DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixth Annual Report and Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

The Profit and Loss Account has been drawn to comply with the provisions of the Companies Act, 1956. The key financial parameters for the year ended March 31, 2013 are:

Particulars	**2012-13 ₹ in Lakhs**	*2011-12 ₹ in Lakhs*
Total Income	**11,643.23**	*414.54*
Profit/(Loss) before Tax	**(19,653.69)**	*(102.62)*
Provision for Tax	**–**	*134.50*
Profit/(Loss) after Tax	**(19,653.69)**	*(237.12)*
Add: balance brought forward from previous year	**(557.88)**	*(320.76)*
Balance carried to Balance Sheet	**(20,211.57)**	*(557.88)*

PERFORMANCE OF THE COMPANY

The Company is a Developer of a Heavy Engineering sector specific Special Economic Zone (SEZ) at Kattupalli, Ponneri taluk, Tiruvallur District and was notified over an area of 607.89 hectares under the Special Economic Zones Act, 2005.

The construction of an integrated facility of shipyard-cum-development of minor port of the Company at Kattupalli, Tiruvallur District has been completed with installation and commissioning of machinery and allied facilities. The Kattupalli Shipyard facility is the largest integrated marine complex of its kind in India and is geared for building specialized commercial ships and customized vessels as well as warships and submarines. A unique facility of the shipyard is an in-house designed 'Ship lift' with lifting capacity of 21,000 tonnes and a transfer mechanism, which enables shipbuilding and ship repairs of several vessels simultaneously. Kattupalli Port,a notified customs port with an initial capacity of 1.2 million TEUs, is geared to offer the shipping industry a whole new dimension of service, speed and sophistication. A Container Freight Station (CFS) facility within the complex offers wide services to the trade and industry and helps in accelerating transit of goods.

During the year, the Company has commenced operations of shipyard and port after receipt of regulatory approvals.

The Company has bagged orders valued at ₹ 483 Crores for supply of four specialized commercial vessels in the first quarter of 2012-13. The said order, which was secured against stiff international competition, is for design, construction, trials and commissioning of two Platform Supply Vessels (PSVs) and two Anchor Handling, Towing , Supply and Support Vessels (AHTSSVs). The Company has also delivered one Interceptor boat in March 2013. This affirms the Company's capabilities in building varied vessels.

A leading shipping line had its maiden vessel call at Kattupalli Port in January 2013 and derived maximum benefit from the state-of-the-art port facility.

The Company has received the ISO 14001:2004 certification for Environment Management Systems and OHSAS 18001:2007 certification for Occupational Health and Safety Management Systems. Further, the Company has increased its talent pool to meet the challenges of its growing business opportunities.

SHARE CAPITAL AND FINANCE

During the year, the Company has allotted 84,39,50,000 shares of ₹ 10/- each aggregating to ₹ 84,395 Lakhs to M/s. Larsen & Toubro Limited (L&T) and M/s. Tamilnadu Industrial Development Corporation Limited (TIDCO). After this allotment, L&T holds 97% stake in the Company with TIDCO holding the balance 3%.

The Company has prepaid the principal term loan availed from a consortium of Indian Banks amounting to ₹ 2,23,519 Lakhs in October 2012 along with interest accrued till the date of repayment .

The Company has also issued 13,310 secured, fully paid redeemable non-convertible debentures of face value of ₹ 10,00,000/- each amounting to ₹ 1,33,100 Lakhs as well as 13,500 unsecured, fully paid redeemable non-convertible debentures of face value of ₹ 10,00,000/- each amounting to ₹ 1,35,000 Lakhs during the year.

DIVIDEND

The Directors do not recommend any dividend for the current period.

DEPOSITS

The Company has not accepted any deposits from the public.

CAPITAL EXPENDITURE

As at March 31, 2013, the gross and net tangible assets stood at ₹ 3,95,432.62 Lakhs and ₹ 3,88,554.79 Lakhs respectively. The additions during the year amounted to ₹ 3,66,511.50 Lakhs.

AUDITORS' REPORT

In para (xix) of Companies (Auditor's Report) Order, 2003 forming part of the Auditor's Report, the Statutory Auditors have remarked that the Company is in the process of creating security or charge in respect of 13,310 secured debentures issued by the Company of face value of ₹ 1,000,000/- amounting to ₹ 1,331 crore., We wish to draw your attention to the Note C(i) (1) accompanying the financial statements and the same is self-explanatory.

DISCLOSURE OF PARTICULARS

There are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of the Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;

ii. that the selected accounting policies were applied consistently and the directors 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 as at March 31, 2013 and of the profit or loss of the Company for that period;

iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. that the accounts have been prepared on a going concern basis; and

v. that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

DIRECTORS

The present Directors of the Company are :

Mr K. Venkatesh, Mr. P. R. Prabhu, Mr. Malla Singh Randhawa, Mr. Anil Thapliyal and Mr. Hans Raj Verma.

Mr. K. Dhanavel was appointed as an additional director nominated by TIDCO on May 8, 2012. Subsequently his nomination was withdrawn by TIDCO on January 10, 2013. TIDCO then nominated Mr. Hans Raj Verma who was appointed as Director with effect from January 10, 2013 to fill up the casual vacancy caused by the resignation of Mr. K. Dhanavel.

Mr. Malla Singh Randhawa was appointed as an Additional Director of the Company with effect from January 10, 2013. Mr Anil Thapliyal was appointed as an Additional Director of the Company with effect from January 18, 2013. Mr. Malla Singh Randhawa and Mr Anil Thapliyal hold office up to the date of the ensuing Annual General Meeting. Resolutions proposing their appointment will be placed before the shareholders for their approval.

Pursuant to his superannuation from L&T, Mr. V. C. Bedi resigned as a Director of the Company on March 28, 2013.

The Board places on record its appreciation of the services rendered by Mr. V. C. Bedi and Mr. K. Dhanavel during their tenure as Directors of the Company.

Pursuant to provisions of the Companies Act, 1956, Mr. K. Venkatesh and Mr P. R. Prabhu retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

AUDIT COMMITTEE

Pursuant to the allotment of shares to L&T and TIDCO during the year, it became mandatory for the Company to constitute an Audit Committee. An Audit Committee was constituted on August 9,2012 comprising of Mr. K. Venkatesh, Mr. P. R. Prabhu and Mr. K. Dhanavel with Mr. K. Venkatesh as the Chairman. Pursuant to the resignation of Mr. K. Dhanavel, the Audit Committee was re-constituted on January 10, 2013 and now comprises of Mr. K. Venkatesh, Mr. P. R. Prabhu and Mr. Hans Raj Verma with Mr. K. Venkatesh as the Chairman.

The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of the Companies Act, 1956 for an audit committee.

AUDITORS

The Auditors, M/s Sharp & Tannan, Chartered Accountants, being statutory auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment. Certificate from Auditors has been received to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

CORPORATE GOVERANANCE VOLUNTARY GUIDELINES, 2009

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below.

- **Independent Directors**

  All the members of the Board of the Company are independent in the sense that none of them are involved in the day to day management of the Company. The Directors of the Company are persons of integrity with rich experience, managerial qualities and expertise.

- **Number of companies in which an individual may become a Director**

  The Company has apprised its Board members about the restriction on number of other directorships and the same is being complied with.

- **Separation of offices of Chairman and Chief Executive**

  The roles and offices of the Chairman and Chief Executive are separated. While there is no permanent Chairman of the Board, normally, Mr. K. Venkatesh officiates as the Chairman at Board meetings and in his absence, the senior most Director officiates as the Chairman.

  Mr. Anil Thapliyal was appointed as Manager of the Company under the Companies Act, 1956 on August 9, 2012. Pursuant to his appointment as Director of the Company, he was replaced by Mr. Hrishikesh Narasimhan as the Manager of the Company on January 10, 2013.

- **Responsibilities of the Board**

  Presentations to the Board are made in the areas such as financial results, budgets, business prospects, etc. Directors are also updated about their role, responsibilities and liabilities.

  Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Directors, through their interactions and deliberations, give suggestions for improving overall effectiveness of the Board. The system of risk assessment and compliance with statutory requirements are in place.

- **Statutory Auditors**

  The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partners are rotated at regular frequency.

- **Internal Auditors**

  Internal Audit is conducted by the Corporate Audit Services department of Larsen & Toubro Limited.

- **Internal Control**

  The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

- **Secretarial Audit**

  The Secretarial Audit is conducted by Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

- **Related Party Transactions**

  The Board hereby states that the details of all the related party transactions form part of accounts as required by AS-18 and the same are given in the Notes to Accounts.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by customers, bankers, vendors, employees of the Company, and the management of the parent Company.

The Directors also acknowledge the support and co-operation from the Government of India, the concerned State Government and other Government Departments and Governmental Agencies.

