# 9th Annual Report 2007-08

## Innovation
•
## Courage
•
## Trust

Three small words perhaps.
But for us, our past, present and future.

ADANI

**Mundra Port and Special Economic Zone Limited**

*Forward Looking Statement*

This Annual Report contains forward-looking information to enable investors to comprehend company's prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties, and even less then accurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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# The Company

## About the Company

Mundra Port and Special Economic Zone Limited (MPSEZL) is the developer and operator of the Mundra Port, one of the leading commercial private sector ports in India. The port is located in the Kutch District of Gujarat, on the northwest coast of India. The multi-product SEZ at Mundra and the surrounding areas is one of India's largest port-led SEZ.

Incorporated as Gujarat Adani Port Limited in 1998, MPSEZL is a part of the Adani Group, one of India's leading business houses. The Company accessed the capital markets in 2007-08 and is listed on the National Stock Exchange of India and the Bombay Stock Exchange.

## Performance

During 2007-08, MPSEZL recorded revenues of Rs. 8,461 million, a growth of 44.1% over the previous year. The Company's EBIDTA stood at Rs. 5,620 million against Rs. 3,187 million recorded during the previous year, an increase of 76.3% over the previous year. Profits After Tax amounted to Rs. 2,134 million against Rs. 1,874 million during the same period. Market capitalization as on 31st March, 2008 stood at Rs. 231 billion.

## The SEZ

With effect from 12th April, 2006, we were approved as a developer of the multi product SEZ at Mundra and the surrounding areas. Leveraging the advantage of the port, the SEZ is being developed over an area exceeding 100 sq km as a privately operated multi product, large format, diversified SEZ approved by the Government of India.

## The Port

The port handles close to 30 million tonnes of cargo, ranging from bulk cargo, container cargo, automobiles and crude oil. It has 8 operational multi-purpose berths located in sufficiently deep water which are designed and equipped to handle dry bulk, break bulk and liquid cargo.

We have successfully commissioned a container terminal capable of handling one million Twenty-feet Equivalent Units (TEU) with state-of-the-art handling equipments and highly skilled and productive operating manpower. The container terminal has an excellent draft and is capable of accommodating capesize ships. The terminal is configured to handle automobile exports too.

Other port based services and infrastructure include storage facilities for bulk, dry and liquid cargo, single point mooring to handle crude oil and services for rail movement of cargo.

The port is connected by rail, road, air and pipeline to the transportation network of India. Our private operational aerodrome is suitable for landing private jets.

In 2006, the Lloyd's List awarded us the title of 'Best Port Authority' in the Middle East and Indian Subcontinent, for our leadership, quality of service and commitment to customers in the area of port operation.

Mundra Port and SEZ Limited has been selected as a member of the "C-40 World Ports" for its efforts towards improving the climate and for its actions leading to substantial reduction of $CO_2$ emission. As many as 244 participants from world's most important ports and port cities were invited to Rotterdam to attend C-40 World Ports Climate Conference, wherein MPSEZL was the lone participant from India. The conference noted MPSEZL's efforts on green zone development by planting mangroves in the desert zone.

# at a Glance

## Location

The port is located on the north west coast of the Gulf of Kutch, enroute major maritime trade routes, making it one of the country's most convenient gateways for cargo, bound westwards. Its proximity to the hinterland of northern India, gives it a strategic advantage to service the landlocked population of north and north-western India.

Besides the location advantage, it also enjoys a natural advantage of having one of the deepest water draft on the west coast of India.

## Values

**Innovation, Courage and Trust**

Innovation - We will think laterally and never fight shy of embracing big ideas.

Courage - We will support our decisions and actions with conviction.

Trust - We will deliver on all our promises-our word is our bond.

## Mission

**To acquire, develop, assimilate and manage knowledge; to apply this across our businesses for the benefit of stakeholders; to do so profitably.**

- Acquire, develop, assimilate and manage knowledge - We shall actively seek to become experts in our chosen domains.
- Apply knowledge across our businesses - We shall apply our domain expertise across businesses, so as to deliver optimum value to our stakeholders.
- Profitably - We shall be guided by the "Profit Motive". Generating respectable, tangible as well as intangible profits will ensure allocation of resources for developing, assimilating and managing expertise.

## Vision

**To be a globally preferred business associate, an entrepreneurial organisation having responsible concern for employees, society, the ecology, and stakeholder value.**

- Entrepreneurial - We shall think innovatively in all aspects of our business, spanning the gamut of technological and commercial practices.
- Preferred Business Associate - We shall strive to generate optimum value for all our associates through constant innovation and adoption of universal best practices.
- Responsible Concern - We shall harmonise all our actions and reactions, with the global environment and actively work to reduce our environmental load.

# Chairman's Message

"Our key values - trust, courage and innovation - guide us to think long-term and with an outside-in focus. We believe, India is poised for a great leap. And we have begun the process of creating the backbone now. Our objective is to place Indian port and SEZ infrastructure at par with global best to create value"

**Dear Shareowners,**

Welcome to Mundra Port and Special Economic Zone Limited, a leader in the Indian port and SEZ infrastructure space which endeavors to create consistent, sustainable, long-term value for all its stakeholders - customers, employees, intermediaries, clearing houses, investors and the Government.

I would like to thank you all for your overwhelming response to our Initial Public Offer (IPO). Your Company's IPO was over subscribed by 116 times, a truly landmark event in the Company's history. This has further reinforced our commitment towards creating value.

Creating value has been the cornerstone of our thinking. And we have chosen the new age infrastructure opportunity of building ports and SEZ as our domain. But it is not just the creation of the Mundra port and the Mundra SEZ that will create value. We believe value is created by courage and innovation.

We always look at our business with an outside-in focus, starting with the customer first to co-create value. We believe trust, customer's faith in efficiency and quality of our services is an essential element for success of any business. This helps us evaluate all opportunities objectively.

It was this outside-in focus that helped us realize that port infrastructure, with related logistics backbone, is essential for the promotion of global trade. This realization, supported by Government of Gujarat's initiative to open port development to the private sector, led to setting up of the Mundra Port. As India leaps toward becoming the fourth largest economy in the world by 2025, global trade with India is set to flourish. And thinking ahead, leading this need, we set up one of India's largest private sector port. The present infrastructure comprises of eight multipurpose berths, four container berths and a single point mooring coupled with host of material handling equipments like cranes and conveyers. We are developing a state of art roll-on roll-off (RO-RO) terminal for handling automobile exports and a dedicated terminal for handling over 30 million tonnes of coal for the mega power plants coming in vicinity of the port. These initiatives will lead Mundra port to the milestone of 100 million tonnes of cargo handling capacity.

Subsequently, the Government announced the Special Economic Zone policy, to create globally competitive hubs of economic activity in India. Early on we saw the necessity to converge needs of the industry and commerce to create all inclusive infrastructure facilities. We started work on the establishment of an SEZ at Mundra, which would benefit the industries that came up in the zone by enabling trade through the port. The SEZ at Mundra has been conceptualized as a Multi Product SEZ (i.e. SEZ for any industry / sector to spread over minimum area of 1000 hectares as per SEZ Act) which will house manufacturing units of different industrial sector and provide them the logistics infrastructure, a step in the direction of making India a globally competitive manufacturing hub.

Our outside - in focus led value addition has enabled us to have strategic presence in the entire multi model logistic value chain, thereby striving to provide end - to - end efficient logistics solutions to customers. This has led us to invest in the Container Train business and the setting up of an Inland Container Depot. Our seamless logistics solutions will lead to win-win for the customers as well as us.

The synergistic amalgamation of Port and SEZ, now known as Mundra Port and Special Economic Zone Limited, is being developed into a globally competitive socio-economic oasis at Mundra, with world-class facilities and social infrastructure to make it a preferred place to live and work.

Our key values - trust, courage and innovation - guide us to think long-term and with an outside-in focus. We believe, India is poised for a great leap. And we have begun the process of creating the backbone now. Our objective is to place Indian port and SEZ infrastructure at par with global best to create value. We believe that it is this holistic infrastructure that will attract more customers to our port and SEZ, thereby creating incremental revenues and profits, and in turn value. In 2007-08 we handled 45.5% more cargo than previous year at 28.79 mt, a validation of the growing acceptance of the benefits that we bring to the customers that use Mundra port.

Our values shape our corporate vision and drive us to our collective mission - to acquire, develop, assimilate and manage knowledge; to apply this vision across our businesses for the benefit of stakeholders; and to do this profitably. In 2007-08, our revenues increased by 44.1% to Rs. 846 crores, and the profit after tax is Rs. 213 crores, a growth of 13.9%. Having invested in the infrastructure, we are now focusing on increasing our customer base and in turn growing our bottom-line.

Our business is customer focused. The port has to deliver to customer expectations. And we are in the process of building a highly customer-centric, responsive business model. We would like to develop Mundra as a destination of choice to be preferred over other ports on the basis of quality of infrastructure and service. We will lead through technology and innovative practices, which others follow. We would adopt and assimilate best practices available in any port. And in turn create massive infrastructure to increase our throughput to service more customers and more needs of the same customer.

MPSEZL is a people's company. It's people who make the difference. To that end, we are committed to building quality talent - a dedicated, qualified and committed team to represent and stand for our objectives. We invest in extensive training, to keep our people abreast of what works best for our customers and for them.

We are just a decade old and represent the new face of India. Through our outside-in focus and strategic thinking we have created an asset, which we believe has the best-in-class infrastructure globally. Our encouraging client traction, growing every month further strengthens our commitment to creating sustainable long-term value and lead by thought.

And this is just the beginning.

Thank you for your support.

Sincerely,

Gautam S. Adani
Chairman

# Technical/Industry Related Terms

- Berth

The space at a dockyard where any ship/vessel docks. A wharf (dockyard/jetty) may have two or three berths, depending on the length of incoming ships.

- Draft

The depth of a vessel in the sea measured from the level of the waterline to the lowest point of the hull of the vessel.(distance between the bottom of the ship and waterline.)

- Capesize Vessels

Capesize vessels are cargo ships that were originally too large to transit the Suez Canal. To travel between oceans, such vessels used to have to pass either the Cape of Good Hope or Cape Horn. Vessels this size can now transit the Suez Canal as long as they meet the draft restriction. (18.91m as of 2008)

- Panamax Vessels

Panamax vessels are cargo ships which have the maximum dimensions that will fit through the locks of the Panama Canal. This size is determined by the dimensions of the lock chambers, and the depth of the water in the canal. A Panamax cargo ship would typically have a displacement of around 65,000 tons.

- Roll-On Roll-Off (RO/RO)

A RO/RO ship or terminal is designed with ramps that can be lowered to the dock so cars, buses, trucks or other vehicles can drive into the belly of the ship, rather than be lifted aboard. Like a container ship, it has a quick turnaround time of about 12 hours.

- Single Point Mooring (SPM)

Deep sea floating structure for berthing very large crude carriers.

- TEU

Twenty-feet Equivalent Units, the usual length of a container box.

# COMPANY INFORMATION

**BOARD OF DIRECTORS**

Mr. Gautam S. Adani, *Chairman & Managing Director*
Mr. Rajesh S. Adani
Mr. Rajeeva Ranjan Sinha, *Whole Time Director*
Mr. Ameet H. Desai, *Executive Director*
Mr. K. N. Venkatasubramanian
Mr. S. Venkiteswaran
Mr. S. K. Tuteja, IAS (Retd.)
Mr. Arun Duggal
Mr. D. T. Joseph, IAS (Retd.)
Mr. H. K. Dash, IAS (Upto 28th May, 2008)

**COMPANY SECRETARY**

Ms. Dipti Shah

**AUDITORS**

M/s. S. R. Batliboi & Associates
Chartered Accountants,
Gurgaon

**BANKS AND FINANCIAL INSTITUTIONS**

Allahabad Bank
Axis Bank Limited
Canara Bank
Corporation Bank
EXIM Bank
HDFC Bank
Hypo Und Vereins Bank AG
ICICI Bank Limited
IDFC Limited
IFCI Limited
Jammu & Kashmir Bank
LIC of India
Oriental Bank of Commerce
State Bank of Hyderabad
State Bank of India
State Bank of Saurashtra
State Bank of Travancore
Syndicate Bank
UCO Bank
Yes Bank Limited

**REGISTERED OFFICE**

"Adani House",
Mithakhali Six Roads,
Navrangpura,
Ahmedabad - 380 009.

**SITE**

"Adani House", Navinal Island
Mundra – 370 421
Gujarat

**REGISTRAR AND TRANSFER AGENT**

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078.
Phone: 022-25960320
Fax: 022-25940329

# Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Ninth Annual Report and the Audited Accounts for the financial year ended 31st March, 2008.

**Initial Public Offer**

During the financial year 2007-08, your Company entered the Capital Market with Initial Public Offer (IPO) through 100% Book Building process of 4,02,50,000 equity shares of Rs. 10/- each at a premium of Rs. 430/- per share. Your Company's shares were listed on the 'Bombay Stock Exchange Limited' (BSE) and 'National Stock Exchange of India Limited' (NSE) on 27th November, 2007. The issue was over subscribed by 116 times, creating a new record in the history of the Indian Capital Market.

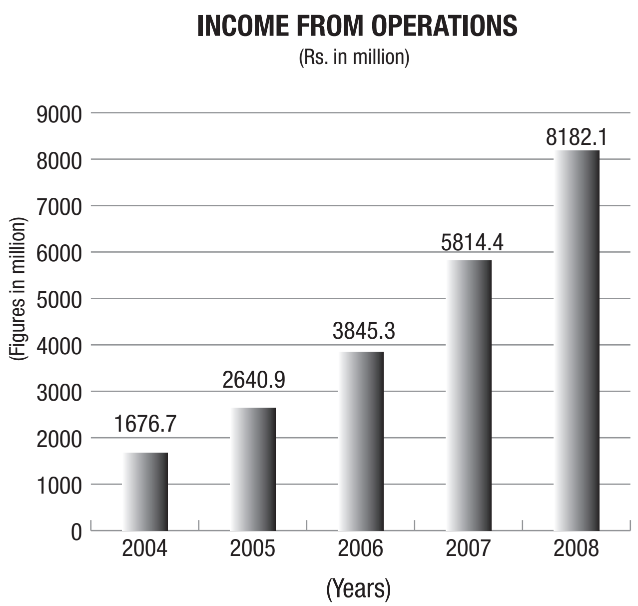
Your Directors take this opportunity to thank all the investors for their overwhelming response to the IPO and the confidence reposed by them.

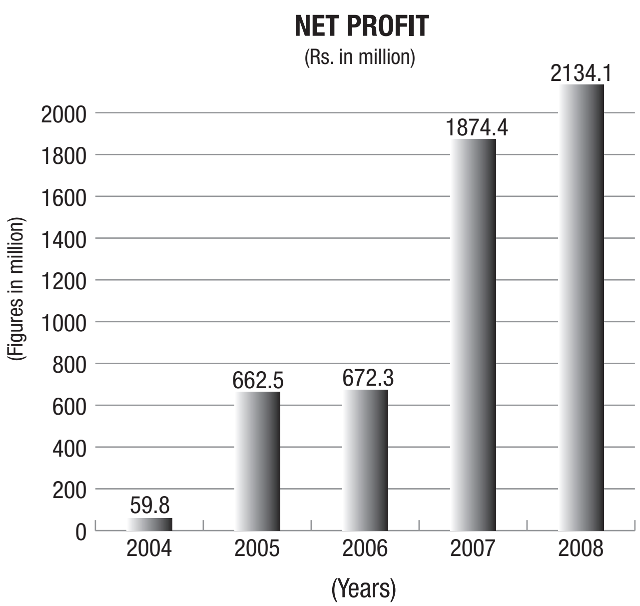
**Financial Highlights:**

The bird eye view of the summarized financial highlights is depicted below:

(Rs. in million)

| Particulars | For the year ended 31/03/2008 | For the year ended 31/03/2007 |
|---|---|---|
| Income from operations | **8,182.07** | 5,814.40 |
| Other Income | **279.04** | 57.85 |
| **Total Income** | **8,461.11** | **5,872.25** |
| Operating & Administrative Expenses | **2,827.99** | 2,669.07 |
| Operating Profit before Interest, Depreciation and Tax | **5,633.12** | 3,203.18 |
| Interest and Financial Charges | **1,062.19** | 631.00 |
| Depreciation/Amortization | **1,006.38** | 806.99 |
| Profit Before Tax and Prior Period Adjustment | **3,564.55** | 1,765.19 |
| Less: Prior Period Adjustments | **(12.95)** | (15.47) |
| Add: Extraordinary Items | **116.61** | - |
| Provision for tax (including deferred tax) | **1,534.09** | (124.64) |
| **Profit after tax** | **2,134.12** | **1,874.36** |
| Surplus brought forward from previous year | **950.36** | 876.20 |
| Pre-operative & Miscellaneous Expenditure (to the extent not written-off) | **-** | (36.09) |
| **Balance available for appropriation** | **3,084.48** | **2,714.47** |
| **Appropriations:** | | |
| Transfer to Debenture Redemption Reserve | **-** | 20.13 |
| Transfer to Capital Redemption Reserve | **1.40** | 1.41 |
| Transfer to General Reserve | **106.71** | - |
| Transfer for issue of Bonus Shares | **-** | 1,382.14 |
| Dividend on Preference Shares | **-*** | -* |
| Dividend on Equity Shares | **601.02** | 360.43 |
| **Balance carried to Balance Sheet** | **2,375.35** | **950.36** |
| (*Figures being nullified on conversion to Rs. in million, Amount Rs. 2,811) | | |




**Year in Retrospect and Future Prospects:**

Your Company has achieved significant transformation in its performance, in its quest to be amongst the most admired Port, Special Economic Zone (SEZ) and Logistics Company in the country. The year has ended with an all round improvement in your Company's performance achieving the highest turnover and profit ever since its inception. Your Company performed remarkably during the financial year 2007-08.

The key performances of the Company are:

- Turnover amounted to Rs. 8,182.07 million against Rs. 5,814.40 million in the corresponding previous financial year, showing an increase of 40.72%.
- Profit Before Tax amounted to Rs. 3,668.21 million against Rs. 1,749.72 million in the corresponding previous financial year, showing an increase of 109.65 %.
- Profit after tax amounted to Rs. 2,134.12 million against Rs. 1,874.36 million in the corresponding previous financial year, showing an increase of 13.86%.
- Earning Per Share (EPS) for the year Rs. 5.69 as against EPS of Rs. 5.20 in the corresponding financial year, showing an increase of 9.42%.

Your Company has equipped itself to leverage the opportunity provided by the growth of the Port, SEZ and Logistics sector in India. The liberalized trade regime would result in increased international trade and therefore your Directors believe that the future prospect of your company is bright. It is expected that your Company will be able to capitalize on the emerging opportunities and will be one of the leading Port, SEZ and Logistics player in the Country.

**Dividend:**

In view of the Company's continuing consistent good and profitable performance, your Directors are pleased to recommend Dividend of Rs. 1.50 per share on 400,678,820 Equity Shares of Rs. 10/- each of the Company and 0.01% dividend on 0.01% Non-Cumulative Redeemable Preference Shares of Rs. 10/- each for the financial year 2007-08. The Dividend as recommended would involve an outflow of Rs.601 million towards the dividend.

**Utilisation of Proceeds of IPO:**

Out of the proposed utilization of IPO proceeds as on 31st March, 2008, Rs. 2,009.10 million were utilized for objects of Issue mentioned in the offer document and balance Rs. 15,700.90 million in Interim usage of funds.

The statement of proposed & actual utilization of IPO proceeds as on March 31, 2008 and proposed amendment to utilisation of issue proceeds is as follows:

(Rs. In million)

| Utilization of funds | Utilization as on 31st March, 2008 | | Total Utilization as per the prospectus | Proposed Revision |
|---|---|---|---|---|
| | Projected | Actual | | |
| a) SEZ Project | 2,150.00 | 10.00 | 7,000.00 | 5,000.00 |
| b) Coal Terminal Project | 1,250.00 | 88.50 | 4,500.00 | 4,500.00 |
| c) Investment in Adani Petronet (Dahej) Port Private Limited (APPPL) | 815.60 | 260.50 | 2,094.60 | 2,094.60 |
| d) Investment in Adani Logistics Limited (ALL) | 220.00 | 220.00 | 220.00 | 480.00 |
| e) Investment in Inland Conware Private Limited (ICPL) | 278.30 | 220.00 | 543.80 | 1,087.80 |
| f) General Corporate purpose | – | 868.40 | 2,701.60 | 4,047.60 |
| g) Issue Expenses | – | 341.70 | 650.00 | 500.00 |
| **Total** | **4,713.90** | **2,009.10** | **17,710.00** | **17,710.00** |

**Consolidated Financial Statements:**

Consolidated Financial Statements pursuant to Clause 41 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard is attached herewith.

**Subsidiary Companies:**

In order to create more business opportunities your Company has made strategic investments in different areas of opportunities relating to Port, SEZ and Logistics. For expanding business area operations, your Company invested in textile and apparel sector under the banner of Mundra SEZ Textile and Apparel Park Private Limited. In order to become an commercial international air cargo destination your Company has invested upto 100% equity in Mundra Aviation Limited, a U.K. Territory company. Apart from these your Company has incorporated/acquired shares of following subsidiaries during the year under review:

1. MPSEZ Utilities Private Limited - for developing and operating utilities in SEZ
2. Rajasthan SEZ Private Limited - for SEZ development in Rajasthan
3. Adani Logistics Limited - for container train operations
4. Inland Conware Private Limited - for setting up Inland Container Depots
5. Inland Conware (Ludhiana) Private Limited - for setting up Inland Container Depots
6. Gujarat Adani Aviation Private Limited – for managing and providing aviation services to Group Companies and others.

The Statement pursuant to Section 212(1) (e) of the Companies Act, 1956, containing details of subsidiaries of the Company, forms part of the Annual Report.

In view of the exemption received from Ministry of Corporate Affairs vide letter no. 47/299/008-CL-III dated 9th May, 2008 the Audited Statement of Accounts, the Reports of the Board of Directors and Auditors Reports of the Subsidiary Companies are not annexed as required under Section 212(8) of the Companies Act, 1956. As per the terms of the Exemption Letter, a statement containing brief financial details of the Company's subsidiaries for the year ended 31st March, 2008 is included in the Annual Report. The annual accounts of the subsidiaries and the related detailed information will be made available to any Member of the Company/its subsidiaries seeking such information at any point of time and are also available for inspection by the Member of the Company/its subsidiaries at the Registered Office of the Company on any working day during business hours.

**Fixed Deposits:**

During the year under review, your Company has not accepted any deposits from Public under Section 58A of Companies Act, 1956.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo:**

A statement containing the information as per Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 as amended from time to time is appended herewith as Annexure-I and the said Annexure-I Forms Part of this Annual Report.

**"Group" For Inter-Se Transfer of Shares:**

As required under Clause 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations are given in Annexure II attached herewith and the said Annexure II forms part of this Annual Report.

**Health, Safety and Environment:**

Health, Safety and Environment policies involve identifying the risks involved in daily activities of the Company and minimize its impact on personnel and environment. Your Company's management approach to Health, Safety and Environment involves proactive approach to create safe working environment, continuous safety education and training, periodic review of programs and evaluation of incidents. Your Company continues to address environmental and health impact by reducing waste, emissions and discharges and by using energy efficiently.

**Corporate Social Responsibility:**

Adani Group has aimed its activities at the sustainable development of the Mundra, Kutch Region. The group has followed the same in the year 2007-08 by investing in the environment by way of laying green belts, landscaping the site, creating a mangrove nursery, planting tolerant vegetation.

Health is a primary development indicator and the group focused on this social parameter as well by joining the local self government in vaccination programmes and extending medical facilities.

An important wealth indicator for the primarily rural folk is livestock. By providing fodder in drought areas we assisted in the survival and health of livestock.

Water management is a key aspect of life. We have initiated development of watershed projects at the grass-root level like 'Shanti Sarovar' a rain water harvesting project to improve the availability and quality of water in nearby wells.

Your Company has developed a Residential colony complete with schools, recreation/playing area, shopping complex and medical facilities for its growing employee base.

**Corporate Governance and Management Discussion and Analysis Report:**

Your Company has been proactive in following the principles and practices of good Corporate Governance as an important step towards building investor confidence, improve investor's protection and maximize long-term shareholder value. A separate report on Corporate Governance compliance and a Management Discussion and Analysis Report as stipulated by the Clause 49 of the Listing Agreement forms part of the Annual Report along with the required Certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated by revised Clause 49 of the Listing Agreement.

The detailed Operational Performance of the Company has been comprehensively discussed in the Management Discussion and Analysis Report which forms part of Directors' Report.

In compliance with one of the Corporate Governance requirements as per Clause 49 of the Listing Agreement, your Company has formulated and implemented a Code of Conduct for all Board members and senior management personnel of the Company, who have affirmed the compliance thereto.

**Directors:**

Mr. D. T. Joseph, IAS (Retd.) was appointed as an Additional and Independent Director on the Board of the Company with effect from 17th September, 2007. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Articles of Association of the Company holds office up to ensuing Annual General Meeting. The Company has received a notice in writing from the members of the Company signifying his candidature for the office of the Board of Directors of the Company.

Mr. Rajeeva Ranjan Sinha was appointed as an Additional Director and Whole Time Director of the Company with effect from 12th October, 2007 for a period of five years. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Articles of Association of the Company holds office up to ensuing Annual General Meeting. The Company has received a notice in writing from the members of the Company signifying his candidature for the office of the Board of Directors of the Company.

Mr. H. K. Dash, IAS ceased to be the Director of the Company with effect from 28th May, 2008. The Board places on record the deep appreciation for valuable services and guidance provided by Mr. H. K. Dash, IAS during the tenure of his directorship.

As per Section 256 of the Companies Act, 1956 and Article 152 of the Articles of Association of the Company, Mr. K. N. Venkatasubramanian, Mr. S. Venkiteswaran and Mr. S. K. Tuteja, IAS (Retd.) are liable to retire by rotation and being eligible offer themselves for re-appointment.

**Directors Responsibility Statement:**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm:

- The applicable accounting standards have been followed and that no material departures have been made from the same.
- Reasonable and Prudent Accounting Policies have been adopted in Preparation of the Financial Statements. The Accounting Policies have been consistently applied except for the changes mentioned in Notes forming part of Accounts.
- 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.
- The annual accounts have been prepared on a going concern basis.

**Insurance:**

Assets of your Company are adequately insured against various perils.

**Personnel:**

The Particulars as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are set out in an Annexure-III to this report.

**Auditors:**

Your Company's Auditors' M/s. S. R. Batliboi & Associates, Chartered Accountants, Gurgoan, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a written certificate from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limit under Section 224(1B) of the Companies Act, 1956.

**Auditor's Report:**

The Auditors' Report on the accounts of the Company for the accounting year ended 31st March, 2008 is self explanatory and needed no comments or explanation under Section 217(3) of the companies Act, 1956.

**IT System:**

To cater to the fast growing IT Infrastructural requirements of the business, the following technological solutions/systems have been implemented:

- SAP ERP system for Procurement, Enterprise Asset Management & Financial processes.
- Implemented Integrated Port Management System (IPMS) and Navis Applications for Terminal Operations (TOS), which are seamlessly integrated with SAP system.
- Created a world-class Data Center Infrastructure at Mundra Corporate Office.
- Redundant and fault tolerant wireless MESH Network at Container Terminal for Handheld Terminals (RDT) and Vehicle Mounted Terminals (VMT).
- High availability Server and Storage Architecture.

In order to enhance the existing IT Infrastructure for competitive advantage; the following IT initiatives have been undertaken:

- Development of user friendly Enterprise Portal with Employee Self Services (ESS).
- Development of Management Information and Decision Support Systems using SAP BI functionality.

**Acknowledgment:**

In consonance with established maxim that the Company is only as good as its people, your Company has put together a team of highly qualified and experienced professionals.

The success achieved by your Company and the progress made by it are due to the co-operation, efforts and commitment of all concerned with its affairs, including the Government of India, Government of Gujarat, Gujarat Maritime Board, Directors, Financial Institutions, Banks, Shareholders, executives, officers and other employees of your Company. The management expresses gratitude to the investors for their confidence reposed in the Company and co-operation, and especially to the employees for their dedicated services and support.

**For and on behalf of the Board of Directors**

**Date: 28th May, 2008**
**Place: Ahmedabad**

**Gautam S. Adani**
*Chairman & Managing Director*

# Annexure - I to the Directors' Report

Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956.

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are Set out as under:

**A. CONSERVATION OF ENERGY**

**a) The following energy conservation measures have been taken:**

1. In continuation to the last year's efforts, stabilizers have now been installed in substations 2 for electricity supply to some Godowns and lighting towers.
2. Defective capacitor banks are repaired in Sub-Station -4 – which reduces KVAR (losses).
3. Automatic Power Factor Correction panel (APFC) calibrated and made operational. This has ensured power factor to be maintained at the level of 0.98 to 0.992.
4. Trials are being conducted for thyristor based capacitor (KVAR) panel – which will dynamically correct power factor and reduce unwanted harmonics.
5. Under sized cables have been replaced at some places which will eliminate unnecessary cable heating.

**b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:**

1. Technical discussions are in progress for the installation of energy efficient panels which will save power up to 30% to 35%. These panels function on thyristor based technology.
2. Modification to the conveyor system being undertaken to utilize a large portion of conveyor for transporting fertilizer, which cannot be used now because of coal being transported on a part of the conveyor. This will save the fuel consumed for transporting the fertiliser with the dumper trucks.
3. A proposal is under examination to eliminate the transportation of bagged cargo from storage areas to the railway siding by extending the railway siding to the fertilizer godowns. This will save the fuel to be consumed in this transportation.

**c) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule thereto:**

Not applicable to the Company

**B. TECHNOLOGY ABSORPTION:**

1. Thyristor based technology used in panels for energy efficiency.
2. New Rail Mounted Quay Cranes (RMQCs) and Rubber Tyre Gantry (RTG) cranes have been commissioned. These cranes have latest Automation technology.
3. World's best Enterprise Resource Planning software 'SAP' has been installed and is being used for enhancing efficiency of all the operations and transactions of the Company.
4. Installation of Navis software in the Container Terminal for management of container handling operations.

**C. FOREIGN EXCHANGE EARNING AND OUTGO:**

Details of Foreign Exchange Earnings and outgo are set out in Note 25 of Schedule 23 of the Accounts.

