

AUDITOR'S REPORT

To
Board of Directors,
The Tata Power Company Limited,
Bombay House,
24, Homi Mody Street,
Mumbai 400 001

Report on the Audit of Fit for Consolidation Reporting Package of Khopoli Investments Limited as at and for the year ended March 31, 2021

Opinion

We have audited the accompanying Fit for Consolidation (FFC) Reporting Package (herein referred to as "FFC Reporting Package") of Khopoli Investments Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the FFC Reporting Package, including a summary of significant accounting policies and other explanatory information. The FFC Reporting Package has been prepared by the management of the Company and The Tata Power Company Limited ('TPCL'), (hereinafter referred to as the 'Management') in accordance with Group Accounting Policies of TPCL, for the purpose of preparation of consolidated Ind AS financial statements of TPCL. The FFC Reporting Package has been prepared for the information and use of the board of directors of Tata Power Company Limited, the Holding Company to comply with the financial requirements in India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid FFC Reporting Package gives a true and fair view in conformity with the Group Accounting Policies of TPCL, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the FFC Reporting Package in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India ("the ICAI"). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the FFC Reporting Package' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the ICAI together with the ethical requirements that are relevant to our audit of the FFC Reporting Package, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the FFC Reporting Package.

Responsibility of Management for the FFC Reporting Package

The Management of the Company including those charged with governance are responsible for preparation of the FFC Reporting Package that gives a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Group Accounting Policies of TPCL, which are concluded by the Management to be in accordance with the recognition and measurement principle of the Indian Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS') and other accounting principles generally accepted in India. This responsibility also includes maintenance

of adequate accounting records, for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the FFC Reporting Package that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the FFC Reporting Package, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the FFC Reporting Package

Our objectives are to obtain reasonable assurance about whether the FFC Reporting Package as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the FFC Reporting Package.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the FFC Reporting Package, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ This report does not include report on the internal financial controls ('Report on internal financial controls'), since in our opinion and accordingly to the information and explanation given to us, the said report on internal financial controls is not applicable to the Company.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the FFC Reporting Package or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the FFC Reporting Package, including the disclosures, and whether the FFC Reporting Package represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003



per Vishal Bansal
Partner
Membership Number: 097546



UDIN: 21097546AAAADB3694

Mumbai
May 12, 2021

KHOPOLI INVESTMENTS LIMITED
FIT FOR CONSOLIDATION REPORTING PACKAGE
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021 USD	2020 USD
ASSETS			
<u>Current assets</u>			
Trade and other receivables	4	77,19,973	10,51,07,630
Cash and Short term deposits	5	59,11,540	68,89,103
Tax asset	15	60,656	-
Other current financial assets	6	22,52,68,619	22,82,91,943
Prepayments		5,175	5,000
Total assets		<u>23,89,65,963</u>	<u>34,02,93,676</u>
EQUITY AND LIABILITIES			
<u>Equity</u>			
Issued capital	7	4,70,07,350	4,70,07,350
Accumulated profits		6,59,26,127	6,65,96,021
Total Equity		<u>11,29,33,477</u>	<u>11,36,03,371</u>
<u>Non current liabilities</u>			
Interest bearing loans and borrowings	8	12,46,20,621	22,18,72,417
		<u>12,46,20,621</u>	<u>22,18,72,417</u>
<u>Current liabilities</u>			
Other payables	9	1,46,539	8,75,539
Other current financial liabilities	10	12,65,326	39,42,349
		<u>14,11,865</u>	<u>48,17,888</u>
Total equity and liabilities		<u>23,89,65,963</u>	<u>34,02,93,676</u>

See accompanying Notes to the Reporting Package

As per our report on even date
For S R B C & CO LLP
Chartered Accountants
(Registration No.324982E/E300003)



Vishal Bansal
Partner
Membership No. 097546
Mumbai
Date: May 12, 2021



For and on behalf of the Khopoli Investments Limited



Jinendra Vardhaman Patil
Director

Mumbai
Date: May 12, 2021

KHOPOLI INVESTMENTS LIMITED
FIT FOR CONSOLIDATION REPORTING PACKAGE
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 USD	2020 USD
OTHER INCOME			
Dividend income		-	1,11,42,627
Other income	11	1,52,076	3,74,43,111
		<u>1,52,076</u>	<u>4,85,85,738</u>
OPERATING EXPENSES			
Other operating expenses	12	8,03,740	3,34,249
		<u>8,03,740</u>	<u>3,34,249</u>
OPERATING PROFIT			
		(6,51,664)	4,82,51,489
Finance income	13	63,13,856	2,28,34,169
Finance cost	14	(61,19,347)	(1,39,36,577)
PROFIT BEFORE TAX			
		(4,57,155)	5,71,49,081
Taxation	15	(2,12,739)	(14,15,762)
PROFIT / (LOSS) FOR THE YEAR			
		<u>(6,69,894)</u>	<u>5,57,33,319</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
TOTAL COMPREHENSIVE INCOME NET OF TAX			
		<u>(6,69,894)</u>	<u>5,57,33,319</u>

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KHOPOLI INVESTMENTS LIMITED
FIT FOR CONSOLIDATION REPORTING PACKAGE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Issued Capital	Retained earnings	Total
	USD	USD	USD
At 31 March 2019	4,70,07,350	1,08,62,702	4,33,73,366
Profit for the year	-	5,57,33,319	5,57,33,319
Other comprehensive income for the year	-	-	-
At 31 March 2020	<u>4,70,07,350</u>	<u>6,65,96,021</u>	<u>11,36,03,371</u>
Loss for the year	-	(6,69,894)	(6,69,894)
Other comprehensive income for the year	-	-	-
At 31 March 2021	<u>4,70,07,350</u>	<u>6,59,26,127</u>	<u>11,29,33,477</u>