For and on behalf of the Board

Place : Chennai
Date : May 15, 2013

HANS RAJ VERMA
Director

P. R. PRABHU
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T SHIPBUILDING LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **L&T SHIPBUILDING LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the 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 financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the 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:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, we report that:
   a) we have 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 appears from our examination of those books;
   c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;and
   e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

L. VAIDYANATHAN
Partner
Membership No.16368

Place : Chennai
Date : May 15, 2013

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of the Independent Auditor's Report to the members of L&T Shipbuilding Limited on the financial statements for the year ended March 31, 2013, we report that:

(i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.

(c) The Company has not disposed of any of its fixed assets during the year and hence reporting on going concern status does not arise.

(ii) (a) As explained to us, inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.

(b) As per the information given to us, the procedures of physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and there were no discrepancies between physical stock and book records.

(iii) (a) According to the information and the explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly reporting under clause 4 (iii) (b), (c) and (d) of the Order does not arise.

(b) According to the information and the explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly reporting under clause 4 (iii) (f) and (g) of the Order does not arise.

(iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business with respect to purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.

(v) In our opinion, and according to the information and explanations given to us, there are no contracts or arrangements that needs to be entered into the register maintained under section 301 of the Companies Act, 1956 and hence reporting under clause 4 (v) (b) of the Order does not arise.

(vi) The Company has not accepted any deposit from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder. Hence reporting under clause 4(vi) of the Order does not arise.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, the contents of these accounts and records have not been examined by us.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, customs duty, sales tax/ value added tax, service tax, and other statutory dues during the year with the appropriate authorities. As at March 31, 2013, there were no undisputed statutory dues payable for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of our examination of the books of account, in our opinion, there are no statutory dues which have not been deposited on account of any dispute.

(x) The accumulated losses of the Company are not more than fifty per-cent of its net worth as at March 31, 2013. The Company has incurred cash losses in the current financial year and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to bank or debenture holders. The Company or taken any loan from financial institutions during the year.

(xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion the Company is not a chit fund or a nidhi/ mutual benefit fund/ society and hence reporting under clause 4(xiv) of the Order does not arise.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other securities. The Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries made therein. The investments in mutual funds are held by the Company in its own name.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions and hence reporting under clause 4 (xv) of the Order does not arise.

(xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

(xvii) According to the information and explanations given to us, on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956, during the year under audit and hence reporting under clause 4 (xviii) of the Order does not arise.

(xix) *During the year, the Company has issued 13,310 secured debentures of face value ₹ 1,000,000/- amounting to ₹ 13,310,000,000/- and is in the process of creating security as per the term sheet entered into with the debenture holders.*

(xx) The Company has not raised any money by public issues during the year. Accordingly reporting under clause 4(xx) of the Order does not arise.

(xxi) During the course of our audit of the books and records of the Company carried out in accordance with generally accepted auditing practices followed in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed by us or reported during the year, nor have we been informed of such cases by the management.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

L. VAIDYANATHAN
Partner
Membership No.16368

Place : Chennai
Date : May 15, 2013

BALANCE SHEET AS AT MARCH 31, 2013

	Note No.	As at 31.03.2013 ₹	₹	As at 31.03.2012 ₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	A	8,440,000,000		500,000	
(b) Reserves and surplus	B	(2,021,157,419)		(55,788,054)	
			6,418,842,581		(55,288,054)
Advance against share capital	U4		4,218,600,000		8,778,100,000
Non-current liabilities					
(a) Long-term borrowings	C(i)	26,810,000,000		22,174,208,477	
(b) Other long-term liabilities	C(ii)	785,466,336		729,889,379	
(c) Long-term provisions	C(iii)	13,272,166		1,555,167	
			27,608,738,502		22,905,653,023
Current liabilities					
(a) Short-term borrowings	D(i)	726,628,458		–	
(b) Trade payables	D(ii)	52,659,530		–	
(c) Other current liabilities	D(iii)	3,287,518,439		1,141,647,741	
(d) Short-term provisions	D(iv)	1,347,336		14,380,587	
			4,068,153,763		1,156,028,328
TOTAL			42,314,334,846		32,784,493,297
ASSETS					
Non-current assets					
(a) Fixed assets					
(i) Tangible assets	E(i)	38,855,479,227		2,847,178,915	
(ii) Intangible assets	E(ii)	78,129,377		30,551,274	
(iii) Capital work-in-progress	E(iii)	293,783,994		28,549,257,038	
(iv) Intangible assets under development	E(iv)	–		13,861,022	
		39,227,392,598		31,440,848,249	
(b) Long-term loans and advances	F	191,172,373		676,815,743	
			39,418,564,971		32,117,663,992
Current assets					
(a) Current investments	G	823,832,648		–	
(b) Inventories	H	8,631,168		397,031,848	
(c) Trade receivables	I	269,356,877		–	
(d) Cash and bank balances	J	182,750,437		244,184,370	
(e) Short-term loans and advances	K	861,534,228		25,613,087	
(f) Other current assets	L	749,664,517		–	
			2,895,769,875		666,829,305
TOTAL			42,314,334,846		32,784,493,297
CONTINGENT LIABILITIES AND COMMITMENTS	S				
SIGNIFICANT ACCOUNTING POLICIES	T				

The accompanying notes form an integral part of the financial statements.

As per our report attached of even date

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

L. VAIDYANATHAN
Partner
Membership No. 16368

HRISHIKESH NARASIMHAN *Manager*

HANS RAJ VERMA *Director*

P. R. PRABHU *Director*

Place : Chennai
Date : May 15, 2013

Place : Chennai
Date : May 15, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

	Note No.	2012-13 ₹	2012-13 ₹	*2011-12* ₹	*2011-12* ₹
REVENUE					
Revenue from operations	**M**	**1,048,232,724**		–	
Other income	**N**	**116,090,567**		*41,454,233*	
TOTAL REVENUE			**1,164,323,291**		*41,454,233*
EXPENSES					
Construction and operating expenses	**O**				
(a) Cost of materials consumed		**895,229,102**		–	
(b) Purchase of stock-in-trade		**75,737,818**		–	
(c) Operating expenses		**293,335,070**		*4,470,755*	
			1,264,301,990		*4,470,755*
Employee benefits expense	**P**		**293,096,576**		*25,406,908*
Sales, administration and other expenses	**Q**		**340,623,563**		*21,091,995*
Finance cost	**R**		**676,229,804**		–
Depreciation and amortisation expenses			**555,440,723**		*746,820*
TOTAL EXPENSES			**3,129,692,656**		*51,716,478*
Profit/(loss) before taxes			**(1,965,369,365)**		*(10,262,245)*
Tax expense:					
Current tax	**D(iv)**	**–**		*13,449,826*	
Deferred tax		**–**		–	
			–		*13,449,826*
Profit/(loss) for the year			**(1,965,369,365)**		*(23,712,071)*
Earnings per equity share (Basic and diluted)	**U 12**		**(3.62)**		*(474.24)*
Face value of an equity share			**10.00**		*10.00*
SIGNIFICANT ACCOUNTING POLICIES	**T**				

The accompanying notes form an integral part of the financial statements.

As per our report attached of even date

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

L. VAIDYANATHAN
Partner
Membership No. 16368

HRISHIKESH NARASIMHAN — *Manager*

HANS RAJ VERMA — *Director*

P. R. PRABHU — *Director*

Place : Chennai
Date : May 15, 2013

Place : Chennai
Date : May 15, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

		2012-13 ₹	2011-12 ₹
A	**Cash flow from operating activities**		
	Profit/ (loss) before tax	**(1,965,369,365)**	*(10,262,245)*
	Adjustments for:		
	Depreciation and amortisation expenses	**555,440,723**	*746,820*
	Interest income	**(17,869,383)**	*(35,734,781)*
	Profit on sale of investments	**(4,332,648)**	–
	Interest expenses	**676,229,804**	–
	Operating profit/ (loss) before working capital changes	**(755,900,869)**	*(45,250,206)*
	Adjustments for working capital changes:		
	(Increase)/ decrease in loans and advances	**(258,448,628)**	*258,677,927*
	(Increase)/ decrease in inventories	**388,400,680**	*(356,985,192)*
	(Increase)/ decrease in trade receivables	**(269,356,877)**	–
	(Increase)/ decrease in other current assets	**(749,664,517)**	–
	Increase/ (decrease) in trade and other payables	**1,582,852,638**	*(16,449,034)*
	Cash (used in)/ generated from operations	**(62,117,573)**	*(160,006,505)*
	Direct taxes paid	**(27,397,979)**	*(36,559,588)*
	Net cash (used in)/ generated from operating activities	**(89,515,552)**	*(196,566,093)*
B	**Cash flow from investing activities**		
	Purchase of fixed assets (Refer note 2 below)	**(8,341,985,072)**	*(13,668,212,709)*
	Interest received	**16,983,999**	*35,734,781*
	Investments in mutual funds	**(1,320,000,000)**	–
	Sale of mutual funds	**500,500,000**	–
	Net cash (used in)/ from investing activities	**(9,144,501,073)**	*(13,632,477,928)*
C	**Cash flow from financing activities**		
	Proceeds from issue of shares/advance against share capital	**3,880,000,000**	*2,547,300,000*
	Proceeds from long-term borrowings	**26,810,000,000**	*11,300,108,477*
	Repayment of long-term borrowings	**(22,174,208,477)**	–
	Proceeds from short-term borrowings	**726,628,458**	–
	Interest paid	**(6,291,509)**	–
	Net cash from/ (used in) financing activities	**9,236,128,472**	*13,847,408,477*
	Net (decrease)/increase in cash and cash equivalents (A+B+C)	**2,111,847**	*18,364,456*
	Cash and cash equivalents as at the beginning of the year	**50,685,572**	*32,321,116*
	Cash and cash equivalents as at end of the year	**52,797,419**	*50,685,572*