## Annexure – II to the Directors' Report

The following is the list of Persons Constitution "Group" (within the meaning as defined in the Monopolistic and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("the Said Regulations") as provided in Clause 3(e) of the Said Regulations:

| | | | |
|---|---|---|---|
| 1 | Mr. Gautam S. Adani | 40 | Crown International |
| 2 | Mr. Rajesh S. Adani | 41 | Adani Port Infrastructure Private Limited |
| 3 | Mr. Vasant S. Adani | 42 | Adani Infrastructure Services Private Limited |
| 4 | Mr. Mahasukh S. Adani | 43 | Adani Enterprises Limited |
| 5 | Mr. Vinod S. Adani | 44 | Adani Petronet (Dahej) Port Private Limited |
| 6 | Ms. Priti G. Adani | 45 | Shantikrupa Services Private Limited |
| 7 | Ms. Shilin R. Adani | 46 | Shantikrupa Estates Private Limited |
| 8 | Ms. Pushpa V. Adani | 47 | Adani Shipyard Private Limited |
| 9 | Ms. Suvarna M. Adani | 48 | Adani Agro Private Limited |
| 10 | Ms. Ranjan V. Adani | 49 | Adani Properties Private Limited |
| 11 | Ms. Shantaben S. Adani | 50 | Ventura Trade and Investment Private Limited |
| 12 | Mr. Bhavik Shah | 51 | Pride Trade and Investment Private Limited |
| 13 | Mr. Rakesh Shah | 52 | Radiant Trade and Investment Private Limited |
| 14 | Mr. Vinod Sanghavi | 53 | Trident Trade and Investment Private Limited |
| 15 | Ms. Surekha Shah | 54 | Shantilal Bhudarmal Adani Family Trust |
| 16 | Ms. Priti Shah | 55 | Gautambhai S. Adani Family Trust |
| 17 | Ms. Sharmishta Sanghavi | 56 | Rajeshbhai S. Adani Family Trust |
| 18 | Mr. Karan G. Adani | 57 | Vinodbhai S. Adani Family Trust |
| 19 | Mr. Jeet G. Adani | 58 | Mahasukhbhai S. Adani Family Trust |
| 20 | Mr. Sagar R. Adani | 59 | Vasantbhai S. Adani Family Trust |
| 21 | Ms. Rahi R. Adani | 60 | Gautambhai S. Adani HUF |
| 22 | Ms. Vanshi R. Adani | 61 | Rajeshbhai S. Adani HUF |
| 23 | Ms. Mansi K. Shah | 62 | Vinodbhai S. Adani HUF |
| 24 | Mr. Kunal D. Shah | 63 | Mahasukhbhai S. Adani HUF |
| 25 | Ms. Riddhi V. Adani | 64 | Vasantbhai S. Adani HUF |
| 26 | Mr. Pranav V. Adani | 65 | EZY Global |
| 27 | Ms. Namarta P. Adani | 66 | Adani Textile Industries |
| 28 | Mr. Param P. Adani | 67 | Shanti Builders |
| 29 | Ms. Kavita Shah | 68 | Mundra SEZ Textile and Apparel Park Private Limited |
| 30 | Mr. Nrupal Shah | 69 | Gujarat Adani Aviation Private Limited |
| 31 | Ms. Krupa Adani | 70 | MPSEZ Utilities Private Limited |
| 32 | Ms. Dharshini Patel | 71 | Rajasthan SEZ Private Limited |
| 33 | Mr. Bhaumik Patel | 72 | Mundra Aviation Limited |
| 34 | Ms. Manali Mehta | 73 | Inland Conware Private Limited |
| 35 | Mr. Anish Mehta | 74 | Adani Logistics Limited |
| 36 | Ms. Shirali Shah | 75 | Inland Conware (Ludhiana) Private Limited |
| 37 | Mr. Rushabh Shah | 76 | B2B India Private Limited |
| 38 | Adani Investment | 77 | Adani Retail Limited |
| 39 | Advance Investment | | |

# Annexure – III to the Directors' Report

**Information as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975**

A. Personnel who are in receipt of remuneration aggregating not less than Rs. 24 Lacs per annum and employed throughout the year.

(Rs. in Million)

| Sl. No. | Name | Age (yrs) | Designation | Gross Remuneration | Qualification | Experience Years | Date of joining | Previous Employment |
|---|---|---|---|---|---|---|---|---|
| 1. | Mr. Gautam S. Adani | 46 | Managing Director | 82.51* | S.Y. B.Com | 23 | 01.09.98 | Business |
| 2. | Mr. Ameet H. Desai | 45 | Executive Director | 9.00 | B.B.A, M.B.A. | 22 | 01.09.05 | Ranbaxy Laboratories Ltd. |
| 3. | Capt. Sandeep Mehta | 47 | CEO (Operations) | 7.93 | Master Mariner | 27 | 01.03.07 | P & O Nedlloyd (India) Pvt. Ltd. |
| 4. | Mr. Surendra Sadhnani | 47 | Sr. Vice President (Finance) | 4.45 | B.Com, FCA, ACS, CPA | 24 | 01.06.06 | Dr. Batra's Positive Health Clinic |
| 5. | Mr. K. Venugopal | 41 | Vice President (Finance) | 3.50 | B.Com, M.B.A. | 17 | 15.03.00 | Sanghi Industries Ltd. |
| 6. | Mr. Bhavin Shah | 38 | Vice President (Marketing) | 2.73 | B.Com, M.B.A. | 15 | 24.11.06 | Atlas Dyechem Pvt. Ltd. |
| 7. | Mr. R. M. Bhatia | 51 | Vice President (Engg. Services) | 2.44 | B.Sc (Mech. Engg.), PGDBA | 28 | 27.09.03 | Gujarat Heavy Chemicals Ltd. |
| 8. | Capt. Unmesh Abhyankar | 48 | Vice President (Marine Services) | 2.60 | B. Sc Master (F.G.) | 27 | 07.11.05 | OCS Marine Services |

B. Employed for a part of the financial year and were in receipt of remuneration for any part of the financial year at a rate which in aggregate was not less than Rs. 2 Lacs per month.

(Rs. in Million)

| Sl. No. | Name | Age (yrs) | Designation | Gross Remuneration | Qualification | Experience Years | Date of joining | Previous Employment |
|---|---|---|---|---|---|---|---|---|
| 1. | Mr. Rajeeva Ranjan Sinha | 57 | Whole Time Director | 4.70 | FICS (London), M.Sc. (Sweden) | 32 | 12.10.07 | Gujarat Pipavav Port Ltd. |
| 2. | Dr. Bakul H. Dholakia | 60 | President (C&MD office) | 3.83 | M.B.A, LLB, Ph.D (Economics) | 39 | 29.11.07 | Indian Institute of Management |
| 3. | Mr. Sunil Gupta | 52 | President (Corp. & Bus. Dev.) | 0.83 | M.B.A | 25 | 01.02.08 | DLF Hilton Hotels |
| 4. | Mr. D. K. Sensharma | 44 | Vice President (Container Terminal) | 0.53 | B.Sc, PGDMM | 22 | 15.02.08 | Federal Express Corporate |
| 5. | Mr. Rajesh Tanwar | 53 | Vice President (HR) | 2.12 | PGDPM, PGDAM, LL.B, Dip.T&D, DLL&LW | 34 | 25.07.07 | Jindal Steel and Power Ltd. |
| 6. | Capt. Jasbir Singh | 46 | Vice President (Dry Cargo) | 2.92 | Master Mariner | 25 | 01.06.07 | Omega Shipping Agencies Pvt. Ltd. |
| 7. | Mr. Azad Somani | 44 | Financial Controller | 0.22 | B.Com, C.A. | 22 | 05.03.08 | Essar Steel Ltd. |
| 8. | Mr. M. K. Padia** | 43 | Sr. Vice President (Management Service) | 1.85 | B.Com, C.A., CS | 20 | 26.04.00 | Grasim Industries Ltd. |

*Including commission Rs. 70.51 Million.

** Resigned w.e.f. 30.09.07

**Notes:**

1. Remuneration as above includes Salary, Contribution to Provident and other funds and other perquisites.
2. The nature of employment is contractual in all the above cases.
3. None of the employees is related to any Director of the Company.
4. None of the employees owns more than 2% of the outstanding shares of the Company as on 31st March, 2008.

# Management Discussion and Analysis

The Board of Directors present hereunder an analysis of the performance of the Company for the year 2007-08 and its outlook for the future. This outlook is based on assessment of the current business environment and Government policies. The change in future economic and other developments are likely to cause variation in this outlook.

**Economy and Business Environment:**

**Economic Scenario:**

After sustained growth in past few years, the GDP growth rate in FY 08 declined to 8.7% from 9.6% in FY 07 due to turbulence in Global Economy. Firm interest rate, appreciating currency coupled with turmoil in US economy has taken its toll on growth in India. However, the silver lining is sustained performance of capital goods sector. This simply means that investment is still resilient and medium term outlook is healthy. We expect the overall GDP growth to moderate to 8.0% in FY 09.

**Industry Structure:**

**Ports:**

**Global Scenario:**

Ports handle approximately 90 per cent of the world trade and over the years they have evolved from being a simple modal gateway to critical nodes in international supply chain networks as well as industrial economic hubs.

**Indian Scenario:**

India has 12 major ports and 187 non-major ports located along the 7517 kms long coastline handling 95 per cent of India's total foreign trade in terms of volume and 70 per cent in terms of value. The major ports of India handled 519 MT in FY 08 registering a growth of 11.8% from the previous year. The total cargo at ports in India is expected to be about 700 MT in FY 08. As per CRISIL report, Port Sector in India plans to attract investment worth Rs. 558 bn in the Eleventh Plan under National Maritime Development Programme.

**Special Economic Zone:**

India's share of world goods exports is less than 1% which is lower than the exports of many other countries with much smaller economies, including Thailand. We believe that poor infrastructure is the single biggest obstacle to Indian Companies' ability to scale up their presence. In addition, a complex administrative and tax regime are some of the other factors affecting the global competitiveness of Indian Companies. The Government of India has fixed an ambitious target to increase India's share in world exports to 1.5%. Hence, the Government has formulated the SEZ policy. SEZs are deemed to be "foreign territory" for the purposes of Indian customs controls, duties and tariffs. SEZs provide an internationally competitive and relatively unregulated environment for export-oriented activities.

SEZs in India are broadly classified as Multi-product SEZs (minimum area>1000 hectares), Product Specific SEZs (minimum area>100 hectares) and IT/ ITES/ Gems and Jewellery SEZ (minimum area>10 hectares). GoI has already given formal approvals to 453 SEZs across India of which 207 have been notified.

Leveraging the advantage of the port, your Company's SEZ is being developed over an area exceeding 100 sq km as a privately operated multi product, large format, diversified Special Economic Zone. Your Company's SEZ would offer world-class infrastructure for those who want to establish an industry in this special economic zone.

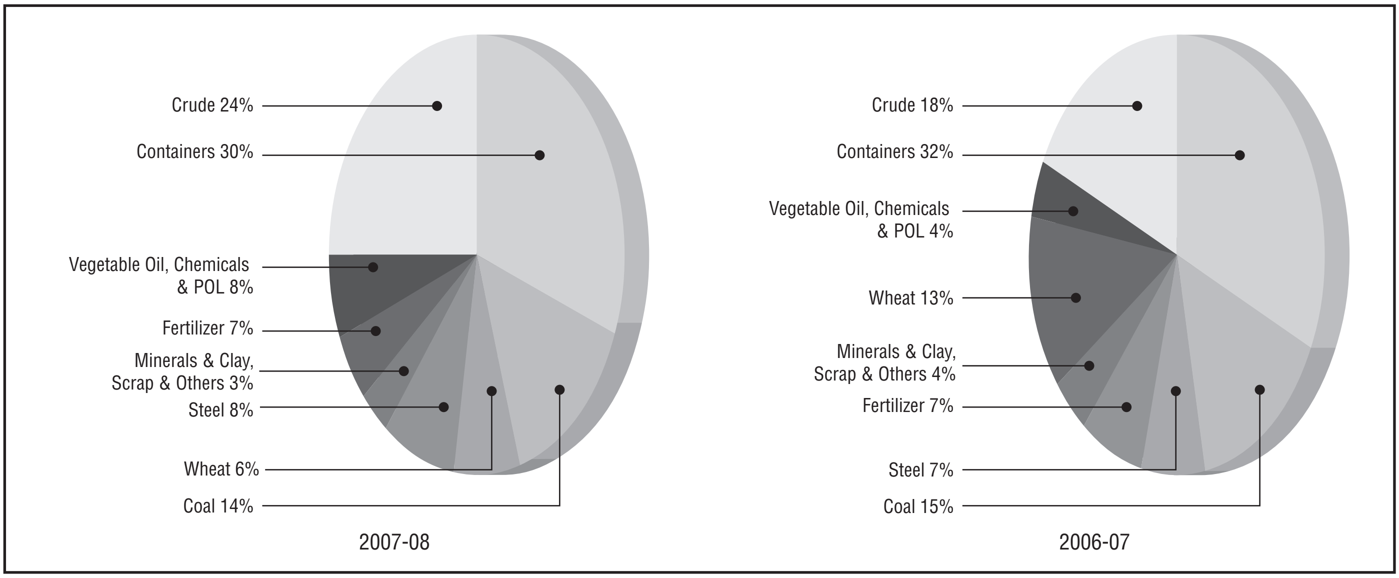
**Business/ Operation Results:**

**Port Related:**

During the year under review, Mundra Port handled 1,624 vessels as against 1,138 vessels handled during the previous financial year. The port handled 28.797 MMT of cargo in the year under review registering a growth of 45.5% over previous year. The cargo comprises of Bulk & Liquid Cargo (13.328 MMT), Crude Oil (6.973 MMT) and Container Cargo (8.496 MMT). This gives your Company a market share of about 4.0% of India's port cargo.

About 3,176 railway rake movements were undertaken in FY 08 for evacuation of cargo to and from the port. With the advent of privatization of container train operations, about 5 rail operators provide container train services at Mundra port.

The comparative analysis of the cargo mix with respect to cargo handled by the port is depicted as follows:




**Special Economic Zone:**

Your Company's SEZ, being India's largest port-based SEZ, positioned on the West Coast of India is ideally situated for exports to African, Middle East and Western countries besides being conveniently located to service the huge hinterland of northern India.

With the Government of India's (GoI) notifications dated 3rd July, 2007 and 24th December, 2007, the total notified area now stands at 2732.8045 hectares. GoI has also approved our request for notifying further 2113.7962 hectares of land, the Gazette Notification for the same is likely soon.

Your Company has also received approval from GoI vide letter dated 18th March, 2008 for a new multi product SEZ spread over an area of 1074.1755 hectares at Mundra, Gujarat. The Company has received the notification for the same on 2nd May, 2008.

During the year under review, GoI has appointed a separate Development Commissioner for the Mundra SEZ, and the Development Commissioner's office has become functional within the SEZ. Consequently, the SEZ units are able to obtain required approvals within the Zone itself. Development Commissioner has already started issuing letters of approval to Units for setting up their manufacturing/services facilities in the Zone.

During the period, Government of Gujarat (GoG) has made amendments in the Gujarat SEZ Act, whereby a co-developer has become eligible for fiscal benefits in line with the Developer. GoG has also amended Gujarat VAT Act and Gujarat VAT Rules to provide for supply of goods to the SEZ Developers and Units without charging any VAT.

The Textile Park created in Mundra SEZ has already sold the allotted area (116.24 acres) to Technical Textile, Garments and Terry Towel units. A second textile park has also been conceptualized for which implementation will start shortly to meet the demand.

A Chemical Park and a Stone Park are also under planning. MPSEZL is offering the required logistical and utility infrastructure of global standards for effective operation in SEZ Units. MPSEZL is offering developed land with utility infrastructure including Water, Drainage, Sewage and Common Effluent treatment facilities.

**Port Related Developments:**

**a) West Port Development:**

Two Mega Thermal Power Plants with total capacity in excess of 8600 MW (Tata Power 4000 MW, Adani Power 4600 MW) are being constructed in Mundra Region. The plants require very high volumes of imported coal, up to 40 million Tons Per Annum (MTPA). In addition other dry volumes such as Iron ore, etc. are also to be imported for the industries planned in the vicinity of Power Plants. In order to import these requirements, the proposed Coal Terminal comprising of deep water offshore berths with elaborate stockyard and comprehensive mechanization is under development.

**b) Car Exports:**

The Company has entered into an agreement with Maruti-Suzuki which will involve export of cars out of India from Mundra Port. They have also been offered 35 acres for car stockyard and a dedicated buffer area for cars to be parked before they are loaded onto ships.

**c) Enhancing the connectivity infrastructure:**

Considering the growth of cargo at port, the connectivity infrastructure to and from the port and within the port and SEZ area is being enhanced. This comprises adding of looplines and doubling the railway link and enhancing the port road connectivity.

**Other Developments:**

**Adani Logistics Limited**

Adani Logistics Limited (ALL) subsidiary of MPSEZL has the license to operate container trains through out India. ALL has initiated container train operations between Mundra Port and North India cargo centers, including double stack train movements on certain routes. This synergistic development has improved logistics for Mundra Port users with North India and boosted the demand for port services.

**Inland Conware Private Limited**

Inland Conware Private Limited (ICPL) a subsidiary of MPSEZL is engaged in the establishing and managing Inland Containers Depots (ICD) in National Capital Region for international trade and also proposes to set up ICDs for domestic cargo subsequently. ICPL has received the customs clearance for its ICDs at Patli in National Capital Region. The Company will be able to aggregate the container cargo, which will ensure better services to port users.

**Competition:**

Competition within the port industry is primarily driven by the characteristics and location of the ports, such as the ability to berth large vessels, proximity and connectivity to inland cargo centres. Other key competitive factors include, among others, the number of berths, the size and quantity of port facilities and equipment, and the efficiency of cargo handling and transportation. We compete primarily against non-Major Ports and Major Ports located on the northwest coastline of India, such as Pipavav Port, Kandla Port, Mumbai Port, JNPT and GMB-managed ports.

We compete against these entities through our integrated port infrastructure facilities, domain expertise in the port services industry, established customer relationships, available land resources and ability to facilitate port-based development, consistent high-quality service and our ability to flexibly meet our customers' requirements including flexibility in tariffs.

**Risks and concerns:**

There are certain factors which may cause our actual results to differ materially from our expectations. Among them are:

i) our ability to respond to regulatory and policy changes pertaining to our business;
ii) our ability to successfully implement our strategy, our growth and expansion plans;
iii) the changes in various economic parameters including growth, inflation and interest rate; and
iv) the developments in the political scenario and its impact on ongoing economic, trade and policy initiatives.

**Internal Control System:**

The Internal Control System comprises a well designed and duly approved Delegation of Authority (DOA) coupled with laid down Standard Operating Procedures (SOPs) for all departments. The implementation of DOA and SOPs are monitored through Pre-Audit system periodic, system and management audit. Further, on periodic basis Port Audit and Operations Audit of major items are carried out. The internal controls procedures are periodically reviewed and amendments are made, if required. Your Company's internal control systems are adequate considering its nature of operations.

**Human Resource Development:**

The company's growth is driven by the competence and the commitment of the Human Capital which has now increased to 758 as on 31st March, 2008. The Human Resource agenda is focused on acquiring quality talent and building organizational and individual capabilities to drive sustainable business growth.

The Company has taken several measures to improve organizational capabilities. 'SAP' and 'Balance Score Card' initiatives have been well established and are embedded in day to day work activities. Your Company is continuously enhancing the people capabilities and maintains a talent pool within the organization to meet future needs.

Significant investments have been made for training in the areas of Equipment Training, Supervisory & Managerial Development, Maintenance Training and building expertise and capabilities for operational excellence.

**Standalone Financial Performance with respect to operational performance:**

Your Company has recorded total Income to the tune of Rs. 8,182.07 million in 2007-08 with an increase of 40.72% in comparison to the corresponding period in the previous year.

Net Block of the Company as on 31st March, 2008 is Rs. 28,418.29 million as compared with Rs. 19,834.82 million as on 31st March, 2007 an increase of 43.27% in comparison to the corresponding period in the previous year.

During the year, your Company generated Earnings Before Interest, Depreciation, Tax and Appropriation (EBIDTA) of Rs. 5,633.12 million compared to Rs. 3,203.18 million, in the previous year, showing growth of 75.86%.

Net profit margin was higher by 13.86%. Earning per share increased by 9.42% on an annualized basis to Rs. 5.69/- on face value of Rs.10/- each.

Profit Before Tax of your Company has increased to Rs. 3,668.21 million for the year ended 31st March, 2008 compared to Rs. 1,749.72 million for the year ended 31st March, 2007 reflecting a handsome growth of 109.65%.

**Consolidated Financial Performance of the Company:**

Your Company has recorded total income to the tune of Rs. 8,449.27 million during the year 2007-08 with an increase of 43.95% in comparison to the corresponding period in previous year.

During the year, your Company generated Earnings Before Interest, Depreciation, Tax and Appropriation (EBIDTA) of Rs. 5,636.29 million compared to Rs.3,200.52 million in the previous year an annualized growth of 76.10%.

Net profit of Rs. 2,104.20 million also grew by 12.42% on a yearly basis. Earnings per share increased by 8.09% on an annualized basis to Rs. 5.61 on face value of Rs.10/- each.

**Cautionary Statement:**

Statements made in the report describing the Company's plan, projections and expectations may constitute "forward looking statement" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

# Corporate Governance Report for the year 2007-08

## 1. Company's Philosophy on code of governance

Corporate Governance is an integral part of the philosophy of the Company in its pursuit of excellence, growth and value creation. The Company recognizes that strong Corporate Governance is indispensable for safeguarding the interest of shareholders and other stakeholders.

Our philosophy on Corporate Governance is built on rich legacy of fair, transparent and effective governance which includes strong emphasis on human values, individual dignity and adherence to honest, ethical and professional conduct.

The Code of Conduct acts as guide to the employees on the values, ethics and business principles expected of them. With the listing of its Equity Shares, the Company has also abided by the requirements of Corporate Governance covered under Clause 49 of the Listing Agreement of the Stock Exchange.

## 2. Listing of the Company's shares on Stock Exchanges

The Company's Shares were listed on 'Bombay Stock Exchange Limited' and 'National Stock Exchange of India Limited' on 27th November, 2007.

## 3. Board of Directors

The business of the Company is conducted by the management under the directions of the Board. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on a consistent basis.

### a) Composition of the Board:

The Composition of the Board of Directors, with reference to the number of Executive and Non-Executive Directors, meets the requirement of Code of Corporate Governance. The Board is headed by the Executive Chairman. The Board of Directors of the Company has an optimum combination of 3 Executive Directors, 5 Non-Executive Independent Directors and 2 Non-Executive & Non-Independent Directors who have in depth knowledge of business, in addition to the expertise in their areas of specialization.

### b) Board Procedure:

Board met four times during the year under review on 27th June, 2007; 17th September, 2007, 23rd November, 2007 and 29th January, 2008. The time gap between any two meetings did not exceed four months.

The information as required under Annexure IA to Clause 49 of the Listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board Meeting are circulated to the Directors in advance. Adequate information is circulated as part of the Board papers and is also made available at the Board Meeting to enable the Board to take informed decisions.

The attendance of each Director at the Board Meetings and last Annual General Meeting held during the year under review are as under:

| Name of Director | Meetings | | Attendance at last AGM held on 30th July, 2007 |
|---|---|---|---|
| | Held | Attended | |
| Mr. Gautam S. Adani | 4 | 4 | Yes |
| Mr. Rajesh S. Adani | 4 | 4 | No |
| Mr. Rajeeva Ranjan Sinha * | 4 | 2 | No |
| Mr. Ameet H. Desai | 4 | 4 | Yes |
| Mr. K. N. Venkatasubramanian | 4 | 2 | Yes |
| Mr. S. Venkiteswaran | 4 | 3 | No |
| Mr. S. K. Tuteja, IAS (Retd.) | 4 | 4 | No |
| Mr. Arun Duggal | 4 | 4 | No |
| Mr. D. T. Joseph **, IAS (Retd.) | 4 | 3 | No |
| Mr. H. K. Dash***, IAS | 4 | 0 | No |

*Appointed as Additional and Whole Time Director w.e.f 12th October, 2007.

**Appointed as an Additional and Independent Director w.e.f 17th September, 2007.

*** Resigned as Director w.e.f 28th May, 2008.

c) **Details of Memberships of the Directors in other Boards and in Board Committees as on 31.03.2008 are as under:**

| Name of Director | Category of Directorship | Directorship in other Companies | Details of Committee | |
|---|---|---|---|---|
| | | | Chairman | Member |
| Mr. Gautam S. Adani | Promoter & Executive Director | 10 | 2 | 1 |
| Mr. Rajesh S. Adani | Promoter & Non-Independent & Non-Executive Director | 14 | 1 | 3 |
| Mr. Rajeeva Ranjan Sinha | Executive Director | 4 | - | - |
| Mr. Ameet H. Desai | Executive Director | 8 | - | 3 |
| Mr. K. N. Venkatasubramanian | Independent & Non-Executive Director | 6 | - | 2 |
| Mr. S. Venkiteswaran | Independent & Non-Executive Director | 5 | 1 | 6 |
| Mr. S. K. Tuteja, IAS (Retd.) | Independent & Non-Executive Director | 12 | 5 | 3 |
| Mr. Arun Duggal | Independent & Non-Executive Director | 11 | 3 | 3 |
| Mr. D. T. Joseph, IAS (Retd.) | Independent & Non-Executive Director | 2 | - | - |
| Mr. H. K. Dash*, IAS | GPIDCL Nominee | 6 | - | - |

* Resigned as Director w.e.f. 28th May, 2008

Other directorship do not include alternate directorship, directorship of Private Limited companies and of companies incorporated outside India. Chairmanship/Membership of Board Committees include membership of Audit and Shareholders/Investors Grievance Committees.

d) **Code of Conduct:**

Company's Board has laid down a Code of Conduct for all the Board Members and Senior Management of the Company. The Code is available on the website of the Company www.portofmundra.com. All Board Members and Senior Management personnel have affirmed compliance of the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

e) **Disclosures regarding appointment/re-appointment of Directors:**

Mr. K. N. Venkatasubramanian, Mr. S. Venkiteswaran and Mr. S. K. Tuteja, IAS (Retd.) are Directors retiring at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

Mr. D. T. Joseph, IAS (Retd.) was appointed as an Additional and Independent Director on the Board of the Company with effect from 17th September, 2007 and Mr. Rajeeva Ranjan Sinha was appointed as an Additional Director and Whole Time Director of the Company with effect from 12th October, 2007 for a period of five years. They will retire pursuant to the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting.

The Board has recommended the appointment of Mr. D. T. Joseph, IAS (Retd.) and Mr. Rajeeva Ranjan Sinha and re-appointment of the retiring Directors. The Directors being appointed/re-appointed are not related to each other.

The brief resume and other information required to be disclosed under this section is provided in the Notice of the Annual General Meeting.

## 4. Committees of the Board

### A) Audit Committee:

#### a) Constitution & Composition of Audit Committee:

The Audit Committee of the Company constituted on 22nd September, 2001 was re-constituted on 30th January, 2007 in line with the provisions of Clause 49 of the Listing Agreement of the Stock Exchange read with Section 292A of the Companies Act, 1956.

As on 31st March, 2008, the Audit Committee comprises of 3 Non-Executive & Independent Directors and one Non-Executive & Non-Independent Director.

The composition of the Audit Committee and details of meetings attended by the members of the Audit Committee are given below:

| Name | Category | No. of Meetings during the year | |
|---|---|---|---|
| | | Held | Attended |
| Mr. K. N. Venkatasubramanian, Chairman | Non-Executive & Independent Director | 3 | 2 |
| Mr. S. Venkiteswaran | Non-Executive & Independent Director | 3 | 2 |
| Mr. S. K. Tuteja, IAS (Retd.) | Non-Executive & Independent Director | 3 | 2 |
| Mr. Rajesh S. Adani | Non-Executive & Non-Independent Director | 3 | 3 |

During the year under review Audit Committee meeting was held 3 times on 27th June, 2007, 17th September, 2007 and 28th January, 2008.

The Chief Financial Officer, Sr. Vice President-Finance, representatives of Statutory Auditors and representatives of the Internal Audit Department are invited to the meetings of the Audit Committee.

Ms. Dipti Shah, Company Secretary acts as a Secretary of the Committee.

The Chairman of the Committee was present at the Annual General Meeting held on 30th July, 2007.

**b) Broad Terms of reference:**

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending the appointment and re-appointment of the statutory auditor and the fixation of their remuneration.
3. Reviewing and discussing with the management, the annual financial statements before submission to the Board with particular reference to:
   a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
   b) Changes, if any, in accounting policies and practices and reasons for the same.
   c) Major accounting entries involving estimates based on the exercise of judgment by management.
   d) Significant adjustments made in the financial statements arising out of audit findings.
   e) Compliance with listing and other legal requirements relating to financial statements.
   f) Disclosure of any related party transactions.
   g) Qualifications in the draft audit report.
4. Reviewing the Quarterly and Half yearly financial results and the Annual financial statements before they are submitted to board.
5. Reviewing and discussing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
6. Reviewing and discussing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Reviewing, if necessary, the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. Looking into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.

10. Reviewing the Management discussion and analysis of financial condition and results of operations.
11. Reviewing and discussing the Statement of significant related party transactions (as defined by the audit committee), submitted by management.
12. Reviewing and discussing the Management letters/letters of internal control weaknesses issued by the statutory auditors.
13. Reviewing the Internal audit reports relating to internal control weaknesses.
14. Reviewing and discussing the appointment, removal and terms of remuneration of the Chief internal auditor.

**B) Remuneration Committee:**

**a) Constitution & Composition of Remuneration Committee:**

The Remuneration Committee of the Company was constituted on 3rd September, 2005 and was re-constituted on 27th May, 2008.

The composition of the Remuneration Committee and details of Meetings attended by the Directors are given below:

| Name | Category | No. of Meetings during the year | |
|---|---|---|---|
| | | Held | Attended |
| Mr. S. Venkiteswaran, Chairman | Non-Executive & Independent Director | 1 | - |
| Mr. K. N. Venkatasubramanian | Non-Executive & Independent Director | 1 | 1 |
| Mr. Rajesh S. Adani | Non-Executive & Non-Independent Director | 1 | 1 |
| Mr. S. K. Tuteja*, IAS (Retd.) | Non-Executive & Independent Director | - | - |

* Appointed as member w.e.f. 27.05.2008

During the year under review Remuneration Committee meeting was held on 27th June, 2007 and one resolution by circulation was passed on 11th October, 2007.

**b) Brief Terms of reference:**

The Remuneration Committee is responsible for determining and reviewing all matters in respect of managerial remuneration.

**c) Remuneration Policy:**

The Remuneration Committee determines and reviews all matters in respect of managerial remuneration.

**d) Details of remuneration to all the Directors:**

**i) Non-Executive Directors:**

The details of sitting fees and commission paid to Non-Executive Directors during the financial year 2007-2008 are as under:

(In Rs.)

| Name | Commission | Sitting Fees | No. of shares held |
|---|---|---|---|
| Mr. Rajesh S. Adani | - | 1,90,000 | - |
| Mr. Arun Duggal | 9,00,000 | 40,000 | - |
| Mr. S. K. Tuteja, IAS (Retd.) | 12,00,000 | 70,000 | - |
| Mr. S. Venkiteswaran | 12,00,000 | 50,000 | 9,500 |
| Mr. K. N. Venkatasubramanian | 12,00,000 | 90,000 | 5,700 |
| Mr. D. T. Joseph, IAS (Retd.) | 6,00,000 | 30,000 | - |

There were no other pecuniary relationships or transactions of Non-Executive Directors *vis-a-vis* the Company.

ii) **Executive Directors:**

The appointment of Chairman & Managing Director, Whole Time Director and Executive Director is governed by resolutions passed by the Board of Directors and shareholders of the Company. Remuneration paid to Chairman & Managing Director, Whole Time Director and Executive Director is recommended by the Remuneration Committee, approved by the Board and is within the limit set by shareholders at the General Meeting.

Details of remuneration paid to Chairman & Managing Director, Whole Time Director and Executive Director during the financial year 2007-2008 is as under:

(Rs. in million)

| Name | Salary | Perquisites & Allowances | Commission |
|---|---|---|---|
| Mr. Gautam S. Adani | 12.00 | — | 70.51 |
| Mr. Rajeeva Ranjan Sinha | 2.35 | 2.35 | — |
| Mr. Ameet H. Desai | 5.70 | 3.30 | — |

iii) Details of shares of the Company held by Directors as on 31st March, 2008 are as under:

| Name | No. of shares held |
|---|---|
| Mr. Gautam S. Adani | 10,00,000 |
| Mr. Rajeeva Ranjan Sinha | 865 |
| Mr. Ameet H. Desai | 1,50,865* |
| Mr. S. Venkiteswaran | 9,500 |
| Mr. K. N. Venkatasubramanian | 5,700 |

*Additionally, wife of Mr. Ameet H. Desai, Ms. Deepali A. Desai has 50,000 Equity Shares.

The Company does not have any Employees' Stock Option Scheme and there is no separate provision for payment of Severance Fees.

**C) Shareholders/Investors Grievance Committee:**

**a) Constitution & Composition of Shareholders/Investors Grievance Committee:**

The Shareholders/Investors Grievance Committee of Directors was constituted on 30th January, 2007.

The composition of the Shareholders/Investors Grievance Committee and details of Meetings attended by the Directors are given below:

| Name | Category | No. of Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Mr. K. N. Venkatasubramanian, Chairman | Non-Executive & Independent Director | 1 | - |
| Mr. S. K. Tuteja, IAS (Retd.) | Non-Executive & Independent Director | 1 | 1 |
| Mr. Rajesh S. Adani | Non-Executive & Non-Independent Director | 1 | 1 |

During the year under review one Shareholders/Investors Grievance Committee meeting was held on 29th January, 2008.