See accompanying Notes to the Reporting Package

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Mumbai
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KHOPOLI INVESTMENTS LIMITED
FIT FOR CONSOLIDATION REPORTING PACKAGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	2021 USD	2020 USD
Cash flows from operating activities		
Profit / (Loss) before tax	(4,57,155)	5,71,49,081
<i>Adjustments for:</i>		
Bank interest income	(2,20,446)	(64,930)
Interest income on loan	(39,27,443)	(79,43,364)
Interest expenses on loan from banks	80,98,027	79,01,878
Marked to market gain/ (loss) on derivatives	42,73,375	(51,30,441)
Deferrred consideration	(1,52,076)	(3,74,43,111)
Dividend Income	-	(1,11,42,627)
Income from settlement of currency forwards	(91,16,365)	(78,75,477)
	<u>(15,02,083)</u>	<u>(45,48,991)</u>
Movement in working capital:		
Decrease / (Increase) in other receivables	(1,41,092)	(64,610)
(Decrease) in other payables	(1,53,387)	96,091
	<u>(2,94,479)</u>	<u>31,481</u>
<i>Cash generated from operating activities</i>	(17,96,562)	(45,17,510)
Tax paid	(7,31,072)	(9,58,085)
<i>Net cash used in operating activities</i>	<u>(25,27,634)</u>	<u>(54,75,595)</u>
Cash flows from investing activities		
Dividend income	-	1,11,42,627
Bank interest received	2,20,815	66,606
Interest received from related parties	-	5,69,807
Proceeds from disposal of investments	9,76,80,650	-
Loan repaid by related party	-	1,52,60,000
<i>Net cash generated from investing activities</i>	<u>9,79,01,465</u>	<u>2,70,39,040</u>
Cash flows from financing activities		
Interest paid on loan from bank	(49,73,784)	(93,72,846)
Interest paid on loan from related parties	(1,10,217)	-
Income from settlement of currency forwards	91,16,365	78,75,477
Upfront fees	(3,83,758)	-
Loan received from related party	-	1,00,00,000
Loan repaid to related party	-	(1,00,00,000)
Loan repaid to bank	(22,50,00,000)	(2,00,00,000)
Loan received from bank	12,50,00,000	-
<i>Net cash used in financing activities</i>	<u>(9,63,51,394)</u>	<u>(2,14,97,369)</u>
Net increase in cash and cash equivalents	(9,77,563)	66,076
Cash and cash equivalents at beginning of the year	68,89,103	68,23,027
Cash and cash equivalents at end of year	<u>59,11,540</u>	<u>68,89,103</u>

As per our report on even date
For S R B C & CO LLP
Chartered Accountants
(Registration No.324982E/E300003)



Vishal Bansal
Partner
Membership No. 097546
Mumbai
Date: May 12, 2021



For and on behalf of the Khopoli Investments Limited



Jinendra Vardhaman Patil
Director

Mumbai
Date: May 12, 2021

1. BACKGROUND INFORMATION

The Company was incorporated in Mauritius under the Companies Act 2001 on 27 April 2007 as a domestic and private company with limited liability by shares and changed its legal regime to a Category 1 Global Business Company on 22 June 2007. It holds a Category 1 Global Business Licence issued by the Financial Services Commission. The Company has its registered office at Sanne House, Bank Street, TwentyEight Cybercity, Ebene 72201, Mauritius.

The principal activity of the Company is that of investment holding and ancillary services of collecting accounts receivable of its related parties, provision of loan to related parties and management support services to related parties.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fit for Consolidation (FFC) Reporting Package (herein referred to as "Reporting Package") has been prepared in accordance with the Group Accounting Policies of The Tata Power Company Limited ('TPCL'), which are concluded by the Management to be in accordance with the recognition and measurement principle of the Indian Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS') and other accounting principles generally accepted in India.

The preparation of the Reporting Package in accordance with and in compliance with the Group Accounting Policies requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the Reporting Package. Actual results could differ from those estimates. A summary of the important accounting policies, which have been applied consistently, is set out below.

(a) Basis of preparation

The Reporting Package has been prepared in accordance with the Group Accounting Policies of The Tata Power Company Limited ('TPCL'), which are concluded by the Management to be in accordance with the recognition and measurement principle of the Indian Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS') and other accounting principles generally accepted in India.

The Reporting Package has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The Reporting Package is presented in USD.

(b) Current v/s non current classification

The Company presents assets and liabilities in the statement of financial position based on current /non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(c) Fair value measurement

The Company measures financial instruments such as derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or
- In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Reporting Package are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Fair value measurement (Continued)

For assets and liabilities that are recognised in the Reporting Package at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(e) Foreign currency translation

Functional and presentation currency

Items included in the Reporting Package of the Company are measured using the currency of the primary economic environment of the Company (the "functional currency"). The Reporting Package of the Company are presented in United States Dollars ("USD"), which is the Company's functional currency and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(f) Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Mauritian laws, a distribution is authorised when it is approved by the shareholders and the Company satisfies the solvency test prior and post the distribution. A corresponding amount is recognised directly in equity.

(g) Cash and short term deposits

Cash and short -term deposits in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdraft as they are considered an integral part of the Company's cash management.

(h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (Debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

- Financial assets at amortised cost (Debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company financial assets at amortised cost includes loan to related parties, including interest accrued thereon and interest receivable on short term deposits.

- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

(j) Financial instruments (Continued)

- Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

The rights to receive cash flows from the asset have expired

Or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

- Impairment of financial assets

The Company assesses at each date of balance sheet whether a financial asset or a Company of financial assets is impaired. The Group Accounting Policies require expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

(j) Financial instruments (Continued)

(ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in the Group Accounting Policies are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss

(iii) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in statement of profit and loss immediately.

(iv) Reclassification of financial assets and liabilities

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(k) Revenue from Contracts with Customers

Revenue from a contract to provide services is recognised over time based on:

Input method where the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of performance obligation. Revenue, including estimated fees or profits, are recorded proportionally based on measure of progress. Output method where direct measurements of value to the customer based on survey's of performance completed to date. Revenue is recognised net of cash discount at a point in time at the contracted rate.

(l) Other Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established which is generally when shareholders approve the dividend and is recognised gross of withholding tax.

(m) Expense recognition

All expenses are accounted for in the statement of profit or loss and other comprehensive income on accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Taxation

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Reporting Package and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(n) Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(o) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant accounting judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 2, the management have made the following judgements that have the most significant effect on the amounts recognised in the Reporting Package.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. As described in note 2, the directors have considered various primary & secondary factors and have determined that the functional currency of the Company is the United States Dollars.

Fair value of derivative financial assets and liabilities

The Company had entered into derivative financial instruments to manage its exposure to interest rate including interest rate caps and swaps. The interest rate caps and swaps have been designated as financial assets at fair value through profit or loss. The fair valuation is the marked to market value as at the reporting date. The fair value of the derivative is worked out by Sumitomo Mitsui Banking Corporation & DBS Bank Ltd which uses the Proprietary model as their valuation methodology.

