



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 31st, March 2016

(Rs. in Lakhs)

Sl. No.	Particulars	6 months ended	Corresponding 6	Year to date	Figures for year
		31.03.2016	months ended	figures for Current	ended 31.03.2015
		Unaudited	Unaudited	Unaudited	Audited
1	(a) Net Sales / Income from Operations	85.36	569.32	182.83	521.46
	(b) Other Operating Income	-	-	-	-
2	Expenditure				
	(a) Employee Remuneration and Benefits	5,630.36	3,811.02	9,010.13	9,095.94
	(b) Depreciation	9,135.53	4,985.23	17,241.68	20,936.04
	(c) Repairs and Maintenance (Irrigation Assets)	10,705.83	11,685.87	13,657.05	17,433.31
	(d) Expenditure on GOK Scheme	5,957.92	39,351.87	9,605.78	47,989.65
	(e) Other expenditure	5,978.43	2,619.18	7,234.21	54,640.32
	(f) Total	37,408.07	62,453.17	56,748.85	1,50,095.26
3	Profit (+) / Loss (-) from Operations before Other Income interest and Exceptional items	-37,322.71	-61,883.85	-56,566.02	-1,49,573.80
4	Other Income				
	a) Government Grants	21,541.31	45,172.00	32,046.74	62,991.22
	b) Others	1,238.58	8,104.95	4,915.19	8,016.04
5	Profit (+) / Loss (-) before interest and Exceptional items	-14,542.82	-8,606.90	-19,604.09	-78,566.54
6	Interest	7,671.00	3,024.06	12,753.16	6,727.49
7	Exceptional Items	1,287.13	-	1,287.13	11,780.42
8	Profit (+) / Loss (-) from Ordinary Activities before tax	-23,500.95	-11,630.96	-33,644.38	-97,074.45
9	Tax expense	-	-	-	3.00
10	Profit (+) / Loss (-) from Ordinary Activities after tax	-23,500.95	-11,630.96	-33,644.38	-97,077.45
11	Extraordinary Items	-	-	-	-
12	Net Profit (+) or Loss (-) for the period	-23,500.95	-11,630.96	-33,644.38	-97,077.45
13	Paid-up equity share capital (Rs. 1,000/- each)	19,91,013.43	18,08,839.96	19,91,013.43	18,08,839.96
14	Paid up Debt Capital	1,56,279.98	1,05,214.00	1,56,279.98	1,05,214.00
15	Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year	-2,34,999.14	-1,16,772.64	-2,34,999.14	-2,01,354.76
16	Debt Redemption Reserve	-	-	-	-
17	Earnings Per Share (EPS) - Basic (Face value of Rs.1,000/- per share)	-11.80	-6.43	-16.90	-53.67
18	Earnings Per Share (EPS) - Diluted	-10.86	-6.13	-15.55	-51.16
19	Debt Equity Ratio	0.08	0.06	0.08	0.06
20	Debt Service Coverage Ratio	-0.71	-1.18	-0.19	-8.57
21	Interest Service Coverage Ratio	-0.70	-1.20	-0.19	-8.57
ADDITIONAL DISCLOSURES AS PER SUB-REGULATION 52 OF LISTING AGREEMENT					
a	Asset Cover available (for NCD + Term Loan)			13.31918308	16.72834224
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	-
	ii. Whether paid			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	31.03.2016
f	Next due date for repayment of principal NCB			31.03.2024	31.03.2024
g	Net worth			19,29,301.92	16,96,124.54

K. Rudriah
Managing Director
DIN: 06453760

N. Ravindran
General Manager - Finance

Place: Bangalore
Date: 27/05/2016

As per our Review Report of even date attached
(Un-audited)
For B.P. Rao & Co.,
Chartered Accountants
Firm Reg No. 0031165

B Prasanna
Partner
M. No.202100



Notes:

1. The above results have been reviewed and taken on record and approved by the Audit Committee of the Board of Directors in their meeting held on 27th May, 2016. The statutory Auditors have subjected the same for Limited Review.
2. The above financial results have been prepared on the basis of same accounting policies and practices followed by the Company in preparation of financial statements for the year ended 31st March 2015.
3. 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.
4. The Statutory Auditors have expressed qualified opinion on:
 - a. Non Provision for liability in respect of additional quantity of works executed by the contractors, crop compensation to farmers and land owners,;
 - b. The incorrect apportionment of administrative charges, other general overheads and actual date of capitalization; non allocation of expenses up to the date of capitalization;
 - c. The incorrect charging of depreciation on assets transferred from the Government and the life of assets capitalized during the year (other than moveable assets) and added to the original assets;
 - d. Non provision on the basis of estimated recoveries in respect of "demands" for water charges;
 - e. The allocation of EDC on those assets completed and put to use in earlier years but capitalized uniformly on 1st April 2015;
 - f. Non provision for Impairment of Assets;
 - g. Provision for leave encashment, worker welfare cess prior to 1st November 2006 and New defined contributory Pension Scheme on estimated basis,



10. The unaudited figures for 6 months ended 31st March is balancing figure between the unaudited published figure for the full financial year and unaudited published figures for the 6 months ended 30th September.
11. 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.
12. Provision for Deferred Tax Assets/ Liabilities as required by the Accounting Standard 22 issued by ICAI has not been made due to uncertainty of recovery of the same in view of huge accumulated unabsorbed losses.
13. The previous period/ year figures have been regrouped/ reclassified wherever necessary.
14. 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.
15. Status of investors' Grievance for the period ended on 31.03.2016. (i) Pending as on 01.10.2015: Nil (ii) Received during the period from 01.10.2015 to 31.03.2016: Nil (iii) Disposed off during the period from 01.10.2015 to 31.03.2016: Nil (iv) Pending at the end of 31.03.2016: Nil.