NOTES

1. Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3 “Cash Flow Statements” as per Companies (Accounting Standard) Rules, 2006 (as amended).
2. Purchase of fixed assets includes movement of capital work-in-progress and pre-operative expenses during the year.
3. Cash and cash equivalents comprise cash on hand and balance with banks on current accounts and excludes margin money deposits given on security. Short-term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.
4. Figures for the previous year have been regrouped/reclassified wherever necessary.

As per our report attached of even date

SHARP & TANNAN
Chartered Accountants
(Firm’s Registration No. 003792S)

L. VAIDYANATHAN
Partner
Membership No. 16368

Place : Chennai
Date : May 15, 2013

For and on behalf of the Board

HRISHIKESH NARASIMHAN *Manager*

HANS RAJ VERMA *Director*

P. R. PRABHU *Director*

Place : Chennai
Date : May 15, 2013

NOTES ACCOMPANYING FINANCIAL STATEMENTS

	As at 31.03.2013 Numbers	As at 31.03.2013 ₹	*As at 31.03.2012 Numbers*	*As at 31.03.2012 ₹*
A SHARE CAPITAL				
A(I) Authorised, issued, subscribed and paid-up share capital				
Authorised:				
Equity Shares of ₹ 10/- each	**1,000,000,000**	**10,000,000,000**	*1,000,000,000*	*10,000,000,000*
Issued, subscribed and fully paid-up				
Equity Shares of ₹ 10/- each	**844,000,000**	**8,440,000,000**	*50,000*	*500,000*
TOTAL	**844,000,000**	**8,440,000,000**	*50,000*	*500,000*
A(II) Reconciliation of shares outstanding at the beginning and at the end of the year				
At the beginning of the year	**50,000**	**500,000**	*50,000*	*500,000*
Add: Issued during the year	**843,950,000**	**8,439,500,000**	–	–
At the end of the year	**844,000,000**	**8,440,000,000**	*50,000*	*500,000*

A(III) Terms/ rights attached to equity shares

(i) The Company has issued only one class of equity shares having face value of ₹ 10/- each. No securities have been issued with the right/ option to convert the same into equity shares at a later date.

(ii) No shares have been reserved for issue under options and contracts/ commitments for the sale of shares/disinvestment.

(iii) The shares issued carry equal rights and voting power.

(iv) All the shares issued carry equal right of dividend declared by the Company and no restrictions are attached to any specific shareholder.

	As at 31.03.2013 Numbers	As at 31.03.2013 ₹	*As at 31.03.2012 Numbers*	*As at 31.03.2012 ₹*
A(IV) Details of equity shares held by holding Company				
Larsen & Toubro Limited (along with its nominees)	**818,680,000**	**8,186,800,000**	*50,000*	*500,000*

	As at 31.03.2013 Numbers	As at 31.03.2013 Shareholding %	*As at 31.03.2012 Numbers*	*As at 31.03.2012 Shareholding %*
A(V) Shareholders holding more than 5% of equity shares at the end of the year				
Larsen & Toubro Limited (along with its nominees)	**818,680,000**	**97.00**	*50,000*	*100.00*

A(VI) Shares issued for consideration other than cash

The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended on March 31, 2013 – Nil *(previous period of five years ended March 31, 2012: Nil)*

A(VII) Calls unpaid : Nil; Forfeited shares : Nil.

B RESERVES AND SURPLUS

	As at 31.03.2013 ₹	As at 31.03.2013 ₹	*As at 31.03.2012 ₹*	*As at 31.03.2012 ₹*
Surplus				
Balance at beginning of the year	**(55,788,054)**		*(32,075,983)*	
Add: Profit/ (loss) for the year	**(1,965,369,365)**		*(23,712,071)*	
		(2,021,157,419)		*(55,788,054)*
Balance at the end of the year		**(2,021,157,419)**		*(55,788,054)*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

C(i) LONG-TERM BORROWINGS

	As at 31.03.2013 ₹	*As at 31.03.2012 ₹*	Rate of interest	Terms of repayment
i) Secured				
Term loan from banks				
Axis Bank	–	*2,049,700,000*	Base Prime Lending Rate/State Bank Applicable Rate prevailing on the date of disbursement till commencement of operations and at reset interest rate thereafter.	Term loans from banks were repaid in full on October 25, 2012 along with interest accrued till that date from and out of the proceeds of privately placed non-convertible debentures allotted on October 25, 2012.
Bank of Baroda	–	*1,945,569,145*		
Bank of India	–	*2,588,008,557*		
Canara Bank	–	*3,131,086,520*		
Corporation Bank	–	*1,079,999,350*		
Indian Bank	–	*1,293,879,823*		
Punjab National Bank	–	*2,587,908,557*		
State Bank of Hyderabad	–	*1,508,259,294*		
State Bank of India	–	*2,587,708,557*		
Union Bank of India	–	*1,722,088,674*		
SUB-TOTAL	–	*20,494,208,477*		

C(i) LONG-TERM BORROWINGS

ii) Unsecured

Redeemable, non-convertible, fixed rate debentures (privately placed) - to be secured:

Face value per Debenture (₹)	Date of allotment	As at 31.03.2013 ₹	*As at 31.03.2012 ₹*	Rate of interest	Terms of repayment
1,000,000	25.10.2012	**2,910,000,000**	–	9.10% p.a. payable annually	Redeemable at face value at the end of 15 years from the date of allotment or on exercise of call option. The Company has call option to redeem debentures at the end of 10th year from the date of allotment.
1,000,000	25.10.2012	**2,600,000,000**	–	9.10% p.a. payable annually	Redeemable at face value at the end of 14 years from the date of allotment or on exercise of call option. The Company has call option to redeem debentures at the end of 10th year from the date of allotment.
1,000,000	25.10.2012	**2,600,000,000**	–	9.10% p.a. payable annually	Redeemable at face value at the end of 13 years from the date of allotment or on exercise of call option. The Company has call option to redeem debentures at the end of 10th year from the date of allotment.
1,000,000	25.10.2012	**2,600,000,000**	–	9.10% p.a. payable annually	Redeemable at face value at the end of 12 years from the date of allotment or on exercise of call option. The Company has call option to redeem debentures at the end of 10th year from the date of allotment.
1,000,000	25.10.2012	**2,600,000,000**	–	9.10% p.a. payable annually	Redeemable at face value at the end of 11 years from the date of allotment or on exercise of call option. The Company has call option to redeem debentures at the end of 10th year from the date of allotment.
SUB-TOTAL		**13,310,000,000**	–		

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

C(i) LONG-TERM BORROWINGS

Unsecured, redeemable, non-convertible, fixed rate debentures (privately placed):

Face value per Debenture (₹)	Date of allotment	**As at 31.03.2013** ₹	*As at 31.03.2012* ₹	Rate of interest	Terms of repayment
1,000,000	25.10.2012	**12,000,000,000**	–	8.95% p.a. payable annually	Redeemable at face value at the end of 5 years from the date of allotment or on exercise of call option. The Company has call option to redeem debentures at the end of 3rd and 4th year from the date of allotment.
1,000,000	25.03.2013	**1,500,000,000**	–	8.90% p.a. payable annually	Redeemable at face value at the end of 4 years and 7 months from the date of allotment or on exercise of call option. The Company has call option to redeem debentures on 25th October 2015 and on 25th October 2016 from date of allotment.
SUB–TOTAL		**13,500,000,000**	–		

Term loans

Particulars	**As at 31.03.2013** ₹	*As at 31.03.2012* ₹	Rate of interest	Terms of repayment
Term loan from holding Company	**–**	*1,680,000,000*	12% per annum payable at the end of every quarter.	Unsecured term loan from holding Company was repaid in full along with interest accrued till that date on October 25 2012.
SUB–TOTAL	**–**	*1,680,000,000*		
GRAND TOTAL	**26,810,000,000**	22,174,208,477		

C (i) (1) SECURITY

The Company has issued 13,310 fully paid redeemable non-convertible debentures having face value of ₹ 1,000,000/- each on private placement basis, which are to be secured by :

i) First pari-passu charge over the assets of the Company with an asset cover of 1.25 times ;

ii) Unconditional, irrevocable and continuing Corporate guarantee from the holding Company, Larsen & Toubro Limited for the repayment of interest principal and other dues ;

iii) Charge on the designated account under Debenture Trust Deed.