4. TRADE AND OTHER RECEIVABLES

	2021	2020
	USD	USD
Management fee receivable	75,00,000	75,00,000
Other receivables	2,74,169	1,33,252
Disposal proceed receivables	-	9,75,28,574
Provision for doubtful debts	(54,196)	(54,196)
	<u>77,19,973</u>	<u>10,51,07,630</u>

Management fees receivable from PT Arutmin Indonesia ("Arutmin") is unsecured and carry no interest, and will be recalled for payment as and when required. On 17 June 2019, the Board approved the Termination of Management Services Agreement ("MSA") entered with Arutmin since the latter was unable to sustain the payment of management fees to the Company. Arutmin was discharged of all past, present and future obligations under the MSA, except for the outstanding Management Services fees of USD 7,500,000 (net of taxes) payable to the Company.

In determining the recoverability of the management fees receivable, the Company considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date.

At Holding Company Group level, there are payables and receivables outstanding to/from Arutmin and hence the directors believe that there is no credit risk. Accordingly, the Company has not recognised any expense towards expected credit loss on the receivable balance as at year end.

Other receivables represent amounts of USD 54,196 from Tata Africa and USD 2,19,973 from Bhivpuri Investments Limited as at 31 March 2021.

On 13 August 2019, the Board approved the sale of 100% equity shares held by the Company in Cennergi to Exxaro for an amount not less than ZAR 1,550 million plus net realisable cash as on 31 December 2019 (Base Date). In this respect, a total amount of USD 97,528,574 (equivalent of ZAR 1,739,704,957) was accounted for as disposal proceeds receivable, which includes the upfront consideration, the interest on upfront consideration, cash adjustment amount and the deferred consideration amount.

As at 31 March 2021, the ageing analysis of Trade receivables is as follows:

	Total	< 30 days	31-60 days	61-90 days	91-120 days	>120 days
	USD	USD	USD	USD	USD	USD
31 March 2021	<u>75,00,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,00,000</u>

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5. CASH AND SHORT TERM DEPOSITS

For the purpose of the statement of cash flows, the cash and cash equivalents comprise of the following:

	2021	2020
	USD	USD
Cash at bank	7,177	8,831
Short term bank deposits	59,04,363	68,80,272
	<u>59,11,540</u>	<u>68,89,103</u>

The interest rate on short term deposits ranges from 0.10% to 0.13% for the year under review. The term deposits are less than 3 months.

6. OTHER CURRENT FINANCIAL ASSETS

	2021	2020
	USD	USD
Financial Assets (Refer to note (a) below)	22,52,68,619	22,13,41,545
Derivative Financial Assets	-	69,50,398
	<u>22,52,68,619</u>	<u>22,82,91,943</u>

(a) Financial Asset at amortised cost

	2021	2020
	USD	USD
Loans (Refer details below)	20,82,60,700	20,82,60,700
Interest on loan to related parties	1,70,07,481	1,30,80,038
Interest receivable on short-term deposits	438	807
	<u>22,52,68,619</u>	<u>22,13,41,545</u>

Loans:

i Bhira Investments Limited ("Bhira")

Opening balance	-	1,52,60,000
Additions during the year	-	-
Amount repaid during the year	-	(1,52,60,000)
Closing balance	<u>-</u>	<u>-</u>

The Board of the Company had on 16 October 2018 approved a loan of upto USD 25,000,000 to Bhira. The loan was unsecured and had a maximum tenor of 36 months which could be modified by mutual consent between the parties. The loan carried interest at the rate of LIBOR plus 1.7%. An amount of USD 17,260,000 was disbursed out of which USD 2,000,000 was repaid during the year ended 31 March 2019. The outstanding balance of USD 15,260,000 was fully repaid by Bhira on 9 September 2019.

ii. Bhivpuri Investments Limited ("Bhivpuri")

Opening balance	20,82,60,700	20,82,60,700
Loan given	-	-
Closing balance	<u>20,82,60,700</u>	<u>20,82,60,700</u>

The Board of the Company had on 25 July 2018 approved the loan of upto USD 250 million to Bhivpuri. Such loan is unsecured and has a maximum tenor of 36 months, that is, on or before July 24, 2021, which can be modified by mutual consent between the parties. Accordingly, the loan has been classified as current. The loan carries interest at the rate of LIBOR plus 1.7%. The amount of USD 208,260,000 was disbursed during the year ended 31 March 2019 and no further amounts disbursed for the year ended 31 March 2021.

(b) Derivative not designated as hedging instrument

Derivative financial assets/liabilities (Refer Note 9)

The Company had purchased interest rate swaps for the long term loan of USD 225 million to mitigate the risk of adverse fluctuation in LIBOR. Hence, if the LIBOR is higher, the Company receives the applicable LIBOR on the notional value and pays only the fixed rate agreed on the outstanding notional value.

The Company had also purchased forwards for the receivable from sale of the Company's investment in Cennergi to mitigate the risk of adverse fluctuation in ZAR.

The derivative financial instruments which had been designated as derivative financial assets/liabilities at fair value through profit or loss have been classified as derivative financial assets/liabilities pursuant to the marked to market value as at the reporting date.

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7. ISSUED CAPITAL

	2021	2020
	USD	USD
Ordinary shares of USD 1 each	4,70,07,350	4,70,07,350

47,007,350 fully paid ordinary shares carry one vote per share and carry the right to dividends have been issued. The Company does not have authorised share capital.

8. INTEREST BEARING LOANS AND BORROWINGS

	2021	2020
	USD	USD
(a) Loan of USD 225 million from SMBC	-	22,18,72,417
(b) Loan of USD 125 million from Bank of America	12,46,20,621	-
	<u>12,46,20,621</u>	<u>22,18,72,417</u>

(a) Loan of USD 225 million from SMBC

Pursuant to a Term Facility Agreement dated 24 August 2018, USD 305 million loan from Sumitomo Mitsui Banking Corporation ("SMBC") was refinanced by a consortium of banks comprising of Bank of America, N.A. ("BOA"), SMBC, DBS Bank Ltd. ("DBS"), Industrial and Commercial Bank of China ("ICBC") and Australia and New Zealand Banking Group Limited ("ANZ") on 30 August 2018. The bank loan of USD 245 million carries interest at the rate of LIBOR plus 1.15%. The total principal, is payable after 24 months from the utilisation date of 24 August 2021. The loan is recognized at amortised cost. Tata Power Company Limited, the holding company stands as guarantor to an amount at all times equal to 105% of the principal amount of the loan then outstanding. Out of USD 245 million, USD 20 million was repaid to SMBC on 30 September 2019 to effectively reduce the interest burden on the Company. The loan was fully paid during the year ended 31 March 2021.