**b) Brief terms of reference:**

To look into redressal of shareholders and investors complaints like transfer of shares, non-receipt of Annual Report, non-receipt of declared dividend, revalidation of dividend warrant or refund order etc.

**c) Details of complaints received and redressed:**

| Received during the period 27.11.2007 to 31.03.2008 | Resolved during period 27.11.2007 to 31.03.2008 | Closing Balance |
|---|---|---|
| 24,293 | 24,249 | 44 |

**D) Transfer Committee:**

**a) Constitution & Composition of Transfer Committee:**

The Transfer Committee of the Company was constituted on 25th September, 2000 and was re-constituted on 30th January, 2007.

The composition of the Transfer Committee and details of Meetings attended by the Directors are given below:

| Name | Category | No. of Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Rajesh S. Adani, Chairman | Non-Executive & Non-Independent Director | 5 | 5 |
| Mr. Ameet H. Desai | Executive Director | 5 | 5 |
| Mr. K. N. Venkatasubramanian | Non-Executive & Independent Director | 5 | 1 |

During the year under review Transfer Committee meeting was held 5 times on 11th June, 2007, 15th October, 2007, 4th February, 2008, 22nd February, 2008 and 21st March, 2008.

**b) Brief terms of reference:**

1. To approve and register transfer and/or transmission of Equity and Preference shares and Debentures,
2. To subdivide, consolidate and issue Equity and Preference share certificates and/or Debenture certificate on behalf of the company,
3. To affix or authorise fixation of common seal of the Company on the Equity and Preference share certificates and Debenture Certificate of the Company,
4. To issue Duplicate Equity and Preference Share Certificates and Debenture Certificate,
5. To apply for dematerialization of the Equity and Preference Shares and Debenture,
6. To do all such acts, deeds or things as may be necessary or incidental to the exercise of above powers.

**5. Subsidiary Companies:**

None of the subsidiaries of the Company come under the purview of the Material Non-Listed Subsidiary. However, the particulars of the significant transactions entered into by the unlisted subsidiary companies and the minutes of the unlisted subsidiary companies are placed at the Board Meetings of the Holding Company.

**6. General Body Meetings:**

**a) The last three Annual General Meetings were held as under:**

| Financial Year | Date | Location of Meeting | Time | No. of special Resolutions passed |
|---|---|---|---|---|
| 2004-2005 | 29.09.2005 | Board Room, Adani House, Nr. Mithakhali Six Roads, Navrangpura, Ahmedabad – 380 009 | 3.00 p.m. | 2 |
| 2005-2006 | 30.09.2006 | Board Room, Adani House, Nr. Mithakhali Six Roads, Navrangpura, Ahmedabad – 380 009 | 2.00 p.m. | _ |
| 2006-2007 | 30.07.2007 | Board Room, Adani House, Nr. Mithakhali Six Roads, Navrangpura, Ahmedabad – 380 009 | 3.00 p. m. | _ |

**Extra Ordinary General Meeting**

During the year under review one Extra Ordinary General Meeting of the Members of the Company was held on 16th October, 2007 to pass following Special Resolutions:

i) Alteration of Articles of Associations of the Company.

ii) Enhancing the limit under Section 293(1) (e) authorizing directors to make donations.

**b) Whether special resolutions were put through postal ballot last year, details of voting pattern:**

No

**C) Person who conducted the postal ballot exercise:**

N.A.

**d) Whether any resolutions are proposed to be conducted through postal ballot:**

No Special Resolution requiring a Postal Ballot is being proposed at the ensuing Annual General Meeting of the Company.

**e) Procedure for postal ballot:**

Prescribed procedure shall be complied with whenever necessary.

**7. Disclosures:**

a) There were no materially significant related party transactions and pecuniary transactions that may have potential conflict with the interest of the Company at large. The details of Related Party Transactions are disclosed in financial Section of this Annual Report.

b) In the preparation of the financial statements, the Company has followed the Accounting policies and practices as prescribed in the Accounting Standards and there is no change in the accounting treatment during the year under review.

c) The implementation of the risk assessment and minimization procedure is under progress and the board members are periodically informed of the status.

d) The Company had come out with initial public offering of 40,250,000 equity shares of Rs. 10 each for cash at a price of Rs. 440 per equity share (including a share premium of Rs. 430 per equity share) aggregating to Rs. 17,710 million. The details of utilization of the proceeds are disclosed to the Audit Committee and the Board. The detail of utilization of Proceeds of IPO is mentioned in the Directors' Report.

e) Management Discussion and Analysis Report is set out in a separate section included in this Annual Report and forms part of this Report.

f) There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority.

g) The Chief Executive Officer and the Chief Financial Officer have furnished a Certificate to the Board for the year ended on 31st March, 2008 in compliance with Clause 49 of Listing Agreement.

h) A qualified Practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Secretarial audit report confirms that the total issued/paid-up capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**8. Means of Communication:**

The quarterly, half-yearly and annual results are published in widely circulating national and local dailies such as 'The Business Standard' in English and Gujarati or 'Jan-Satta' in Gujarati. These results are not sent individually to the shareholders but are put on the website of the Company.

The Company's results and official news releases are displayed on the Company's website www.portofmundra.com.

Pursuant to the listing of the Company's shares, your management team has maintained consistent communication with investors at various forums organized by investment bankers and by organizing investor visit to the port and SEZ site.

**9. General Shareholders Information:**

**a) Date, time and venue of the 9th Annual General Meeting:**

Friday, the 26th September, 2008 at 9.00 a.m. at Bhaikaka Bhavan, Law Garden, Ahmedabad - 380 006.

**b) Financial Year:**

Financial year is 1st April to 31st March and financial results will be declared as per the following schedule.

| Particulars | Tentative Schedule |
|---|---|
| **Quarterly Results** | |
| Quarter ending on 30th June, 2008 | July 2008 |
| Quarter ending on 30th September, 2008 | October 2008 |
| Quarter ending on 31st December, 2008 | January 2009 |
| Annual Result of 2008-09 | Within 3 months of the close of financial year |

**c) Book closure date:**

The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 16th September, 2008 to Friday, the 26th September, 2008 (both days inclusive) for the purpose of 9th Annual General Meeting.

**d) Dividend payment date:**

The final dividend, if declared, shall be paid/credited within 30 days from the date of declaration of dividend.

**e) Listing on Stock Exchanges:**

The Company's shares are listed on the following Stock Exchanges with effect from 27th November, 2007.

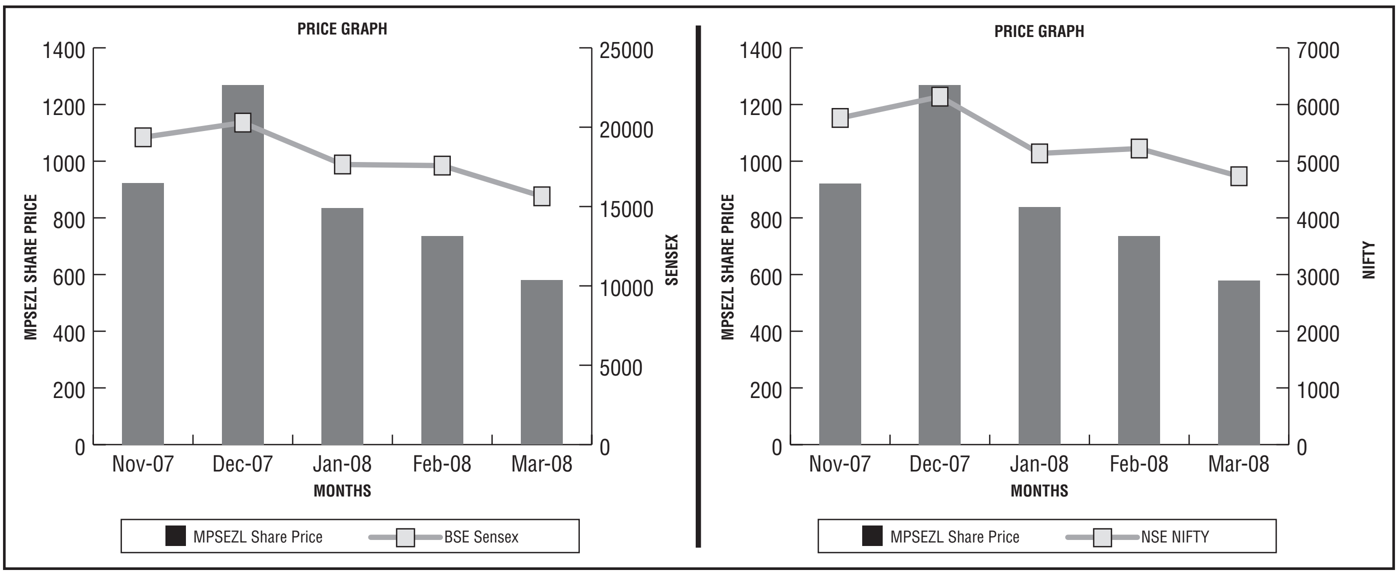
| Name of Stock Exchange | Address | Code |
|---|---|---|
| Bombay Stock Exchange Limited | Floor 25, P. J. Towers, Dalal Street, Mumbai - 400 001 | 532921 |
| National Stock Exchange of India Limited | Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 | MUNDRAPORT |

Annual Listing Fees for the year 2008-09 have been paid by the Company to BSE and NSE.

**f) Market Price Data:**

| Month | NSE | | BSE | |
|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| November, 2007 | 1,050.00 | 770.00 | 1,150.00 | 770.00 |
| December, 2007 | 1,295.00 | 922.00 | 1,291.70 | 931.00 |
| January, 2008 | 1,324.00 | 660.05 | 1,324.00 | 659.25 |
| February, 2008 | 872.40 | 655.60 | 872.00 | 655.30 |
| March, 2008 | 725.00 | 465.00 | 721.00 | 463.00 |

**g) Performance of the share price of the Company in comparison to BSE Sensex and NSE Nifty:**



h) **Registrar & Transfer Agents:**

| | | |
|---|---|---|
| Name & Address | : | Intime Spectrum Registry Ltd.<br>C-13, Pannalal Silk Mills Compound,<br>LBS Marg, Bhandup (West),<br>Mumbai - 400 078 |
| Tel. | : | 91 22 2596 0320 |
| Fax. | : | 91 22 2596 0329 |
| E-mail | : | rnt.helpdesk@intimespectrum.com |
| Contact Person | : | Mr. Sandip Shikhare |
| Website | : | www.intimespectrum.com |

i) **Share Transfer Procedure:**

All the transfers are processed by the Registrar and Share Transfer Agents and are approved by the Transfer Committee. All valid share transfers during the year ended 31st March, 2008 have been acted upon.

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary-in-Practice for timely dematerialization of the shares of the Company and for conducting secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.

j) **Shareholding (as on 31st March, 2008):**

(a) **Distribution of Shareholding as on 31st March, 2008:**

| No. of shares | No. of shares | % to capital | Total no. of accounts | % to total accounts |
|---|---|---|---|---|
| 1-500 | 11,354,458 | 2.83 | 550,847 | 99.50 |
| 501-1000 | 996,549 | 0.25 | 1,304 | 0.24 |
| 1001-2000 | 896,885 | 0.22 | 620 | 0.11 |
| 2001-3000 | 483,370 | 0.12 | 187 | 0.03 |
| 3001-4000 | 370,601 | 0.09 | 104 | 0.02 |
| 4001-5000 | 408,848 | 0.10 | 87 | 0.02 |
| 5001-10000 | 1,257,735 | 0.31 | 169 | 0.03 |
| 10000 & above | 384,910,374 | 96.08 | 290 | 0.05 |
| **Total** | **400,678,820** | **100.00** | **553,608** | **100.00** |

b. **Shareholding Pattern as on 31st March, 2008:**

| Category | No. of shares held | | Total No. of Shares | % of Holding |
|---|---|---|---|---|
| | Physical | Electronic | | |
| Promoter Holding | 0 | 325,750,140 | 325,750,140 | 81.30 |
| Mutual Funds/UTI | 0 | 4,336,882 | 4,336,882 | 1.08 |
| Banks / FI/ Central Govt./ State Govt. & Insurance Companies | 0 | 7,823,697 | 7,823,697 | 1.95 |
| Foreign Institutional Investors | 0 | 15,926,687 | 15,926,687 | 3.97 |
| Trusts | 0 | 1,090 | 1,090 | 0.00 |
| NRI/OCBs | 0 | 725,291 | 725,291 | 0.18 |
| Foreign Companies | 0 | 19,918,981 | 19,918,981 | 4.97 |
| Other Corporate Bodies | 11,400 | 5,849,518 | 5,860,918 | 1.46 |
| Clearing Member | 0 | 548,917 | 548,917 | 0.15 |
| Director/Relatives of Director | 0 | 216,930 | 216,930 | 0.05 |
| Indian Public | 434,042 | 19,135,245 | 19,569,287 | 4.89 |
| **Total** | **445,442** | **400,233,378** | **400,678,820** | **100.00** |

**k) Dematerialization of Shares and Liquidity:**

The Company's shares are compulsorily traded in dematerialized form. Equity shares of the Company representing 99.89% of the Company's share capital are dematerialized as on 31st March, 2008.

The Company's shares are regularly traded on the 'Bombay Stock Exchange Limited' and 'National Stock Exchange of India Limited'.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE742F01034.

**l) Outstanding GDRs/ADRs/Warrants or any convertible instrument, conversion and likely impact on equity:**

NIL

**m) Site location:**
"Adani House", Navinal Island,
Mundra - 370 421,
Gujarat

**n) Address of Correspondence:**

i) Ms. Dipti Shah,
Company Secretary & Compliance Officer
"Adani House",
Nr. Mithakhali Six Roads,
Navrangpura,
Ahmedabad -380 009
Tel.: (079) 2656 5555
Fax: (079) 2656 5500
E-mail: dshah@adanigroup.com, kpbhagia@adanigroup.com

ii) For transfer/dematerialization of shares, change of address of members and other queries.

Mr. Sandip Shikhare
Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai – 400078.
Tel.: (022) 2596 0320
Fax: (022) 2596 0329
E-mail: rnt.helpdesk@intimespectrum.com

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## Declaration

I, Gautam S. Adani, Chairman and Managing Director of Mundra Port And Special Economic Zone Limited hereby declare that as of 31st March, 2008, all the Board Members and Senior Management Personnel have affirmed Compliance with the Code of Conduct and Ethics for Directors and Senior Management Personnel laid down by the Company.

**For Mundra Port And Special Economic Zone Limited**

**Gautam S. Adani**
*Chairman & Managing Director*

**Place: Ahmedabad**
**Date: 28th May, 2008**

# Certificate on Corporate Governance

To,
The Members of
Mundra Port and Special Economic Zone Limited

We have examined the compliance of Corporate Governance by Mundra Port and Special Economic Zone Limited ("the Company") for the period from 27th November, 2007 to 31st March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of procedures and implementations thereof adopted by the Company for ensuing compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**CS Ashwin Shah**
*Company Secretary*
C. P. No. 1640

**Place: Ahmedabad**
**Date: 23rd May, 2008**

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# Certificate of Chief Executive Officer and Chief Financial Officer

We have reviewed the financial statements and the cash flow statements for the year 2007-08 and that to the best of our knowledge and belief:

1. These statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal control system and that we have evaluated the effectiveness of the internal control system of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal control system, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
5. We further certify that we have indicated to the auditors and the Audit Committee:
   a) There have been no significant changes in internal control system during the year.
   b) There have been no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   c) There have been no instances of significant fraud, of which we have become aware, involving management or an employee having a significant role in the Company's internal control system.

**Gautam S. Adani**
*Chief Executive Officer*

**Ameet H. Desai**
*Chief Financial Officer*

**Place: Ahmedabad**
**Date: 28th May, 2008**

# Auditors' Report

To the Members of
Mundra Port and Special Economic Zone Limited:

1. We have audited the attached Balance Sheet of Mundra Port and Special Economic Zone Limited ('the Company') as at 31st March, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) (" the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Without qualifying our opinion, we draw attention to Note No. 11 in Schedule 23 to the financial statements in respect of eligibility for income tax holiday as per provisions of Section 80-IAB of the Income Tax Act, 1961.

5. Further to our comments in the Annexure referred to above, we report that:

   i. 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;

   ii. 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;

   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   v. On the basis of the written representations received from the directors as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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 31st March, 2008;

      b) in the case of the profit and loss account, of the profit for the year ended on that date; and

      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For S.R. Batliboi & Associates**
**Chartered Accountants**

**per Raj Agrawal**
*Partner*
**Membership No.: 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

# Annexure referred to in paragraph [3] of our report of even date

Re: [Mundra Port and Special Economic Zone Limited]

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are 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 no material discrepancies were noticed on physical verification.

(iii) (a) As informed, 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, the provisions of Clause (iii) (b), (c) and (d) of the Companies (Auditors Report) Order, 2003 (as amended), are not applicable to the Company.

(b) 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, the provisions of Clause (iii) (f) and (g) of the Companies (Auditors Report) Order, 2003 (as amended), are not applicable to the Company.

(iv) Part of the Company's purchases of fixed assets and sale of services are stated to be of unique and specialized nature, and hence, in such cases, the comparison of prices with the market rates or with purchases from/sales to other parties can not be made. Read with the above, in our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. The Company does not sell any goods due the nature of its business.

(v) According to the information and explanations provided by the management, we are of the opinion that there are no particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.

(vi) The Company has not accepted any deposits from the public.

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

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under Clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investors education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investors education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amount (Rs'million) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Customs Act, 1962 | Show cause notice from the Custom Authorities for recovery of customs duty in relation to import of Crude Petroleum Oil | 2.66 | November, 2004 | Customs, Excise and Service Tax Appellate Tribunal, Mumbai |
| Customs Act, 1962 | Show cause notice from the Custom Authorities for recovery of customs duty in relation to import of Acrylonitrile | 1.42 | 3rd July, 2003 | Assistant Commissioner of Customs, Mundra |

| Name of the statute | Nature of dues | Amount (Rs'million) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Customs Act, 1962 | Show cause notice from the Custom Authorities for recovery of customs duty, fine and penalty on the import of a tug and bunkers | 44.92 | June, 2005 | Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad |
| Customs Act, 1962 | Order from Deputy Commissioner Customs, Mundra directing to pay differential duty and penalty for short delivery of imported goods of various customers | 0.26 | March, 2007 | Commissioner of Customs, Mundra |
| Customs Act, 1962 | Order from Dy. Commissioner Customs directing to pay differential duty and penalty for short delivery of imported goods of various customers | 0.76 | Februay 2007 | Commissioner of Customs (Appeal) Mundra |
| Customs Act, 1962 | Demand Notice from Deputy Commissioner of Customs directing to pay education cess against import of Steel Sole Plates | 0.44 | December 2006 | Deputy Commissioner of customs, Gujarat |
| Customs Act, 1962 | Demand Notice from Deputy Commissioner of Customs directing to pay duty by holding that Company wrongly availed duty benefit under DFCEC Scheme on import of equipment | 2.50 | August, 2007 | Deputy Commissioner of Customs, Gujarat |
| Customs Act, 1962 | Demand Notice from Assistant Commissioner of Customs directing to pay duty by holding that Company wrongly availed duty benefit on import of equipment components | 0.13 | January, 2008 | Assistant Commissioner of Customs, Ahmedabad |
| Customs Act, 1962 | Show Cause Notice from Commissioner of Customs and Central Excise disallowing and recovering duty, interest and penalty holding that Company wrongly availed Service Tax Credit/Cenvet Credit and Education Cess on steel and cement etc. | 255.86 | April, 2006 and April, 2007 | Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad |
| Customs Act, 1962 | Show Cause Notice from Additional Commissioner of Customs and Central Excise disallowing and recovering duty, interest and penalty holding that Company wrongly availed Service Tax Credit/Cenvet Credit and Education Cess on input services | 5.58 | April, 2006 | Commissioner of Central Excise (Appeals), Rajkot |
| Customs Act, 1962 | Show Cause Notice from Joint Commissioner of Customs and Central Excise disallowing and recovering duty, interest and penalty holding that Company wrongly availed Service Tax Credit/Cenvet Credit and Education Cess on input services | 2.86 | April, 2006 | Commissioner (Appeals), Customs and Central Excise, Rajkot |
| Customs Act, 1962 | Show Cause Notice from Commissioner of Customs and Central Excise disallowing and recovering duty, interest and penalty holding that Company wrongly availed Service Tax Credit/Cenvet Credit and Education Cess on steel and cement etc. | 107.67 | October, 2007 | Commissioner of Central Excise and Customs, Rajkot |

| Name of the statute | Nature of dues | Amount (Rs'million) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Customs Act, 1962 | Show Cause Notice from Commissioner of Customs and Central Excise disallowing and recovering duty, interest and penalty holding that Company wrongly availed Service Tax Credit/Cenvet Credit and Education Cess on steel and cement etc. | 140.70 | November, 2007 | Commissioner of Central Excise and Customs, Rajkot |
| Customs Act, 1962 | Show Cause Notice from Deputy Commissioner of Customs and Central Excise disallowing and recovering duty, interest and penalty holding that Company wrongly availed Service Tax Credit/ Cenvet Credit and Education Cess on Air conditioners etc. | 0.04 | April, 2006 | Assistant Commissioner of Central Excise (Appeals), Rajkot |

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced 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. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantee for credit facility taken by a body corporate from bank or financial institutions, the terms and conditions whereof in our opinion are not prima facie prejudicial to the interest of the Company.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and 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 investment.

(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.

(xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures. The Company has created security or charge in respect of debentures issued in earlier years.

(xx) We have verified that the end use of money raised by public issue is as disclosed in the Notes to the financial statements.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, which have been relied upon by us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S.R. Batliboi & Associates**
**Chartered Accountants**

**per Raj Agrawal**
*Partner*
**Membership No.: 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

# Balance Sheet as at 31st March, 2008

| | Schedules | As at 31st March 2008 Rs. in million | As at 31st March 2007 Rs. in million |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 1 | **4,034.90** | 3,632.40 |
| Reserves and Surplus | 2 | **22,090.21** | 3,831.07 |
| | | **26,125.11** | 7,463.47 |
| **Loan Funds** | | | |
| Secured Loans | 3 | **18,847.66** | 12,813.45 |
| Unsecured Loan | 4 | **219.79** | 9.03 |
| | | **19,067.45** | 12,822.48 |
| **Amount Received/Receivable under Long-term Lease/Infrastructure Usage Agreements** | 5 | **6,810.95** | 7,414.84 |
| (Refer Note 7 of Schedule 23) | | | |
| **Deferred Tax Liabilities (Net)** | 6 | **1,774.16** | 471.06 |
| **Total** | | **53,777.67** | 28,171.85 |
| **APPLICATION OF FUNDS** | | | |
| **Fixed Assets** | | | |
| Gross Block | | **32,016.68** | 22,344.00 |
| Less: Accumulated Depreciation/Amortization | | **3,598.39** | 2,509.18 |
| Net Block | | **28,418.29** | 19,834.82 |
| Capital Work-in-Progress including Capital Advances | | **4,058.33** | 4,179.38 |
| | 7 | **32,476.62** | 24,014.20 |
| **Investments** | 8 | **10,826.63** | 789.86 |
| **Current Assets, Loans and Advances** | | | |
| Inventories | 9 | **184.67** | 104.38 |
| Sundry Debtors | 10 | **2,963.37** | 3,456.37 |
| Cash and Bank Balances | 11 | **8,895.63** | 569.01 |
| Other Current Assets | 12 | **451.38** | 118.18 |
| Loans and Advances | 13 | **1,484.49** | 1,260.18 |
| | | **13,979.54** | 5,508.12 |
| **Less: Current Liabilities and Provisions** | | | |
| Current Liabilities | 14 | **2,554.26** | 2,021.07 |
| Provisions | 15 | **950.86** | 177.73 |
| | | **3,505.12** | 2,198.80 |
| **Net Current Assets** | | **10,474.42** | 3,309.32 |
| **Miscellaneous Expenditure (to the extent not written-off or adjusted)** | 16 | **-** | 58.47 |
| **Total** | | **53,777.67** | 28,171.85 |
| **Notes to Accounts** | 23 | | |

The schedules referred to above and notes to accounts form an integral part of the balance sheet

**As per our report of even date**
**For S. R. BATLIBOI & ASSOCIATES**
*Chartered Accountants*

**per Raj Agrawal**
*Partner*
**Membership No. 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place: Ahmedabad**
**Date: 28th May, 2008**

## Profit and Loss Account for the year ended 31st March, 2008

| | Schedules | For the year ended 31st March, 2008 Rs. in million | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|---|
| **INCOME** | | | |
| Income from Operations (Refer Note 16 of Schedule 23) | | **8,182.07** | 5,814.40 |
| Other Income | 17 | **279.04** | 57.85 |
| | | **8,461.11** | 5,872.25 |
| **EXPENDITURE** | | | |
| Operating Expenses | 18 | **1,835.85** | 1,943.70 |
| Personnel Expenses | 19 | **266.09** | 147.92 |
| Administrative and Other Expenses | 20 | **726.05** | 577.45 |
| Financial Expenses (net) | 21 | **1,062.19** | 631.00 |
| Depreciation/Amortization | | **1,006.38** | 806.99 |
| | | **4,896.56** | 4,107.06 |
| **Profit before Tax, Prior Period Items and Extraordinary Item** | | **3,564.55** | 1,765.19 |
| - Prior Period Items (Refer Note 9 of Schedule 23) | | **(12.95)** | (15.47) |
| **Profit before Tax and Extraordinary Item** | | **3,551.60** | 1,749.72 |
| - Extraordinary item (Refer Note 10 of Schedule 23) | | **116.61** | - |
| **Profit before Tax** | | **3,668.21** | 1,749.72 |
| Provision For Taxation | | | |
| - Current Tax (including Rs. 0.94 million for earlier years) | | **260.40** | 50.00 |
| - Deferred Tax Charge/(Credit) | | **1,303.10** | (133.21) |
| - Fringe Benefit Tax | | **18.14** | 8.57 |
| - MAT Credit Utilised | | **(47.55)** | (50.00) |
| **Profit after Tax** | | **2,134.12** | 1,874.36 |
| Balance brought forward from Previous Year | | **950.36** | 876.20 |
| Less: Pre-operative Expenditure and Miscellaneous Expenditure (to the extent not written-off) adjusted in accordance with the Scheme of Amalgamation | | **-** | (36.09) |
| **Amount available for Appropriation** | | **3,084.48** | 2,714.47 |
| **Less: Appropriations:** | | | |
| Transfer to Debenture Redemption Reserve | | **-** | 20.13 |
| Transfer to Capital Redemption Reserve | | **1.40** | 1.41 |
| Transfer to General Reserve | | **106.71** | - |
| Transfer for Issue of Bonus Equity Shares | | **-** | 1,382.14 |
| Dividend on Preference Shares | | ***-** | *- |
| Dividend on Equity Shares | | **601.02** | 360.43 |
| **Balance carried to Balance Sheet** | | **2,375.35** | 950.36 |
| * Figures being nullified on conversion to Rs. in million, Amount Rs. 2,811 | | | |
| **Basic and Diluted Earnings per Share** | 22 | | |
| Nominal Value of each share Rs. 10 | | | |
| - Computed on the basis of earnings including extraordinary items | | **5.69** | 5.20 |
| - Computed on the basis of earnings excluding extraordinary items | | **5.49** | 5.20 |
| **Notes to Accounts** | 23 | | |

The schedules referred to above and notes to accounts form an integral part of the profit and loss account

**As per our report of even date**
**For S. R. BATLIBOI & ASSOCIATES**
*Chartered Accountants*

**per Raj Agrawal**
*Partner*
**Membership No. 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place: Ahmedabad**
**Date: 28th May, 2008**

## Cash Flow Statement for the year ended 31st March, 2008

| | | **For the year ended 31st March, 2008 Rs. in million** | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|---|
| **A.** | **Cash Flow from Operating Activities** | | |
| | Net profit before taxation, and extraordinary items | **3,551.60** | 1,749.72 |
| | Adjustments for: | | |
| | Depreciation | **1,006.38** | 806.99 |
| | Sundry Balances written off (Net) | **1.22** | 64.53 |
| | Provision written back | **(15.68)** | (43.88) |
| | Project Expenditure Written Off | **-** | 5.08 |
| | Provision for Doubtful Debts and Advances | **5.90** | 18.82 |
| | Amortization of Amounts Received under Long-term Lease/Infrastructure Usage Agreements | **(603.89)** | (219.39) |
| | Interest Expense | **1,334.43** | 667.58 |
| | Unrealised Foreign Exchange Gain | **(8.86)** | - |
| | Interest Income | **(195.83)** | (89.00) |
| | Profit on sale of Current Investments | **(249.28)** | (0.40) |
| | Provision for diminution in value of Current Investments | **10.00** | - |
| | Dividend Income | **(3.30)** | - |
| | (Profit)/Loss on sale of Fixed Assets | **(5.36)** | 1.09 |
| | **Operating Profit before Working Capital Changes** | **4,827.33** | 2,961.14 |
| | Adjustments for: | | |
| | Decrease/(Increase) in Debtors | **487.10** | (2,715.00) |
| | (Increase) in Inventories | **(80.29)** | (58.32) |
| | (Increase)/Decrease in Loans and Advances | **(463.98)** | 660.56 |
| | Increase in Unamortized balance of Amounts Received under Lease/Long-term Infrastructure Usage Agreements | **-** | 2,999.78 |
| | Increase in Current Liabilities and Provisions | **347.97** | 581.84 |
| | **Cash Generated from Operations** | **5,118.13** | 4,430.00 |
| | Direct Taxes paid (Net) | **(43.23)** | (62.94) |
| | **Cash flow before extraordinary item** | **5,074.90** | 4,367.06 |
| | Extraordinary item | **116.61** | - |
| | **Net Cash from Operating Activities** | **5,191.51** | 4,367.06 |
| **B.** | **Cash Flow from Investing Activities** | | |
| | Purchase of Fixed Assets | **(9,502.55)** | (5,711.13) |
| | Project Expenditure Written Off | **-** | 36.09 |
| | Purchase of Investments/Share application money paid (Refer Note No. 2 below) | **(42,585.36)** | (667.99) |
| | Sale of Investments (Refer Note No. 3 below) | **40,601.62** | 283.42 |
| | Purchase of Investment of Transferor companies | **-** | (588.47) |
| | Sale of Fixed Assets | **108.12** | 21.12 |
| | Dividend Income | **3.30** | - |
| | Interest Received | **155.42** | 153.46 |
| | **Net Cash used in Investing Activities** | **(11,219.45)** | (6,473.50) |

| | | For the year ended 31st March, 2008 Rs. in million | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|---|
| **C.** | **Cash Flow from Financing Activities** | | |
| | Procurement of Long-term Borrowings | **7,321.42** | 4,634.24 |
| | Repayment of Long-term Borrowings | **(1,092.50)** | (826.93) |
| | Repayment of Short-term Borrowings | **-** | (571.30) |
| | Inter-corporate deposit/loans paid | **(136.44)** | (43.90) |
| | Inter-corporate deposit/loans refund | **43.90** | - |
| | Interest and Finance Charges Paid | **(1,278.15)** | (662.47) |
| | Proceeds from Issue of Equity Shares | **17,710.00** | - |
| | Share Issue Expenses | **(522.99)** | (58.47) |
| | Payment of Dividend | **-** | (771.41) |
| | **Net Cash Flow from Financing Activities** | **22,045.24** | 1,699.76 |
| **D** | **Net Increase in Cash and Cash Equivalents (A+B+C)** | **16,017.30** | (406.68) |
| **E** | **Cash and Cash Equivalents at start of the period** | **326.74** | 714.13 |
| | Add: Acquired under the scheme of Amalgamation | **-** | 19.29 |
| | **Cash and Cash Equivalents at start of the period** | **326.74** | 733.42 |
| **F** | **Cash and Cash Equivalents at close of the period** | **16,344.04** | 326.74 |
| | Components of Cash and Cash Equivalents | | |
| | Cash and Cheques on Hand | **18.93** | 0.37 |
| | Balances with Scheduled Banks | | |
| | - On Current Accounts | **701.11** | 91.64 |
| | - On Margin Money Account | **78.81** | 18.83 |
| | - On Fixed Deposit Accounts | **7,742.07** | 215.90 |
| | - On Liquid Investment | **7,803.12** | - |
| | | **16,344.04** | 326.74 |

**Notes:**

1. The Cash Flow Statement has been prepared under the Indirect method as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Purchase of Investments include Rs.1,722.93 million (Previous Year Rs. 24.60 million) paid for investment in subsidiaries, joint ventures and associates.
3. Sale of Investments include Rs. 0.10 million (Previous Year Rs. 48.50 million) received on disposal of an associate entity.
4. Previous year's figures have been regrouped where necessary to conform to the year's classification.
5. Figures in brackets represent Cash Outflow.