As per the term sheet entered into with the debenture holders as regards security creation, the Company has to create charge within 120 days from October 25, 2012, being the deemed date of allotment. The Company has not complied with this charge creation as at March 31, 2013 pending release of existing charge on the project assets created in favour of security trustee acting for and on behalf of consortium of banks. As a result, the Company is liable for payment of penal interest of 1% applicable from February 22, 2013 till the security creation date. The Company has requested the debenture trustee vide its letter dated February 15, 2013 for extension of period for creating security without attracting penal interest clause . The management is confident of resolving the matter in favour of the Company and hence no provision has been made in these accounts.

As the relevant form for creation of charge has not been filed with the Registrar of Companies as at March 31, 2013, the secured debentures amounting to ₹ 1,331.00 crores have been disclosed as “Unsecured borrowings”

C(ii) OTHER LONG TERM LIABILITIES

	As at 31.03.2013 ₹	*As at 31.03.2012* ₹
Contractor license fee received in advance for Container Port Terminal Operations [Refer notes below]	**785,466,336**	*729,889,379*
TOTAL	**785,466,336**	*729,889,379*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Note:

(a) The Company has entered into an agreement dated April 6, 2011 with International Container Terminal Services (India) Private Limited ("the Contractor") whereby, the contractor shall carry out operation and maintenance of the container port terminal at Kattupalli Village in Chennai for a period of 26 years and 10 months commencing from February 1, 2012 ("scheduled date of commencement") and ending on November 30, 2038 (referred to as "the O&M period").

(b) In consideration of the Company appointing the contractor as the exclusive operator for Container Port for the duration of the O&M period, the Company has received a sum of ₹ 854,460,000/- as Contractor License Fee vide Article 6.1 (a) for the entire period of the agreement.

(c) The Company has commenced commercial operations of the port only in January 2013, resulting in a delay of 11 months from the scheduled date of commencement of operations as stipulated in Article 1.1 of the agreement.

(d) The Company, as a measure of prudence, has classified the proportionate Contractor License Fee pertaining to the 11 months [Refer (c) above] amounting to ₹ 29,189,627/- as "Contactor license fee refundable" under "Other current liabilities".

(e) The Company has recognised contractor license fee income proportionately of ₹ 7,960,807/- for the three months period from January 2013 to March 2013, on the Contractor License Fee received in advance of ₹ 825,270,373/- (after reducing the Contractor License Fee refundable referred to in (d) above).

(f) Contractor License Fees received in advance to be recognised as income within 12 months from the reporting date amounting to ₹ 31,843,230/- has been disclosed under 'other current liabilities'. The balance Contractor License Fees received in advance has been disclosed under 'Other long-term liabilities'.

		As at 31.03.2013 ₹	*As at 31.03.2012* ₹
C(iii)	**LONG-TERM PROVISIONS**		
	Provision for employee benefits [Refer Note U 8 infra]		
	Gratuity	**4,907,425**	*1,555,167*
	Leave Encashment	**8,364,741**	–
	TOTAL	**13,272,166**	*1,555,167*
D(i)	**SHORT-TERM BORROWINGS**		
	Secured		
	Working capital facilities from banks [Refer Note below]	**726,628,458**	–
	TOTAL	**726,628,458**	–

Note: Working capital facilities from banks are repayable on demand and are secured by hypothecation of the entire current assets of the Company, both present and future.

D(ii)	**TRADE PAYABLES**		
	Due to -		
	Micro and small enterprises [Refer Note below]	**–**	–
	Others	**52,659,530**	–
	TOTAL	**52,659,530**	–

The Company does not have any transaction with micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, identified on the basis of information available with the Company. Accordingly, disclosing details of overdue principal and interest thereon does not arise.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

		As at 31.03.2013	As at 31.03.2012
		₹	₹
D(iii)	**OTHER CURRENT LIABILITIES**		
	Due to holding Company	**–**	*69,197,695*
	Due to fellow subsidiaries	**5,048,032**	*3,738,942*
	Interest accrued and due on borrowings	**111,759,375**	*26,013,492*
	Interest accrued but not due on borrowings	**991,924,005**	–
	Advance received from holding Company [Refer Note below]	**335,610,000**	*366,120,000*
	Advance received from customers	**4,016,040**	–
	Contractor license fee received in advance for Container port terminal [Refer Note C (ii) supra]	**31,843,230**	*31,798,621*
	Contractor license fee refundable [Refer Note C (ii) supra]	**29,189,627**	–
	Security deposit received	**1,100,000**	–
	Liability for capital goods	**1,330,594,438**	*511,508,946*
	Liability for expenses	**385,331,788**	*23,037,830*
	Statutory liabilities	**40,644,187**	*43,845,259*
	Other payables	**20,457,717**	*66,386,956*
	TOTAL	**3,287,518,439**	*1,141,647,741*

Note: Advance from holding Company represents interest free advance received for supply of eleven interceptor boats.

		As at 31.03.2013	As at 31.03.2012
D(iv)	**SHORT-TERM PROVISIONS**		
	Provision for employee benefits [Refer Note U 8 infra]		
	Gratuity	**68,043**	*10,485*
	Leave Encashment	**1,279,293**	*920,276*
	Provision for current taxes [Refer Note below]	**–**	*13,449,826*
	TOTAL	**1,347,336**	*14,380,587*

The Company does not have taxable income for the year, both under the conventional method of computation of income and under section 115JB of the Income Tax Act, 1961 (Minimum Alternate Tax). Accordingly, no provision for income tax has been made for the year.

FIXED ASSETS

E(I) TANGIBLE ASSETS

PARTICULARS	COST				DEPRECIATION				BOOK VALUE	
	As at 01.04.2012	Additions	Deductions	**As at 31.03.2013**	Upto 31.03.2012	For the year	Deductions	**Upto 31.03.2013**	**Upto 31.03.2013**	*As at 31.03.2012*
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Land - leasehold [Refer notes (a) and (b) below]	2,822,539,756	1,522,160,061	–	**4,344,699,817**	94,111,967	33,878,646	–	**127,990,613**	**4,216,709,204**	*2,728,427,789*
Building	–	5,752,326,186	–	**5,752,326,186**	–	51,182,716	–	**51,182,716**	**5,701,143,470**	–
Marine structures	–	23,730,189,871	–	**23,730,189,871**	–	351,606,734	–	**351,606,734**	**23,378,583,137**	–
Plant and equipment										–
General	65,408,817	4,325,066,446	–	**4,390,475,263**	3,152,966	94,205,662	–	**97,358,628**	**4,293,116,635**	*62,255,851*
Electrical Installation	8,953,076	881,777,855	–	**890,730,931**	208,465	20,853,786	–	**21,062,251**	**869,668,680**	*8,744,611*
Computers	31,016,910	55,574,991	–	**86,591,901**	8,846,708	12,706,798	–	**21,553,506**	**65,038,395**	*22,170,202*
Office equipment	9,831,974	25,024,656	–	**34,856,630**	1,838,977	4,282,604	–	**6,121,581**	**28,735,049**	*7,992,997*
Air conditioning and refrigeration equipment	3,802,810	28,765,321	–	**32,568,131**	332,220	1,172,645	–	**1,504,865**	**31,063,266**	*3,470,590*
Utilities	–	190,935,782	–	**190,935,782**	–	2,732,677	–	**2,732,677**	**188,203,105**	–
Furniture and fixtures	13,036,585	40,636,803	–	**53,673,388**	1,767,764	3,069,353	–	**4,837,117**	**48,836,271**	*11,268,821*
Vehicles	2,932,917	33,281,303		**36,214,220**	84,863	1,747,342	–	**1,832,205**	**34,382,015**	*2,848,054*
TOTAL	**2,957,522,845**	**36,585,739,275**	–	**39,543,262,120**	**110,343,930**	**577,438,963**	–	**687,782,893**	**38,855,479,227**	
Previous year	*2,878,088,827*	*79,434,018*	–	*2,957,522,845*	*70,150,074*	*40,193,856*	–	*110,343,930*		*2,847,178,915*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Note:

(a) Land-Leasehold represents 1,148.40 acres of land taken on lease [See Note (b)] from M/s. Tamilnadu Industrial Development Corporation Limited (TIDCO) on various dates.