	2021	2020
	USD	USD
Loan received	24,50,00,000	24,50,00,000
Upfront fee	(22,15,000)	(22,15,000)
Loan amortization	1,70,71,385	1,18,61,329
Loan repaid	(24,50,00,000)	(2,00,00,000)
Interest payable	-	(13,371)
Total loan interest paid	(1,48,56,385)	(1,27,60,541)
Floating rate borrowing	-	<u>22,18,72,417</u>

(b) Loan of USD 125 million from Bank of America

Pursuant to a Term Facility Agreement dated 31 March 2021, a loan of USD 125 million was refinanced taken from Bank of America, N.A. ("BOA") on 31 March 2021 to repay the loan from SMBC. The bank loan of USD 125 million carries interest at the rate of LIBOR plus 1.15%. The total principal, is payable after 18 months from the utilisation date of 31 March 2021. The loan is recognized at amortised cost. Tata Power Company Limited, the holding company stands as guarantor to an amount at all times equal to 105% of the principal amount of the loan then outstanding as follows:

	2021	2020
	USD	USD
Loan received	12,50,00,000	-
Upfront fee	(3,83,758)	-
Interest payable	4,379	-
Floating rate borrowing	<u>12,46,20,621</u>	<u>-</u>

9. OTHER PAYABLES

	2021	2020
	USD	USD
Accruals	13,359	4,89,858
Other payables to shareholder	1,24,198	2,15,431
Other payables to related party	-	43,333
Interest payable on loan to related party	-	1,10,217
Interest payable on loan	8,982	16,700
	<u>1,46,539</u>	<u>8,75,539</u>

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10. OTHER CURRENT FINANCIAL LIABILITIES

	2021	2020
	USD	USD
Marked to market payable on derivatives (Refer Note 7 b)	12,65,326	39,42,349
	<u>12,65,326</u>	<u>39,42,349</u>

For details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period, refer Note 18.4

11. OTHER INCOME

	2021	2020
	USD	USD
Gain on disposal of investment	-	3,74,43,111
Deferred consideration on sale of investment	1,52,076	-
	<u>1,52,076</u>	<u>3,74,43,111</u>

12. OTHER OPERATING EXPENSES

	2021	2020
	USD	USD
Audit fees	14,292	16,447
Other expenses	10,150	9,895
Legal and professional fees	7,79,298	3,07,907
	<u>8,03,740</u>	<u>3,34,249</u>

13. FINANCE INCOME

	2021	2020
	USD	USD
Bank interest income	2,20,446	64,930
Interest income on loan to Bhira (refer Note 7(a))	39,27,443	79,43,364
Income from settlement of currency forwards	21,65,967	78,75,477
Marked to market gain on derivatives - currency forwards	-	69,50,398
	<u>63,13,856</u>	<u>2,28,34,169</u>

14. FINANCE COST

	2021	2020
	USD	USD
Interest on loan from banks	54,21,004	77,91,661
Interest on loan from related party	-	1,10,217
Guarantee commission (Note (a) below)	5,62,841	36,54,068
Marked to market loss on derivatives	-	18,19,957
Foreign exchange loss	1,35,502	5,60,674
	<u>61,19,347</u>	<u>1,39,36,577</u>

Note (a) GUARANTEE COMMISSION

Guarantee commission represent arm's length fees payable to the holding company for providing corporate guarantee to the bank loans of USD 125 Million (Note 9) (PY bank loans USD 225 Million). Guarantee commission is calculated at 0.37% on the outstanding borrowings amount with a mark up of 5%.

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15. TAXATION

The Company holds a Category 1 Global Business License for the purpose of the Financial Services Act 2007 of Mauritius. Pursuant to the enactment of the Finance Act 2018, with effect as from 1 January 2019, the deemed tax credit has been phased out, through the implementation of a new tax regime. Companies which had obtained their Category 1 Global Business Licence on or before 16 October 2017, including the Company, have been grandfathered and would benefit from the deemed tax credit regime up to 30 June 2021.

Accordingly, the Company is entitled to a foreign tax credit equivalent to the higher of the actual foreign tax suffered or 80% of the Mauritian tax ("Deemed tax credit") on its foreign source income resulting in an effective tax rate on net income of up to 3%, up to 30 June 2021. Further, the Company is exempted from income tax in Mauritius on profits or gains arising from sale of securities. In addition, there is no withholding tax payable in Mauritius in respect of payments of dividends to shareholders or in respect of redemptions or exchanges of shares.

Post 30 June 2021 and under the new tax regime and subject to meeting the necessary substance requirements as required under the Financial Services Act 2007 (as amended by the Finance Act 2018) and such guidelines issued by the Financial Services Commission, the Company is entitled to either (a) a foreign tax credit equivalent to the actual foreign tax suffered on its foreign income against the Company's tax liability computed at 15% on such income, or (b) a partial exemption of 80% of some of the income derived, including but not limited to foreign source dividends or interest income, subject to meeting certain conditions, which includes;

- (a) The Company carries out its core income generating activities in Mauritius;
- (b) The Company employs, directly or indirectly, adequate number of suitably qualified persons to conduct its core income generating activities; and
- (c) The Company incurs a minimum expenditure proportionate to its level of activities.

The Company will also need to demonstrate that its central management and control is in Mauritius.

The foregoing is based on the taxation laws and practices currently in force in Mauritius and may be subject to change.

The Company has a tax charge of USD 210,497 (31 March 2020: USD 1,415,762) during the year under review. As at 31 March 2021, the Company has a tax asset of USD 60,656 (31 March 2020: tax liability of USD 4,57,677)

	2021	2020
	USD	USD
(Loss) /Profit before taxation	(4,57,155)	5,71,49,081
Tax at the applicable rate of 15%	(68,573)	85,72,362
Tax effect of:		
Other allowable expenses	(2,97,277)	(11,06,151)
Items outside scope of taxation	13,68,534	1,55,856
Non allowable expenses	1,01,743	4,15,374
Exempt income	(51,940)	(55,32,605)
Withholding tax	-	(5,57,131)
Other tax expenses	-	(8,58,631)
Deductions disallowed	-	10,02,162
Foreign tax credit	(8,41,990)	(28,05,598)
Deferred tax asset not recognised	-	(7,01,400)
Tax charge	(2,10,497)	(14,15,762)
Underprovision of tax for last year	(2,242)	-
Tax for the year	(2,12,739)	(14,15,762)