**As per our report of even date**
**For S. R. BATLIBOI & ASSOCIATES**
*Chartered Accountants*

**per Raj Agrawal**
*Partner*
**Membership No. 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place: Ahmedabad**
**Date: 28th May, 2008**

## Schedules forming part of the Balance Sheet

| | As at 31st March, 2008 Rs. in million | As at 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 1 : Share Capital** | | |
| **Authorised** | | |
| 5,000,000 (Previous Year 5,000,000) 0.01% Non-Cumulative Redeemable Preference Shares of Rs.10 each | **50.00** | 50.00 |
| 995,000,000 (Previous Year 995,000,000) Equity Shares of Rs.10 each | **9,950.00** | 9,950.00 |
| | **10,000.00** | 10,000.00 |
| **Issued, Subscribed and Paid-up** | | |
| **Preference Share Capital** | | |
| 2,811,037 (Previous Year 2,811,037) 0.01% Non-Cumulative Redeemable Preference Shares of Rs. 10 each fully paid up (Redeemable at a premium of Rs. 990 per Share on 28/03/2024) | **28.11** | 28.11 |
| **Equity Share Capital** | | |
| 400,678,820 (Previous Year 360,428,820) fully paid up Equity Shares of Rs.10 each | **4,006.79** | 3,604.29 |
| | **4,034.90** | 3,632.40 |

**Notes:**

**Out of the above**

(i) 40,250,000 Equity Shares of Rs. 10 each were allotted under Initial Public Offer during the current year as fully paid up.

(ii) 180,214,410 Equity Shares of Rs. 10 each were allotted as fully paid up Bonus shares by capitalisation of Securities Premium Account and Profit and Loss Account balance.

(iii) 40,216,410 Equity Shares of Rs. 10 each were allotted to the shareholders of Adani Port Limited, as fully paid up pursuant to the scheme of amalgamation, for consideration other than cash.

# Schedules forming part of the Balance Sheet

| | As at 31st March, 2008 Rs. in million | As at 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 2: Reserves and Surplus** | | |
| **Capital Redemption reserve** | | |
| Balance as per last Account | **4.22** | 2.81 |
| Add: Transferred from Profit and Loss Account | **1.40** | 1.41 |
| | **5.62** | 4.22 |
| **Preference Share Capital Redemption Reserve** | | |
| Balance as per last Account | **417.44** | - |
| Add: Transferred from Securities Premium Account | **139.15** | 417.44 |
| | **556.59** | 417.44 |
| **Securities Premium Account** | | |
| **- Preference** | | |
| Balance as per last Account | **2,365.49** | 3,202.93 |
| Less: Transferred to Preference Share Capital Redemption Reserve | **(139.15)** | (417.44) |
| Less: Utilised for issuance of Bonus Shares | **-** | (420.00) |
| | **2,226.34** | 2,365.49 |
| **- Equity** | | |
| Balance as per last Account | **-** | - |
| Add: Received as per Initial Public Offer | **17,307.50** | - |
| Less: Miscellaneous Expenditure adjusted ( Refer Note 28 of Schedule 23) | **(581.46)** | - |
| | **16,726.04** | - |
| **Debenture Redemption Reserve** | | |
| Balance as per last Account | **18.38** | 3.50 |
| Add: Transferred from Profit and Loss Account | **-** | 20.13 |
| Less: Transferred to General Reserve | **(3.50)** | (5.25) |
| | **14.88** | 18.38 |
| **General Reserve** | | |
| Balance as per last Account | **75.18** | 69.93 |
| Add: Transferred from Profit and loss Account | **106.71** | - |
| Add: Transferred from Debenture Redemption Reserve | **3.50** | 5.25 |
| | **185.39** | 75.18 |
| **Balance in Profit and Loss Account** | **2,375.35** | 950.36 |
| | **22,090.21** | 3,831.07 |

# Schedules forming part of the Balance Sheet

| | As at 31st March, 2008 Rs. in million | As at 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 3: Secured Loans** | | |
| **Debentures** | | |
| 1,400,000 15% Secured Non-Convertible Redeemable Debentures of Rs.100 each (Redeemable at par in 40 equal quarterly installments commencing from August, 2002, 23 installments paid till March 31, 2008) | **59.50** | 73.50 |
| **Term Loans from Banks** | | |
| Rupee Loans (Refer Note 5 below) | **12,615.28** | 8,014.30 |
| Foreign Currency Loans | **1,959.63** | 425.18 |
| Suppliers and Contractors Bills accepted under letters of credit issued against Secured Term Loans sanctioned by Banks | **1,042.36** | 868.10 |
| | **15,617.27** | 9,307.58 |
| **Term Loans from Financial Institutions** | | |
| Rupee Loans (Refer Note 5 below) | **2,747.96** | 2,889.37 |
| Foreign Currency Loans | **397.77** | 542.25 |
| | **3,145.73** | 3,431.62 |
| **Vehicle Loans from Bank** | **0.25** | 0.75 |
| (Secured by hypothecation of the respective Vehicle) | | |
| Interest accrued and due on loans (Refer Note 8 below) | **24.91** | - |
| | **18,847.66** | 12,813.45 |

**Notes:**

1. Debentures amounting to Rs. 59.50 million (Previous Year Rs. 73.50 million), Secured Rupee Term Loans aggregating to Rs.1,886.28 million and Secured Foreign Currency Loans aggregating to Rs. 1,823.93 million (Previous Year Rs. 2,140.63 million and Rs. 244.29 million respectively) from Banks and Rupee Term Loans aggregating to Rs.75.00 million and Foreign Currency loans aggregating to Rs.397.77 million (Previous Year Rs.90.00 million and Rs.542.25 million respectively) from Financial Institutions are secured by first mortgage and charge on all the immovable and movable assets of the Company (save & except assets on which exclusive charge is created as stated elsewhere), both present and future, on *pari passu* basis, subject to prior charges of Banks on specified movable assets which may be created in their favour by way of security for working capital facilities and further secured by a second charge on the immovable and movable assets (including receivables) pertaining to the SPM Project and also secured by a second charge on the immovable and movable assets pertaining to Container Terminal - II and Terminal - II Assets, referred to in Note Nos. 4,5 & 6 below.
2. Secured Term Loans from Banks include Term Loan amounting to Rs.274.22 million (Previous Year Rs. 366.02 million) from State Bank of India for the purchase of Tugs, secured by exclusive charge on the Tugs; and second charge on the entire fixed assets of the Company, except immovable assets of the Company pertaining to its Single Point Mooring (SPM) Project.
3. Foreign Currency Loan from Banks amounting to Rs.135.70 million (Previous Year Rs. 180.89 million) from Hypo Vereins Bank, Germany, for the purchase of Cranes, is secured by exclusive charge on the Cranes.
4. Secured Term Loans from Banks include Term Loans aggregating to Rs. 5,601.31 million (Previous Year Rs. 2,014.47 million) secured by first mortgage and charge on all the immovable and movable assets of Container Terminal - II Project and further by a second mortgage and charge on the Company's other immovable and movable assets, both present and future, on *pari passu* basis, over which the first charge is created in respect of the loans referred to at Note 1 above.
5. Secured Term Loans from Banks include Term Loans aggregating to Rs.5,920.74 million (Previous Year Rs. 4,361.28 million) secured by first mortgage and charge on all the immovable and movable assets of Terminal - II Assets and its extension and further by a second mortgage and charge on the Company's other immovable and movable assets, both present and future, on *pari passu* basis, over which the first charge is created in respect of the loans referred to at Note 1 above.
6. Secured Rupee Term Loans from Financial Institutions include Term Loan aggregating to Rs.2,672.96 million (Previous Year Rs. 2,799.37 million) from Infrastructure Development Finance Company Limited, secured by first mortgage and charge on all the immovable assets of the Company pertaining to its Single Point Mooring (SPM) Project and the fixed charges pertaining to that project receivable from Indian Oil Corporation Limited and further secured by a second mortgage and charge on the Company's other immovable and movable assets (including receivables), both present and future, over which the first charge is created in respect of the Loans referred to at Note 1 above.
7. Debentures; Term Loans from Banks and Financial Institutions; Deferred Payment Credits from Supplier of Tugs and Vehicle Loans from a Bank include amounts repayable within one year aggregating to Rs. 930.30 million (Previous year Rs. 607.16 million).
8. The Company had sufficient balance in the current account maintained with the bank, however same has been recovered by bank subsequent to 31st March, 2008.

## Schedules forming part of the Balance Sheet

| | As at 31st March, 2008 Rs. in million | As at 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 4: Unsecured Loans** | | |
| **From Banks** | | |
| Foreign Currency Loan | **-** | 9.03 |
| Suppliers Credit | **219.79** | - |
| | **219.79** | 9.03 |

**Note:**

Foreign Currency Loan from Bank includes amount repayable within one year aggregating to Rs. Nil (Previous Year Rs. 9.03 million).

| | | |
|---|---|---|
| **Schedule - 5 : Amounts received/ receivable under Long-term Lease/ Infrastructure Usage Agreements** | | |
| Balance as per last account | **7,414.84** | 4,634.45 |
| Add: For the year | **-** | 2,999.78 |
| Less: Transferred to Income from Operations | **(603.89)** | (219.39) |
| | **6,810.95** | 7,414.84 |
| **Schedule - 6 : Deferred Tax Liability (Net)** | | |
| **Deferred Tax Liabilities** | | |
| Differences in amortization of intangible assets as per tax books and financial books | **59.07** | 0.60 |
| Differences in depreciation and other differences in block of fixed assets as per tax books and financial books | **1,715.09** | 525.17 |
| **Gross Deferred Tax Liabilities** | **1,774.16** | 525.77 |
| **Deferred Tax Assets** | | |
| Effect of expenditure debited to profit & loss account in the current year/earlier years but allowable for tax purpose in the following years | **-** | 25.17 |
| Provision for doubtful debts and advances | **-** | 29.54 |
| **Gross Deferred Tax Assets** | **-** | 54.71 |
| **Net** | **1,774.16** | 471.06 |

# Schedule forming part of the Balance Sheet

## SCHEDUL - 7: FIXED ASSETS

Rupees in million

| | | Gross Block (At Cost) | | | | Depreciation/Amortization | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sr. No. | Particulars | As at 01-04-2007 | Additions | Deductions | **As at 31-03-2008** | Up to 01-04-2007 | For the period | Deductions | **Up to 31-03-2008** | **As at 31-03-2008** | As at 31-03-2007 |
| | **INTANGIBLE ASSETS** | | | | | | | | | | |
| 1 | Goodwill | 785.95 | - | - | **785.95** | 112.28 | 28.13 | - | **140.41** | **645.54** | 673.67 |
| 2 | Software | 27.35 | 117.67 | - | **145.02** | 23.78 | 14.38 | - | **38.16** | **106.86** | 3.57 |
| | **TANGIBLE ASSETS** | | | | | | | | | | |
| 3 | Leasehold Land Development | 552.19 | 38.95 | - | **591.14** | 45.68 | 22.26 | - | **67.94** | **523.20** | 506.51 |
| 4 | Freehold Land | 1,127.63 | 263.12 | 9.07 | **1,381.68** | - | - | - | **-** | **1,381.68** | 1,127.63 |
| 5 | Buildings | 3,275.98 | 1,003.95 | 21.44 | **4,258.49** | 149.39 | 59.54 | - | **208.93** | **4,049.56** | 3,126.59 |
| 6 | Marine Structures | 4,015.04 | 1,842.71 | 8.77 | **5,848.98** | 409.33 | 159.00 | - | **568.33** | **5,280.65** | 3,605.71 |
| 7 | Dredged Channels | 3,045.27 | 2,322.12 | 20.01 | **5,347.38** | 252.81 | 173.29 | - | **426.10** | **4,921.28** | 2,792.46 |
| 8 | Tugs & Boats | 951.28 | 760.89 | 143.29 | **1,568.88** | 179.79 | 102.64 | 38.62 | **243.81** | **1,325.07** | 771.49 |
| 9 | Railway Tracks | 1,246.78 | 199.93 | - | **1,446.71** | 258.82 | 65.58 | - | **324.40** | **1,122.31** | 987.96 |
| 10 | Plant and Machinery | 7,083.72 | 3,188.86 | 0.93 | **10,271.65** | 1,008.80 | 463.64 | - | **1,472.44** | **8,799.21** | 6,074.92 |
| 11 | Office Equipment, Furniture & Fixtures | 123.72 | 78.49 | 1.85 | **200.36** | 33.99 | 21.19 | 0.45 | **54.73** | **145.63** | 89.73 |
| 12 | Computer Hardware | 64.63 | 42.40 | - | **107.03** | 22.79 | 13.46 | - | **36.25** | **70.78** | 41.84 |
| 13 | Vehicles | 44.46 | 18.95 | - | **63.41** | 11.72 | 5.17 | - | **16.89** | **46.52** | 32.74 |
| | | 22,344.00 | 9,878.04 | 205.36 | **32,016.68** | 2,509.18 | 1,128.28 | 39.07 | **3,598.39** | **28,418.29** | 19,834.82 |
| | Capital Work-in-Progress | | | | | | | | | **1,935.31** | 3,488.84 |
| | Capital Advances | | | | | | | | | **2,123.02** | 690.54 |
| | | | | | | | | | | **4,058.33** | 4,179.38 |
| | **Total** | | | | | | | | | **32,476.62** | 24,014.20 |
| | Previous Year | 16,457.64 | 5,911.90 | 25.54 | **22,344.00** | 1,608.09 | 904.42 | 3.33 | **2,509.18** | **24,014.20** | |

**Notes:**

i) Plant & Machinery includes Electrical Installations of Rs. 171.14 million (Accumulated depreciation Rs 29.00 million) and Tools of Rs 4.96 million (Accumulated depreciation Rs 1.52 million).

ii) Foreign Exchange Fluctuation:
Capital Work-in-progress includes Rs. Nil (Previous Year Rs. 12.00 million) on account of foreign exchange fluctuations during the year.
Addition/(Deletions) to Buildings, Marine Structures, Dredged Channel, Tugs and Plant & Machinery during the year include Rs.(8.44) million (Previous Year Rs. (2.09) million), Rs. (8.77) million (Previous Year Rs. (2.15) million), Rs. (20.00) million (Previous Year Rs. (5.19) million), Rs. (25.39) million (Previous Year Rs. (7.04) million and Rs. (0.93) million) (Previous Year Rs. (4.40) million) respectively, on account of foreign exchange fluctuations. (Refer Note 2 n)(iii) of Schedule 23).

iii) Depreciation of Rs.121.90 million (Previous Year Rs. 85.01 million) has been transferred to Expenditure During Construction Period.

iv) Freehold Land includes land development cost of Rs.102.04 million (Previous Year Rs. 102.04 million).

v) Plant and Machinery includes cost of Water Pipeline amounting to Rs.38.98 million ( Previous Year Rs.38.98 million), which is constructed on land not owned by the Company.

vi) Capital Work-in-progress includes Expenditure During Construction Period of Rs.1,246.43 million (Previous Year Rs. 1,013.34 million) and Capital Inventory of Rs. 520.66 million (Previous Year Rs. 75.77 million), details of which have been given in Note 18 of Schedule 23.

# Schedule forming part of the Balance Sheet

| | **As at 31st March, 2008 Rs. in million** | As at 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 8 : Investments** | | |
| **Current Investments, Quoted** | | |
| **In Units of Mutual Funds** | | |
| 48,121,466 units (Previous Year - Nil) of JM Money Manager Super Plus Fund (Face Value Rs. 10 each) | **529.15** | - |
| 52,212,448 units (Previous Year - Nil) of DWS Credit Opportunity Cash Fund - Growth (Face Value Rs. 10 each) | **542.05** | - |
| 46,905,195 units (Previous Year - Nil) of DWS Quarterly Interval Fund Series - I (Face Value Rs. 10 each) | **500.00** | - |
| 50,000,000 units (Previous Year - Nil) of DWS Fixed Term Fund Series 46 (Face Value Rs. 10 each) | **500.00** | - |
| 98,554,941units (Previous Year - Nil) of DWS Money Plus Advantage Fund (Face Value Rs. 10 each) | **1,000.24** | - |
| 26,703,105 units (Previous Year - Nil) of DWS Liquid Plus Fund - Regular Growth Plan (Face Value Rs. 10 each) | **350.34** | - |
| 39,368,162 units (Previous Year - Nil) of HDFC Cash Management Fund (Face Value Rs. 10 each) | **674.41** | - |
| 132,657 units (Previous Year - Nil) of DSP Merrill Lynch Fund (Face Value Rs. 1,000 each) | **135.46** | - |
| 25,000,000 units (Previous Year - Nil) of Reliance Fixed Horizon Fund VI Series (Face Value Rs.10 each) | **250.00** | - |
| 75,000,000 units (Previous Year - Nil) of Reliance Fixed Horizon Fund V Series (Face Value Rs.10 each) | **750.00** | - |
| 50,000,000 units (Previous Year - Nil) of ICICI Prudential FMP Series 39 (Face Value Rs. 10 each) | **500.00** | - |
| 28,113,579 units (Previous Year - Nil) of ICICI Prudential Interval Fund Quarterly (Face Value Rs.10 each) | **300.00** | - |
| 50,000,000 units (Previous Year - Nil) of UTI HF MP-03/08 (Face Value Rs.10 each) | **500.00** | - |
| 29,370,301 units (Previous Year - Nil) of BSL Interval Income Fund Institutional Quarterly (Face Value Rs. 10 each) | **300.00** | - |
| 39,475,450 units (Previous Year - Nil) of Birla Dynamic Bond Fund Retail Growth (Face Value Rs. 10 each) | **500.00** | - |
| 16,560,157 units (Previous Year - Nil) of B332G Birla Sun Life Liquid Plus Institutional Growth (Face Value Rs. 10 each) | **250.06** | - |
| 22,141,175 units (Previous Year - Nil) of SBI SHF Liquid Plus Fund (Face Value Rs. 10 each) | **221.41** | - |
| | **7,803.12** | - |
| **In Bonds** | | |
| 2,500,000 (Previous Year - Nil) 9% CanBank NCB 09-01-2018 of 100 each | **249.38** | - |
| 2,000,000 (Previous Year - Nil) 10.10% SBI NCB 12-08-2022 of 100 each | **213.00** | - |
| | **462.38** | - |
| **Long-term Investments** | | |
| **Trade, Unquoted** | | |
| 40,000,000 (Previous Year 40,000,000) fully paid Equity Shares of Rs. 10 each fully paid up of Kutch Railway Company Limited | **400.00** | 400.00 |
| Nil (Previous Year - 10,000) fully paid Equity Shares of Rs. 10 each of Adani Mundra SEZ Infrastructure Private Limited (formerly Adicorp Mundra SEZ Infrastructure Private Limited) | **-** | 0.10 |
| 21,195,000 (Previous Year - Nil) fully paid Equity Shares of Rs. 10 each of Adani Petronet (Dahej) Private Limited | **211.95** | - |
| 5,230 (Previous Year - 3,400) fully paid Equity Shares of Rs. 100 each of Adinath Polyfills Private Limited | **173.70** | 115.26 |
| | **785.65** | 515.36 |

# Schedule forming part of the Balance Sheet

| | As at 31st March, 2008 Rs. in million | As at 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 8 : Investments (Contd.)** | | |
| **In Subsidiary Companies** | | |
| **Trade, Unquoted** | | |
| 51,050,000 (Previous Year - 25,000,000) fully paid Equity Shares of Rs. 10 each of Adani Logistics Limited | **511.14** | 250.00 |
| 123,960,000 (Previous Year - Nil) fully paid Equity Shares of Rs. 10 each of Inland Conware Private Limited | **1,239.60** | - |
| 2,450,000 (Previous Year - 2,450,000) fully paid Equity Shares of Rs. 10 each of Mundra SEZ Textile and Apparel Park Private Limited | **24.50** | 24.50 |
| 1,000,000 (Previous Year - Nil) fully paid Equity Shares of Rs. 10 each of Gujarat Adani Aviation Private Limited | **10.00** | - |
| 10,000 (Previous Year - Nil) fully paid Equity Shares of Rs. 10 each of MPSEZ Utilities Private Limited | **0.10** | - |
| 10 (Previous Year - Nil) fully paid Ordinary Shares of US$ 100 each of Mundra Aviation Limited | **0.04** | - |
| 10,000 (Previous Year - Nil) fully paid Equity Shares of Rs. 10 each of Rajasthan SEZ Private Limited | **0.10** | - |
| | **1,785.48** | 274.50 |
| Total Investments | **10,836.63** | 789.86 |
| Less: Diminution in the value of Current Investments | **(10.00)** | - |
| | **10,826.63** | 789.86 |

1. Aggregate cost of quoted investments as at 31st March, 2008 Rs. 8,255.50 million (Previous Year - Nil) (net of provision).
2. Aggregate cost of unquoted investments as at 31st March, 2008 Rs. 2,571.13 million (Previous Year - Rs. 789.86 million).
3. Market value of quoted investments as at 31st March, 2008 Rs.8,368.06 million. (Previous Year - Nil).
4. 5,230 Shares (Previous Year - 3,400 Shares) of Rs.100 each of Adinath Polyfills Private Limited are not held by the Company in its own name as on the balance sheet date.

| | | |
|---|---|---|
| **Schedule - 9 : Inventories** | | |
| Stores and Spares | **184.67** | 104.38 |
| | **184.67** | 104.38 |
| **Schedule - 10 : Sundry Debtors (Unsecured)** | | |
| Debts Outstanding for a period more than six months | | |
| - Considered good (Refer Note 13 of Schedule 23) | **1,910.75** | 163.93 |
| - Considered doubtful | **16.67** | 10.77 |
| Other Debts | | |
| - Considered good | **1,052.62** | 3,292.44 |
| | **2,980.04** | 3,467.14 |
| Less: Provision for doubtful debts | **(16.67)** | (10.77) |
| | **2,963.37** | 3,456.37 |
| **Schedule - 11 : Cash and Bank Balances** | | |
| Cash and Cheques on Hand | **18.93** | 0.36 |
| Balances with Scheduled Banks: | | |
| - On Current Accounts | **701.11** | 91.64 |
| - On Share Application Refund Accounts | **95.44** | - |
| - On Dividend Accounts | **0.03** | 0.01 |
| - On Margin Money Accounts | **338.05** | 261.10 |
| - On Fixed Deposit Accounts | **7,742.07** | 215.90 |
| | **8,895.63** | 569.01 |

**Note:** Margin Money and Fixed Deposit includes Rs.365.12 million (Previous Year Rs. 261.10 million) pledged against bank guarantees and letter of credit.

# Schedule forming part of the Balance Sheet

| | As at 31st March, 2008 Rs. in million | As at 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 12 : Other Current Assets** | | |
| Interest Accrued on Deposits and Loans | **45.80** | 5.39 |
| Accrued Revenue | **405.58** | 103.38 |
| Other Receivables | **-** | 9.41 |
| | **451.38** | 118.18 |
| **Schedule - 13 : Loans and Advances** | | |
| (Unsecured, Considered Good except to the extent stated) | | |
| Advances and Loans to Subsidiary | **136.44** | 0.30 |
| Inter Corporate Deposits | **-** | 43.60 |
| Advances Recoverable in Cash or in Kind or for Value to be Received (Includes Rs. 8.05 million; Previous Year Rs. 8.05 million, considered doubtful) | **196.39** | 79.59 |
| Balance with Excise & Custom Authorities (Includes Rs. 25.00 million earmarked against demand by the Excise department during the current year) | **37.09** | 89.93 |
| Payment of Income Tax/Tax Deducted at source | **155.76** | 166.36 |
| MAT Credit Entitlement | **-** | 50.00 |
| Less: Utilization during the year | **-** | (50.00) |
| Share Application Money (Pending allotment) | **802.60** | 813.23 |
| Deposits - Others | **164.26** | 75.22 |
| | **1,492.54** | 1,268.23 |
| Less: Provision for Doubtful Advances | **(8.05)** | (8.05) |
| | **1,484.49** | 1,260.18 |
| **Schedule - 14 : Current Liabilities** | | |
| Sundry Creditors (Refer Note 8 in Schedule 23) | **1,142.89** | 1,267.66 |
| Advances/Deposits from Customers | **1,070.55** | 575.25 |
| Equity Share Application Money Refundable | **95.44** | - |
| Interest Accrued but not Due on Loans | **57.04** | 25.67 |
| Unearned Income | **81.59** | 11.13 |
| Other Liabilities | **106.75** | 141.36 |
| | **2,554.26** | 2,021.07 |
| **Schedule -15 : Provisions** | | |
| Income Tax | **259.46** | 97.75 |
| Fringe Benefit Tax (Net of Advance Tax) | **17.53** | 2.07 |
| Proposed Dividend on Equity Shares | **601.02** | - |
| Proposed Dividend on Preference Shares | ***-** | *- |
| Leave Encashment | **24.18** | 9.31 |
| Gratuity | **8.39** | 0.49 |
| Operational Claims | **40.28** | 68.11 |
| | **950.86** | 177.73 |
| * Figures being nullified on conversion to Rs. in million | | |
| **Schedule - 16 : Miscellaneous Expenditure (to the extent not written- off or adjusted)** | | |
| Opening balance | **58.47** | - |
| Addition during the year | **522.99** | 58.47 |
| | **581.46** | 58.47 |
| Less: Adjusted against Securities Premium Account (Refer Note 28 of Schedule 23) | **(581.46)** | - |
| | **-** | 58.47 |

## Schedules forming part of the Profit and Loss Account

| | For the year ended 31st March, 2008 Rs. in million | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule -17 : Other Income** | | |
| Dividend Income | **3.30** | - |
| Sale of Scrap | **3.68** | 13.00 |
| Profit on Sale of Current Investments, Trade | **249.28** | 0.40 |
| Profit on Sale of Fixed Asset | **5.36** | - |
| Unclaimed Liabilities/Excess Provision written back | **15.68** | 43.88 |
| Miscellaneous Income | **1.74** | 0.57 |
| | **279.04** | 57.85 |
| **Schedule - 18 : Operating Expenses** | | |
| Handling and Storage Expenses (including provision for demurrage Rs.2.96 million; Previous Year Rs. 68.10 million) | **976.97** | 1,072.51 |
| Customer Claims | **53.30** | 131.37 |
| Railway Operating Expenses | **200.78** | 242.12 |
| Tug and Pilotage Charges | **51.56** | 33.50 |
| Maintenance Dredging | **1.19** | 8.51 |
| Other Marine Expenses | **17.19** | 13.26 |
| Repairs to Buildings | **45.84** | 22.22 |
| Repairs to Plant and Machinery | **126.74** | 136.85 |
| Power and Fuel | **219.03** | 196.42 |
| Waterfront Charges | **143.25** | 86.94 |
| | **1,835.85** | 1,943.70 |
| **Schedule - 19 : Personnel Expenses** | | |
| Salaries, Wages and Bonus | **212.96** | 122.00 |
| Leave Encashment Expenses | **19.01** | 4.71 |
| Contribution to Provident and Other Funds | **16.21** | 12.71 |
| Gratuity | **9.36** | 0.29 |
| Workmen and Staff Welfare Expenses | **8.55** | 8.21 |
| | **266.09** | 147.92 |

## Schedules forming part of the Profit and Loss Account

| | **For the year ended 31st March, 2008 Rs. in million** | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 20 : Administrative and Other Expenses** | | |
| Rent | **26.44** | 19.24 |
| Rates and Taxes | **19.48** | 35.12 |
| Insurance | **47.21** | 57.67 |
| Advertisement and Publicity | **15.78** | 32.03 |
| Other Repairs and Maintenance | **26.85** | 30.14 |
| Legal and Professional Expenses | **80.17** | 40.26 |
| Travelling and Conveyance | **68.04** | 53.36 |
| Payment to Auditors | **3.37** | 1.99 |
| Directors Sitting Fee | **0.49** | 0.04 |
| Directors Commission | **70.51** | 36.49 |
| Charity and Donations (Includes to Political Parties Rs. 5.00 Million paid to Bharatiya Janta Party - Previous Year Nil) | **132.16** | 26.94 |
| Loss on Sale of Fixed Assets (Net) | **-** | 1.09 |
| Loss on diminution in the value of Current Investments | **10.00** | - |
| Project Expenditure Written Off | **-** | 5.08 |
| Sundry Balances Written Off (Net) | **1.22** | 64.53 |
| Provision for Doubtful Debts and Advances | **5.90** | 18.82 |
| Other Expenses (Incl. Aircraft Lease Rental Rs. 26.75 million, Previous Year - Nil) | **218.43** | 154.65 |
| | **726.05** | 577.45 |
| **Schedule - 21 : Financial Expenses** | | |
| Interest on Debentures | **9.92** | 11.99 |
| Interest on other Fixed Loans | **1,324.51** | 655.59 |
| Foreign Exchange Variation (net) | **5.82** | - |
| Loss on Forward Contracts and Derivates | **-** | 49.34 |
| Bank and Other Finance Charges | **13.41** | 11.63 |
| | **1,353.66** | 728.55 |
| Less: | | |
| Interest on Bank Deposits, Inter Corporate Deposits, Govt. Securities etc. (Tax Deducted at Source Rs. 21.01 million; Previous Year : Rs. 25.91 million) | **195.83** | 89.00 |
| Foreign Exchange Variation (net) | **-** | 8.55 |
| Gain on Forward Contracts and Derivatives | **95.64** | - |
| | **1,062.19** | 631.00 |
| **Schedule - 22 : Earnings Per Share (EPS)** | | |
| Opening number of Equity Shares for calculating Basic and Diluted EPS | **360.43** | 360.43 |
| Issued during the year | **40.25** | - |
| Closing number of Equity Shares for Calculating Basic and Diluted EPS | **400.68** | 360.43 |
| **a) Computation on the basis of earnings including extraordinary items** | | |
| Net profit as per Profit and Loss Account including extraordinary items | **2,134.12** | 1,874.36 |
| Weighted number of Equity Shares considered for Calculating Basic and Diluted EPS | **374.95** | 360.43 |
| **Basic and Diluted Earnings per Share in Rupees** | **5.69** | 5.20 |
| **b) Computation on the basis of earnings excluding extraordinary items** | | |
| Net profit as per Profit and Loss Account excluding extraordinary items (net of the tax expense) | **2,057.15** | 1,874.36 |
| Number of Equity Shares considered for Calculating Basic and Diluted EPS | **374.95** | 360.43 |
| **Basic and Diluted Earnings per Share in Rupees** | **5.49** | 5.20 |

**Schedule - 23 : Notes to Accounts**

**1. Nature of operations**

Mundra Port and Special Economic Zone Limited (MPSEZL) (erstwhile Gujarat Adani Port Ltd.) is the developer and operator of the Mundra Port pursuant to the concession agreement with Government of Gujarat (GOG) and Gujarat Maritime Board for 30 years effective from 17th February, 2001 with the right and authority to develop, design, finance, construct, operate and maintain the port and related infrastructure. This port is a deep water direct berthing port with natural draft of 17 mtrs.