(b) Lease period of the land is given below:

Lease commencement date	Area (in acres)	Period of lease	₹ Crores
14.01.2009	318.17	99 years	72.07
19.11.2009	824.57	98 years & 2 months	154.28
29.07.2010	5.66	97 years & 6 months	1.29
Add: Land development charges	–		206.83
TOTAL	**1,148.40**		**434.47**

E(ii) INTANGIBLE ASSETS

PARTICULARS	COST				DEPRECIATION				BOOK VALUE	
	As at 01.04.2012	Additions	Deletions	**As at 31.03.2013**	Upto 31.03.2012	For the year	Deductions	**Upto 31.03.2013**	**Upto 31.03.2013**	*As at 31.03.2012*
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Specialized software	41,342,294	65,410,448	–	**106,752,742**	10,791,020	17,832,345	–	**28,623,365**	**78,129,377**	*30,551,274*
TOTAL	**41,342,294**	**65,410,448**	–	**106,752,742**	**10,791,020**	**17,832,345**	–	**28,623,365**	**78,129,377**	
Previous year	*21,842,294*	*19,500,000*	–	*41,342,294*	*2,426,922*	*8,364,098*	–	**10,791,020**		*30,551,274*

Impairment of assets

The Company has reviewed potential generation of economic benefits from fixed assets and concluded that fixed assets employed in the business will generate adequate economic returns over their useful lives. Consequently no provision of impairment loss is required.

Fixed Assets

E(iii) CAPITAL WORK IN PROGRESS

	As at 31.03.2013	*As at 31.03.2012*
	₹	₹
Buildings	**2,172,052,382**	*13,619,713,209*
Plant and machinery	**18,905,801,786**	*2,455,056,267*
Port facilities	**9,407,477,195**	*8,831,354,219*
Pre-operative expenses pending allocation to fixed assets (Refer details below)	**6,953,885,450**	*4,135,733,343*
	37,439,216,813	*29,041,857,038*
Less: Share of cost of Larsen & Toubro Limited transferred		
(Refer note (b) below)		
Port facilities	**307,841,589**	*261,392,624*
Buildings	**330,064,685**	*231,207,376*
	637,906,274	*492,600,000*
	36,801,310,539	*28,549,257,038*
Less: Assets capitalized during the year	**36,507,526,545**	–
TOTAL	**293,783,994**	*28,549,257,038*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Pre-operative expenses pending allocation to fixed assets

	As at 01.04.2012 ₹	For the period upto 31.12.2012 ₹	Capitalized during the Year ₹	**As at 31.03.2013** ₹
Salaries	*66,070,108*	83,332,931	149,403,039	–
Contribution to/ provision for provident fund	*2,846,523*	3,661,349	6,507,872	–
Gratuity	*1,291,542*	624,845	1,916,387	–
Cost of services	*286,785,909*	57,306,304	344,092,213	–
Insurance	*45,909,140*	11,886,685	57,795,825	–
Professional fees	*515,523,107*	129,441,093	644,964,200	–
Rent	*49,916,118*	18,927,700	68,843,818	–
Rates and taxes	*33,946,672*	(4,546,165)	29,400,507	–
Repairs and maintenance	*149,754,448*	272,287,745	422,042,193	–
Printing and Stationery	*3,660,593*	1,514,694	5,175,287	–
Postage and telephone charges	*6,363,020*	3,518,658	9,881,678	–
Travel and conveyance	*91,851,515*	46,536,914	138,388,429	–
Establishment charges	*22,913,635*	950,176	23,863,811	–
Interest and finance charges	*2,678,882,049*	2,036,410,125	4,715,292,174	–
Depreciation	*15,585,714*	16,840,532	32,426,246	–
Amortisation	*104,902,987*	22,990,053	127,893,040	–
Miscellaneous expenses	*59,530,262*	116,468,469	175,998,731	–
TOTAL	4,135,733,343	2,818,152,107	6,953,885,450	–

(a) The buildings, plant and machinery and port facilities are being constructed on land measuring 1,068.97 acres (excluding 79.43 acres of land sub-leased to Larsen & Toubro Limited) taken on lease referred to in E(i) above.

(b) The Company has entered into an arrangement to enter into an agreement with the holding Company to share the cost of development of the facilities and accordingly debited ₹145,306,274/- during the year *(previous year ₹ 246,800,000/-)* from capital work-in-progress on provisional basis. Final adjustments, if any, in this regard will be accounted for as and when the costs are determined.

		As at 31.03.2013 ₹	*As at 31.03.2012* ₹
E(iv)	**INTANGIBLE ASSETS UNDER DEVELOPMENT**		
	Specialized software	–	*13,861,022*
	TOTAL	–	*13,861,022*
F	**LONG-TERM LOANS AND ADVANCES**		
	Unsecured, considered good		
	Security deposits	**12,316,797**	*9,825,500*
	Capital advances	**178,855,576**	*666,990,243*
	TOTAL	**191,172,373**	*676,815,743*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

		As at 31.03.2013 ₹	*As at 31.03.2012* ₹
G	**CURRENT INVESTMENTS**		
	Investment in mutual funds		
	Unquoted		
	L&T Liquid Fund - Growth Plan (Face Value : ₹ 1000, No of Units 25,494.26)	**39,683,209**	–
	Franklin Templeton - Growth Plan (Face Value : ₹ 1000, No of Units 51,089.13)	**87,486,469**	–
	Sub total - Unquoted investments	**127,169,678**	–
	Quoted		
	Axis Liquid Fund - Growth Plan (Face Value : ₹ 1000, No of Units 72,438.22)	**91,096,648**	–
	DWS Treasury fund - Growth Plan (Face Value : ₹ 100, No of Units 44,902.54)	**5,566,322**	–
	IDFC Cash Fund - Growth Plan (Face Value : ₹ 1000, No of Units 140,459.20)	**200,000,000**	–
	SBI Premier Liquid Fund - Growth Plan (Face Value : ₹ 1000, No of Units 108,648.03)	**200,000,000**	–
	L&T Cash Fund - Growth Plan (Face Value : ₹ 1000, No of Units 125,584.21)	**200,000,000**	–
	Sub total - Quoted investments	**696,662,970**	–
	GRAND TOTAL	**823,832,648**	–
	Details of quoted/unquoted investments		
	a) Aggregate amount of quoted current investments and market value thereof:		
	Book value	**696,662,970**	–
	Market value	**700,629,322**	–
	b) Aggregate amount of unquoted current investments:		
	Book value	**127,169,678**	–
H	**INVENTORIES**		
	Stores, spares and components	**8,631,168**	*397,031,848*
	[includes goods-in-transit of ₹ 2,153,607/- *(previous year ₹ 13,864,104)*]		
	TOTAL	**8,631,168**	*397,031,848*
	For mode of valuation, refer note T(9)		
I	**TRADE RECEIVABLES**		
	Unsecured, considered good		
	Other debts	**269,356,877**	–
	TOTAL	**269,356,877**	–

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

		As at 31.03.2013 ₹	*As at 31.03.2012 ₹*
J	**CASH AND BANK BALANCES**		
	(i) Cash and cash equivalents		
	Balances with banks on current accounts	**52,675,174**	*50,603,653*
	Cash on hand	**122,245**	*81,919*
	Sub total - Cash and cash equivalents	**52,797,419**	*50,685,572*
	(ii) Other bank balances		
	Margin money deposits including interest accrued thereon ₹ 885,384/- *(previous year ₹ 172,798)* (Refer notes below)	**129,953,018**	*193,498,798*
	Sub total - other bank balances	**129,953,018**	*193,498,798*
	TOTAL	**182,750,437**	*244,184,370*

Note:

a) Margin money deposits are given as security for letters of credit/ bank guarantees obtained.

b) Bank deposits with maturity of more than 12 months ₹ Nil *(Previous year ₹ Nil)*

K	**SHORT-TERM LOANS AND ADVANCES**		
	Unsecured, considered good		
	Due from holding Company	**283,670,855**	–
	Advance to suppliers	**489,912,746**	–
	Security deposits	**4,825,203**	–
	Advance income tax (net of provision)	**53,011,066**	*25,613,087*
	Service tax recoverable	**12,325,106**	–
	Other advances	**17,789,252**	–
	TOTAL	**861,534,228**	*25,613,087*