Movement in the tax balances during the year is as under:

	2021	2020
	USD	USD
Tax liability / (Asset) at the start of the year	4,57,677	-
Paid during the year	(7,31,072)	(9,58,085)
Charge for the year	2,12,739	14,15,762
Tax liability / (Asset) at the end of the year	(60,656)	4,57,677

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16. RELATED PARTY TRANSACTIONS

For the year under review, the Company transacted with related parties. Details of the nature, volume of transactions and the balances with the related parties are as follows:

		Amount USD
<i>(a) (i) The Tata Power Co Ltd (Holding Company)</i>		
Guarantee commission	2021	(5,62,841)
	2020	(36,54,068)
Guarantee commission payable	2021	(1,24,198)
	2020	(2,15,431)
<i>(a) (ii) Bhira Investments Limited ("Bhira")(fellow subsidiary)</i>		
- Interest payable	2021	-
	2020	(1,10,217)
- Other payable	2021	-
	2020	(43,333)
- Interest income	2021	-
	2020	2,75,338
- Consultant fee expenses	2021	42,000
	2020	40,000
- Interest expense	2021	-
	2020	1,10,217
<i>(a) (iii) Cennergi (Proprietary) Limited</i>		
-Dividend income	2021	-
	2020	1,11,42,627
<i>(a) (iv) Bhivpuri Investments Limited ("Bhivpuri")(fellow subsidiary)</i>		
- Interest income	2021	39,27,443
	2020	76,68,027
- Interest Receivable	2021	1,70,07,481
	2020	1,30,80,038
- Other Receivable	2021	2,19,972
	2020	79,056
- Loan receivable	2021	20,82,60,700
	2020	20,82,60,700

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16. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (v) SANNE Mauritius (Secretary, Administrator and tax agent)		
- Administrative Fees	2021	45,000
	2020	51,808
- Administrative Fees Payable	2021	7,500
	2020	7,500

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of 31 March 2021 are unsecured and settlement occurs in cash. Guarantee is outstanding from The Tata Power Company Limited on USD 125 million loan as at 31 March 2021. For the year ended 31 March 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties except USD 54,196 (31 March 2020: USD 54,196). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

17.1 Financial assets

	2021	2020
Derivatives not designated as hedging instruments		
Derivative Financial Assets - currency forward	-	69,50,398
Total Derivative Financial Asset	-	69,50,398
Financial Assets at amortised cost		
Trade and Other receivables	77,19,973	10,51,07,630
Cash and Short term deposits	59,11,540	68,89,103
Loans given to related parties	20,82,60,700	20,82,60,700
Interest on short term deposits and on loan to related parties	1,70,07,919	1,30,80,845
Total Financial Assets at amortised cost	23,89,00,132	33,33,38,278
Total Financial Assets	23,89,00,132	34,02,88,676
Total Current Financial Assets	23,89,60,788	34,02,88,676
Total Non Current Financial Assets	-60,656	-

Loans and receivables are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

17.2 Financial liabilities

	Interest rate	Maturity	2021	2020
Interest-bearing loans and borrowings				
Total current interest-bearing loans and borrowings			-	-
Non-current interest-bearing loans and borrowings				
USD 225 M Loan from SMBC	LIBOR + 1.15%	24-Aug-21	-	22,18,72,417
USD 125 M Loan from Bank of America	LIBOR + 1.15%	30-Sep-22	12,46,20,621	-
Total non-current interest-bearing loans and borrowings			12,46,20,621	22,18,72,417
Total interest-bearing loans and borrowings			12,46,20,621	22,18,72,417
Other financial liabilities				
Derivatives not designated as hedging instruments			12,65,326	39,42,349
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings			1,46,539	8,75,539
Total Other financial liabilities			14,11,865	48,17,888
Total Financial Liabilities			12,60,32,486	22,66,90,305
Total Current Financial Liabilities			14,11,865	48,17,888
Total Non Current Financial Liabilities			12,46,20,621	22,18,72,417

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

17.3 Derivatives not designated as hedging instruments

The Company had purchased derivatives for the long term loan of USD 225 million to mitigate the risk of adverse fluctuation in LIBOR. Hence, if the LIBOR is higher, the Company receives the applicable LIBOR on the notional value and pays only the fixed rate agreed on the outstanding notional value. The value of such derivatives outstanding as at 31 March 2021 is USD 125 million (31 March 2020: USD 225 million).

The Company does not use hedge accounting to account for the derivatives.

17.4 Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

	2021		2020	
	Carrying amount USD	Fair value USD	Carrying amount USD	Fair value USD
Financial Assets				
Derivative Financial Assets- interest rate swaps designated as hedging instruments	-	-	69,50,398	69,50,398
Trade and Other receivables	77,19,973	77,19,973	10,51,07,630	10,51,07,630
Cash and Short term deposits	59,11,540	59,11,540	68,89,103	68,89,103
Loans given to related parties	20,82,60,700	20,82,60,700	20,82,60,700	20,82,60,700
Interest on short term deposits and on loan to related parties	1,70,07,919	1,70,07,919	1,30,80,845	1,30,80,845
Total Financial Assets	23,89,00,132	23,89,00,132	34,02,88,676	34,02,88,676
Financial Liabilities				
Interest-bearing loans and borrowings	12,46,20,621	12,46,20,621	22,18,72,417	22,18,72,417
Derivative Financial Liabilities- interest rate swaps designated as hedging instruments	12,65,326	12,65,326	39,42,349	39,42,349
Other financial liabilities	1,46,539	1,46,539	8,75,539	8,75,539
Total Financial Liabilities	12,60,32,486	12,60,32,486	22,66,90,305	22,66,90,305

Management assessed that the fair values of cash and short-term deposits, trade and other receivables, trade and other payables, loans and other financial assets and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Except for derivatives which are included in level 2, the carrying amounts of other financial assets and financial liabilities approximate their fair values.

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17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

17.4 Fair values (Continued)

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid market, is determined with reference to quoted market prices.
- The fair value of other financial asset and financial liability is determined in accordance with generally accepted pricing model, based on discounted cash flow analysis using prices from observable current market transactions and dealer quote for similar instruments.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1- Quoted prices (unadjusted) in active market for identical assets and liabilities:

Level 2- Input other than quoted prices included within level 1 that are observable for the asset and liability either directly (that is as prices) or indirectly (that is derived from prices); and

Level 3- For the asset or liability that are not based on observable market data (unobservable inputs).