Under sub-concession agreement between Mundra International Container Terminal Limited (MICTL) (erstwhile Adani Container Terminal Limited) and MPSEZL entered into on 7th January, 2003, MPSEZL has given rights to MICTL to handle the container cargo for a period of 28 years i.e. upto 17th February, 2031.

Consequent to the introduction of Special Economic Zone Act, 2005, the Company has received the approval of Government of India vide their letter dated 12th April, 2006 as a developer of Multi Product Special Economic Zone at Mundra and the surrounding areas. Keeping in view the synergy of its Port Business and SEZ Business, Mundra Special Economic Zone Ltd. was merged with the Company w.e.f. 1st April, 2006. The Company is gradually developing infrastructure for Multi Product Special Economic Zone in the Mundra Region along with the Port facilities.

**2. Statement of Significant Accounting Policies**

**a) Basis of Preparation**

The financial statements have been prepared to comply in all material respects with the Notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis.

The accounting policies have been consistently applied by the Company and except for the change in accounting policy discussed more fully below are consistent with those used in the previous year.

**b) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**c) Changes in Accounting Policies:**

i) Effective 1st April, 2007, the Company has adopted the guideline as per the notification issued by the Ministry of Company Affairs dated 7th December, 2006, prescribing the Companies (Accounting Standards) Rules, 2006, with respect to its policy relating to recognition of foreign exchange fluctuations with respect to liabilities incurred/loans taken subsequent to 31st March, 2007 for acquisition of fixed assets. Instead of adjusting such fluctuation to the fixed assets of the Company, as per policy hitherto followed, the Company has, effective 1st April, 2007, charged/credited such fluctuation directly to the Profit and Loss Account. As a result, net exchange loss of Rs. 5.82 million on re-instatement of monetary items under Accounting Standard (AS-11) "Effect of Changes in Foreign exchange Rates", which otherwise would have been adjusted against the carrying amount of fixed assets, has been charged to the Profit and Loss Account during the year ended 31st March, 2008.

ii) Pursuant to the Institute of Chartered Accountants of India's (ICAI) Announcement dated 29th March, 2008 on "Accounting for Derivatives", the Company has, based on the principles of prudence enunciated in Accounting Standand-1 on "Disclosure of Accounting Policies", recognised mark-to-market (MTM) losses on foreign currency derivative contracts and interest rate swaps, other than those covered under AS 11, outstanding as on 31st March, 2008, the Company has recognised loss, where there is a loss on MTM valuation on a contract basis and has recognized MTM gains to the extent of the loss with respect to those contracts where there is a gain on MTM valuation on a contract basis. For the purpose of arriving at net losses, the Company has considered foreign currency derivative contracts and interest rate swaps on an individual contract basis. Accordingly, net MTM losses amounting to Rs.10.50 million have been recognised in Profit and Loss Account during the year ended 31st March, 2008.

iii) As a part of its business activity, the Company also leases/sub-leases land on long-term basis to its customers. In some cases, the upfront premium received/receivable on such sub-leases is refundable proportionately on cancellation of such sub-leases before maturity, while in other cases, it is non-refundable. Hitherto the Company had been recognizing such premium as income *pro rata* over the period of sub-lease agreement irrespective of the fact whether such premium was refundable or non-refundable on cancellation of such sub-leases before maturity. However with effect from the current year, in cases where such upfront premium is non-refundable, the Company recognizes as income the entire premium in the year in which the sub-lease agreement/memorandum of understanding takes effect while in cases where such upfront premium is proportionately refundable, such premium is continued to be recognized as income pro-rata over the period of sub-lease agreement. As a result of this change, the credit taken to Profit and Loss Account on account of such premium is higher by Rs.815.29 million for the year (including Rs. 296.69 million in respect of lease/sub-lease agreements entered in earlier years).

**d) Fixed Assets**

i) Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

ii) Insurance spares/standby equipments are capitalized as part of mother assets.

**e) Expenditure on new projects and substantial expansion**

Expenditure directly relating to construction activity (net of income, if any) is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto, is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion is capitalized. As regards indirect expenditure on expansion, only that portion is capitalized which represents the marginal increase in such expenditure as a result of capital expansion. The same is treated as pre-operative expenditure pending allocation to fixed assets and is shown under "Capital Work-in-Progress" and the same is transferred to fixed assets on commencement of commercial activities.

**f) Depreciation**

i) Depreciation on Fixed Assets, except for those stated in para (ii) to (vi) below, is provided on straight line method (SLM) at the rates prescribed under Schedule XIV of the Companies Act, 1956, or the rates determined on the basis of useful lives of the respective assets, whichever is higher.

ii) Cost of Leasehold Land Development, Marine Structures and Dredged Channels is amortized over the period of the Concession Agreement of 30 years effective from 17th February, 2001 with Gujarat Maritime Board or their useful lives, whichever is lower.

iii) Depreciation on Mobile phones, included under Office Equipment, Furniture and Fixtures, is provided at the rate of 100% in the month of purchase.

iv) Depreciation on Dredging Pipes, included under Plant and Machinery, is provided on the basis of their useful life which is estimated at 18 months.

v) Depreciation on individual assets costing upto Rs.5,000/- is provided at the rate of 100% in the month of purchase.

vi) Insurance spares/standby equipments are depreciated prospectively over the remaining useful lives of the respective mother assets.

**g) Intangibles**

Intangible assets are amortized over their estimated useful lives as follows:

| Intangible Assets | Estimated Useful Life (Years) |
|---|---|
| Goodwill arising on the amalgamation of Adani Port Ltd. | Over the balance period of Concession Agreement computed from the Appointed Date of the Scheme of Amalgamation i.e. 28 years. |
| Softwares | 3 years |

**h) Impairment**

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**i) Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

**j) Leases**

Where the Company is the lessee.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Where the Company is the lessor.

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Profit and Loss Account.

**k) Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

**l) Inventories**

Stores and Spares: Valued at lower of cost and net realizable value. Cost is determined on a moving weighted average basis. Cost of stores and spares lying in bonded warehouse includes custom duty accounted for on accrual basis.

Net Realizable Value is the estimated current procurement price in the ordinary course of the business.

**m) Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

*Port Operation Services*

Revenue from port operation services including rail infrastructure is recognized as and when the services are rendered.

Income from Long-term Leases/Infrastructure Usage Agreements

As a part of its business activity, the Company also leases/sub-leases land on long-term basis to its customers. In some cases, the upfront premium received/ receivable on such sub-leases is refundable proportionately on cancellation of such sub-leases before maturity, while in other cases, it is non-refundable. In cases where such upfront premium is non-refundable, the Company recognizes the entire premium as income in the year in which the sub-lease agreement/memorandum of understanding takes effect while in cases where such upfront is proportionately refundable, such premium is recognized as income pro-rata over the period of sub-lease agreement. Land sub-lease rent receivable under the above agreements is accounted for as income in accordance with the terms of such agreements. Income under Long Term Infrastructure Usage Agreements is recognized in accordance with the terms of such agreements.

*Interest*

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

*Dividends*

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

**n) Foreign Currency Translation**

**i) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**ii) Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

**iii) Exchange Differences**

Exchange differences arising on settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise. Exchange differences on liabilities incurred/loans taken prior to 1st April, 2007 relating to fixed assets acquired from a country outside India are adjusted to the carrying amount of fixed assets.

**iv) Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

**v) Derivative transactions**

The Company enters into various foreign currency option contracts to hedge its risks with respect to foreign currency fluctuations, arising out of import of capital goods using foreign currency loan. At every period end, all outstanding derivative contracts are fair valued on a marked-to-market basis and any loss on valuation is recognized in the profit and loss account. Any gain on marked-to-market valuation of respective contracts is only recognized to the extent of the loss on foreign currency re-instatement of the underlying transaction, keeping in view the principle of prudence as enunciated in AS 1,' Disclosure of Accounting Policies'. Any subsequent change in fair values, occurring after balance sheet date, is accounted for in subsequent period.

**o) Employee Benefits**

**i) Provident fund and superannuation fund**

Retirement benefits in the form of Provident Fund and Superannuation Fund Schemes are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

**ii) Gratuity**

Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The Company has taken an insurance policy under the Group Gratuity Scheme with the Life Insurance Corporation of India (LIC) to cover the gratuity liability of the employees and amount paid/payable in respect of the present value of liability for past services is charged to the Profit and Loss account every year. The difference, if any, between the actuarial valuation of the gratuity of employees at the year end and the balance of funds with LIC is provided for as liability in the books.

**iii) Leave Benefits**

Short-term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation as at the end of the period. The actuarial valuation is done as per projected unit credit method.

**iv) Actuarial Gains/ Losses**

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

**p) Income Taxes**

Tax expenses comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. The Company is eligible and claims tax deductions available under Section 80IAB of the Income Tax Act, 1961, in respect of income attributable to Special Economic Zone activities (including nofified port area).

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**q) Earning per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**r) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best management estimates. Contingent liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**s) Segment Reporting Policies**

The Company's operating businesses are organized and managed separately according to the nature of services provided, with each representing a strategic business unit that offers different services and serves different category of customers. The analysis of geographical segments is based on the geographical location of the customers.

**t) Cash and Cash equivalents**

Cash and cash equivalents in the cash flow statement comprise cash at bank, cash in hand and liquid investments as per Accounting Standard - 3 on Cash Flow Statement.

**u) Miscellaneous Expenditure**

Miscellaneous Expenditure represents the expenses incurred on Initial Public Offer and the same are adjusted against Securities Premium Account as permitted under Section 78 of the Companies Act,1956.

**3. Segment Information**

The Company is primarily engaged in the business of developing, operating and maintaining the Mundra Port and port based related infrastructure facilities including Multi Product Special Economic Zone. The entire business has been considered as a single segment in terms of Accounting Standard-17 on Segment Reporting issued by the Institute of Chartered Accountants of India. There being no business outside India, the entire business has been considered as single geographic segment.

**4. Related Party Disclosures**

The Management has identified the following Companies and individuals as related parties of the Company for the year ended 31st March, 2008 for the purposes of reporting as per AS 18 – Related Party Transactions:

**List of related parties (As certified by the management)**

| | |
|---|---|
| Subsidiary Company | Mundra SEZ Textile and Apparel Park Private Limited (MITAP)<br>Mundra Aviation Limited (w.e.f 15th May, 2007)*<br>MPSEZ Utilities Private Limited (w.e.f. 13th July, 2007)*<br>Rajasthan SEZ Private Limited (w.e.f. 24th January, 2008)*<br>Inland Conware Private Limited (w.e.f. 31st March, 2008)<br>Adani Logistics Limited (w.e.f. 31st March, 2008)<br>Gujarat Adani Aviation Private Limited (w.e.f. 11th July, 2007)* |
| Step down Subsidiary | Inland Conware (Ludhiana) Private Limited (Subsidiary of Inland Conware Private Limited) (w.e.f. 31st March, 2008) |
| Joint Venture | Adani Petronet (Dahej) Private Limited (w.e.f. 12th October, 2007) |
| Associates | Adani Logistics Limited (upto 30th March, 2008)<br>Adani Mundra SEZ Infrastructure Private Limited (Formerly Adicorp Mundra SEZ Infrastructure Pvt. Ltd. (AMSIPL)) (upto 31st January, 2008) |
| Key Management Personnel | Shri Gautam S. Adani<br>Shri Rajesh S. Adani<br>Shri Ameet H. Desai<br>Shri Rajeeva R. Sinha |
| Other Parties which are significantly influenced by the Company (either Individually or with others ) | Adani Agri Fresh Limited<br>Adani Agri Logistics Limited<br>Adani Habitats Private Limited<br>Adani Welspun Exploration Limited<br>Adani Infrastructure and Developers Private Limited<br>Adani Mining Private Limited<br>Vyom Tradelinks Private Limited<br>Miraj Impex Private Limited<br>Parsa Kente Collieries Limited<br>Adani Estates Private Limited<br>Shantigram Estate Management Private Limited<br>Adani Developers Private Limited<br>Adani Land Developers Private Limited<br>Adani Land Scapes Private Limited<br>Swayam Realtors & Traders Limited<br>Columbia Chrome (India) Private Limited<br>Adani Wilmar Limited<br>Adani Agro Private Limited<br>Adani Energy Limited<br>Adani Infrastructure Services Private Limited<br>Adani Retail Limited<br>Shantikrupa Estate Private Limited<br>Shantikrupa Services Private Limited<br>Adani Power Dahej Private Limited<br>Adani Shipyard Private Limited<br>Adani Properties Private Limited<br>B2B India Private Limited<br>Adani Port Infrastructure Private Limited<br>Adani Enterprises Limited<br>Adani Power Maharashtra Private Limited<br>Adani Power Rajasthan Private Limited<br>Adani Power Limited<br>Adani Foundation |

* These entities have been incorporated/formed during the year.
Aggregate of transactions for the year ended with these parties have been given below.

**Notes:**

1. The names of the related parties and nature of the relationships where control exists are disclosed irrespective of whether or not there have been transactions between the related parties. For others, the names and the nature of relationships is disclosed only when the transactions were entered into by the Company with the related parties during the existence of the related party relationship.
2. No amount has been provided as doubtful debts or advances/written off or written back in the period in respect of debts due from/to above related parties.

## Detail of Related Party Transactions for the Year 2007-08

| Particulars | Subsidiary | | | | | | | KMP | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mundra SEZ Textile & Apparel Park Private Limited | Mundra Aviation Ltd. | Adani Logistics Ltd. | Inland Conware Pvt. Ltd. | MPSEZ Utilities Pvt. Ltd. | Rajasthan SEZ Pvt. Ltd. | Gujarat Adani Aviation Pvt. Ltd. | Gautam S. Adani | Rajesh S. Adani | Ameet H. Desai | Rajeeva R. Sinha | Adani Petronet (Dahej) Port Pvt. Ltd. |
| **Rendering of Port Services** | | | | | | | | | | | | |
| FY 2007-08 | - | - | 63.42 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | 4.75 | - | - | - | - | - | - | - | - | - |
| **Deferred Infrastructure Revenue** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | 258.74 | - | 4.75 | - | - | - | - | - | - | - | - | - |
| **Lease Income** | | | | | | | | | | | | |
| FY 2007-08 | 1.47 | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Purchase Goods, Service & facilities** | | | | | | | | | | | | |
| FY 2007-08 | - | 15.76 | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Expenditure Incurred by Company** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Subscription for shares** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Purchase of Investment** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | 1,239.50 | 0.10 | 0.10 | 10.00 | 0.04 | 0.03 | - | - | 211.95 |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Share Application Money paid** | | | | | | | | | | | | |
| FY 2007-08 | - | - | 245.00 | - | - | - | - | - | - | - | - | 342.25 |
| FY 2006-07 | - | - | 114.77 | - | - | - | - | - | - | - | - | 187.45 |
| **Share Application Money refund** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | 25.00 | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | 313.25 | - | - | - | - | - | - | - | - | - |
| **Funds Received** | | | | | | | | | | | | |
| FY 2007-08 | 0.30 | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | 1.39 | - | - | - | - | - | - | - | - | - |
| **Loans Received back** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Expenses Reimbursement (Net)** | | | | | | | | | | | | |
| FY 2007-08 | - | 135.32 | 0.14 | - | - | 0.01 | 0.26 | - | - | - | - | - |
| FY 2006-07 | 1.03 | - | 1.57 | - | - | - | - | - | - | - | - | - |
| **Remuneration** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | 12.00 | - | 9.00 | 4.70 | - |
| FY 2006-07 | - | - | - | - | - | - | - | 12.00 | - | 6.67 | - | - |
| **Commission to directors** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | 70.51 | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | 36.49 | - | - | - | - |
| **Sitting Fees** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | 0.19 | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Donation** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Equity Dividend paid** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Inter Corporate Deposit** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Closing Balance as on 31st March, 2008 [Dr/(Cr)]** | | | | | | | | | | | | |
| **Advances from Customers** | | | | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Creditors** | | | | | | | | | | | | |
| FY 2007-08 | - | (1.91) | - | - | - | (0.10) | (0.25) | - | (0.00) | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | (36.49) | - | - | - | - |
| **Debtors** | | | | | | | | | | | | |
| FY 2007-08 | 227.85 | - | 5.83 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | 235.17 | - | 0.14 | - | - | - | - | - | - | - | - | - |
| **Investments** | | | | | | | | | | | | |
| FY 2007-08 | 24.50 | 0.04 | 511.14 | 1,239.60 | 0.10 | 0.10 | 10.00 | - | - | - | - | 211.95 |
| FY 2006-07 | - | - | 250.00 | - | - | - | - | - | - | - | - | - |
| **Loan and Advances** | | | | | | | | | | | | |
| FY 2007-08 | - | 136.06 | 245.00 | - | - | - | - | - | - | - | - | 545.30 |
| FY 2006-07 | 0.30 | - | 2.98 | - | - | - | - | - | - | - | - | 203.05 |
| **Total (Net)** | | | | | | | | | | | | |
| **FY 2007-08** | **252.35** | **134.19** | **761.96** | **1,239.60** | **0.10** | **-** | **9.75** | **-** | **(0.00)** | **-** | **-** | **757.25** |
| FY 2006-07 | 235.47 | - | 253.12 | - | - | - | - | (36.49) | - | - | - | 203.05 |
| **Corporate Guarantees** | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2007-08 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | | | | | | | | | | | | |

(Rs. in million)

| Associate | | | | | | | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Adani Mundra SEZ Infrastruc-ture Pvt. Ltd. | Adani Agro Pvt. Ltd. | Adani Power Ltd. | Adani Retail Ltd. | Adani Energy Ltd. | Adani Agri Logistics Ltd. | Adani Agri Fresh Ltd. | Adinath Polyfills Pvt. Ltd. | Adani Enterprises Ltd. | Adani Foundation | Adani Wilmar Ltd. | Adani Port Infra. Pvt. Ltd. | Adani Infra. Services Pvt Ltd. | Adani Properties Pvt. Ltd. | Shanti krupa Estate Pvt. Ltd. | Adani Shipyards Pvt. Ltd. | |
| - | - | 0.49 | - | - | - | - | - | 736.85 | - | 54.02 | - | - | - | - | - | 854.78 |
| - | - | - | - | 1.29 | - | - | - | 403.99 | - | (23.65) | - | - | - | - | - | 386.38 |
| - | - | - | - | - | - | - | - | | - | | - | - | - | - | - | - |
| - | - | 2,644.93 | - | - | - | - | - | | - | - | - | - | - | - | - | 2,908.42 |
| - | - | 0.76 | - | - | - | - | - | - | - | 2.04 | - | - | - | - | - | 4.27 |
| - | - | - | - | - | - | - | - | - | - | 1.97 | - | - | - | - | - | 1.97 |
| 12.34 | - | - | - | - | - | - | - | 139.55 | - | (0.06) | - | - | - | 5.51 | - | 173.09 |
| - | - | - | 2.37 | - | - | - | - | 26.92 | - | 0.01 | - | - | - | - | - | 29.30 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | 0.25 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.25 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.10 | - | - | - | - | - | - | - | - | - | - | - | - | 256.50 | - | - | 256.60 |
| - | - | - | - | - | - | - | 58.44 | 0.03 | - | - | 260.53 | 0.04 | - | - | - | 1,780.75 |
| - | - | - | - | - | 48.50 | - | - | 21.50 | - | - | - | - | - | - | - | 70.00 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.10 | 587.35 |
| 0.10 | - | - | - | - | - | - | - | - | - | - | - | - | 256.50 | - | - | 558.82 |
| - | - | - | - | - | 6.89 | - | - | - | - | - | - | - | - | - | - | 31.89 |
| - | - | 68.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | 381.25 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.30 |
| - | - | - | 0.86 | - | - | - | - | 217.75 | - | 46.26 | - | - | 19.97 | - | - | 286.23 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | 15.91 | - | - | - | - | - | - | - | - | - | - | 19.97 | - | - | 35.88 |
| - | - | 0.64 | - | 0.01 | - | - | - | 964.65 | - | 5.01 | - | - | 0.04 | - | - | 1,106.06 |
| - | (0.29) | 8.92 | - | - | 0.42 | 0.01 | - | (34.91) | - | 7.21 | - | - | - | - | - | (16.04) |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 25.70 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 18.67 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 70.51 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 36.49 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.19 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | 61.00 | - | - | - | - | - | - | 61.00 |
| - | - | - | - | - | - | - | - | - | 7.50 | - | - | - | - | - | - | 7.50 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | 12.71 | 124.34 | 6.33 | - | - | 143.38 |
| - | - | - | - | 70.00 | - | - | - | - | - | - | - | - | - | - | - | 70.00 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | (37.41) | - | (5.00) | - | - | - | - | - | (42.41) |
| - | - | - | - | - | - | - | - | (23.11) | - | - | - | - | - | - | - | (23.11) |
| - | - | - | - | (0.00) | - | - | - | (96.69) | - | (0.30) | - | - | (0.01) | - | - | (99.26) |
| - | - | - | (0.02) | - | - | - | - | (120.13) | (3.13) | (0.42) | - | - | - | - | - | (160.19) |
| - | - | 1,580.04 | - | - | - | - | - | 84.09 | - | 11.77 | - | - | - | - | - | 1,909.57 |
| - | - | 2,046.26 | - | - | - | - | - | 135.77 | - | 1.68 | - | - | - | - | - | 2,419.02 |
| - | - | - | - | - | - | - | 173.70 | - | - | - | - | - | - | - | - | 2,171.13 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 250.00 |
| - | - | 0.31 | - | - | - | - | - | - | - | - | - | - | - | - | 1.30 | 927.96 |
| - | - | - | - | - | - | - | - | - | - | 1.13 | - | - | - | - | 1.20 | 208.66 |
| **-** | **-** | **1,580.35** | **-** | **(0.00)** | **-** | **-** | **173.70** | **(50.01)** | **-** | **6.47** | **-** | **-** | **(0.01)** | **-** | **1.30** | **4,866.99** |
| - | - | 2,046.26 | (0.02) | - | - | - | - | (7.47) | (3.13) | 2.39 | - | - | - | - | 1.20 | 2,694.38 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | 750.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | 750.00 |

**5. Interest in joint ventures:**

The Company's interest and share in joint ventures in the jointly controlled entities are as follows:

**a) List of joint ventures**

| Sl. No. | Name of Joint Ventures | Description of Interest | Nature of Project | Ownership Interest | Country of Incorporation or residence |
|---|---|---|---|---|---|
| 1 | Adani Petronet (Dahej) Private Limited | Jointly Controlled Entity | Development of a Solid Cargo Port Terminal | 50% | India |

**b) Financial interest in jointly controlled entities**

(Rs. in million)

| | | Company's Share of | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of Joint Venture Entity | Assets | Liabilities | Income | Expenditure | Tax | Capital Commitments | Contingent Liabilities |
| 1. | Adani Petronet (Dahej) Private Limited | 520.52 | 42.81 | - | 4.32 | - | 932.75 | - |

**6.** The Company takes various types of derivative instruments to hedge its future loans & interest liabilities. The category-wise outstanding position of derivative instruments as at 31st March, 2008 and 31st March, 2007 is as under:

| Nature | Particulars of Derivatives | | Purpose |
|---|---|---|---|
| | 31st March, 2008 | 31st March, 2007 | |
| Principal Only Swap | USD13.00 million<br>- | USD 13.00 million<br>Rs. 3,530.46 million | Hedging of loan |
| Coupon Only Swap | -<br>- | USD 13.00 million<br>Rs. 2,500.00 million | Hedging of interest liability |
| Currency Swap | - | Rs. 1,795.00 million | Hedging of loan and interest liability |

The details of foreign currency exposures that are not hedged by a derivative instrument or otherwise as at 31st March, 2008 is as under:

| Nature | 31st March, 2008 | | 31st March, 2007 | |
|---|---|---|---|---|
| | Amount (Rs. in million) | Foreign Currency (in million) | Amount (Rs. in million) | Foreign Currency (in million) |
| Foreign Currency Loan | **1,837.79** | **USD 45.98** | 775.81 | USD 17.80 |
| Creditors | **270.11** | **USD 6.76** | 17.83 | USD 0.41 |
| | **5.01** | **GBP 0.06** | 3.57 | GBP 0.04 |
| | **11.38** | **Euro 0.18** | 0.39 | Euro 0.01 |

Closing rates as at 31st March, 2008:

USD 1 = Rs. 39.97

EURO 1 = Rs.63.09

GBP 1 = Rs.79.53

**7. Amounts Received/Receivable under Long-term Lease/Infrastructure Usage Agreements**

The Company has entered into various long-term agreements granting sub-leases out of its leasehold lands and/or rights to use infrastructure facilities for the period of the sub-leases which are generally co-terminus with the period of the Concession Agreement between the Company, Gujarat Maritime Board and Government of Gujarat. The Company has received/to receive upfront amounts in consideration of grant of the sub-leases and rights to use its infrastructure facilities. Unamortized amounts received/receivable under Long-term Leases/Infrastructure Usage Agreements at the end of the year amounting to Rs.6,810.95 million (Previous Year Rs.7,414.84 million) have been disclosed on the face of the Balance Sheet (Also refer Note 2(m) above).

**8.** Information required to be furnished as per Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) for the year ended 31st March, 2008. This information has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

(Amount in Rs. million)

| Sl. No. | Particulars | **Year ended 31st March, 2008** | Year ended 31st March, 2007 |
|---|---|---|---|
| 1. | Principal amount and interest due thereon remaining unpaid to any supplier [Refer table (a) below]: | | |
| | Principal | **3.37** | 1.46 |
| | Interest | **Nil** | Nil |
| 2. | The amount of interest paid by the buyer in terms of Section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | **Nil** | Nil |
| 3. | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006. | **Nil** | Nil |
| 4. | The amount of interest accrued and remaining unpaid at the end of each accounting year. | **Nil** | Nil |
| 5. | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act. | **Nil** | Nil |
| | **Total** | **3.37** | 1.46 |

**a) Vendor wise Outstanding Principal amount :**

(Amount in Rs. million)

| Particulars | **Year ended 31st March, 2008** | Year ended 31st March, 2007 |
|---|---|---|
| Allwin Industries | **0.05** | - |
| Riddhi Tarpaulins Inc. | **0.12** | 0.34 |
| Safex Equipments Pvt. Ltd. | **0.07** | - |
| Fosroc Chemical (India) Pvt. Ltd. | **0.19** | - |
| Kalmar India Pvt. Ltd. | **1.73** | 0.91 |
| Konstelec Engineers Pvt. Ltd. | **0.42** | - |
| Sealand Diesel Pvt. Ltd. | **0.23** | - |
| Shree Chamunda Electrical | **0.17** | - |
| Microlink Solutions Pvt. Ltd. | **0.39** | 0.21 |
| **Total** | **3.37** | 1.46 |

**9. Prior period items include:**

(Amount in Rs. million)

| Particulars | **Year ended 31st March, 2008** | Year ended 31st March, 2007 |
|---|---|---|
| Demurrage Charges | **Nil** | 13.55 |
| Contribution to Gratuity Fund | **Nil** | 1.92 |
| Administrative and Other Expenses (Construction cost of Vadenagar Lake for community development) | **12.95** | Nil |
| Total | **12.95** | 15.47 |

**10.** Extraordinary Item during the year represents award delivered in favour of the Company following arbitration proceedings between the Company and The New India Assurance Company Limited towards business interruption losses incurred by the Company following an earthquake in Gujarat on 26th January, 2001. As per the arbitration award, the Company received Rs. 76.68 million toward the insurance claim amount, and Rs. 47.21 million towards interest claim thereon. The Company has accounted for the insurance claim amount net of expenses incurred on arbitration of Rs. 7.28 million.

11. The Government of India (GoI) has, vide its letter dated 12th April, 2006, granted approval to the Company's proposal for development, operation and maintenance of a Multi-Product Special Economic Zone (SEZ) over an area of 2,658 hectares of the Company's land at Mundra, Gujarat. Subsequently through a Notification dated 23rd June, 2006, the Ministry of Commerce & Industry (Department of Commerce) has included Mundra Port and port limits in notified Special Economic Zone.

The Company is of the view, supported by an external opinion, that it may avail benefit under Section 80IAB of the Income Tax Act on the entire income of the Company including the Special Economic Zone Operations. Accordingly, the Company has decided to avail benefits under Section 80IAB of the Income Tax Act, 1961 from this year and has not created provision for income tax on income attributable to SEZ activities (including notified port area).

12. The Company has made provision of Rs.259.46 million for taxation based on its profit excluding SEZ (including notified port area) profit for the year ended 31st March, 2008. The Company has also utilized MAT credit entitlement of Rs. 47.55 million (excluding Rs. 50.00 million adjusted in previous year) (against the MAT payment made during financial year 2005-06) which represents that portion of MAT liability, which can be recovered, based on the provisions of Section 115JAA of the Income Tax Act, 1961.

13. Sundry Debtors outstanding for a period more than six months include deferred receivables (amount receivable under Lease/Long Term Infrastructure Usage Agreements) of Rs.1,859.09 million (Previous Year Rs.2280.09 million).

14. **Details of Employee Benefits – Gratuity**

The Company has a defined gratuity plan. Every employee gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the respective plans.

**Profit and Loss Account**

a) **Net Employee benefit expense:**

(Rs. in million)

| **Sl. No.** | **Particulars** | **Gratuity (Funded) 31st March, 2008** | Gratuity (Funded) 31st March, 2007 |
|---|---|---|---|
| 1. | Current Service cost | **1.70** | 1.70 |
| 2. | Interest Cost on benefit obligation | **0.35** | 0.43 |
| 3. | Expected return on plan assets | **(0.24)** | (0.34) |
| 4. | Actuarial loss | **10.17** | 2.07 |
| 5. | Net benefit expense | **11.98** | 3.85 |

**Note:** Actual return on plan assets Rs. 0.21 million (Previous Year : Not readily available)

**Balance Sheet**

b) **Details of Provision for gratuity:**

(Rs. in million)

| **Sl. No.** | **Particulars** | **Gratuity (Funded) 31st March, 2008** | Gratuity (Funded) 31st March, 2007 |
|---|---|---|---|
| 1. | Present value of defined benefit obligation | **14.41** | 8.32 |
| 2. | Fair value of plan assets | **6.02** | 7.83 |
| 3. | Surplus/(deficit) of funds | **(8.39)** | (0.49) |
| 4. | Net asset/(liability) | **(8.39)** | (0.49) |

**c) Changes in Present Value of the defined benefit obligation are as follows:**

(Rs. in million)

| Sl. No. | Particulars | Gratuity (Funded) 31st March, 2008 | Gratuity (Funded) 31st March, 2007 |
|---|---|---|---|
| 1. | Defined benefit obligation at the beginning of the Period | **8.32** | 5.24* |
| 2. | Current Service cost | **1.70** | 1.70 |
| 3. | Interest Cost | **0.35** | 0.43 |
| 4. | Actuarial loss | **9.71** | 2.22 |
| 5. | Benefits paid | **(5.67)** | (1.27) |
| 6. | Defined benefit obligation at the end of the period | **14.41** | 8.32 |

* Including the earlier year adjustments made of Rs.1.92 million.

**d) Changes in Fair Value of Plan Assets are as follows:**

(Rs. in million)

| Particulars | Gratuity (Funded) 31st March, 2008 | Gratuity (Funded) 31st March, 2007 |
|---|---|---|
| Opening fair value of plan assets | **8.68** | 5.52 |
| Expected return | **0.24** | 0.34 |
| Contributions by employer | **3.23** | 3.09 |
| Benefits Paid | **(5.67)** | (1.27) |
| Actuarial gains/(losses) | **(0.46)** | 0.15 |
| Closing fair value of plan assets | **6.02** | 7.83 |

**Note:** 1. The Company is maintaining entire funds with the Life Insurance Corporation of India (LIC) – Insurer, to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC as at the end of the period. The total value of Plan Assets amounting to Rs. 6.02 million is as certified by the LIC. 2. The Company expects to contribute Rs. 16 million to gratuity in 2008-09.