L	**OTHER CURRENT ASSETS**		
	Unsecured, considered good		
	Due from customers for construction activity		
	Work-in-progress at realisable sale value	**813,253,513**	–
	Work-in-Progress at cost	**139,811,004**	–
		953,064,517	–
	Less: Progress bills raised	**203,400,000**	–
	TOTAL	**749,664,517**	–

		2012-13 ₹	2012-13 ₹	*2011-12 ₹*	*2011-12 ₹*
M	**REVENUE FROM OPERATIONS**				
	Sales and services				
	Construction activity				
	Work-in-progress at the end of the year	**953,064,517**		–	
	Less : Work in progress at the beginning of the year	**–**		–	
			953,064,517		–
	Service income from port operations		**5,581,148**		–
	Trading sales		**81,626,252**		–
	Contractor license fee [Refer note C (ii) supra]		**7,960,807**		–
	TOTAL		**1,048,232,724**		–

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

		2012-13		*2011-12*	
		₹	₹	₹	₹
N	**OTHER INCOME**				
	Interest income on -				
	- Bank deposits	**17,738,427**		*35,734,781*	
	- Income tax refund	**130,956**		–	
			17,869,383		*35,734,781*
	Income from sale of DEPB license		**5,869,768**		*5,719,452*
	Exchange gain (net) [Refer note U 13 infra]		**88,006,768**		–
	Profit on sale of current investments (net)		**4,332,648**		–
	Miscellaneous income		**12,000**		–
	TOTAL		**116,090,567**		*41,454,233*
O	**CONSTRUCTION AND OPERATING EXPENSES**				
	(a) **Cost of materials consumed**				
	Construction materials	**847,326,974**		–	
	Stores, spares and tools	**47,902,128**		–	
			895,229,102		–
	(b) **Purchases of stock-in-trade**		**75,737,818**		–
	(c) **Operating expenses**				
	Sub-contracting charges	**78,027,102**		–	
	Port operating and maintenance expenses	**63,910,328**		–	
	Power and fuel	**41,268,199**		–	
	Repairs and maintenance - building	**35,722,274**		–	
	Repairs and maintenance - plant and machinery	**72,207,884**		*4,470,755*	–
	Freight expenses	**2,199,283**		–	
			293,335,070		*4,470,755*
	TOTAL		**1,264,301,990**		*4,470,755*
P	**EMPLOYEE BENEFITS EXPENSE**				
	Salaries, wages and allowances		**128,143,199**		*14,963,555*
	Contribution to and provision for :				
	Provident fund	**7,151,229**		*604,131*	
	Gratuity	**2,784,971**		*274,110*	
	Leave encashment	**8,356,480**		–	
			18,292,680		*878,241*
	Cost of services		**122,407,050**		*5,837,340*
	Staff welfare expenses		**24,253,647**		*3,727,772*
	TOTAL		**293,096,576**		*25,406,908*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

		2012-13		2011-12	
		₹	₹	₹	₹
Q	**SALES, ADMINISTRATION AND OTHER EXPENSES**				
	Rent		**17,922,756**		*1,278,687*
	Rates and taxes		**6,706,871**		*1,695,743*
	License fees		**12,651,885**		–
	Telephone and postage		**7,742,082**		*724,233*
	Professional fees		**82,651,366**		–
	Insurance		**76,995,653**		*356,981*
	Travelling and conveyance		**48,409,667**		*1,773,155*
	Auditor's remuneration				
	Statutory audit fees	**400,000**		*250,000*	
	Tax audit fees	**150,000**		–	
	Certification fees	**24,460**		*31,714*	
			574,460		*281,714*
	Miscellaneous expenses		**86,968,823**		*14,981,482*
	TOTAL		**340,623,563**		*21,091,995*

		2012-13	2011-12
R	**FINANCE COST**		
	Interest:		
	on debentures	**669,788,756**	–
	on working capital facilities	**6,397,847**	–
	others	**43,201**	–
	TOTAL	**676,229,804**	–

		2012-13	2011-12
S	**CONTINGENT LIABILITIES AND COMMITMENTS**		
	a. Contingent liabilities:		
	Claims against the Company not acknowledged as debts (Refer notes (i) to (iii) below)	**388,801,450**	*388,801,450*
	b. Commitments:		
	Estimated amount of contracts remaining to be executed on capital account	**25,416,971**	*3,772,658,973*

(i) The Company had received a letter dated December 4, 2009 from M/s. Tamilnadu Electricity Board (TNEB) claiming ₹ **0.75** Crores towards share of maintenance cost of North Chennai Thermal Power Station road maintained by TNEB. Joint Venture partner TIDCO had represented the matter to Govt. of Tamilnadu to resolve the same vide their letter dated December 21, 2009. During the year there was no development in this matter. The management is confident of resolving the matter in favour of the Company and hence no provision has been made in these accounts.

(ii) The Company has received a letter dated 18th December 2009 from M/s. Ennore Port Limited claiming ₹ **12.31** crores towards share of cost of road formation for use of the approach road to Company's project site. Joint Venture partner TIDCO has represented the matter to Govt. of Tamilnadu to resolve the same vide their letter dated 21st December 2009. During the year, there was no development in this matter. The management is confident of resolving the matter in favour of the Company and hence no provision has been made in these accounts.

(iii) The Company has received a letter dated August 16, 2010 from M/s. Chennai Water Desalination Limited (CWDL) having its water desalination plant adjacent to the Company's project site claiming ₹ **25.82** crores as compensation towards losses suffered by CWDL on account of off-shore dredging and other construction activities undertaken by the Company. The Company has rejected the above claim as untenable on the footing that the loss as claimed by CWDL is not due to any construction activity undertaken by the Company vide its letter dated September 6, 2010. During the year, there was no further development in this matter. The management is confident of resolving the matter in favour of the Company and hence no provision has been made in these accounts.

T SIGNIFICANT ACCOUNTING POLICIES

1) Basis of presentation

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ["GAAP"] in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government (as amended). However, certain claims are accounted for as and when admitted by the appropriate authorities.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

2) Use of estimates

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the year, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as at the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts/ advances, future obligations in respect of retirement benefit plans etc. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.

3) Revenue recognition

Revenue is recognized based on nature of activity when consideration can be reliably measured and there exists reasonable certainty of its recovery.

i. Contract revenue comprising the total value of construction work performed is recognized only to the extent of cost incurred till such time the outcome of the job cannot be ascertained reliably. When the outcome of the contract is ascertained reliably, contract revenue is recognized at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs.

   Expected loss, if any, on construction activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of costs and related incidental income not included in contract revenue is taken into consideration.

ii. Revenue from service operations is recognised based on services provided and billed as per the terms of contracts with the customers provided that the collection is reasonably certain.

iii. Interest income on deposits is recognized at the agreed rate on time proportion basis.

iv. Other items of income are accounted as and when the right to receive arises.

4) Fixed assets

Fixed assets are stated at original cost less accumulated depreciation, accumulated amortisation and cumulative impairment.

Pre-operative expenses including administrative and other general overhead expenses which are specifically attributable to the project, incurred up to the date of commencement of commercial operation are capitalized as a part of the cost of the fixed asset.

5) Depreciation

i. Owned assets

   Depreciation on assets is provided on straight-line basis at the rates specified in the Schedule XIV to the Companies Act, 1956. Depreciation on additions/deductions is calculated pro-rata from/ to the month of additions/deductions. Assets costing less than ₹ 5,000/- each are fully depreciated in the year of purchase.

   Depreciation charge for impaired assets is adjusted in the future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

   Cost of marine structures are amortized over the period of the Concession Agreement of 30 years with Tamilnadu Maritime Board effective from 11th February, 2009 or their useful lives, whichever is lower.

   However, in respect of the following categories of fixed assets, depreciation has been provided at a higher rate in line with their estimated useful life.

S.No	Category of Asset	Depreciation rate (% per annum)
1	Office Equipment	
	Multifunctional devices (fax machines/scanner/printers), desktop, Inkjet/laser-jet printers, switches (audio/video) and projectors	25.00%
	Others	6.67%
2	Computers – Laptop	25.00%
3	Desktops and laptops given to employees under the Company's Scheme	33.33%
4	Furniture and fixtures	10.00%
5	Motor car	14.14%
6	Air conditioning and refrigeration equipment	8.33%

ii. Leasehold land

   Land acquired under long-term lease is classified under "tangible assets" and is amortised over the primary lease period.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

6) Intangible assets and amortisation

Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets are amortized under straight line method as follows:

- Specialized software - over a period of 3 - 6 years.

Amortisation on impaired assets is adjusted in the future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

7) Impairment of assets

As at each Balance Sheet date, the carrying amount of asset is tested for impairment so as to determine:

a) the provision for impairment loss, if any; and

b) the reversal of impairment loss recognized in previous periods, if any,

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

a) in the case of an individual asset, at the higher of the net selling price and the value in use; and

b) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.)