The following table detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

	Average contracted fixed interest rate		Nominal principal amount		Fair value assets (liabilities)	
	2021	2020	2021	2020	2021	2020
	%	%	USD	USD	USD	USD
Less than 1 year	3.12	3.12	5,50,00,000	5,50,00,000	(7,06,345)	(21,99,141)
Less than 1 year	3.08	3.08	1,50,00,000	1,50,00,000	(1,88,819)	(5,88,644)
Less than 1 year	3.08	3.08	1,50,00,000	1,50,00,000	(1,88,584)	(5,65,122)
Less than 1 year	2.97	2.97	1,50,00,000	1,50,00,000	(1,81,578)	(5,89,442)
			<u>10,00,00,000</u>	<u>10,00,00,000</u>	<u>-12,65,326</u>	<u>-39,42,349</u>

The following table detail the notional principal amounts and remaining terms of currency forward contracts outstanding at the end of the reporting period.

Outstanding Contracts Forward Contracts	Foreign Currency		Nominal Value		Fair Value Assets/ Liabilities	
	ZAR	ZAR	USD	USD	USD	USD
	2021	2020	2021	2020	2021	2020
In Zar-Sell	-	514,000,000	-	31498958	-	2,656,513
In Zar-Sell	-	630,000,000	-	38,414,634	-	3,392,435
In Zar-Sell	-	156,000,000	-	9,588,199	-	901,450
	<u>-</u>	<u>1,300,000,000</u>	<u>-</u>	<u>79,501,791</u>	<u>-</u>	<u>6,950,398</u>

17.5 Financial instruments risk management objectives and policies

In its ordinary operations, the Company's investment activities expose it to the various types of risks, which are associated with the financial instruments and markets in which it invests. The following is a summary of the main risks:

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

17.5 Financial instruments risk management objectives and policies (Continued)

(i) Market Risk

Market risk is the risk that changes in market prices, such as (i) foreign exchange rates (currency risk) and (ii) interest rates (interest rate risk) will affect the Company's income or the value of its holdings of financial instruments. The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets and liabilities are interest-bearing. As such, the Company is subject to significant risk due to fluctuations in the prevailing levels of the market interest rates.

Interest on loan to/from related parties may fluctuate in amount, in particular due to changes in the LIBOR rate.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting year.

The impact of a 5% fluctuation in the interest rates on various loans taken by the Company would be as follows:

	5% increase 2021 USD	5% decrease 2021 USD	5% increase 2020 USD	5% decrease 2020 USD
Interest expense on loan	2,71,050	(2,71,050)	3,89,583	(3,89,583)
Effect on profit before tax	<u>(2,71,050)</u>	<u>2,71,050</u>	<u>(3,89,583)</u>	<u>3,89,583</u>

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

17.5 Financial instruments risk management objectives and policies (Continued)

(ii) Interest rate risk (Continued)

Bank interest income may fluctuate in amount, in particular due to changes in the interest rate. The impact of a 5% fluctuation in the interest rates on bank interest income would be as follows:

	5% increase 2021 USD	5% decrease 2021 USD	5% increase 2020 USD	5% decrease 2020 USD
Bank interest income	11,022	(11,022)	3,247	(3,247)
Effect on profit before tax	<u>11,022</u>	<u>(11,022)</u>	<u>3,247</u>	<u>(3,247)</u>

Interest income from related party may fluctuate in amount, in particular due to changes in the LIBOR Rate. The impact of a 5% fluctuation in the interest rates on loan to related parties would be as follows:

	5% increase 2021 USD	5% decrease 2021 USD	5% increase 2020 USD	5% decrease 2020 USD
Interest income on loan	1,96,372	(1,96,372)	3,97,168	(3,97,168)
Effect on profit before tax	<u>1,96,372</u>	<u>(1,96,372)</u>	<u>3,97,168</u>	<u>(3,97,168)</u>

(iii) Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

<i>Carrying Amount</i>	2021 USD	2020 USD
Cash and Short term deposits	59,11,540	68,89,103
Loan receivable	20,82,60,700	20,82,60,700
Interest receivable on loan from related parties	1,70,07,481	1,30,80,038
Trade & other receivables	77,19,973	10,51,07,630
	<u>23,88,99,694</u>	<u>33,33,37,471</u>

(iv) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors and in managing the Company's short, medium and long term funding and liquidity requirements, the Board of Directors is guided by similar practices adopted by its holding company. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

KHOPOLI INVESTMENTS LIMITED
NOTES TO THE FIT FOR CONSOLIDATION REPORTING PACKAGE
FOR THE YEAR ENDED 31 MARCH 2021

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

17.5 Financial instruments risk management objectives and policies (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can receive or be required to pay. The table includes both interest and principal cash flows.

2021	On demand	Less than 1 Year	More than 1 Year	Total
	USD	USD	USD	USD
Financial assets				
Interest-bearing loans to related parties and short term deposits	20,82,60,700	59,04,363	-	21,41,65,063
Cash at Bank	7,177	-	-	7,177
Interest on short term deposits and on loan to related parties	-	1,70,07,919	-	1,70,07,919
Trade and Other receivables	77,19,973	-	-	77,19,973
	<u>21,59,87,850</u>	<u>2,29,12,282</u>	<u>-</u>	<u>23,89,00,132</u>
Financial liabilities				
Interest-bearing loans and borrowings	-	15,62,500	12,57,81,250	12,73,43,750
Derivatives not designated as hedging instruments	-	12,65,326	-	12,65,326
Other financial liabilities	1,46,539	-	-	1,46,539
	<u>1,46,539</u>	<u>28,27,826</u>	<u>12,57,81,250</u>	<u>12,87,55,615</u>

KHOPOLI INVESTMENTS LIMITED
NOTES TO THE FIT FOR CONSOLIDATION REPORTING PACKAGE
FOR THE YEAR ENDED 31 MARCH 2021

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(v) Liquidity risk management (Continued)
Liquidity and interest risk tables (Continued)

2020	On demand	Less than 1 Year	More than 1 Year	Total
	USD	USD	USD	USD
Financial assets				
Interest-bearing loans to related parties and short term	20,82,60,700	68,80,272	-	21,51,40,972
Cash at Bank	8,831	-	-	8,831
Other Financial Assets	-	1,30,80,845	-	1,30,80,845
Trade and Other receivables	10,51,07,630	-	-	10,51,07,630
Derivative Financial Assets	-	69,50,398	-	69,50,398
	<u>31,33,77,161</u>	<u>2,69,11,515</u>	<u>-</u>	<u>34,02,88,676</u>
Financial liabilities				
Interest-bearing loans and borrowings	-	28,12,500	22,64,06,250	22,18,72,417
Derivatives not designated as hedging instruments	-	-	39,42,349	39,42,349
Other financial liabilities	8,75,539	-	-	8,75,539
	<u>8,75,539</u>	<u>-</u>	<u>22,58,14,766</u>	<u>22,66,90,305</u>

Capital Structure

The capital structure of the Company consists of net debt, stated capital and accumulated profits.

18. IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANY

The company regards The Tata Power Company Limited as the immediate holding and ultimate holding company. The Tata Power Company Limited is incorporated in India and listed on BSE Limited and National Stock Exchange of India Limited.

The Reporting Package has been prepared for the information and use of the board of directors of Tata Power Company Limited, the Holding Company to comply with the financial requirements in India.

19. CONTINGENCIES AND COMMITMENT

Contingencies

As at the reporting year, the Company did not have any contingencies.

Commitments

As at the reporting year, the Company did not have any commitments.

20. IMPACT OF COVID 19

The COVID-19 coronavirus pandemic continues in 2021 which still has significant global economic volatility and uncertainty and it is uncertain how long this volatility will continue. The Company is monitoring the situation closely and evaluating to what extent, if any, it may impact on its the going concern.

The directors are of the opinion that the Company will continue to meet its short-term working capital requirements and other obligations through utilisation of existing cash resources and financial support from its Holding Company, The Tata Power Company Limited, including guarantee given by the Holding Company on the borrowings outstanding as at year end. The directors are therefore of the opinion that the Company is not at risk of not continuing as a going concern.

The directors have evaluated the possibility of additional subsequent events in the Company's Reporting Package to date and have determined there were no additional material events that would require disclosure in the Reporting Package.

As per our report on even date
For S R B C & CO LLP
Chartered Accountants
(Registration No.324982E/E300003)



Vishal Bansal
Partner
Membership No. 097546
Mumbai
Date: May 12, 2021



For and on behalf of the Khopoli Investments Limited



Jinendra Vardhaman Patil
Director

Mumbai
Date: May 12, 2021

KHOPOLI INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	As at March, 2021	Exchange Rate	Amount	As at March, 2020	Exchange Rate	Amount
	USD		₹	USD		₹
ASSETS						
<u>Current assets</u>						
Trade and other receivables	77,19,973	73.11	56,44,26,526	10,51,07,630	75.54	7,94,00,93,139
Cash and Short term deposits	59,11,540	73.11	43,22,07,468	68,89,103	75.54	52,04,20,063
Other current financial Assets	22,52,68,619	73.11	16,46,99,51,907	22,82,91,943	75.54	17,24,57,44,104
Prepayments	5,175	73.11	3,78,357	5,000	75.54	3,77,713
Tax assets	60,656	73.11	44,34,712	-	75.54	-
	<u>23,89,65,963</u>	73.11	<u>17,47,13,98,970</u>	<u>34,02,93,676</u>	75.54	<u>25,70,66,35,019</u>
Assets classified as held for sale	-	73.11	-	-	75.54	-
Total assets	<u>23,89,65,963</u>	73.11	<u>17,47,13,98,970</u>	<u>34,02,93,676</u>	75.54	<u>25,70,66,35,019</u>
EQUITY AND LIABILITIES						
<u>Capital and reserves</u>						
Issued Capital	4,70,07,350	54.29	2,55,19,32,526	4,70,07,350	54.29	2,55,19,32,526
Accumulated losses	6,59,26,127	73.49	4,84,47,72,530	6,65,96,021	73.50	4,89,44,87,507
Exchange fluctuation reserve	-		86,01,43,781	-		1,13,54,62,621
Total Equity	<u>11,29,33,477</u>	73.11	<u>8,25,68,48,837</u>	<u>11,36,03,371</u>	75.54	<u>8,58,18,82,654</u>
<u>Non current liabilities</u>						
Interest bearing loans and borrowings	12,46,20,621	73.11	9,11,13,25,153	22,18,72,417	75.54	16,76,07,97,061
	<u>12,46,20,621</u>	75.54	<u>9,11,13,25,153</u>	<u>22,18,72,417</u>	75.54	<u>16,76,07,97,061</u>
<u>Current liabilities</u>						
Other payables	1,46,539	73.11	1,07,13,833	8,75,539	75.54	6,61,40,405
Other current financial liabilities	12,65,326	73.11	9,25,11,147	39,42,349	75.54	29,78,14,899
	<u>14,11,865</u>	73.11	<u>10,32,24,980</u>	<u>48,17,888</u>	75.54	<u>36,39,55,304</u>
Total equity and liabilities	<u>23,89,65,963</u>	73.11	<u>17,47,13,98,970</u>	<u>34,02,93,676</u>	75.54	<u>25,70,66,35,019</u>

KHOPOLI INVESTMENTS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Year ended March, 2021	Exchange Rate	Amount	Year ended March, 2020	Exchange Rate	Amount
	USD		₹	USD		₹
REVENUE						
Dividend income	-	74.21	-	1,11,42,627	70.88	78,98,40,658
Other income	1,52,076	74.21	1,12,86,047	3,74,43,111	70.88	2,65,41,39,946
	<u>1,52,076</u>	74.21	<u>1,12,86,047</u>	<u>4,85,85,738</u>	70.88	<u>3,44,39,80,604</u>
OPERATING EXPENSES						
Other operating expenses	8,03,740	74.21	5,96,48,117	3,34,249	70.88	2,36,93,107
Management fee expense	-	74.21	-	-	70.88	-
	<u>8,03,740</u>	74.21	<u>5,96,48,117</u>	<u>3,34,249</u>	70.88	<u>2,36,93,107</u>
OPERATING PROFIT	(6,51,664)	74.21	(4,83,62,070)	4,82,51,489	70.88	3,42,02,87,497
Finance Income	63,13,856	74.21	46,85,71,458	2,28,34,169	70.88	1,61,85,90,936
Finance cost	(61,19,347)	74.21	(45,41,36,323)	1,39,36,577	70.88	98,78,88,686
(LOSS) / PROFIT BEFORE TAX AND EXCEPTIONAL ITEM	<u>(4,57,155)</u>	74.21	<u>(3,39,26,935)</u>	<u>5,71,49,081</u>	69.89	<u>4,05,09,89,747</u>
Exceptional item		74.21	-		70.88	-
(LOSS) / PROFIT BEFORE TAX	<u>(4,57,155)</u>	74.21	<u>(3,39,26,935)</u>	<u>5,71,49,081</u>	70.88	<u>4,05,09,89,747</u>
Tax expense	(2,12,739)	74.21	(1,57,88,042)	(14,15,762)	70.88	(10,03,55,723)
PROFIT / (LOSS) AND OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>(6,69,894)</u>	74.21	<u>(4,97,14,977)</u>	<u>5,57,33,319</u>	74.49	<u>4,15,13,45,470</u>