**e) The principle assumptions used in determining Gratuity obligations are as follows:**

| Sl. No. | Particulars | Gratuity (Funded) 31st March, 2008 | Gratuity (Funded) 31st March, 2007 |
|---|---|---|---|
| 1. | Discount rate | **8.00%** | 8.00% |
| 2. | Expected rate of return on plan assets | **8.00%** | 8.00% |
| 3. | Expected rate of salary increase | **8.50%*** | 5.00% |
| 4. | Mortality | **LIC (1994-96) Ultimate** | LIC (1994-96) Ultimate |
| 5. | Withdrawal rate | **Age Related** | Age Related |

*The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**f) Amounts for the current and previous four periods are as follows:**

(Rs. in million)

| Gratuity | March '08 | March '07 | March '06 | March '05 | March '04 |
|---|---|---|---|---|---|
| Defined benefit obligation | (14.41) | (8.32) | (5.11) | (3.48) | Nil |
| Plan Assets | 6.02 | 7.83 | 5.52 | 3.23 | Nil |
| Surplus/(deficit) | (8.39) | (0.49) | 0.41 | (0.25) | Nil |
| Experience loss on plan liabilities | 9.71 | 2.22 | 0.09 | * | Nil |
| Experience loss on plan assets | (0.46) | 0.15 | 0.09 | * | Nil |

* In the absence of availability, relevant information on the experience adjustments on plan assets and liabilities have not been furnished above.

**15.** Assets taken under Operating Leases – residential houses for staff accommodation and aircraft are obtained under operating lease. Lease rent is payable as per the lease term. The lease rent term is generally for eleven months for residential houses and six months for aircraft and renewable for the period by mutual agreement. There is no sub-lease and all the leases are cancelable in nature. There are no restrictions imposed by the lease arrangements. There is no contingent rent in the lease agreements. There is no escalation clause in the lease agreements. Expenses incurred under such leases have been included in the Profit & Loss Account.

**16.** Income from Operations includes Land Lease Income, Long-term Infrastructure Usage Income and Income incidental thereto of Rs. 1,473.15 million (Previous Year Rs. 374.68 million).

**17.** The Company had incurred a sum of Rs. 70.95 million in an earlier year on consultancy services procured for putting up a Shipyard Project. This amount is being carried forward in the Balance Sheet under the head Capital Work-in-Progress and will be transferred to a Company to be incorporated or division of the Company for putting up the project as may be possible.

**18. Capital Work-in-Progress includes Expenditure during Construction Period and Capital Inventory, details of which are as follows:**

(Rs. in million)

| **Particulars** | **Year ended 31st March, 2008** | Year ended 31st March, 2007 |
|---|---|---|
| **Expenditure during Construction Period :** | | |
| **A. Expenditure** | | |
| **Personnel Expenses** | | |
| Salaries, Wages & Bonus | **132.88** | 50.22 |
| Contribution to Provident Fund | **1.20** | 3.05 |
| Contribution to Gratuity | **-** | 0.94 |
| Workmen and Staff Welfare Expense | **1.10** | 3.16 |
| **Sub Total** | **135.18** | **57.37** |
| **Administrative and Other Expenses** | | |
| Power and Fuel | **4.76** | 16.51 |
| Insurance | **0.13** | 1.51 |
| Other Repairs and Maintenance | **0.44** | 2.83 |
| Legal and Professional Expenses | **143.62** | 32.22 |
| Traveling and Conveyance | **27.51** | 17.37 |
| Rent | **2.63** | 2.44 |
| Equipment Hire Charges | **-** | 6.29 |
| Water Charges | **-** | 8.33 |
| Other Expenses | **3.76** | 5.30 |
| **Sub Total** | **182.85** | **92.80** |
| **Financial Expenses** | | |
| Interest on Fixed Loans | **294.84** | 264.19 |
| Bank and Other Finance Charges | **11.35** | 39.90 |
| **Sub Total** | **306.19** | 304.09 |
| **Depreciation** | **121.90** | 85.01 |
| **Total Expenditure [A]** | **746.12** | **539.27** |
| **B. Income** | | |
| Interest on Bank Deposits (TDS Nil, Previous Year - Rs. 2.98 million) | **-** | 13.55 |
| Miscellaneous Income | **-** | 13.46 |
| Exchange Differences (Net) | **-** | 12.00 |
| Trial Run Income – Container Terminal –II | **45.52** | - |
| **Total Income [B]** | **45.52** | **39.01** |
| **Total [A – B]** | **700.60** | **500.26** |
| Brought Forward from Previous Year | **1,013.34** | 365.45 |
| Transferred on account of Amalgamation | **-** | 498.50 |
| **Total** | **1,713.94** | **1,364.21** |
| Capitalized /Allocated during the year | **467.51** | 350.87 |
| **Balance Carried Forward Pending Allocation/Capitalization** | **1,246.43** | 1,013.34 |
| **B. Project Materials** | **520.66** | 75.77 |

**19. Capital Commitments:**

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for | **4,082.37** | 3,273.91 |

**20. Contingent Liabilities not provided for:**

(Rs. in million)

| | Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|---|
| a. | Corporate Guarantee given by the Company against credit facility availed by a body corporate | **750.00** | 750.00 |
| b. | In earlier years, some contractors of the Company had filed civil suits against the Company for recovery of damages caused to its machinery in an earthquake Rs. 3.71 million (Previous Year Rs. 3.71 million), to its cargo stores in Company's godown Rs 9.44 million (Previous Year Rs. 9.44 million) and due to mishandling of wheat cargo by the Company Rs. 62 million (Previous Year Rs. 62 million). Above civil suits are currently pending with Civil Judge (Senior Division), Gandhidham, Civil Judge, Bhuj and Civil Judge (Senior Division), Bhuj, respectively. The management is reasonably confident that no liability will devolve on the Company in this regard and hence no provision is made in the books of account towards these suits. | **75.15** | 75.15 |
| c. | In earlier years, the Company had received show cause notices from the Custom Authorities for recovery of custom duty, fine, interest and penalty on the import of a tug and bunkers by the Company Rs. 44.92 million (Previous Year Rs. 20.71 million), import of various Cargo at Port Rs. 4.78 million (Previous Year Rs. 4.52 million). The Customs cases are currently pending with Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad (Rs. 44.92 million), Assistant Commissioner of Customs, Mundra (Rs. 1.42 million), Customs, Excise and Service Tax Appellate Tribunal, Mumbai (Rs. 2.66 million), Commissioner of Customs, Ahmedabad (Rs. 0.26 million) and Deputy Commissioner of Customs Gujarat, (Rs. 0.44 million) respectively. The management is reasonably confident that no liability will devolve on the Company and hence no liability has been recognised in the books of account. | **49.70** | 25.23 |
| d. | Joint Commissioner Customs, Mundra has held the Company liable for short delivery of imported goods namely, H.M.S. through Mundra Port to various customers. The Company has been directed to remit the differential duty of Rs. 0.71 million /- and penalty of Rs. 0.05 million - under Section 117 of the Customs Act has been imposed. MPSEZL has preferred to challenge the said Orders which are pending before Commissioner of Customs (Appeals) at Ahmedabad. The management is reasonably confident that no liability will devolve on the Company and hence no liability has been recognized in the books of account. | **0.76** | 0.76 |
| e. | Deputy Commissioner of Customs, Mundra has held that the Company wrongly availed duty benefit exemption under DFCEC Scheme on import of second hand equipment and demanded duty payment of Rs. 2.50 million. The Company has filed its reply to the show cause notice with Deputy Commissioner of Customs, Mundra and Assistant Commissioner of Customs, Aircargo Complex, Ahmedabad and the management is of the view that no liability shall arise on the Company. | **2.63** | - |
| f. | Various showcause notices received from Commissioner/ Additional Commissioner/ Joint Commissioner/ Deputy Commissioner of Customs and Central Excise, Rajkot, for wrongly availing of Cenvet credit/Service tax credit and Education Cess on input services and steel, cement and other misc. fixed assets. The Excise department has demanded recovery of the duty along with penalty and interest thereon. The Company has given deposit of Rs. 25 million against the demand. The matter is pending before CESTAT, Ahmedabad and Commissioner of Central Excise (Appeals), Rajkot. The Company has taken an external opinion in the matter based on which, management is of the view that no liability shall arise on the Company. | **512.71** | 132.17 |
| g. | Differential amount of customs duty in respect of machinery imported under EPCG Scheme and interest thereon. Based on budgeted sales plan, management is hopeful that it will be able to discharge the obligation by executing the required volume of exports in the future period. | **260.31** | 344.95 |

21. For the development of Special Economic Zone (SEZ) in the Mundra Taluka region, the Company is also acquiring land in Mundra and surrounding region under arrangements/agreements with private landowners/ parties for development of contiguous SEZ area, apart from acquisition of land from Government of Gujarat. Till 31st March, 2008, the Company has paid an aggregate amount of Rs.1,209.96 million to various private landowners/parties for acquisition of land, out of which Rs.788.98 million has been capitalized on allotment of a portion of land and the balance amount of Rs.420.98 million is outstanding as advance at the year end.

**22. Provisions:**

(Rs. in million)

| Description | Opening Balance | Additions during the year | Utilization during the year | Closing Balance |
|---|---|---|---|---|
| Operational Claims | 68.11<br>(-) | 54.08<br>(68.11) | 81.91<br>(-) | 40.28<br>(68.11) |

Previous year figures are in bracket

**Note:** Operational Claims are the expected claims made/to be made by the customers towards shortages of stock, handling loss, damages to the cargo, etc. Based on the past experience, the Company has made certain provisions in the books.

**23. Following Non-trade Investments have been Purchased and Sold during the year:**

(Rs. in million)

| Description | Numbers/Units | Purchase | Sales |
|---|---|---|---|
| B332G Birla Sun Life Liquid Plus Institutional Growth | 18,406,808 | 272.61 | 275.43 |
| B503G Birla Cash Plus – Institutional Premium Growth | 41,286,972 | 522.55 | 522.67 |
| DSP Merrill Lynch Cash Plus – Institutional Growth | 3,558,675 | 3,714.55 | 3,722.10 |
| DSP Merrill Lynch Liquid Plus Institutional Plan Growth | 3,087,971 | 3,300.50 | 3,322.94 |
| DWS Credit Fund | 196,498,399 | 2,000.00 | 2,000.43 |
| DWS Credit Opportunities Cash Fund – Growth | 140,475,869 | 1,458.38 | 1,500.00 |
| DWS Institutional cash plus fund super Institutional growth plan | 97,580,016 | 1,000.00 | 1,000.24 |
| DWS Institutional Cash Plus Fund Super Institutional Growth Plan | 71,664,039 | 750.00 | 750.19 |
| DWS Liquid Plus Fund - Regular Growth Plan | 30,477,584 | 399.86 | 400.00 |
| 10% Allahabad Bank 2017 Bonds | 1,000,000 | 107.03 | 105.69 |
| 5.69% Punjab National Bank Bonds | 7,800,000 | 660.95 | 667.42 |
| 7.45% State Bank of India Bonds | 500,000 | 49.95 | 47.14 |
| 9.35% Union Bank Limited Bonds | 500,000 | 51.11 | 50.60 |
| 9.30% West Bengal Infrastructure Development Corporation Bonds | 1,000,000 | 101.48 | 99.74 |
| HDFC Cash Management Fund | 152,084,778 | 2,500.00 | 2,500.55 |
| HDFC Cash Management Fund Savings Plus Plan Wholesale Growth | 106,598,920 | 1,826.14 | 1,850.00 |
| JM Money Manager Fund – Super Plus Plan - Growth | 639,853,497 | 7,471.72 | 7,550.88 |
| Kotak Flexi Debt Scheme – Growth | 325,726,190 | 4,000.83 | 4,024.61 |
| Kotak Liquid (Institutional Premium) Growth | 251,406,304 | 4,000.00 | 4,000.83 |
| Lotus India Liquid Fund Super Institutional Growth | 16,866,290 | 182.26 | 182.29 |
| Lotus India Liquid Plus Fund Institutional growth | 16,973,393 | 182.29 | 183.97 |
| Reliance Liquid Plus Fund Growth Plan | 16,291 | 17.45 | 17.73 |
| Reliance Liquid Plus Fund Institutional Option - Growth Plan | 1,884,262 | 2,000.46 | 2,033.99 |
| Reliance Liquidity Fund Growth Option | 169,167,527 | 2,000.00 | 2,000.46 |
| SBI Premier Liquid Fund - Institutional – Growth | 20,232,193 | 255.19 | 255.25 |
| SBI SHF Liquid Plus Institutional Plan – Growth | 24,912,827 | 255.25 | 261.41 |
| TFLD TATA Floater Fund Growth | 1,765,854 | 20.74 | 21.07 |
| UTI Liquid Cash Plan Institutional Growth Option | 385,013 | 500.00 | 500.12 |
| UTI Liquid Plus Fund Institutional Plan | 475,227 | 500.12 | 504.59 |

## 24. Supplementary Statutory Information

### a) Managing Directors' Remuneration:

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Salaries, Wages and Bonus | **12.00** | 12.00 |
| Commission | **70.51** | 36.49 |
| **Total** | **82.51** | 48.49 |

### b) Executive Director's and Wholetime Director Remuneration:

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Salaries, Wages and Bonus | **12.79** | 6.09 |
| Contribution to Provident fund | **0.91** | 0.59 |
| **Total** | **13.70** | 6.68 |

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable separately and, therefore, not included above.

### c) Non-Executive Directors' Remuneration:

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Commission | **5.10** | - |
| **Total** | **5.10** | - |

### d) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to directors:

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| **Profit as per Profit and Loss Account** | **3,668.21** | 1,749.72 |
| **Add:** | | |
| Directors' Remuneration | **96.21** | 55.17 |
| (Profit)/Loss on Sale of Fixed Assets | **(5.36)** | 1.09 |
| Director's Sitting Fees | **0.49** | 0.04 |
| Commission to Non-Executive Directors | **5.10** | - |
| Provision for Doubtful Debts and advances | **-** | 18.81 |
| Profit on Sale of Investments | **(249.28)** | (0.40) |
| Loss in diminution in value of Current Investments | **10.00** | - |
| Net Profit as per Section 349 of the Companies Act, 1956 | **3,525.37** | 1,824.43 |
| Commission payable to Managing Director @ 2% | **70.51** | 36.49 |

### e) Details of Payment to Auditors:

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Audit fee | **1.70** | 1.80 |
| Other Services | **0.78*** | 0.10 |
| Reimbursement of out-of-pocket Expenses | **0.89** | 0.09 |
| **Total** | **3.37** | 1.99 |

* Excludes payment towards IPO related services, adjusted against Securities Premium.

**25. Additional Information pursuant to the provisions of para 4C and 4D of Part –II of Schedule –VI to the Companies Act, 1956 to the extent applicable:**

**a) Expenditure in Foreign Currency (accrual basis):**

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Travelling Expenses | **4.06** | 2.34 |
| Interest | **133.23** | 112.62 |
| Bank Charges | **27.77** | - |
| Aircraft Lease Rent | **26.74** | - |
| Fees and Legal Expenses | **12.49** | 26.69 |
| Others | **6.89** | 3.22 |

**b) Earnings in Foreign Currency (accrual basis):**

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Marine Services | **159.99** | 1.10 |

**c) CIF value of Imports:**

(Rs. in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Stores & Spares | **12.35** | 42.70 |
| Capital goods | **2,547.28** | 787.92 |

**d) Imported and indigenous stores and spares consumed:**

(Rs. in million)

| Particulars | % of Total Consumption | | Total Consumption | |
|---|---|---|---|---|
| | **2007-08** | 2006-07 | **2007-08** | 2006-07 |
| Imported | **2.08** | 5.22 | **6.47** | 18.86 |
| Indigenous | **97.92** | 94.78 | **304.26** | 341.90 |
| **Total** | **100.00** | 100.00 | **310.73** | 360.76 |

**26. (a)** During the year, the Company has made Initial Public Offering (IPO) of Rs. 40.25 million equity shares of Rs. 10 each for cash at a premium of Rs. 430 per share.

**(b) Initial Public Offer (IPO) fund utilization:** The Company has spent Rs. 2,009.10 million out of fresh issue of share capital of Rs.17,710 million as follows:

(Rs. in million)

| Particulars | Projected Utilisation as per the Prospectus dated 14th November, 2007 | Actual as on 31st March, 2008 |
|---|---|---|
| a) Issue Expenses | 650.00 | 341.70 |
| b) Investment in Adani Logistics Ltd. | 220.00 | 220.00 |
| c) Investment in Adani Petronet ( Dahej) Port Pvt. Ltd. | 2,094.60 | 260.50 |
| d) Investment in Inland Conware Pvt. Ltd. | 543.80 | 220.00 |
| e) Coal Terminal Project | 4,500.00 | 88.50 |
| f) SEZ Project | 7,000.00 | 10.00 |
| g) Construction and Development of basic infrastructure facilities at Mundra | 2,701.60 | 868.40 |
| **Total** | 17,710.00 | **2,009.10** |

(c) As at 31st March, 2008, the unutilised Initial Public Offer (IPO) proceeds of Rs.15,700.90 million are lying as invested in mutual funds Rs.7,803.11 million, bonds Rs.462.38 million and balance amount of Rs.7,435.41 million in fixed deposits with Bank as at 31st March, 2008. (Refer Schedule 8 and 11)

27. The following are the details of loans and advances of the Company outstanding at the end of the year in terms of Securities & Exchange Board of India's circular dated 10th January, 2003:

(Rs. in million)

| **Loans and Advances to Subsidiaries** | **Outstanding amount as at** | | **Maximum amount outstanding during the year** | |
|---|---|---|---|---|
| | **31st March, 2008** | 31st March, 2007 | **31st March, 2008** | 31st March, 2007 |
| Mundra Aviation Limited | **136.06** | Nil | **136.06** | Nil |
| Rajasthan SEZ Private Limited | **0.11** | Nil | **0.11** | Nil |
| Gujarat Adani Aviation Private Limited | **0.28** | Nil | **0.28** | Nil |
| Mundra SEZ Textile and Apparel Park Private Limited | **Nil** | 0.30 | **Nil** | 0.30 |

All the above loans and advances are repayable on demand.

**28. Miscellaneous Expenditure – Share Issue Expenses**

The Company has incurred expenses aggregating to Rs.581.46 million, including Rs.5.42 million paid to Auditors, in connection with its Initial Public Offer (IPO). In terms of Section 78 of the Companies Act, 1956 the Company has adjusted the said share issue expense against the Securities Premium received from the said IPO.

**29. Previous Year Comparatives**

Previous year's figures have been regrouped where necessary to conform to this year's classification.

**As per our report of even date**
**For S. R. BATLIBOI & ASSOCIATES**
*Chartered Accountants*

**per Raj Agrawal**
*Partner*
**Membership No. 82028**

**Place : Ahmedabad**
**Date : 28th May, 2008**

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place : Ahmedabad**
**Date : 28th May, 2008**

# Balance Sheet Abstract and Company's General Business Profile

I. REGISTRATION DETAILS

| | | | |
|---|---|---|---|
| Registration No. | 034182 | State Code | 04 |
| Balance Sheet Date | 31 03 2008 (Date Month Year) | | |

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RUPEES THOUSANDS)

| | | | |
|---|---|---|---|
| Pubilc Issue | 402500 | Rights Issue | NIL |
| Bonus Issue | NIL | Private Placement | NIL |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RUPEES THOUSANDS)

| | | | |
|---|---|---|---|
| Total Liabilities | 53777670 | Total Assets | 53777670 |
| SOURCES OF FUNDS | | | |
| Paid up Capital | 4034900 | Reserves & Surplus | 22090210 |
| Secured Loans | 18847660 | Unsecured Loans | 219790 |
| APPLICATION OF FUNDS | | | |
| Net Fixed Assets | 32476620 | Investments | 10826630 |
| Net Current Assets | 10474420 | Miscellaneous Expenditure | NIL |
| Accumulated Assets | NIL | | |

* Total liabilities include deferred tax liability (net) of Rs. 1,774,160 thousands and Amount Received/Receivable under Long-term Lease/infrastructure usage agreements of Rs. 6,810,950 thousands.

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN RUPEES THOUSANDS)

| | | | |
|---|---|---|---|
| Turnover | 8461110 | Total Expenditure | 4792900 |
| Profit/(Loss) Before Tax (+ ✓ / –) | 3668210 | Profit/(Loss) After Tax (+ ✓ / –) | 2134120 |
| Earnings Per Share (Rs.) | 5.69 | Dividend % | 15 |

(Please tick Appropriate + – for Profitm –for loss)

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS & SERVICES OF THE COMPANY (as per monetary terms)

| | | | |
|---|---|---|---|
| Product Description | PORT SERVICE | Item Code No. (ITC Code) | NOT APPLICABLE |

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place : Ahmedabad**
**Date : 28th May, 2008**

**Statement Pursuant To Approval U/S 212(8) Of The Companies Act, 1956**

(Rs. in million)

| Sl. No. | Particulars | Name of the Subsidiaries | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Mundra SEZ Textile and Apparel Park Pvt. Ltd. (MITAP)** | **Mundra Aviation Ltd. (Refer Note No. 1)** | **MPSEZ Utilities Pvt Ltd.** | **Rajasthan SEZ Pvt. Ltd.** | **Inland Conware Private Ltd. (Refer Note No.2)** | **Adani Logistic Limited** | **Gujarat Adani Aviation Pvt. Ltd.** | **Inland Conware (Ludhiana) Pvt. Ltd.** |
| (a) | Capital (Paid Up) | 30.67 | 0.04 | 0.10 | 0.10 | 1,239.60 | 510.50 | 10.00 | 0.10 |
| (b) | Reserves | 120.00 | 0.29 | - | - | - | - | - | - |
| (c) | Total Assets | 374.67 | 530.63 | 0.11 | 0.11 | 2,268.30 | 1,023.51 | 10.02 | 15.22 |
| (d) | Total Liabilities | 280.95 | 530.30 | 0.01 | 0.01 | 1,028.80 | 515.66 | 0.02 | 15.12 |
| (e) | Details of Investment (except in case of investment in subsidiaries) | | | | | | | | |
| | 56,91,475 units of DWS Money Plus Fund Institutional Plan Daily | 56.96 | - | - | - | - | - | - | - |
| | 2,65,400 Shares of Mundra SEZ Textile & Apparel Park Pvt. Ltd. Of Rs. 10 each | - | - | - | - | - | 2.65 | - | - |
| (f) | Turnover | - | 17.21 | - | - | - | 222.92 | - | - |
| (g) | Profit/(Loss) before taxation | - | (15.90) | - | - | - | (30.02) | - | - |
| (h) | Provision for taxation (Net) | - | - | - | - | - | (3.19) | - | - |
| (i) | Profit/(Loss) after taxation | - | (15.90) | - | - | - | (26.84) | - | - |
| (j) | Proposed Dividend | - | - | - | - | - | - | - | - |

**Note:**

1 All Financials are pertaining for the year ended 31st March, 2008 except Mundra Aviation Ltd. Whose year ended is 31st December, 2007.

2 Investment made by Inland Conware Private Ltd. In 100% sudsidiary Inland Conware (Ludhiana) Pvt. Ltd. Rs. 0.10 million not shown above in Investment.

**Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to subsidiary companies**

(Rs. in million)

| Sr. No. | Particulars | Mundra SEZ Textile and Apparel Park Private Limited | Mundra Aviation Limited | Adani Logistics Limited | Inland Conware Private Limited | Inland Conware (Ludhiana) Private Limited | MPSEZ Utilities Private Limited | Rajasthan SEZ Private Limited | Gujarat Adani Aviation Private Limited |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Financial Year of subsidiary ended on | 31st March, 2008 | 31st December, 2007 | 31st March, 2008 | 31st March, 2008 | 31st March, 2008 | 31st March, 2008 | 31st March, 2008 | 31st March, 2008 |
| 2 | Shares of the Subsidiary Company held on the above date and the extent of holding | | | | | | | | |
| | i) Number of Shares | 4,087,020 | 10 | 51,050,000 | 122,960,000 | 10,000 | 10,000 | 10,000 | 1,000,000 |
| | ii) Extent of holding | 88.53% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| 3 | Net aggregate amount of profit/(losses) of the subsidiary for the above financial year so far as they concern members of Mundra Port and Special Economic Zone Limited | | | | | | | | |
| | i) Dealt with the accounts of Mundra Port and Special Economic Zone Limited | Nil | (15.90) | (26.84) | Nil | Nil | Nil | Nil | Nil |
| | ii) Not dealt with the accounts of Mundra Port and Special Economic Zone Limited | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| 4 | Net aggregate amount of profit/(losses) of the subsidiary for the previous financial year so far as they concern members of Mundra Port and Special Economic Zone Limited | | | | | | | | |
| | i) Dealt with the accounts of Mundra Port and Special Economic Zone Limited | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | ii) Not dealt with the accounts of Mundra Port and Special Economic Zone Limited | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

# Auditors' Report

The Board of Directors

Mundra Port and Special Economic Zone Limited

1. We have audited the attached Consolidated Balance Sheet of Mundra Port and Special Economic Zone Limited ('the Company), its subsidiaries, associates and joint venture entities (collectively, the "Group") as at 31st March, 2008, and the Consolidated Profit and Loss account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 4,513.86 million as at 31st March, 2008, the total revenue of Rs. Nil and Cash Flows amounting to Rs. 148.14 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose report(s) have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of other auditors.

4. Without qualifying our opinion, we draw attention to Note No. 12 in Schedule 23 to the financial statements in respect of eligibility for income tax holiday as per provisions of Section 80-IAB of the Income Tax Act, 1961.

5. We report that the Consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Mundra Port Group as at 31st March, 2008;

   (b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and

   (c) in the case of the Consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For S.R. Batliboi & Associates**
**Chartered Accountants**

**per Raj Agrawal**
*Partner*
**Membership No.: 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

# Consolidated Balance Sheet as at 31st March, 2008

| | Schedules | As at 31st March, 2008 Rs. in million | As at 31st March, 2007 Rs. in million |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 1 | **4,034.90** | 3,632.40 |
| Share Application Money | | **16.37** | |
| Reserves and Surplus | 2 | **22,164.49** | 3,860.76 |
| | | **26,215.76** | 7,493.16 |
| **Loan Funds** | | | |
| Secured Loans | 3 | **20,442.45** | 12,813.45 |
| Unsecured Loans | 4 | **237.74** | 9.03 |
| | | **20,680.19** | 12,822.48 |
| **Amount Received/Receivable under Long-term Lease/Infrastructure Usage Agreements** (Refer Note 9 of Schedule 23) | 5 | **6,567.91** | 7,158.77 |
| **Deferred Tax Liabilities (Net)** | 6 | **1,770.83** | 471.06 |
| **Minority Interest** | | **17.31** | 14.22 |
| Total | | **55,252.00** | 27,959.69 |
| **APPLICATION OF FUNDS** | | | |
| **Fixed Assets** | | | |
| Gross Block | | **33,394.93** | 22,349.41 |
| Less : Accumulated Depreciation/Amortization | | **3,656.02** | 2,509.23 |
| Net Block | | **29,738.91** | 19,840.18 |
| Capital Work- in- Progress including Capital Advances | | **6,933.95** | 4,179.59 |
| | 7 | **36,672.86** | 24,019.77 |
| **Investments** | 8 | **8,886.27** | 765.76 |
| **Current Assets, Loans and Advances** | | | |
| Inventories | 9 | **184.93** | 104.38 |
| Sundry Debtors | 10 | **3,018.89** | 3,221.20 |
| Cash and Bank Balances | 11 | **9,029.07** | 611.40 |
| Other Current Assets | 12 | **451.44** | 118.18 |
| Loans and Advances | 13 | **899.14** | 1,260.61 |
| | | **13,583.47** | 5,315.77 |
| **Less: Current Liabilities and Provisions** | | | |
| Current Liabilities | 14 | **2,938.72** | 2,022.09 |
| Provisions | 15 | **952.74** | 178.42 |
| | | **3,891.46** | 2,200.51 |
| **Net Current Assets** | | **9,692.01** | 3,115.26 |
| **Miscellaneous Expenditure (to the extent not written-off)** | 16 | **0.86** | 58.90 |
| Total | | **55,252.00** | 27,959.69 |
| **Notes to Accounts** | 23 | | |

The Schedules referred to above and notes to accounts form an integral part of the balance sheet

**As per our report of even date**
**For S. R. BATLIBOI & ASSOCIATES**
*Chartered Accountants*

**per Raj Agrawal**
*Partner*
**Membership No. 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place: Ahmedabad**
**Date: 28th May, 2008**

# Consolidated Profit and Loss Account for the Year ended 31st March, 2008

| | Schedules | **For the Year ended 31st March, 2008 Rs. in million** | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|---|
| **INCOME** | | | |
| Income from Operations (Refer Note 17 of Schedule 23) | | **8,170.23** | 5,811.74 |
| Other Income | 17 | **279.04** | 57.85 |
| | | **8,449.27** | 5,869.59 |
| **EXPENDITURE** | | | |
| Operating Expenses | 18 | **1,835.85** | 1,943.70 |
| Personnel Expenses | 19 | **266.10** | 147.92 |
| Administrative and Other Expenses | 20 | **710.68** | 577.45 |
| Financial Expenses (net) | 21 | **1,078.79** | 631.00 |
| Loss on Sale of Investment in an Associate | | **0.35** | - |
| Depreciation/Amortization | | **1,022.87** | 806.99 |
| | | **4,914.64** | 4,107.06 |
| **Profit before Tax, Prior Period and Extraordinary Item** | | **3,534.63** | 1,762.54 |
| - Prior Period Income/(Expenses) (Refer Note 10 of Schedule 23) | | **(12.95)** | (15.47) |
| **Profit before Tax and Extraordinary Item** | | **3,521.68** | 1,747.07 |
| - Extraordinary item (Refer Note 11 of Schedule 23) | | **116.61** | - |
| **Profit before Tax** | | **3,638.29** | 1,747.07 |
| Provision for Taxation | | | |
| - Current Tax (including Rs. 0.94 million for earlier years) | | **260.40** | 50.00 |
| - Deferred Tax Charge/(Credit) | | **1,303.10** | (133.21) |
| - Fringe Benefit Tax | | **18.14** | 8.57 |
| - MAT Credit Entitlement | | **(47.55)** | (50.00) |
| **Profit after Tax** | | **2,104.20** | 1,871.71 |
| **Pre-acquisition Profits adjusted against goodwill** | | **12.95** | - |
| **Share in Profit/(Loss) of Associates (net)** | | **(13.00)** | 0.40 |
| **Net Profit attributable to shareholders of Mundra Port and Special Economic Zone Limited** | | **2,104.15** | 1,872.11 |
| Balance brought forward from Previous Year | | **948.10** | 876.20 |
| Less: Pre-Operative Expenditure and Miscellaneous Expenditure (to the extent not written-off) adjusted in accordance with the scheme of Amalgamation | | **-** | (36.09) |
| **Amount available for Appropriation** | | **3,052.25** | 2,712.21 |
| **Less : - Appropriations :** | | | |
| Transfer to Debenture Redemption Reserve | | **-** | 20.13 |
| Transfer to Capital Redemption Reserve | | **1.40** | 1.41 |
| Transfer to General Reserve | | **106.71** | - |
| Transfer for Issue of Bonus Equity Shares | | **-** | 1,382.14 |
| Dividend on Preference Shares | | ***-** | *- |
| Dividend on Equity Shares | | **601.02** | 360.43 |
| **Balance Carried to Balance Sheet** | | **2,343.12** | 948.10 |
| * Figures being nullified on conversion to Rs. in million, Amount Rs. 2,811 | | | |
| **Basic and Diluted Earnings per Share** | 22 | | |
| Nominal Value of each share Rs. 10 | | | |
| - Computed on the basis of earnings including extraordinary items | | **5.61** | 5.19 |
| - Computed on the basis of earnings excluding extraordinary items | | **5.41** | 5.19 |
| **Notes to Accounts** | 23 | | |

The Schedules referred to ablve and notes to accounts form an integral part of the profit and loss Account

**As per our report of even date**
**For S. R. BATLIBOI & ASSOCIATES**
*Chartered Accountants*

**per Raj Agrawal**
*Partner*
**Membership No. 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place: Ahmedabad**
**Date: 28th May, 2008**