8) Investments

Current investments are carried at lower of cost or market value. The determination of carrying value of such investments is done on the basis of weighted average cost of each individual investment.

9) Inventories

Stores, spares, components and construction materials are valued at the lower of actual cost and net realizable value, after providing for obsolescence, if any.

10) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

11) Foreign currency transactions, forward contracts and derivatives

i. The reporting currency of the Company is Indian Rupee.

ii. Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate.

iii. The exchange differences on settlement/ restatement are included in pre-operative expenses up to the date of commercial operation and recognised as income or expense thereafter in the period in which they arise.

iv. Forward contracts, other than those entered into to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions, are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates''. Exchange differences arising on such contracts are recognized in the period in which they arise. Gains and losses arising on account of roll over/cancellation of forward contracts are recognized as income/expenses of the period in which such roll over/cancellation takes place. The premium paid/received on a foreign currency forward contract is accounted as expenses/income over the period of the contract.

12) Employee benefits

i. Short-term employee benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short-term employee benefits. The benefits like salaries, wages, short-term compensated absences etc. and the expected cost of bonus, ex-gratia, are recognized in the period in which the employee renders the related service.

ii. Post-employment benefits:

a) Defined contribution plans

The State governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

b) Defined benefit plans

The Company's obligation towards gratuity is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

The fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognise the obligation on a net basis.

Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

iii. Long-term employee benefits:

The obligation for long term employee benefits such as long term compensated absences is recognized in the similar manner as in the case of defined benefit plans as mentioned in (ii) (b) above.

13) Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of such asset, till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

14) Segment accounting

a) Segment accounting policies

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting:

(i) Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.

(ii) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. Expenses which relate to the Company as a whole and not allocable to segments are included under "unallocable expenditure."

(iii) Income which relates to the Company as a whole and not allocable to segments is included in "unallocable income".

(iv) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment.

b) Inter-segment transfer pricing

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

15) Leases

Assets acquired on leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid during development period of the project are included in pre-operative expenses and are charged to the Statement of Profit and Loss during the commercial operational period, on accrual basis.

16) Taxes on income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessments/ appeals.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation/business losses are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

17) Operating cycle for current/non-current classification

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/ non-current.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

18) Provisions, contingent liabilities and contingent assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

i. the Company has a present obligation as a result of a past event,

ii. a probable outflow of resources is expected to settle the obligation; and

iii. the amount of obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

i. present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation;

ii. a present obligation arising from past events, when no reliable estimate is possible;

iii. a possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent assets are neither recognized, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

U1 Profile of the Company:

The promoters of the Company namely M/s. Larsen & Toubro Limited and M/s. Tamilnadu Industrial Development Corporation Limited (TIDCO) have entered into an Associate Sector Agreement on April 15, 2008 to form a joint venture public limited Company under the provisions of the Companies Act, 1956 in the State of Tamilnadu for implementation of integrated shipyard cum development of minor port complex and related facilities at Kattupalli village in Tiruvallur District.

U2 The Company has commenced its shipyard operations in December 2012 and port operations in January 2013.

U3 a) The Company has been given approval by Ministry of Commerce & Industry, Government of India for total area of 607.89 hectares for setting up of a sector specific Special Economic Zone (SEZ) for Heavy Engineering at Kattupalli Village, Ponneri Taluk, Tiruvallur District, Tamilnadu. The total SEZ area is constituted by 447.62 hectares (1,105.63 acres) of land area, 31.12 hectares (76.87 acres) of Coastal land area and 129.15 hectares (319.00 acres) of Water area.

b) Company is carrying out authorized operations of ship building and ship related activities in the processing zone and operations of Port in the non-processing zone in the Sector specific Special Economic Zone as per approval from the Department of Commerce, SEZ section, Ministry of Commerce & Industry, Government of India in accordance with the provisions of SEZ Act, 2005 and the SEZ Rules, 2006 framed thereunder.

U4 Advance against equity share capital of ₹ 4,218,600,000/- represents amount received from Larsen & Toubro Limited *(Previous year ₹ 8,524,900,000/- from Larsen & Toubro Limited and ₹ 253,200,000/- from TIDCO)*

U5 Earnings in foreign currency

Particulars	**2012-13** ₹	*2011-12* ₹
Construction and project related activities	**139,811,004**	–

U6 Expenditure in foreign currency

Particulars	**2012-13** ₹	*2011-12* ₹
Professional fees	**39,639,776**	*19,803,570*
Travel expenses	**8,288,068**	–
Others	**21,501,902**	*264,252*

U7 C.I.F. value of imports

Particulars	**2012-13** ₹	*2011-12* ₹
Raw materials	**350,894,498**	*341,122,886*
Capital goods	**1,000,211,687**	*1,097,435,828*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

U8 Disclosures pursuant to Accounting Standard (AS) 15 “Employee Benefits”:

(a) Defined Contribution plans

Employee provident fund is a defined contribution plan. The following are the contributions to provident fund during the year:

Provident fund	**2012-13** ₹	*2011-12* ₹
Employer’s contribution to provident fund		
- charged to Statement of Profit and Loss	**7,151,229**	*604,131*
- included in pre-operative expenses	**3,661,349**	*2,846,523*

(b) Defined benefit plans

Provision for gratuity has been made as per actuarial valuation report dated April 23, 2013.

i) Amounts recognized in the Balance Sheet:

Particulars	**As at 31.03.2013** ₹	*As at 31.03.2012* ₹
Present value of funded obligations	**–**	*–*
Fair value of plan assets	**–**	*–*
Present value of unfunded obligations	**4,975,468**	*1,565,652*
Unrecognized past service cost	**–**	*–*
Amount not recognized as an asset	**–**	*–*
Net liability	**–**	*–*
Current	**68,043**	*10,485*
Non-current	**4,907,425**	*1,555,167*
TOTAL	**4,975,468**	*1,565,652*

ii) Expense to be recognized in the Statement of Profit and Loss/ pre-operative expenses:

Particulars	**2012-13** ₹	*2011-12* ₹
Current service cost		
Statement of Profit and Loss	**1,284,883**	*274,110*
Pre-operative expenses	**624,845**	*1,291,542*
Interest on defined benefit obligation	**294,962**	*–*
Expected return on plan assets	**–**	*–*
Net actuarial losses/ (gains) recognized during the year	**1,205,126**	*–*
Past service cost	**–**	*–*
Losses/ (Gains) on curtailments and settlements	**–**	*–*
Adjustment for earlier years	**–**	*–*
Total recognized in	**–**	*–*
Statement of Profit and Loss	**2,784,971**	*274,110*
Pre-operative expenses	**624,845**	*1,291,542*
Actual Return on Plan Assets	**–**	*–*

iii) Reconciliation of defined benefit obligation and plan assets for the year and asset information are not applicable as the gratuity scheme is unfunded.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

iv) Principal actuarial assumptions

Particulars	2012-13	2011-12
Discount rate	**8.05%**	*8.50%*
Salary escalation rate	**6.00%**	*6.00%*
Attrition rate	**5.00%**	*5.00%*
Expected rate of return on plan assets	**Not applicable**	*Not applicable*
Salary reckoned for calculating benefit obligations (A)	**As per rule of the Company**	*As per rule of the Company*
Vesting period	**5 years**	*5 years*
Benefit formula for Gratuity for all exits except death	**A x Completed year of service x 15/26 subject to benefit having vested**	*A x Completed year of service x 15/26 subject to benefit having vested*
Benefit formula for gratuity on death	**Same as above but no vesting condition**	*Same as above but no vesting condition*
Retirement age	**58 years**	*58 years*
Mortality Rate	**Indian Assured Lives Mortality (2006-08) Ult table**	*Indian Assured Lives Mortality (2006-08) Ult table*
Disability/ ill health retirement	**No explicit assumption**	*No explicit assumption*

(c) Long-term employee benefits

Provision for compensated absences has been made based on actuarial valuation as at the Balance Sheet date as summarized below:

Particulars	2012-13	2011-12
(A) Summary of employee data		
1) Retirement age	**58 years**	*58 years*
2) Projected actuarial value of benefit obligations		
(a) Current	**1,279,293**	*920,276*
(b) Non-current	**8,364,741**	-
TOTAL	**9,644,034**	*920,276*
(B) Principal rules to compute benefit obligations		
1) Salary reckoned for calculating leave encashment	**Basic Salary**	*Basic Salary*
2) Benefit formula for all exits	**B (1) x Leave balance/ 26**	*B (1) x Leave balance/ 26*
(C) Mean financial assumptions		
1) Discount rate	**8.05%**	*8.50%*
2) Salary escalation rate	**6.00%**	*6.00%*
(D) Mean demographic assumptions		
1) Attrition rate	**5.00%**	
2) Mortality Rate	**Indian Assured Lives Mortality (2006-08) Ult table**	*Indian Assured Lives Mortality (2006-08) Ult table*
3) Disability/ ill health retirement	**No explicit assumption**	*No explicit assumption*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

