	-5,061.28
6	Interest	8,237.43	5,082.16
7	Exceptional Items	0.00	-
8	Profit (+) / Loss (-) from Ordinary Activities before tax	-14,297.88	-10,143.45
9	Tax expense	-	-
10	Profit (+) / Loss (-) from Ordinary Activities after tax	-14,297.88	-10,143.45
11	Extraordinary Items	-	-
12	Net Profit (+) or Loss (-) for the period	-14,297.88	-10,143.45
13	Paid-up equity share capital (Rs. 1,000/- each)	22,21,668.49	18,97,466.77
14	Paid up Debt Capital	1,96,372.37	1,61,165.00
15	Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year *	-2,40,766.57	-1,42,623.63
16	Debenture Redemption Reserve	-	-
17	Earnings Per Share (EPS) - Basic (Face value of Rs.1,000/- per share)	-6.88	-5.45
18	Earnings Per Share (EPS) - Diluted	-6.45	-5.27
19	Debt Equity Ratio	0.10	0.09
20	Debt Service Coverage Ratio	0.52	0.59
21	Interest Service Coverage Ratio	0.52	0.60
ADDITIONAL DISCLOSURES AS PER SUB-REGULATION 52 OF LISTING AGREEMENT			
a	Asset Cover available (for NCD + Term Loan)	10.7060647	11.90192961
b	i. Credit Rating	AA-(SO)	AA-(SO)
	ii. Change in Credit rating	None	None
c	i. Previous due date for payment of interest (NCB)	31.03.2016	31.03.2016
	ii. Whether paid	Yes	Yes
d	i. Previous due date for repayment of principal non convertible bonds	Nil	Nil
	ii. Whether paid	N.A	N.A
e	Next due date for payment of interest on NCB	31.03.2017	31.03.2017
f	Next due date for repayment of principal NCB	31.03.2024	31.03.2024
g	Net worth	20,15,933.95	18,24,976.85

Place: Bengaluru

Date: 14.12.16

For MANIAN & RAO
Chartered Accountants
FRN-001983S

R. SRIKANTH
Partner
Membership No. - 2031



(R. Rudraiah)
Managing Director



Notes:

1. The Company is a Special Purpose Vehicle set up with the specific objective of implementing new irrigation projects as also completing certain ongoing irrigation projects without profit motive. The Government of Karnataka (GOK) has entrusted to the Company, implementation of certain major and medium irrigation projects in the Krishna Basin, Varahi Project (west flowing river), Six Minor Irrigation works of Uttar Kannada District etc.,. The Government has also transferred the Engineering division and establishments of Malaprabha and Ghataprabha, Command Area Development Authority (M&GP - CADA) to the Company to execute the works of field irrigation channels (FIC's) under M&GP – CADA. Further, the Company has also undertaken to execute FIC works under Shimoga and Gulbarga CADA. The Government has also entrusted the work of providing irrigation and other facilities to backward classes of the society through Special Component Plan (SCP), Tribal Sub Plan (TSP), “Nammura Bandaras” scheme and “Namma Hola Namma Raste” scheme.
2. The above results have been reviewed by the Audit Committee of the Board of Directors in the meeting held on 14th December 2016 and approved by the Board of Directors in their meeting held on the same day. The Statutory Auditors have subjected the same to limited review vide their report dated 14th December, 2016.
3. The half yearly financial results have been prepared as per the stipulations contained in the SEBI circular CIR/IMD/DF1/69/2016 dated August 10, 2016 in continuation to circular NO.CIR/CFD/FAC/62/2016 dated 5th July, 2016. As per clause 2.2 of the guidelines contained in the circular, the existing formats prescribed in SEBI Circular dated November 27,2015 shall continue till the period ending on or before 31st December, 2016. Further as per clause 2.8(iii) of the circular dated August 10, 2016, the comparative financial figures as per IND AS for the preceding full year is not mandatory.
4. The Company has adopted IND AS from 1st April, 2016 and accordingly the financial results have been prepared in compliance with IND AS. In the preparation of the financial results, the same accounting policies and practices followed by the Company in preparation of financial statements for the year ended 31st March 2015 have been followed except that the provisions of IND-AS to the extent applicable and the transition provisions under IND AS-101 have been adopted by the Company. However, in the opinion of the Chartered Accountant firm specifically appointed for ascertaining the impact on adoption of IND AS, the effect on the accounts on adoption of IND AS is minimal and do not have any effect on the results compiled for the half year ended 30th September, 2016 / 30th September, 2015. Consequently, no adjustments have been carried out to the Balance Sheet and Statement of Profit & Loss on account of transition from the previous Indian GAAP to IND AS.
5. In terms of SEBI Circular No. CIR/IMD/DF1/69/2016 dated 10th August 2016, relaxations have been allowed to the entities (which have listed their debt securities), for the first half year of the adoption of IND AS and accordingly the financial results are being submitted within the extended timeline of 75 days from the end of the half year.



The IND AS compliant financial results pertaining to corresponding half year ended on 30th September,2015, have not been subjected to limited review or audit. However, the management has exercised due diligence to ensure that the financial results provide a true and fair view of the Company's affairs.