# Consolidated Cash Flow Statement for the year ended 31st March, 2008

| | | For the year ended 31st March, 2008 Rs. in million | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|---|
| A. | **Cash Flow from Operating Activities** | | |
| | Net profit before taxation, and extraordinary items | 3,521.68 | 1,747.07 |
| | Adjustments for: | | |
| | Depreciation | 1,022.87 | 806.98 |
| | Sundry Balances written-off (Net) | 1.22 | 64.53 |
| | Provision written back | (15.68) | (43.88) |
| | Project Expenditure Written Off | - | 5.08 |
| | Provision for Doubtful Debts and Advances | 5.90 | 18.82 |
| | Amortisation of Amounts Received under Long-term Lease/Infrastructure Usage Agreements | (592.06) | (216.73) |
| | Interest Expense | 1,349.18 | 667.58 |
| | Unrealised Foreign Exchange Gain | (8.86) | - |
| | Interest Income | (195.83) | (89.00) |
| | Profit on sale of Current Investments | (249.28) | (0.40) |
| | Provision for diminution in value of Current Investments | 10.00 | - |
| | Dividend Income | (3.30) | - |
| | (Profit)/Loss on sale of Fixed Assets | (5.36) | 1.09 |
| | **Operating Profit before Working Capital Changes** | 4,840.48 | 2,961.13 |
| | Adjustments for : | | |
| | (Increase)/Decrease in Debtors | 196.41 | (2,479.84) |
| | (Increase)/Decrease in Inventories | (80.55) | (58.32) |
| | (Increase)/Decrease in Loans and Advances | (529.01) | 643.98 |
| | Increase in Unamortized balance of Amounts Received under Long-term Lease/ Infrastructure Usage Agreements | 1.20 | 2,741.05 |
| | Increase in Current Liabilities and Provisions | 726.72 | 745.95 |
| | **Cash Generated from Operations** | 5,155.25 | 4,553.95 |
| | Direct Taxes paid (Net) | (45.26) | (63.58) |
| | **Cash Flow before Extraordinary Item** | 5,109.99 | 4,490.37 |
| | Extraordinary item | 116.61 | - |
| | **Net Cash from Operating Activities** | 5,226.60 | 4,490.37 |
| B. | **Cash Flow from Investing Activities** | | |
| | Purchase of Fixed Assets | (13,709.67) | (5,716.53) |
| | Project Expenditure Written Off | - | 36.09 |
| | Purchase of Investments/Share Application money paid | (40,094.38) | (806.64) |
| | Sale of Investments | 40,601.62 | 283.42 |
| | Purchase of Investment of Transferor companies | - | (588.47) |
| | Sale of Fixed Assets | 108.08 | 0.26 |
| | Dividend Income | 3.30 | - |
| | Interest Received | 155.38 | 153.47 |
| | **Net Cash used in Investing Activities** | (12,935.67) | (6,638.40) |

# Consolidated Cash Flow Statement for the year ended 31st March, 2008

| | | For the year ended 31st March, 2008 Rs. in million | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|---|
| **C.** | **Cash Flow from Financing Activities** | | |
| | Procurement of Long-term Borrowings | **8,934.16** | 4,885.36 |
| | Repayment of Long-term Borrowings | **(1,092.50)** | (1,078.06) |
| | Repayment of Short-term Borrowings | **-** | (571.30) |
| | Inter-corporate deposit/loans paid | **43.60** | |
| | Interest and Finance Charges Paid | **(1,287.98)** | (662.47) |
| | Proceeds from Issue of Equity Shares | **17,726.37** | - |
| | Share Issue Expenses | **(523.42)** | (58.46) |
| | Payment of Dividend | **-** | (771.41) |
| | Government Grant Received | **74.28** | 40.00 |
| | **Net Cash Flow from Financing Activities** | **23,874.51** | 1,783.66 |
| **D.** | **Net Increase in Cash and Cash Equivalents (A+B+C)** | **16,165.44** | (364.37) |
| **E.** | **Cash and Cash Equivalents at start of the period** | **369.12** | 714.13 |
| | **Add:** Cash and Cash Equivalent on acquisition of subsidiary | **-** | 0.07 |
| | **Add:** Acquired under the scheme of Amalgamation | **-** | 19.29 |
| | **Cash and Cash Equivalents at start of the period** | **369.12** | 733.49 |
| **F.** | **Cash and Cash Equivalents at close of the period** | **16,534.56** | 369.12 |
| | **Components of Cash and Cash equivalents** | | |
| | Cash and Cheques on Hand | **21.63** | 0.37 |
| | Balances with Scheduled Banks | | |
| | - On Current Accounts | **826.64** | 92.42 |
| | - On Margin Money Account | **78.82** | 18.83 |
| | - On Fixed Deposit Accounts | **7,747.29** | 257.50 |
| | - On Liquid Investment | **7,860.18** | - |
| | | **16,534.56** | 369.12 |

**Notes:**

1. The Cash Flow Statement has been prepared under the Indirect method as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Previous year's figures have been regrouped where necessary to conform to the year's classification.
3. Figures in brackets represent Cash Outflow.

**As per our report of even date**
**For S. R. BATLIBOI & ASSOCIATES**
*Chartered Accountants*

**per Raj Agrawal**
*Partner*
**Membership No. 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place: Ahmedabad**
**Date: 28th May, 2008**

# Schedules forming part of the Consolidated Balance Sheet

| | **As at 31st March 2008 Rs. in million** | As at 31st March 2007 Rs. in million |
|---|---|---|
| **Schedule - 1 : Share Capital** | | |
| **Authorised** | | |
| 5,000,000 (Previous Year 5,000,000) 0.01% Non-Cumulative Redeemable Preference Shares of Rs.10 each | **50.00** | 50.00 |
| 995,000,000 (Previous Year 995,000,000) Equity Shares of Rs. 10 each | **9,950.00** | 9,950.00 |
| | **10,000.00** | 10,000.00 |
| **Issued, Subscribed and Paid-up** | | |
| **Preference Share Capital** | | |
| 2,811,037 (Previous Year 2,811,037) 0.01% Non-Cumulative Redeemable Preference Shares of Rs. 10 each fully paid up (Redeemable at a premium of Rs. 990 per Share on 28/03/2024) | **28.11** | 28.11 |
| **Equity Share Capital** | | |
| 400,678,820 (Previous Year 360,428,820) fully paid up Equity Shares of Rs. 10 each | **4,006.79** | 3,604.29 |
| | **4,034.90** | 3,632.40 |

**Notes:**

**Out of the above**

(i) 40,250,000 Equity Shares of Rs. 10 each were allotted under Initial Public Offer during the current year as fully paid up.

(ii) 180,214,410 Equity Shares of Rs. 10 each were allotted as fully paid-up Bonus shares by capitalisation of Securities Premium Account and Profit and Loss Account balance.

(iii) 40,216,410 Equity Shares of Rs. 10 each were allotted to the shareholders of Adani Port Limited, as fully paid-up pursuant to the scheme of amalgamation, for consideration other than cash.

# Schedules forming part of the Consolidated Balance Sheet

| | As at 31st March 2008 Rs. in million | As at 31st March 2007 Rs. in million |
|---|---|---|
| **Schedule - 2: Reserves and Surplus** | | |
| **Capital Reserve** | | |
| Balance as per last Account | **31.95** | 31.95 |
| Add: Government grant received during the year | **74.28** | - |
| | **106.23** | 31.95 |
| **Capital Redemption Reserve** | | |
| Balance as per last Account | **4.22** | 2.81 |
| Add: Transferred from Profit and Loss Account | **1.40** | 1.41 |
| | **5.62** | 4.22 |
| **Preference Share Capital Redemption Reserve** | | |
| Balance as per last Account | **417.44** | - |
| Add: Transferred from Securities Premium Account | **139.15** | 417.44 |
| | **556.59** | 417.44 |
| **Securities Premium Account** | | |
| **- Preference** | | |
| Balance as per last Account | **2,365.49** | 3,202.93 |
| Less: Transferred to Preference Share Capital Redemption Reserve | **(139.15)** | (417.44) |
| Less: Utilized for issuance of Bonus Shares | **-** | (420.00) |
| | **2,226.34** | 2,365.49 |
| **- Equity** | | |
| Balance as per last Account | **-** | - |
| Add: Received as per Initial Public Offer | **17,307.50** | - |
| Less: Miscellaneous Expenditure adjusted (Refer Note 26 of Schedule 23) | **(581.46)** | - |
| | **16,726.04** | - |
| **Debenture Redemption Reserve** | | |
| Balance as per last Account | **18.38** | 3.50 |
| Add: Transferred from Profit and Loss Account | **-** | 20.13 |
| Less: Transferred to General Reserve | **(3.50)** | (5.25) |
| | **14.88** | 18.38 |
| **General Reserve** | | |
| Balance as per last Account | **75.18** | 69.93 |
| Add: Transferred from Profit and loss Account | **106.71** | - |
| Add: Transferred from Debenture Redemption Reserve | **3.78** | 5.25 |
| | **185.67** | 75.18 |
| **Balance in Profit and Loss Account** | **2,343.12** | 948.10 |
| | **22,164.49** | 3,860.76 |

## Schedules forming part of the Consolidated Balance Sheet

| | As at 31st March 2008 Rs. in million | As at 31st March 2007 Rs. in million |
|---|---|---|
| **Schedule - 3: Secured Loans** | | |
| **Debentures** | | |
| 1,400,000 15% Secured Non-Convertible Redeemable Debentures of Rs.100 each (Redeemable at par in 40 equal quarterly installments commencing from August, 2002, 23 installment paid till 31st March, 2008) | **59.50** | 73.50 |
| **Term Loans from Banks** | | |
| Rupee Loans (Refer Note 5 below) | **13,015.28** | 8,014.30 |
| Foreign Currency Loans | **3,154.42** | 425.18 |
| Suppliers and Contractors Bills accepted under letters of credit issued against Secured Term Loans sanctioned by Banks | **1,042.36** | 868.10 |
| | **17,212.06** | 9,307.58 |
| **Term Loans from Financial Institutions** | | |
| Rupee Loans (Refer Note 5 below) | **2,747.96** | 2,889.37 |
| Foreign Currency Loans | **397.77** | 542.25 |
| | **3,145.73** | 3,431.62 |
| **Vehicle Loans from Bank** | **0.25** | 0.75 |
| (Secured by hypothecation of the respective Vehicles) | | |
| Interest accrued and due on loans (Refer Note 10 below) | **24.91** | - |
| | **20,442.45** | 12,813.45 |

**Notes:**

1. Debentures amounting to Rs. 59.50 million (Previous Year Rs. 73.50 million), Secured Rupee Term Loans aggregating to Rs.1,886.28 million and Secured Foreign Currency Loans aggregating to Rs.1.823.93 million (Previous Year Rs.2140.63 million and Rs.244.29 million respectively) from Banks and Rupee Term Loans aggregating to Rs. 75.00 million and Foreign Currency loans aggregating to Rs.397.77 million (Previous Year Rs.90.00 million and Rs.542.25 million respectively) from Financial Institutions are secured by first mortgage and charge on all the immovable and movable assets of the Company (save & except assets on which exclusive charge is created as stated elsewhere), both present and future, on *pari passu* basis, subject to prior charges of Banks on specified movable assets which may be created in their favour by way of security for working capital facilities and further secured by a second charge on the immovable and movable assets (including receivables) pertaining to the SPM Project and also secured by a second charge on the immovable and movable assets pertaining to Container Terminal - II and Terminal - II Assets, referred to in Note Nos. 4,5 & 6 below.
2. Secured Term Loans from Banks include Term Loan amounting to Rs. 274.22 million (Previous Year Rs. 366.02 million) from State Bank of India for the purchase of Tugs, secured by exclusive charge on the Tugs; and second charge on the entire fixed assets of the Company, except immovable assets of the Company pertaining to its Single Point Mooring (SPM) Project.
3. Foreign Currency Loan from Banks amounting to Rs.135.70 million (Previous Year Rs. 180.89 million) from Hypo Vereins Bank, Germany, for the purchase of Cranes, is secured by exclusive charge on the Cranes.
4. Secured Term Loans from Banks include Term Loans aggregating to Rs. 5,601.31 million (Previous Year Rs. 2,014.47 million) secured by first mortgage and charge on all the immovable and movable assets of Container Terminal - II Project and further by a second mortgage and charge on the Company's other immovable and movable assets, both present and future, on *pari passu* basis, over which the first charge is created in respect of the loans referred to at Note 1 above.
5. Secured Term Loans from Banks include Term Loans aggregating to Rs.5,920.74 million (Previous Year Rs. 4,361.28 million) secured by first mortgage and charge on all the immovable and movable assets of Terminal - II Assets and its extension and further by a second mortgage and charge on the Company's other immovable and movable assets, both present and future, on *pari passu* basis, over which the first charge is created in respect of the loans referred to at Note 1 above.
6. Secured Rupee Term Loans from Financial Institutions include Term Loan aggregating to Rs.2,672.96 million (Previous Year Rs. 2,799.37 million) from Infrastructure Development Finance Company Limited, secured by first mortgage and charge on all the immovable assets of the Company pertaining to its Single Point Mooring (SPM) Project and the fixed charges pertaining to that project receivable from Indian Oil Corporation Limited and further secured by a second mortgage and charge on the Company's other immovable and movable assets (including receivables), both present and future, over which the first charge is created in respect of the Loans referred to at Note 1 above.
7. Debentures; Term Loans from Banks and Financial Institutions; Deferred Payment Credits from Supplier of Tugs and Vehicle Loans from a Bank include amounts repayable within one year aggregating to Rs. 930.30 million (Previous Year Rs. 607.16 million).
8. Secured Term Loans taken by the subsidiaries from Banks include Rupee Term Loans aggregating to Rs. 400.00 million and Foreign Currency Loan aggregating to Rs. 800.44 million (Previous Year Rs. 175.00 million and Rs. Nil respectively) secured by equitable mortage of immovable properties of the Company and first charge by way of hypothecation of all movable and intangible assets. Out of the above, Rupee Term Loan aggregating to Rs. 200.00 million and Foreign Currency Loan are further secured by assignment of book debts of Inland Conware Private Limited. Further, Rupee Term Loan aggregating to Rs. 200 million of Adani Logistcis Limited is also secured by pledge of 51% paid-up Equity Share Capital of the Company till completion of the Project and 30% thereafter.
9. Foreign Currency Loan taken by a subsidiary amounting to Rs. 394.35 million (Previous Year - Nil) from State Bank of India, Hong Kong, for the Aircraft, is secured by exclusive charge on the Aircraft.
10. The Company had sufficient balance in the current account maintained with the bank, however same has been recovered by bank subsequent to 31st March, 2008.

# Schedules forming part of the Consolidated Balance Sheet

| | As at 31st March 2008 Rs. in Million | As at 31st March 2007 Rs. in Million |
|---|---|---|
| **Schedule - 4: Unsecured Loans** | | |
| **From Banks** | | |
| Foreign Currency Loan | **-** | 9.03 |
| Inter-Corporate Deposits | **17.95** | - |
| Suppliers Credit | **219.79** | - |
| | **237.74** | 9.03 |

**Note:**

Foreign Currency Loan from Bank and Inter-Corporate Deposits include amounts repayable within one year aggregating to Rs.17.95 million (Previous Year - Rs. 9.03 million).

| | | |
|---|---|---|
| **Schedule - 5 : Amounts received/receivable under Long Term Lease/ Infrastructure Usage Agreements** | | |
| Balance as per last account | **7,158.77** | 4,634.45 |
| Add: For the year | **1.20** | 2,741.05 |
| Less: Transferred to Income from Operations | **(592.06)** | (216.73) |
| | **6,567.91** | 7,158.77 |
| **Schedule - 6 : Deferred Tax Liability (Net)** | | |
| **Deferred Tax Liabilities** | | |
| Differences in amortization of intangible assets as per tax books and financial books | **59.07** | 0.60 |
| Differences in depreciation and other differences in block of fixed assets as per tax books and financial books | **1,715.09** | 525.16 |
| **Gross Deferred Tax Liabilities** | **1,774.16** | 525.76 |
| **Deferred Tax Assets** | | |
| Effect of expenditure debited to profit and loss account in the current year/earlier years but allowable for tax purpose in the following years | **3.33** | 25.17 |
| Provision for doubtful debts and advances | **-** | 29.53 |
| **Gross Deferred Tax Assets** | **3.33** | 54.70 |
| **Net** | **1,770.83** | 471.06 |

# Schedules forming part of the Consolidated Balance Sheet

## SCHEDULE - 7: FIXED ASSETS

Rupees in million

| | | Gross Block (At Cost) | | | | | Depreciation | | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sr. No. | Particulars | As at 01-04-2007 | Addition due to acquisition of subsidiaries | Additions | Deductions | **As at 31-03-2008** | Up to 01-04-2007 | Addition due to acquisition of subsidiaries | For the period | Deductions | **Up to 31-03-2008** | **As at 31-03-2008** | As at 31-03-2007 |
| | **INTANGIBLE ASSETS** | | | | | | | | | | | | |
| 1 | Goodwill | 785.95 | 27.07 | - | - | **813.02** | 112.28 | - | 28.13 | - | **140.41** | **672.61** | 673.67 |
| 2 | Software | 27.35 | 0.04 | 117.67 | - | **145.06** | 23.78 | - | 14.38 | - | **38.16** | **106.90** | 3.57 |
| 3 | License Fees - Indian Railways | - | 500.00 | - | - | **500.00** | - | 12.53 | - | - | **12.53** | **487.47** | - |
| | **TANGIBLE ASSETS** | | | | | | | | | | | | |
| 4 | Leasehold Land | 5.41 | - | - | - | **5.41** | - | - | 0.06 | - | **0.06** | **5.35** | 5.41 |
| 5 | Leasehold Land Development | 552.19 | - | 98.64 | - | **650.83** | 45.68 | - | 34.08 | - | **79.76** | **571.07** | 506.51 |
| 6 | Freehold Land | 1,127.63 | - | 263.12 | 9.07 | **1,381.68** | - | - | - | - | **-** | **1,381.68** | 1,127.63 |
| 7 | Buildings | 3,275.98 | 0.56 | 1,008.96 | 21.44 | **4,264.06** | 149.39 | - | 59.54 | - | **208.93** | **4,055.12** | 3,126.59 |
| 8 | Marine Structures | 4,015.04 | - | 1,842.71 | 8.77 | **5,848.98** | 409.33 | - | 159.00 | - | **568.33** | **5,280.65** | 3,605.72 |
| 9 | Dredged Channels | 3,045.27 | - | 2,322.12 | 20.01 | **5,347.38** | 252.81 | - | 173.29 | - | **426.10** | **4,921.28** | 2,792.46 |
| 10 | Tugs and Boats | 951.28 | - | 760.89 | 143.29 | **1,568.88** | 179.79 | - | 102.64 | 38.62 | **243.81** | **1,325.07** | 771.49 |
| 11 | Railway Tracks | 1,246.78 | - | 199.93 | - | **1,446.71** | 258.82 | - | 65.58 | - | **324.40** | **1,122.31** | 987.96 |
| 12 | Plant and Machinery | 7,083.72 | 5.90 | 3,193.40 | 0.93 | **10,282.09** | 1,008.80 | 0.09 | 463.72 | - | **1,472.66** | **8,809.43** | 6,074.87 |
| 13 | Aircraft | - | - | 527.48 | - | **527.48** | - | - | 16.19 | - | **16.19** | **511.29** | - |
| 14 | Wagons | - | 226.98 | - | - | **226.98** | - | 14.40 | - | - | **14.40** | **212.58** | - |
| 15 | Office Equipment, Furniture and Fixtures | 123.72 | 1.71 | 81.52 | 1.85 | **205.10** | 33.99 | 0.28 | 21.85 | 0.45 | **55.67** | **149.43** | 89.73 |
| 16 | Computer Hardware | 64.63 | 6.67 | 43.28 | - | **114.58** | 22.79 | 1.07 | 13.52 | - | **37.38** | **77.20** | 41.84 |
| 17 | Vehicles | 44.46 | 1.85 | 20.38 | - | **66.69** | 11.72 | 0.12 | 5.39 | - | **17.23** | **49.46** | 32.74 |
| | | 22,349.41 | 770.78 | 10,480.11 | 205.36 | **33,394.93** | 2,509.23 | 28.49 | 1,157.37 | 39.07 | **3,656.02** | **29,738.91** | 19,840.18 |
| | Capital Work-in-Progress | | | | | | | | | | | **4,729.78** | 3,489.02 |
| | Capital Advances | | | | | | | | | | | **2,204.17** | 690.57 |
| | TOTAL | | | | | | | | | | | **36,672.86** | 24,019.77 |
| | Previous Year | 16,457.64 | - | 5,917.32 | 25.54 | 22,349.41 | 1,608.09 | - | 904.47 | 3.33 | 2,509.23 | **24,019.77** | |

Notes:

i) Foreign Exchange Fluctuation:

Capital Work-in-Progress includes Rs. Nil (Previous year Rs.12.00 million) on account of foreign exchange fluctuations during the year.

Addition/ (Deletions) to Buildings, Marine Structures, Dredged Channel, Tugs and Plant & Machinery during the year include Rs. (8.44) million (Previous Year - Rs. (2.09) million), Rs. (8.77) million (Previous Year - Rs. (2.15) million), Rs. (20.00) million (Previous year - Rs. (5.19) million), Rs.(25.39) million (Previous Year - Rs. (7.04) million, Rs. (0.93) million (Previous Year - Rs. (4.40) million) respectively, on account of foreign exchange fluctuations. (Refer Note 3 (o) (iii) of Schedule 23).

ii) Depreciation of Rs. 124.11 million (Previous Year Rs. 85.06 million) has been transferred to expenditure During Construction Period.

iii) Freehold Land includes land development cost of Rs. 102.04 million (Previous Year - Rs. 102.04 million)

iv) Plant & Machinery includes cost of Water Pipeline amounting to Rs. 38.98 million (Previous Year - Rs.38.98 million), which is constructed on land not owned by the Company.

v) Capital Work-in-Progress includes: Expenditure During Construction Period of Rs. 1,343.07 million (Previous Year - Rs. 1,013.54 million) and Capital Inventory valuing Rs. 520.66 million (Previous Year - Rs.84.77 million), details of which have been given in Note 19 of Schedule 23.

## Schedules forming part of the Consolidated Balance Sheet

| | As at 31st March, 2008 Rs. in Million | As at 31st March, 2007 Rs. in Million |
|---|---|---|
| **Schedule - 8 : Investments** | | |
| **Current Investments, Quoted** | | |
| In Units of Mutual Funds | | |
| 48,121,466 units (Previous Year - Nil) of JM Money Manager Super Plus Fund (Face Value Rs. 10 each) | **529.15** | - |
| 52,212,448 units (Previous Year - Nil) of DWS Credit Opportunity Cash Fund - Growth (Face Value Rs. 10 each) | **542.05** | - |
| 46,905,195 units (Previous Year - Nil) of DWS Quarterly Interval Fund Series - I (Face Value Rs. 10 each) | **500.00** | - |
| 50,000,000 units (Previous Year - Nil) of DWS Fixed Term Fund Series 46 (Face Value Rs. 10 each) | **500.00** | - |
| 98,554,941units (Previous Year - Nil) of DWS Money Plus Advantage Fund (Face Value Rs. 10 each) | **1,000.24** | - |
| 26,703,105 units (Previous Year - Nil) of DWS Liquid Plus Fund - Regular Growth Plan (Face Value Rs. 10 each) | **350.34** | - |
| 5,691,475 units (Previous Year - Nil) of DWS Money Plus Fund | **57.07** | - |
| 39,368,162 units (Previous Year - Nil) of HDFC Cash Management Fund (Face Value Rs. 10 each) | **674.41** | - |
| 132,657 units (Previous Year - Nil) of DSP Merrill Lynch Fund (Face Value Rs. 1,000 each) | **135.46** | - |
| 25,000,000 units (Previous Year - Nil) of Reliance Fixed Horizon Fund VI Series (Face Value Rs.10 each) | **250.00** | - |
| 75,000,000 units (Previous Year - Nil) of Reliance Fixed Horizon Fund V Series (Face Value Rs.10 each) | **750.00** | - |
| 50,000,000 units (Previous Year - Nil) of ICICI Prudential FMP Series 39 (Face Value Rs. 10 each) | **500.00** | - |
| 28,113,579 units (Previous Year - Nil) of ICICI Prudential Interval Fund Quarterly (Face Value Rs.10 each) | **300.00** | - |
| 50,000,000 units (Previous Year - Nil) of UTI HF MP-03/08 (Face Value Rs.10 each) | **500.00** | - |
| 29,370,301 units (Previous Year - Nil) of BSL Interval Income Fund Institutional Quarterly (Face Value Rs. 10 each) | **300.00** | - |
| 39,475,450 units (Previous Year - Nil) of Birla Dynamic Bond Fund Retail Growth (Face Value Rs. 10 each) | **500.00** | - |
| 16,560,157 units (Previous Year - Nil) of B332G Birla Sun Life Liquid Plus Institutional Growth (Face Value Rs. 10 each) | **250.06** | - |
| 22,141,175 units (Previous Year - Nil) of SBI SHF Liquid Plus Fund (Face Value Rs. 10 each) | **221.41** | - |
| | **7,860.19** | - |
| **In Bonds** | | |
| 2,500,000 (Previous Year - Nil) 9% Canbank NCB 09-01-2018 of 100 each | **249.38** | - |
| 2,000,000 (Previous Year - Nil) 10.10% SBI NCB 12-08-2022 of 100 each | **213.00** | - |
| | **462.38** | - |
| **Long-term Investments** | | |
| **Trade, Unquoted** | | |
| Nil (Previous Year - 25,000,000) fully paid Equity Shares of Rs. 10 each of Adani Logistics Limited | **-** | 250.00 |
| Add: Share in opening accumulated profits | **0.19** | - |
| Add: Share in profit/(loss) for current year | **(13.14)** | - |
| Less: Profits attributable to conversion of associate to 100% subsidiary | **12.95** | - |
| Add: Share in post acquisition/current year profits | **-** | 0.19 |

## Schedules forming part of the Consolidated Balance Sheet

| | As at 31st March, 2008 Rs. in Million | As at 31st March, 2007 Rs. in Million |
|---|---|---|
| 40,000,000 (Previous Year - 40,000,000) fully paid Equity Shares of Rs. 10 each fully paid up of Kutch Railway Company Limited | **400.00** | 400.00 |
| Nil (Previous Year - 10,000) fully paid Equity Shares of Rs. 10 each of Adani Mundra SEZ Infrastructure Private Limited (formerly Adicorp Mundra SEZ Infrastructure Private Limited) | **-** | 0.10 |
| **Add:** Share in opening accumulated profits | **0.21** | - |
| **Add:** Share in profit for current year | **0.14** | 0.21 |
| **Less:** Profits/(Loss) attributable to stake sold during the year | **(0.35)** | - |
| | **-** | 0.31 |
| 5,230 (Previous Year - 3,400) fully paid Equity Shares of Rs. 100 each of Adinath Polyfills Private Limited | **173.70** | 115.26 |
| | **573.70** | 765.76 |
| **Total Investments** | **8,896.26** | 765.76 |
| **Less:** Diminution in the value of Current Investments | **(10.00)** | - |
| | **8,886.27** | 765.76 |

1. Aggregate cost of quoted investments as at 31st March, 2008 Rs. 8,312.57 million (Previous Year - Nil), (net of provision).
2. Aggregate cost of unquoted investments as at 31st March, 2008 Rs. 573.70 million (Previous Year - Rs. 765.76 million).
3. Market value of current investments as at 31st March, 2008 Rs. 8,435.03 million. (Previous Year - Nil).
4. 5,230 Shares (Previous Year - 3,400 Shares) of Rs.100 each of Adinath Polyfills Private Limited are not held by the Company in its own name as on the balance sheet date.

| | | |
|---|---|---|
| **Schedule - 9 : Inventories** | | |
| Stores and Spares | **184.93** | 104.38 |
| | **184.93** | 104.38 |
| **Schedule - 10 : Sundry Debtors (Unsecured)** | | |
| Debts Outstanding for a period more than six months | | |
| - Considered good (Refer Note 14 of Schedule 23) | **1,910.75** | 163.93 |
| - Considered doubtful | **16.67** | 10.77 |
| Other Debts | | |
| - Considered good | **1,108.14** | 3,057.27 |
| | **3,035.56** | 3,231.97 |
| **Less:** Provision for doubtful debts | **(16.67)** | (10.77) |
| | **3,018.89** | 3,221.20 |
| **Schedule - 11 : Cash and Bank Balances** | | |
| Cash and Cheques on Hand | **21.63** | 0.37 |
| Balances with Scheduled Banks: | | |
| - On Current Accounts | **826.64** | 92.42 |
| - On Share Application Refund Accounts | **95.44** | - |
| - On Dividend Accounts | **0.03** | 0.01 |
| - On Margin Money Accounts | **338.05** | 261.10 |
| - On Fixed Deposit Accounts | **7,747.29** | 257.50 |
| | **9,029.07** | 611.40 |

# Schedules forming part of the Consolidated Balance Sheet

| | As at 31st March, 2008 Rs. in Million | As at 31st March, 2007 Rs. in Million |
|---|---|---|
| **Schedule - 12 : Other Current Assets** | | |
| Interest Accrued on Deposits and Loans | **45.84** | 5.39 |
| Accrued Services Revenue | **405.60** | 103.38 |
| Other Receivables | **-** | 9.41 |
| | **451.44** | 118.18 |
| **Schedule - 13 : Loans and Advances** | | |
| (Unsecured, Considered Good except to the extent stated) | | |
| Inter Corporate Deposits | **-** | 43.60 |
| Advances Recoverable in Cash or in Kind or for Value to be Received (Includes Rs. 8.05 million; Previous Year Rs. 8.05 million, considered doubtful) | **260.56** | 79.63 |
| Balance with Excise & Custom Authorities (Includes Rs. 25.00 million earmarked against demand by the Excise Department during the current year) | **37.09** | 89.93 |
| Payment of Income Tax/Tax Deducted at source | **159.46** | 167.06 |
| MAT Credit Entitlement | **-** | 50.00 |
| **Less:** Utilization during the year | **-** | (50.00) |
| Share Application Money (Pending allotment) | **284.95** | 813.23 |
| Deposits - Others | **165.13** | 75.21 |
| | **907.19** | 1,268.66 |
| Less: Provision for Doubtful Advances | **(8.05)** | (8.05) |
| | **899.14** | 1,260.61 |
| **Schedule - 14 : Current Liabilities** | | |
| Sundry Creditors | **1,498.20** | 1,267.66 |
| Advances/Deposits from Customers | **1,089.76** | 576.27 |
| Equity Share Application Money Refundable | **95.44** | - |
| Interest Accrued but not Due on Loans | **61.96** | 25.67 |
| Unearned Income | **77.41** | 11.13 |
| Other Liabilities | **115.95** | 141.36 |
| | **2,938.72** | 2,022.09 |
| **Schedule -15 : Provisions** | | |
| Income Tax | **260.97** | 98.45 |
| Fringe Benefit Tax (Net of Advance Tax) | **17.68** | 2.07 |
| Proposed Dividend on Equity Shares | **601.02** | - |
| Proposed Dividend on Preference Shares | *** -** | * - |
| Leave Encashment | **24.32** | 9.31 |
| Gratuity | **8.47** | 0.49 |
| Operational Claims | **40.28** | 68.10 |
| | **952.74** | 178.42 |
| * Figures being nullified on conversion to Rs. in million | | |
| **Schedule - 16 : Miscellaneous Expenditure (to the extent not written-off or adjusted)** | | |
| Opening balance | **58.90** | - |
| Addition during the year | **523.42** | 58.90 |
| | **582.32** | 58.90 |
| Less: Adjusted against Securities Premium Account (Refer Note 26 of Schedule 23) | **(581.46)** | - |
| | **0.86** | 58.90 |