U9 Disclosures pursuant to Accounting Standard (AS) 17 "Segment Reporting"

(i) Primary segments (business segments) 2012-13

Particulars	Shipbuilding ₹	Ports ₹	Elimination ₹	Total ₹
External revenue (net of excise duty)	1,026,429,990	21,802,734		**1,048,232,724**
Add/ (less) : Inter segment revenue	–	–	–	**–**
TOTAL	1,026,429,990	21,802,734	–	**1,048,232,724**
Segment results	(982,984,653)	(324,024,291)	–	**(1,307,008,944)**
Add: Interest income				**17,869,383**
Less: Interest expenses				**676,229,804**
Less: Other unallocable expenditure (Net of unallocable income)				**–**
Profit/ (loss) before tax				**(1,965,369,365)**
Less: Tax expense				**–**
Profit/ (loss) for the year				**(1,965,369,365)**
Capital employed:				
Segment assets	21,931,873,215	19,505,617,917	–	**41,437,491,132**
Unallocable corporate assets				**876,843,714**
Total assets				**42,314,334,846**
Segment liabilities	2,096,871,254	925,089,671	–	**3,021,960,925**
Unallocable corporate liabilities				**28,654,931,340**
Total liabilities				**31,676,892,265**
Capital expenditure	13,707,802,836	10,669,501,518		
Depreciation and amortisation included in segment expenses	327,473,778	227,966,945		

Note: Previous year figures have not been furnished as the Company has commenced commercial operations in the current year only.

(ii) Secondary segments (geographical segments)

	2012-13 ₹	*2011-12* ₹
(a) Domestic	**908,421,720**	–
(b) Overseas	**139,811,004**	–
TOTAL	**1,048,232,724**	–

(iii) All the assets of the Company are located in India.

(iv) Segment identification, reportable segments and definition of each reportable segment:

(a) Primary segment reporting format:

The risk-return profile of the Company's business is determined predominantly by the nature of its products and services. Accordingly, business segments constitute the primary segments for disclosure of segment information.

(b) Secondary segment reporting format

In respect of secondary segment information, the Company has identified its geographical segments as (a) Domestic and (b) Overseas. The secondary segment information has been disclosed accordingly

(c) Reportable segments

Reportable segments have been identified as per the criteria specified in Accounting Standard (AS) 17 "Segment Reporting"

(d) Segment composition

Primary segment can be broadly categorised into:

(i) Shipbuilding operations – Engaged in new build of commercial and defense vessels, ship conversion and ship repairs.

(ii) Ports - Engaged in container terminal operations .

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

U10 Disclosure of related parties/related party transactions

a) Name of related parties with whom transactions were entered into during the year and nature of relationship.

Name of Company	Nature of Relationship
Larsen & Toubro Limited	Holding Company
L&T Infrastructure Development Projects Limited	Fellow Subsidiary
L&T Infrastructure Finance Company Limited	Fellow Subsidiary
L&T Urban Infrastructure Limited	Fellow Subsidiary

b) Transactions during the year and amount due to or due from related parties

Nature of transactions	2012-13 ₹	Due to ₹	Due from ₹
1) Larsen & Toubro Limited		**Nil** *(69,197,695)*	**549,989,632** *(Nil)*
Purchase of Fixed Assets/ Capital Work-in-progress	**2,126,738,580** *(8,059,133,669)*		
Cost of services received	**211,634,146** *(90,821,588)*		
Employee stock option plan charges	**10,372,465** *(17,932,025)*		
Reimbursement of expenses paid to	**91,859,754** *(146,354,323)*		
Reimbursement of expenses received from	**8,414,623** *(Nil)*		
Rent expenses paid	**17,600,712** *(10,368,200)*		
Advance received against share capital	**3,880,000,000** *(2,294,100,000)*		
Advance received towards construction activity	**243,282,187** *(Nil)*	**335,610,000** *(366,120,000)*	
Share of common infrastructure costs transferred to	**148,314,074** *(246,800,000)*		
Repayment of term loan	**1,680,000,000** –		
Interest expenses on term loan	**114,019,672** *(144,566,648)*		
Sales	**896,514,831** *(Nil)*		
Purchase of goods	**14,894,648** *(Nil)*		
2) L&T Infrastructure Development Projects Limited Cost of services	**22,557,224** *(7,000,000)*	**5,048,032** *(Nil)*	
Reimbursement of expenses paid to	**Nil** *(5,963,084)*		
3) L&T Infrastructure Finance Company Limited Financial advisory services paid to	**Nil** *(8,701,561)*	**Nil** *(3,701,778)*	
4) L&T Urban Infrastructure Limited Reimbursement of expenses paid to	**Nil** *(41,293)*	**Nil** *(37,164)*	

(Figures in bracket relate to previous year)

c) No amount due to or due from related parties has been written off or written back during the year *(Previous year – Nil)*

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

U11 Leases

a) The Company has taken a car on non-cancellable operating lease. The future minimum lease payments in respect of which are as follows :

Particulars	Not later than 1 year	Later than 1 year not later than 5 years	Later than 5 years
	₹	₹	₹
Future minimum lease payments	**206,652**	**–**	**–**
	(826,608)	*(206,652)*	–

(Figures in bracket relate to previous year)

b) Lease rental paid/provided in respect of non-cancellable operating leases for the year is ₹ 826,608/- *(Previous year – ₹ 822,999/-)*

c) The Company has taken office premises on cancellable operating lease. Lease rental paid/provided for the year is ₹ 17,600,712/- *(Previous year – ₹ 10,368,200/-)*

d) Contingent rents recognized as income/ expenses during the year – ₹ Nil *(Previous year – ₹ Nil)*

U12 Earnings per share

Basic and diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS 20)

Particulars		2012-13	2011-12
Basic			
(a) Profit/ (loss) available to Equity Share holders	₹	**(1,965,369,365)**	*(23,712,071)*
(b) Number of equity shares outstanding	Numbers	**844,000,000**	*50,000*
(c) Weighted average number of equity shares	Numbers	**543,415,068**	*50,000*
Basic EPS [(a)/ (c)]	₹	**(3.62)**	*(474.24)*
Face value of an equity share	₹	**10.00**	*10.00*

Note : Potential equity shares that could arise account of advance against share capital do not result into diultion of EPS. Hence, they are not considered in working of diluted EPS in accordance with Accounting Standard (AS) 20.

U13 Foreign currency transactions, forward contracts and derivatives

The Company uses delivery based forward contracts to mitigate its risks associated with foreign currency fluctuations. The Company does not enter into any forward contracts which are intended for trading or speculative purposes.

Exchange gain (net) (Note N) includes ₹ 56,537,642 *(Previous Year Nil)* being income on forward contracts for the year.

U14 Disclosures pursuant to Accounting Standard (AS) 22 "Accounting for Taxes on Income"

Major components of deferred tax assets and deferred tax liabilities are as follows -

Particulars	As at 31.03.2013 ₹	*As at 31.03.2012 ₹*
Deferred tax liabilities		
(a) Timing difference between book depreciation and tax depreciation	**1,566,515,825**	–
	1,566,515,825	–
Deferred tax assets		
(a) Brought forward business losses/ unabsorbed depreciation	**2,394,911,302**	–
(b) Provision for leave encashment	**3,129,007**	–
(c) Provision for gratuity	**1,614,291**	–
	2,399,654,600	–
Net deferred tax liability/ (asset) (Refer Note below)	**(833,138,775)**	–

Note : The above deferred tax assets have not been recognised as a measure of prudence.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

U15 Disclosure pursuant to Accounting Standard (AS-7) "Construction Contracts"

Sl. No	**Particulars**	**2012-13** ₹	*2011-12* ₹
1	Contract revenue recognized for the financial year	**953,064,517**	–
2	Aggregate amount of contract costs incurred and recognized profits (less recognized loss) as at the end of the financial year for all contracts in progress as at that date	**953,064,517**	–
3	Amount of customer advances outstanding for contracts in progress as at the end of the financial year	**335,610,000**	–
4	Retention amounts due from customers for contracts in progress as at end of the financial year	**–**	–

U16 Previous year figures have been re-grouped/reclassified wherever necessary.

As per our report attached of even date

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

L. VAIDYANATHAN
Partner
Membership No. 16368

HRISHIKESH NARASIMHAN
Manager

HANS RAJ VERMA
Director

P. R. PRABHU
Director

Place : Chennai
Date : May 15, 2013

Place : Chennai
Date : May 15, 2013