6. The statutory audit for the previous financial year ended 31st March, 2016 is under progress and opening balances as on 01.04.2016 have been incorporated on provisional basis and may undergo change, the impact of which is not ascertainable. The financial results do not include figures for the previous year ended 31st March, 2016 as per SEBI Circular NO. CIR/IMD/DF1/69/2016 dated August 10, 2016.
7. The Company is executing various irrigation projects in the State of Karnataka there are no reportable segments as per IND AS 108 "Operating Segments".
8. Debenture Redemption Reserve is not created as the Company has not earned profits and the repayments of principal amount of the Bonds and Term Loans and payment of interest thereon are guaranteed and wholly funded by the Government of Karnataka.
9. Deferred Tax Assets/ Liabilities as per IND AS 12 "Income taxes" has not been recognized due to uncertainty in the recovery of the same as there is huge accumulated unabsorbed losses for the Company under Income tax Act.
10. The previous period/ year figures have been regrouped/ reclassified wherever necessary.
11. Formula used for computation of coverage ratios-
 - a) DSCR= Profits before Interest and Depreciation less tax/ Interest plus Principle repayment of Long term Debts.
 - b) ISCR= Profits before Interest and Depreciation less tax/ Interest.
12. Status of investors' Grievance for the half-year ended on 30.09.2016:
 - (i)* Pending as on 01.04.2016: Nil
 - (ii) Received during the period from 01.04.2016 to 30.09.2016: Nil
 - (iii) Disposed off during the period from 01.04.2016 to 30.09.2016: Nil
 - (iv) Pending at the end of 30.09.2016: Nil.

Place: Bengaluru
Date: 14.12.16

For MANIAN & RAO
Chartered Accountants
FRN-001983S
R. SRIKANTH
Partner
Membership No. - 203138



R. Rudraiah
Managing Director
DIN:06453760

RS
4/12



Limited Review Report

**The Board of Directors,
Karnataka Neeravari Nigam Ltd.,
Coffee Board Building,
Bangalore - 560 001.**

INTRODUCTION

1. We have reviewed the accompanying statement of unaudited financial results of Karnataka Neeravari Nigam Limited for the half year ended 30th September, 2016 being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. Attention is drawn to the fact that the figures for the corresponding half year ended 30th September 2015, including the reconciliation of loss under IND AS of the corresponding half year with loss reported under previous GAAP (adjustments not considered necessary by management based on materiality), as reported in these financial results have been approved by company's Board of Directors but have not been subjected to review. This Statement is the responsibility of the Company's management and has been taken on record and approved by the Board of Directors. Our Responsibility is to issue a report on the statement based on our review.

SCOPE OF REVIEW

2. We have conducted our review in accordance with Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. A review is substantially less in scope than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

3. Attention is drawn to the following non-compliances / deviations:
 - i) Non provision of liability in respect of additional quantity of works executed by the Contractors, Crop compensation to farmers & compensation to land losers and which is not ascertainable.
 - ii) The apportionment of administrative and other general overheads (including expenses which may not be attributable) on the basis of consolidated CWIP; Non-capitalization of expenditure during construction on assets capitalized during the period which is not in accordance with IND AS 16 "Property, Plant & Equipment" and the impact on the financial results are not ascertainable.



No.361, I Floor, 7th Cross,
I Block Jayanagar, Bangalore - 560 011.
Ph: +91 80 26569500
Telefax: +91 80 26569501
Email: contact@manian-rao.com

- iii) The excess allocation of expenditure during construction on those assets completed and put to use in earlier years but capitalized during the period and not charging prior period depreciation in respect of assets capitalized during the period but completed in earlier years, the consequent effect of the same which is not quantifiable.
- iv) For the purposes of depreciation, the life of assets capitalized during the year (other than moveable assets) and added to the original assets, have been considered as if these were new at the time of capitalization which policy requires review as depreciation in terms of IND AS16 is to be provided over the residual useful life of the main asset.
- v) Non-ascertainment of impairment loss and making necessary provision in the accounts by establishing "value in use" for the cash generating units (CGU assets) as required under IND AS 36 "Impairment of Assets".
- vi) Reconciliation and non-capitalization of establishment expenses since inception of the Company incurred by Special Land Acquisition Officers (GOK) which is not ascertainable and which has resulted in understatement of Fixed Asset/CWIP and overstatement of Long Term loans & Advances.
- vii) Provision towards leave encashment and gratuity made on estimated basis, the adequacy of which could not be determined.
- viii) Provision and remittance of workers welfare cess at 1% for the works entrusted to contractors prior to November 01, 2006 is accounted on estimated basis and not on actual basis, the adequacy of which could not be determined.
- ix) Provision for liability as per the New Defined Contributory Pension Scheme to all new recruits to the State Government service joining on or after 01.04.2006 is accounted on estimated basis and not on actual basis, the adequacy of which could not be determined.

QUALIFIED CONCLUSION

- 4. Based on our review, with the exception of the matters described in the Basis for Qualified Conclusion paragraph no.3 above, the effect of which could not be quantified, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results read with notes thereon prepared in accordance with applicable Indian Accounting Standards (IND AS) prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognized accounting policies and practices generally accepted in India has not disclosed the information required to be disclosed in terms of clause 29 of standard listing agreement for debt securities including the manner in which the information needs to be presented and disclosed, or that it contains any other misstatement.



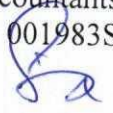
EMPHASIS OF MATTER

5. Without qualifying we draw attention to the following notes to the results:
- a) Note 4 wherein adjustment to Balance sheet / Profit & Loss account have not been carried in the financials on transition from Indian GAAP to IND AS based on opinion that impact being not material;
 - b) Note 6 wherein the opening balances as on 01/04/2016 have been incorporated on provisional basis as the statutory audit for the financial year ended 31st March, 2016 is yet to be completed and the impact of the same on the financial results is not ascertainable;
 - c) Note 9 regarding non-recognition of deferred tax asset/ liability because of huge carried forward of losses under Income tax Act.

Place: Bengaluru
Date: 14th December, 2016



for Manian & Rao,
Chartered Accountants
Firm Regn.No: 001983S


SRIKANTH. R
Partner
Membership No. 203138