KHOPOLI INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Stated capital	Exchange Rate	Amount	(Accumulated losses) / Retained Earnings	Exchange Rate	Amount	Total	Exchange Rate	Amount
	USD		₹	USD		₹	USD		₹
At 31 March 2019	<u>4,70,07,350</u>	54.29	<u>2,55,19,32,526</u>	<u>1,08,62,702</u>	68.41	<u>74,31,42,037</u>	<u>5,78,70,052</u>	56.94	<u>3,29,50,74,563</u>
Profit and total comprehensive income for the year				5,57,33,319	74.49	4,15,13,45,470	5,57,33,319	74.49	4,15,13,45,470
At 31 March 2020	<u>4,70,07,350</u>	54.29	<u>2,55,19,32,526</u>	<u>6,65,96,021</u>	73.50	<u>4,89,44,87,507</u>	<u>11,36,03,371</u>	65.55	<u>7,44,64,20,033</u>
Profit and total comprehensive income for the year				(6,69,894)	74.21	(4,97,14,977)	(6,69,894)	74.21	(4,97,14,977)
At 31 March 2021	<u>4,70,07,350</u>	54.29	<u>2,55,19,32,526</u>	<u>6,59,26,127</u>	73.49	<u>4,84,47,72,530</u>	<u>11,29,33,477</u>	65.50	<u>7,39,67,05,056</u>

KHOPOLI INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Year ended March, 2021	Exchange Rate	Amount ₹	Year ended March, 2020	Exchange Rate	Amount ₹
Cash flows from operating activities						
Profit / (Loss) before tax	(4,57,155)	74.21	(3,39,26,935)	5,71,49,081	70.88	4,05,09,89,747
<i>Adjustments for:</i>						
Bank interest income	(2,20,446)	74.21	(1,63,60,003)	(64,930)	70.88	(46,02,537)
Interest income on loan	(39,27,443)	74.21	(29,14,68,113)	(79,43,364)	70.88	(56,30,62,180)
Interest expenses on loan from banks	80,98,027	74.21	60,09,80,497	79,01,878	70.88	56,01,21,461
Marked to market gain/ (loss) on derivatives	42,73,375	74.21	31,71,40,834	(51,30,441)	70.88	(36,36,69,258)
Gain on disposal of shares	(1,52,076)	74.21	(1,12,86,047)	(3,74,43,111)	70.88	(2,65,41,39,946)
Dividend income	-	74.21	-	(1,11,42,627)	70.88	(78,98,40,658)
Income from settlement of currency forwards	(91,16,365)	74.21	(67,65,54,619)	(78,75,477)	70.88	(55,82,50,037)
	(15,02,083)	74.21	(11,14,74,386)	(45,48,991)	70.88	(32,24,53,407)
<i>Movement in working capital:</i>						
Increase in other receivables	(1,41,092)	74.21	(1,04,70,889)	(64,610)	70.88	(45,79,854)
(Decrease) / Increase in other payables	(1,53,387)	74.21	(1,13,83,340)	96,091	70.88	68,11,372
Cash generated from operating activities	(17,96,562)	74.21	(13,33,28,615)	(45,17,510)	70.88	(32,02,21,889)
Withholding tax paid	(7,31,072)	74.21	(5,42,55,193)	(9,58,085)	70.88	(6,79,13,472)
Tax refund received	-	74.21	-	-	70.88	-
Net cash generated from operating activities	(25,27,634)	74.21	(18,75,83,808)	(54,75,595)	70.88	(38,81,35,361)
Cash flows from investing activities						
Dividend income	-	74.21	-	1,11,42,627	70.88	78,98,40,658
Bank interest received	2,20,815	74.21	1,63,87,388	66,606	70.88	47,21,340
Interest received from related parties	-	74.21	-	5,69,807	70.88	4,03,90,541
Proceeds from disposal of investments	9,76,80,650	74.21	7,24,91,93,615	-	70.88	-
Loan repaid by related party	-	74.21	-	1,52,60,000	70.88	1,08,16,98,996
Net cash generated from / (used in) investing activities	9,79,01,465	74.21	7,26,55,81,002	2,70,39,040	70.88	1,91,66,51,535
Cash flows from financing activities						
Interest paid on loan from bank	(49,73,784)	74.21	(36,91,20,427)	(93,72,846)	70.88	(66,43,90,440)
Interest paid on loan from related parties	(1,10,217)	74.21	(81,79,556)	-	70.88	-
Income from settlement of currency forwards	91,16,365	74.21	67,65,54,619	78,75,477	70.88	55,82,50,037
Upfront fees	(3,83,758)	74.21	(2,84,79,909)	-	70.88	-
Interest received	-	74.21	-	-	70.88	-
Loan received from related party	-	74.21	-	1,00,00,000	70.88	70,88,46,000
Loan repaid to related party	-	74.21	-	(1,00,00,000)	70.88	(70,88,46,000)
Loan repaid to bank	(22,50,00,000)	74.21	(16,69,79,70,000)	(2,00,00,000)	70.88	(1,41,76,92,000)
Loan received from bank	12,50,00,000	74.21	9,27,66,50,000	-	70.88	-
Net cash used in financing activities	(9,63,51,394)	74.21	(7,15,05,45,273)	(2,14,97,369)	70.88	(1,52,38,32,403)
Net increase / (decrease) in cash and cash equivalents	(9,77,563)	74.21	(7,25,48,079)	66,076	70.88	46,83,770
Cash and cash equivalents at beginning of year	68,89,103	75.54	52,04,20,063	68,23,027	69.16	47,18,88,735
Effect of exchange fluctuation on cash and cash equivalents			(1,56,64,516)			4,38,47,558
Cash and cash equivalents at end of year	59,11,540	73.11	43,22,07,468	68,89,103	75.54	52,04,20,063