Place: Bangalore
Date: 27.05.2016




R Rudraiah
Managing Director
DIN:06453760



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 31-03-2016. This Statement is the responsibility of the company and has been taken on record and approved by the Audit Committee of 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 Standards 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. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

3. Attention is drawn to Notes 2 to the unaudited financial results, that these results have been prepared following the same Accounting Policies as were applicable while preparing the financial statements for the financial year ended 31st March 2015. We are of the opinion that the following Accounting Policies/practices of the company require review:
 - a) Non Provision for liability in respect of additional quantity of works executed by the contractors, crop compensation to farmers and land owners;



Also At:

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No.106, 7th 'A' Main, 3rd Block, jayanagar, Bangalore-560 011. Ph: 26550200

B.P.RAO & CO.
CHARTERED ACCOUNTANTS

No.5, POORNA PRASAD ROAD,
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- b) The apportionment of administrative charges, other general overheads and actual date of capitalization which is not in accordance with Accounting Standard 10 on Accounting for Fixed Assets as per the Accounting Standards specified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- c) The apportionment of the administrative charges and other general overheads preliminarily on the basis of consolidated assets in progress which is not in accordance with its Accounting Policy and Accounting Practices of apportioning over completed assets and assets in progress;
- d) The non-allocation of expenses during construction period up to the date of capitalization which is not in accordance with the Accounting policy of the Company;
- e) 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 Accounting Standard 6 is to be provided over the residual useful life of the asset;
- f) The company is making provision in the books in respect of “demands” for water charges outstanding for collection more than 3 years. It is however observed that the recoveries are not significant vis-a-vis the demand and hence as a prudent measure the provision in our opinion ought to have been based on the estimated recoveries;
- g) The excess allocation of EDC which is not quantifiable, on those assets amounting to Rs.322.37 Crores, completed and put to use in earlier years but capitalized during the period upto 31-03-2016;
- h) The Company states that it is not possible to ascertain whether there is an Impairment loss and make necessary provision in the accounts. We are of the opinion that the "value in use" has to be established, as the present cash flow from supply of water does not meet the cost of operations and as there is no precedence of the transfer of Irrigation Infrastructure in an arm's length transaction;
- i) Reconciliation and non-capitalization of establishment expenses since inception of the Company incurred by Special Land Acquisition Officers (GOK) which is not ascertainable and has resulted in understatement of Fixed Asset/ Cwip and overstatement of Long Term loans & Advances;

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4. *Attention is also drawn to following notes to the results*

- a) Note 4(h) that provision towards leave encashment made on estimated basis, the adequacy of which could not be determined.
- b) 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.;
- c) 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

5. Based on our review, with the exception of the matters described in the preceding paragraphs 3 and 4, the effect of which could not be quantified, nothing has come to our attention that causes us to believe that the accompanying statements of unaudited financial results is not prepared in all material aspects, in accordance with the Companies (Accounting Standards) Rules, 2006, applicable accounting practices and policies and 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.

Place : Bangalore
Date : 27th May 2016



For B. P. Rao & Co
Chartered Accountants
Firm Reg No. 003116S

B. Prasanna
B. Prasanna
Partner
Membership No.202100

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- h. The understatement of Fixed Assets/Cwip and overstatement of Long Term Loans & Advances due to non-capitalization of establishment expenses incurred by Special Land Acquisition Officers since inception pending reconciliation.

The rectifications on account of the impact of the above, if any, will be carried on after due review and assessment.

5. The Other Incomes includes revenue grants received from Government of Karnataka which are as under.

(Rs. In Lakhs)

Component	Half year ended 31.03.2016	Half year ended 31.03.2015	Year ended 31.03.2016	Year ended 31.03.2015
Interest payment	85,74.07	20,53.84	1,28,50.00	57,16.22
Guarantee commission	13,91.00	25,82.00	13,91.00	25,82.00
Maintenance	62,29.00	72,45.75	1,2259.00	95,21.00
SCP/TSP Works	16,98.88	3,93,51.87	53,46.74	4,51,71.46

6. The Company is involved only in executing various irrigation projects in the State of Karnataka there are no reportable segments as per AS 17.
7. The Board of Directors had allotted 88,62,681 shares of Rs. 1,000 each aggregating to INR 8,86,26,81,000 to GOK in the BOD held on 17.06.2015 & 93,54,666 shares of Rs. 1,000 each aggregating to INR 9,35,46,66,000 to GOK in the BOD held on 22.12.2015.
8. The repayment of term loans and interest thereon are guaranteed by Government of Karnataka.
9. The Company has accounted under Advances for Rs.128.88 Crores being amount advanced to various Government Agencies towards implementation of SCP/TSP works. The same will be expended/ adjusted against grants received from Government on receipt of utilization certificate from the said agencies.