# Schedules forming part of the Consolidated Profit And Loss Account

| | For the Year ended 31st March, 2008 Rs. in million | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 17 : Other Income** | | |
| Dividend Income | **3.30** | - |
| Sale of Scrap | **3.68** | 13.00 |
| Profit on Sale of Current Investments, Trade | **249.28** | 0.40 |
| Profit on sale of Asset | **5.36** | - |
| Unclaimed Liabilities/Excess Provision written back | **15.68** | 43.88 |
| Miscellaneous Income | **1.74** | 0.57 |
| | **279.04** | 57.85 |
| **Schedule - 18 : Operating Expenses** | | |
| Handling and Storage Expenses (including provision for demurrage Rs.2.96 million; Previous Year - Rs. 68.10 million) | **976.96** | 1,072.51 |
| Customer Claims | **53.30** | 131.37 |
| Railway Operating Expenses | **200.77** | 242.12 |
| Tug and Pilotage Charges | **51.56** | 33.50 |
| Maintenance Dredging | **1.19** | 8.51 |
| Other Marine Expenses | **17.21** | 13.26 |
| Repairs to Buildings | **45.84** | 22.22 |
| Repairs to Plant and Machinery | **126.74** | 136.85 |
| Power and Fuel | **219.03** | 196.42 |
| Waterfront Charges | **143.25** | 86.94 |
| | **1,835.85** | 1,943.70 |
| **Schedule - 19 : Personnel Expenses** | | |
| Salaries, Wages and Bonus | **212.96** | 122.00 |
| Leave Encashment Expenses | **19.02** | 4.71 |
| Contribution to Provident and Other Funds | **16.21** | 12.71 |
| Gratuity | **9.36** | 0.29 |
| Workmen and Staff Welfare Expenses | **8.55** | 8.21 |
| | **266.10** | 147.92 |

## Schedules forming part of the Consolidated Profit And Loss Account

| | For the Year ended 31st March, 2008 Rs. in million | For the year ended 31st March, 2007 Rs. in million |
|---|---|---|
| **Schedule - 20 : Administrative and Other Expenses** | | |
| Rent | **26.45** | 19.24 |
| Rates and Taxes | **19.48** | 35.12 |
| Insurance | **47.21** | 57.67 |
| Advertisement and Publicity | **15.78** | 32.03 |
| Other Repairs and Maintenance | **26.85** | 30.14 |
| Legal and Professional Expenses | **81.82** | 40.26 |
| Traveling and Conveyance | **68.04** | 53.36 |
| Payment to Auditors | **3.40** | 1.99 |
| Directors Sitting Fee | **0.49** | 0.04 |
| Directors Commission | **70.51** | 36.49 |
| Charity and Donations (Includes to Political Parties Rs. 5.00 Millions paid to Bharatiya Janta Party - Previous Year Nil) | **132.16** | 26.94 |
| Loss on Sale of Fixed Assets (Net) | **-** | 1.09 |
| Loss on diminution in the value of Current Investments | **10.00** | - |
| Project Expenditure Written Off | **-** | 5.08 |
| Sundry Balances Written Off (Net) | **1.22** | 64.53 |
| Provision for Doubtful Debts and Advances | **5.90** | 18.82 |
| Other Expenses (Incl. Aircraft Lease Rental Rs.26.75 million, Previous Year - Nil) | **201.37** | 154.65 |
| | **710.68** | 577.45 |
| **Schedule - 21 : Financial Expenses** | | |
| Interest on Debentures | **9.92** | 11.99 |
| Interest on other Fixed Loans | **1,339.26** | 655.59 |
| Foreign Exchange Variation (net) | **5.82** | - |
| Loss on Forward Contracts and Derivatives | **-** | 49.34 |
| Bank and Other Finance Charges | **13.44** | 11.63 |
| | **1,368.44** | 728.55 |
| **Less:** | | |
| Interest on Bank deposits, Inter Corporate Deposits, Govt. Securities etc. (Tax Deducted at Source Rs.21.01 million ; Previous Year - Rs.25.91 million) | **195.83** | 89.00 |
| Foreign Exchange Variation (net) | **-** | 8.55 |
| Gain on Forward Contracts and Derivatives | **93.82** | - |
| | **1,078.79** | 631.00 |
| **Schedule 22 : Earnings Per Share (EPS)** | | |
| Opening number of Equity Shares for calculating Basic and Diluted EPS | **360.43** | 360.43 |
| Issued during the year | **40.25** | - |
| Closing number of Equity Shares for Calculating Basic and Diluted EPS | **400.68** | 360.43 |
| **a. Computation on the basis of earnings including extraordinary items** | | |
| Net profit as per Profit and Loss Account including extraordinary items | **2,104.15** | 1,871.71 |
| Weighted number of Equity Shares considered for Calculating Basic and Diluted EPS | **374.95** | 360.43 |
| **Basic and Diluted Earnings per Share in Rupee** | **5.61** | 5.19 |
| **b. Computation on the basis of earnings excluding extraordinary items** | | |
| Net profit as per Profit and Loss Account excluding extraordinary items (net of tax expense) | **2,027.18** | 1,871.71 |
| Number of Equity Shares considered for Calculating Basic and Diluted EPS | **374.95** | 360.43 |
| **Basic and Diluted Earnings per Share in Rupee** | **5.41** | 5.19 |

## NOTES TO ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS OF MUNDRA PORT AND SPECIAL ECONOMIC ZONE ITS SUBSIDIARIES AND ASSOCIATES

**Schedule - 23: Notes to Consolidated Accounts**

**1. Nature of operations**

Mundra Port and Special Economic Zone Limited (MPSEZL) (erstwhile Gujarat Adani Port Ltd.) is the developer and operator of the Mundra Port pursuant to the concession agreement with Government of Gujarat (GOG) and Gujarat Maritime Board for 30 years effective from 17th February, 2001 with the right and authority to develop, design, finance, construct, operate and maintain the port and related infrastructure. This port is a deep water direct berthing port with natural draft of 17 mtrs.

Under sub-concession agreement between Mundra International Container Terminal Limited (MICTL) (erstwhile Adani Container Terminal Limited) and MPSEZL entered into on 7th January, 2003, MPSEZL has given rights to MICTL to handle the container cargo for a period of 28 years i.e. upto 17th February, 2031.

Consequent to the introduction of Special Economic Zone Act, 2005, the Company has received the approval of Government of India vide their letter dated 12th April, 2006 as a developer of Multi Product Special Economic Zone at Mundra and the surrounding areas. Keeping in view the synergy of its Port Business and SEZ Business, Mundra Special Economic Zone Ltd. was merged with the Company w.e.f. 1st April, 2006. The Company is gradually developing infrastructure for Multi Product Special Economic Zone in the Mundra Region along with the Port facilities.

The Company's subsidiaries, Adani Logistics Limited and Inland Conware Private Limited are having Logistics operations. Adani Logistics Limited operate Container Trains on specific Railway Routes as per Concession agreement with Government of India, Ministry of Railways and Inland Conware Private Limited is setting up Multi-modal Cargo storage cum logistics services through development of Inland Container Depots at various strategic locations. The subsidiary Mundra Aviation Limited provides Aircrafts on operating lease basis.

The Company has 50% interest in a joint venture in Adani Petronet (Dahej) Port Private Limited, which is setting up bulk cargo port operations at Dahej, Gujarat.

**2. Principles of consolidation**

The consolidated financial statements relate to the Mundra Port Group which comprises of MPSEZL, its subsidiaries, Adani Logistics Limited, Inland Conware Private Limited, Mundra SEZ Textile and Apparel Park Private Limited (MITAP), Gujarat Adani Aviation Private Limited, MPSEZ Utilities Private Limited, Mundra Aviation Limited, Rajasthan SEZ Private Limited, its step down subsidiary Inland Conware (Ludhiana) Private Limited, its joint venture, Adani Petronet (Dahej) Private Limited (Company acquired 50% ownership in the Joint Venture w.e.f. 24th March, 2008) and erstwhile Associates, Adani Logistics Limited, (Company had 48.97% stake in the entity till March 31, 2007 . The entity became Company's 100% subsidiary as on 31st March, 2008) and Adani Mundra SEZ Infrastructure Private Limited (Company divested its 50% stake in the entity w.e.f. 6th March, 2008). In the preparation of these consolidated financial statements, investment in the subsidiaries, associate companies and joint venture entity have been accounted for in accordance with Accounting Standard (AS) 21 'Consolidated Financial Statements', AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements' and AS 27 'Financial Reporting of interests in Joint Ventures' as notified accounting standards by Companies Accounting Standards Rules, 2006. The consolidated financial statements have been prepared on the following basis -

i. Subsidiary Companies have been consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealized profits or losses, except where cost cannot be recovered.

ii. Interest in the assets, liabilities, income and expenses of the Joint Venture are consolidated using the proportionate consolidation method. Intra group balances, transactions and unrealized profits/losses are eliminated to the extent of Company's proportionate share, except where cost cannot be recovered.

iii. The difference between the cost to the Company of its investment in Subsidiaries and joint ventures over its proportionate share in the equity of the investee companies as at the date of acquisition of stake is recognized in the consolidated financial statements as Goodwill or Capital Reserve, as the case may be.

iv. Minorities' interest in net profits of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same is accounted for by the Holding Company.

v. Investments in Associates are accounted for using the equity method. The excess of cost of investment over the proportionate share in equity of the Associate as at the date of acquisition of stake is identified as Goodwill and included in the carrying value of the Investment in the Associate. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate. However, the share of losses is accounted for only to the extent of the cost of investment. Subsequent profits of such Associates are not accounted for unless the accumulated losses (not accounted for by the Group) are recouped. Where the associate prepares and presents consolidated financial statements, such consolidated financial statements of the associate are used for the purpose of equity accounting. In other cases, audited standalone financial statements of associates are used for the purpose of consolidation.

vi. As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's standalone financial statements. Differences in accounting policies are disclosed separately.

vii. The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended 31st March, 2008 except for one subsidiary, Mundra Aviation Limited, where financial statements prepared have been used for the period ended 31st December, 2007.

**3. Statement of Significant Accounting Policies**

**a) Basis of Preparation**

The financial statements have been prepared to comply in all material respects with the Notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis.

The accounting policies have been consistently applied by the Company and except for the change in accounting policy discussed more fully below are consistent with those used in the previous year.

**b) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**c) Changes in Accounting Policies :**

i) Effective 1st April, 2007, the Company has adopted the guideline as per the notification issued by the Ministry of Company Affairs dated 7th December, 2006, prescribing the Companies (Accounting Standards) Rules, 2006, with respect to its policy relating to recognition of foreign exchange fluctuations with respect to liabilities incurred/loans taken subsequent to 31st March, 2007 for acquisition of fixed assets. Instead of adjusting such fluctuation to the fixed assets of the Company, as per policy hitherto followed, the Company has, effective 1st April, 2007, charged/credited such fluctuation directly to the Profit & Loss Account. As a result net exchange loss of Rs. 5.82 million on re-instatement of monetary items under Accounting Standard (AS-11) "Effect of Changes in Foreign exchange Rates", which otherwise would have been adjusted against the carrying amount of fixed assets, has been charged to the Profit and Loss Account during the year ended 31st March, 2008.

ii) Pursuant to the Institute of Chartered Accountants of India's (ICAI) Announcement dated 29th March, 2008 on "Accounting for Derivatives", the Company has, based on the principles of prudence enunciated in Accounting Standand-1 on "Disclosure of Accounting Policies", recognized mark-to-market (MTM) losses on foreign currency derivative contracts and interest rate swaps, other than those covered under AS 11, outstanding as on 31st March, 2008 the Company has recognised loss, where there is a loss on MTM valuation on a contract basis and has recognized MTM gains to the extent of the loss, with respect to those contracts where there is a gain on MTM valuation on a contract basis. For the purpose of arriving at net losses, the Company has considered foreign currency derivative contracts and interest rate swaps on an individual contract basis. Accordingly, net MTM losses amounting to Rs. 10.50 million have been recognised in Profit and Loss Account during the year ended 31st March, 2008.

iii) As a part of its business activity, the Company also leases/ sub-leases land on long-term basis to its customers. In some cases, the upfront premium received/receivable on such sub-leases is refundable proportionately on cancellation of such sub-leases before maturity, while in other cases, it is non-refundable. Hitherto the Company had been recognizing such premium as income *pro-rata* over the period of sub-lease agreement irrespective of the fact whether such premium was refundable or non-refundable on cancellation of such sub-leases before maturity. However with effect from the current year, in cases where such upfront premium is non-refundable, the Company recognizes as income the entire premium in the year in which the sub-lease agreement/memorandum of understanding takes effect while in cases where such upfront premium is proportionately refundable, such premium is continued to be recognized as income *pro-rata* over the period of sub-lease agreement. As a result of this change, the credit taken to Profit and Loss Account on account of such premium is higher by Rs.815.29 million for the year (including Rs. 296.69 million in respect of lease/sub-lease agreements entered in earlier years).

**d) Fixed Assets**

i) Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

ii) Insurance spares/standby equipments are capitalized as part of mother assets.

**e) Expenditure on new projects and substantial expansion**

Expenditure directly relating to construction activity (net of income, if any) is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto, is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion is capitalized. As regards indirect expenditure on expansion, only that portion is capitalized which represents the marginal increase in such expenditure as a result of capital expansion. The same is treated as pre-operative expenditure pending allocation to fixed assets and is shown under "Capital Work-in-Progress" and the same is transferred to fixed assets on commencement of commercial activities.

**f) Depreciation**

i) Depreciation on Fixed Assets, except for those stated in para (ii) to (vi) below, is provided on straight line method (SLM) at the rates prescribed under Schedule XIV of the Companies Act, 1956, or the rates determined on the basis of useful lives of the respective assets, whichever is higher.

ii) Depreciation on leasehold land (other than land on perpetual lease) is provided over the lease period.

iii) Cost of Leasehold Land Development, Marine Structures and Dredged Channels is amortized over the period of the Concession Agreement of 30 years effective from 17th February, 2001 with Gujarat Maritime Board or their useful lives, whichever is lower.

iv) Depreciation on Mobile phones, included under Office Equipment, Furniture and Fixtures, is provided at the rate of 100% in the month of purchase.

v) Depreciation on Dredging Pipes, included under Plant and Machinery, is provided on the basis of their useful life which is estimated at 18 months.

vi) Depreciation on individual assets costing upto Rs. 5,000/- is provided at the rate of 100% in the month of purchase.

vii) Insurance spares/standby equipments are depreciated prospectively over the remaining useful lives of the respective mother assets.

**g) Intangibles**

Intangible assets are amortized over their estimated useful lives as follows:

| Intangible Assets | Estimated Useful Life (Years) |
|---|---|
| Goodwill arising on the amalgamation of Adani Port Ltd. | Over the balance period of Concession Agreement computed from the Appointed Date of the Scheme of Amalgamation i.e. 28 years. |
| Softwares | 3 years |
| License Fees paid to Indian Railways for movement of Container Trains | Over the balance period of License from the date of commencement operations i.e. over 20 years |

**h) Impairment**

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**i) Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

**j) Leases**

Where the Company is the lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Profit and Loss Account.

**k) Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

**l) Inventories**

Stores and Spares: Valued at lower of cost and net realizable value. Cost is determined on a moving weighted average basis. Cost of stores and spares lying in bonded warehouse includes custom duty accounted for on accrual basis.

Net Realizable Value is the estimated current procurement price in the ordinary course of business.

**m) Government Grant**

In accordance with the Accounting Standard 12 "Accounting for Government Grants", grants in the nature of capital subsidy are credited to the Capital Reserve and shown under the head Reserves & Surplus.

**n) Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

*Port Operation Services*

Revenue from port operation services including rail infrastructure is recognized as and when the services are rendered.

*Income from Long-term Leases/Infrastructure Usage Agreements*

As a part of its business activity, the Company also leases/sub-leases land on long-term basis to its customers. In some cases, the upfront premium received/receivable on such sub-leases is refundable proportionately on cancellation of such sub-leases before maturity, while in other cases, it is non-refundable. In cases where such upfront premium is non-refundable, the Company recognizes the entire premium as income in the year in which the sub-lease agreement/memorandum of understanding takes effect while in cases where such upfront is proportionately refundable, such premium is recognized as income *pro-rata* over the period of sub-lease agreement. Land sub-lease rent receivable under the above agreements is accounted for as income in accordance with the terms of such agreements. Income under Long-term Infrastructure Usage Agreements is recognized in accordance with the terms of such agreements.

*Income from Container Train Operations*

Income from Container Train Operations is recognized when the Services gets completed.

*Interest*

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

*Dividends*

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

**o) Foreign Currency Translation**

**i) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**ii) Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

**iii) Exchange Differences**

Exchange differences arising on settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise. Exchange differences on liabilities incurred/loans taken prior to 1st April, 2007 relating to fixed assets acquired from a country outside India are adjusted to the carrying amount of fixed assets.

**iv) Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

**v) Translation on integral and non-integral foreign operations**

The financial statements of an integral operation are translated as if the transactions of the foreign operation have been those of the Company itself.

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates on the dates of the transactions. All resulting exchange differences are accounted in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognized as income or expenses in the same period in which the gain or loss on disposal is recognized.

**vi) Derivative transactions**

The Company enters into various foreign currency option contracts to hedge its risks with respect to foreign currency fluctuations, arising out of import of capital goods using foreign currency loan. At every period end, all outstanding derivative contracts are fair valued on a marked-to-market basis and any loss on valuation is recognized in the profit and loss account. Any gain on marked-to-market valuation of respective contracts is only recognized to the extent of the loss on foreign currency re-instatement of the underlying transaction, keeping in view the principle of prudence as enunciated in AS 1, 'Disclosure of Accounting Policies'. Any subsequent change in fair values, occurring after balance sheet date, is accounted for in subsequent period.

**p) Employee Benefits**

**i) Provident fund and superannuation fund**

Retirement benefits in the form of Provident Fund and Superannuation Fund Schemes are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

**ii) Gratuity**

Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The Company has taken an insurance policy under the Group Gratuity Scheme with the Life Insurance Corporation of India (LIC) to cover the gratuity liability of the employees and amount paid/payable in respect of the present value of liability for past services is charged to the Profit and Loss account every year. The difference, if any, between the actuarial valuation of the gratuity of employees at the year end and the balance of funds with LIC is provided for as liability in the books. In case of subsidiaries, other than Adani Logistics Limited and Inland Conware Private Limited, gratuity liability have been provided for on actual computation basis (0.95% of the total gratuity liability for the group).

**iii) Leave Benefits**

Short-term compensated absences are provided for based on estimates. Long-term compensated absences are provided for based on actuarial valuation as at the end of the period. The actuarial valuation is done as per projected unit credit method. In case of subsidiaries, other than Adani Logistics Limited and Inland Conware Private Limited, leave benefits liability is provided for on actual computation basis (0.57% of the total leave liability of the group).

**iv) Actuarial Gains/Losses**

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

**q) Income Taxes**

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. The Company is eligible and claims tax deductions available under section 80IAB of the Income Tax Act, 1961, in respect of income attributable to Special Economic Zone activities (including notified port area).

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**r) Earning per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**s) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best management estimates. Contingent liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

t) **Segment Reporting Policies**

The Company's operating businesses are organized and managed separately according to the nature of services provided, with each representing a strategic business unit that offers different services and serves different category of customers. The analysis of geographical segments is based on the geographical location of the customers.

u) **Cash and Cash equivalents**

Cash and cash equivalents in the cash flow statement comprise cash at bank, cash in hand and liquid investments as per Accounting Standard - 3 on Cash Flow Statement.

v) **Miscellaneous Expenditure**

Miscellaneous Expenditure represents the expenses incurred on Initial Public Offer and preliminary expenses. Initial public offer expenses are adjusted against Securities Premium Account as permitted under Section 78 of the Companies Act,1956.

## 4. Segment Information

Business Segment: The identified reportable Segments are Port and SEZ activities and Others in terms of Accounting Standard-17 on Segment Reporting issued by the Institute of Chartered Accountants of India.

Other Segment includes Aircraft Operating Lease, Services as per Concession agreement with Government of India, Ministry of Railways for movement of Container Trains on specific Railway Routes and Multi-modal Cargo storage cum logistics services through development of Inland Container Depots at various strategic locations.

There being no business outside India, the entire business has been considered as single geographic segment. The segment information on consolidated financial statements with Segment wise Revenue, Result and Capital Employed for the year ended 31st March, 2008 is given below:

(Rs. in million)

| Sr. No. | Particulars | Port and SEZ activities | Others | Total |
|---|---|---|---|---|
| 1. | **Revenue** | | | |
| | External Sales | **8,170.23** | **17.21** | **8,187.44** |
| | | *5,811.74* | - | *5,811.74* |
| | Less: Inter-segment Sales | - | **(17.21)** | **(17.21)** |
| | | - | - | - |
| | Segment Revenue | **8,170.23** | - | **8,170.23** |
| | | *5,811.74* | - | *5,811.74* |
| | Unallocated Corporate Income (Net) | - | - | **474.87** |
| | | - | - | *146.85* |
| | **Total Revenue** | **8,170.23** | **-** | **8,645.10** |
| | | *5,811.74* | **-** | *5,958.59* |
| 2. | **Results** | | | |
| | Segment results | **4,321.43** | - | **4,321.43** |
| | | *2,320.22* | - | *2,320.22* |
| | Unallocated Corporate Income (Net) | - | - | **474.87** |
| | | - | - | *146.85* |
| | **Operating Profit** | **4,321.43** | - | **4,796.30** |
| | | *2,320.22* | - | *2,467.07* |
| | Interest Expenses (Net) | **1,274.62** | - | **1,274.62** |
| | | *720.00* | - | *720.00* |
| | **Profit before tax** | **3,046.81** | - | **3,521.68** |
| | | *1,600.22* | - | *1,747.07* |
| | Current Taxes | - | - | **220.77** |
| | | - | - | *50.00* |
| | MAT credit Entitlement | - | - | **(47.55)** |
| | | - | - | *(50.00)* |
| | Deferred Tax | - | - | **1303.10** |
| | | - | - | *(133.21)* |
| | Fringe Benefit Tax | - | - | **18.14** |
| | | - | - | *8.57* |
| | **Total Tax** | **-** | **-** | **1,494.46** |
| | | | **-** | *(124.64)* |
| | **Profit before tax and Exceptional Items** | **3046.81** | **-** | **2027.22** |
| | | *1600.22* | **-** | *1,871.71* |
| | Exceptional Items (net of tax of Rs. 39.63 million) | - | - | **76.98** |
| | | - | - | - |

| Sr. No. | Particulars | Port and SEZ activities | Others | Total |
|---|---|---|---|---|
| | **Profit after Tax and Exceptional Items** | **3046.81** | **-** | **2,104.20** |
| | | *1600.22* | | *1,871.71* |
| | **Add:** Pre-acquisition Profits adjusted against Goodwill | | - | **12.95** |
| | | - | - | - |
| | **(Less)/ Add:** Share in Associate's (loss)/profit after tax | | - | **(13.00)** |
| | | | - | *0.40* |
| | **Less:** Minority Interest | - | - | - |
| | **Net profit** | **3046.81** | **-** | **2,104.15** |
| | | *1600.22* | **-** | *1,872.11* |
| 3. | **Other Information** | | | |
| | Segment Assets | **38,714.09** | **3,794.95** | **42509.04** |
| | | *29,306.42* | *(228.38)* | *29,078.04* |
| | Unallocated Corporate Assets | | | **16,633.56** |
| | | | | *1,023.26* |
| | **Total Assets** | **38714.09** | **3794.95** | **59,142.60** |
| | | *29306.42* | *(228.38)* | *30,101.30* |
| | Segment Liabilities | **29,383.52** | **1,746.04** | **31,139.56** |
| | | *22,436.12* | *(254.36)* | *22,181.76* |
| | Unallocated Corporate Liabilities | - | - | - |
| | | - | - | - |
| | **Total liabilities** | **29383.52** | **1,746.04** | **31,139.56** |
| | | *22,436.12* | *(254.36)* | *22,181.76* |
| | Capital Expenditure during the year | **9,244.31** | **4167.10** | **13,411.41** |
| | | *6505.45* | *5.62* | *6511.07* |
| | Segment Depreciation(Expense) | **1006.38** | **16.49** | **1022.87** |
| | | *806.99* | - | *806.99* |
| | Non-Cash Expenses other than Depreciation | **1,303.10** | - | **1,303.10** |
| | | *(133.21)* | - | *(133.21)* |

Previous year figures are in italics.

**5.** The Company has eight subsidiaries in the consolidated financial statements. Mundra Port and Special Economic Zone Limited's share in the voting power of these companies as at 31st March, 2008 are

| Sl. No. | Name of Company | Country of Incorporation | Proportion of Ownership Interest (%) |
|---|---|---|---|
| 1 | Mundra Aviation Limited (Refer Note 1 below) | Cayman Islands | 100.00 |
| 2 | MPSEZ Utilities Private Limited | India | 100.00 |
| 3 | Rajasthan SEZ Private Limited | India | 100.00 |
| 4 | Inland Conware Private Limited (Refer Note 2 below) | India | 100.00 |
| 5 | Adani Logistics Limited (Refer Note 2 below) | India | 100.00 |
| 6 | Gujarat Adani Aviation Private Limited | India | 100.00 |
| 7 | Inland Conware (Ludhiana) Private Limited (Subsidiary of Inland Conware Private Limited) | India | 100.00 |
| 8 | Mundra SEZ Textile and Apparel Park Private Limited (MITAP) | India | 88.53 |

**Note:**

1. In the absence of audited financials of this entity, management approved unaudited financials drawn up for the period ended 31st December, 2007 have been used for consolidation. Share in losses of this entity accounted for in the consolidated financial statements of the Group based on such unaudited financials of the subsidiary amount to Rs.15.89 million.
2. Inland Conware Private Limited and Adani Logistics Limited became Company's subsidiaries w.e.f. 31st March, 2008.
3. Interest in Joint Venture has been shown separately under Note 7 below.

## 6. Related Party Disclosures

The Management has identified the following Companies and individuals as related parties of the Company for the year ended 31st March, 2008 for the purposes of reporting as per AS 18 – Related Party Transactions:

**List of related parties (As certified by the management)**

| | |
|---|---|
| Subsidiary Company | Mundra SEZ Textile and Apparel Park Private Limited (MITAP)<br>Mundra Aviation Limited (w.e.f. 15th May, 2007)*<br>MPSEZ Utilities Private Limited (w.e.f. 13th July, 2007)*<br>Rajasthan SEZ Private Limited (w.e.f. 24th January, 2008)*<br>Inland Conware Private Limited (w.e.f. 31st March, 2008)<br>Adani Logistics Limited (w.e.f. 31st March, 2008)<br>Gujarat Adani Aviation Private Limited (w.e.f. July 11, 2007)* |
| Step down Subsidiary | Inland Conware (Ludhiana) Private Limited (Subsidiary of Inland Conware Private Limited) (w.e.f. 31st March, 2008) |
| Joint Venture | Adani Petronet (Dahej) Private Limited (w.e.f. 12th October, 2007) |
| Associates | Adani Logistics Limited (upto 30th March, 2008)<br>Adani Mundra SEZ Infrastructure Private Limited (Formely Adicorp Mundra SEZ Infrastructure Pvt. Ltd. (AMSIPL)) (upto 31st January, 2008) |
| Key Management Personnel | Shri Gautam S. Adani<br>Shri Rajesh S. Adani<br>Shri Ameet H. Desai<br>Shri Rajeeva R. Sinha |
| Other Parties which are significantly influenced by the Company (either individually or with others) | Adani Agri Fresh Limited<br>Adani Agri Logistics Limited<br>Adani Habitats Private Limited<br>Adani Welspun Exploration Limited<br>Adani Infrastructure and Developers Private Limited<br>Adani Mining Private Limited<br>Vyom Tradelinks Private Limited<br>Miraj Impex Private Limited<br>Parsa Kente Collieries Limited<br>Adani Estates Private Limited<br>Shantigram Estate Management Private Limited<br>Adani Developers Private Limited<br>Adani Land Developers Private Limited<br>Adani Land Scapes Private Limited<br>Swayam Realtors & Traders Limited<br>Columbia Chrome (India) Private Limited<br>Adani Wilmar Limited<br>Adani Agro Private Limited<br>Adani Energy Limited<br>Adani Infrastructure Services Private Limited<br>Adani Retail Limited<br>Shantikrupa Estate Private Limited<br>Shantikrupa Services Private Limited<br>Adani Power Dahej Private Limited<br>Adani Shipyard Private Limited<br>Adani Properties Private Limited<br>B2B India Private Limited<br>Adani Port Infrastructure Private Limited<br>Adani Enterprises Limited<br>Adani Power Maharashtra Private Limited<br>Adani Power Rajasthan Private Limited<br>Adani Power Limited<br>Adani Foundation |

* These entities have been incorporated/formed during the year.

Aggregate of transactions for the year ended with these parties have been given below.

**Notes:**

1. The names of the related parties and nature of the relationships where control exists are disclosed irrespective of whether or not there have been transactions between the related parties. For others, the names and the nature of relationships is disclosed only when the transactions were entered into by the Company with the related parties during the existence of the related party relationship.
2. No amount has been provided as doubtful debts or advances/written off or written back in the period in respect of debts due from/ to above related parties.

## Detail of Related Party Transactions for the Year 2007-08

| Particulars | KMP | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gautam S. Adani | Rajesh S. Adani | Ameet H. Desai | Rajeeva R. Sinha | Adani Mundra SEZ Infrastructure Pvt. Ltd. | Adani Agro Pvt. Ltd. | Adani Power Ltd. | Adani Retail Ltd. | Adani Energy Ltd. |
| **Rendering of Port Services** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | 0.49 | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | 1.29 |
| **Deferred Infrastructure Revenue** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Lease Income** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | 0.76 | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Purchase Goods, Service & facilities** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | 12.34 | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | 2.37 | - |
| **Expenditure Incurred by Company** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | 0.25 | - | - | - |
| **Subscription for shares** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | | - | - | - | - |
| FY 2006-07 | - | - | - | - | 0.10 | - | - | - | - |
| **Purchase of Investment** | | | | | | | | | |
| FY 2007-08 | 0.04 | 0.03 | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Share Application Money paid** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | 0.10 | - | - | - | - |
| **Share Application Money refund** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Funds Received** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | 0.86 | - |
| **Loans Received back** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | 15.91 | - | - |
| **Expenses Reimbursement (Net)** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | 0.64 | - | 0.01 |
| FY 2006-07 | - | - | - | - | - | (0.29) | 8.92 | - | - |
| **Remuneration** | | | | | | | | | |
| FY 2007-08 | 12.00 | - | 9.00 | 4.70 | - | - | - | - | - |
| FY 2006-07 | 12.00 | - | 6.67 | - | - | - | - | - | - |
| **Commission to directors** | | | | | | | | | |
| FY 2007-08 | 70.51 | - | - | - | - | - | - | - | - |
| FY 2006-07 | 36.49 | - | - | - | - | - | - | - | - |
| **Sitting Fees** | | | | | | | | | |
| FY 2007-08 | - | 0.19 | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Donation** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Equity Dividend paid** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Inter Corporate Deposit** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | 70.00 |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Closing Balance as on Mar 31, 2008 [Dr/(Cr)]** | | | | | | | | | |
| **Advances from Customers** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Creditors** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | (0.00) |
| FY 2006-07 | (36.49) | - | - | - | - | - | - | (0.02) | - |
| **Debtors** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | 1,580.04 | - | - |
| FY 2006-07 | - | - | - | - | - | - | 2,046.26 | - | - |
| **Investments** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | - | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Loan & Advances** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | 0.31 | - | - |
| FY 2006-07 | - | - | - | - | - | - | - | - | - |
| **Total (Net)** | | | | | | | | | |
| FY 2007-08 | - | - | - | - | - | - | 1,580.35 | - | (0.00) |
| FY 2006-07 | (36.49) | - | - | - | - | - | 2,046.26 | (0.02) | - |
| **Corporate Guarantees** | - | - | - | - | - | - | - | - | - |
| FY 2007-08 | - | - | - | - | - | - | 750.00 | - | - |
| FY 2006-07 | | | | | | | | | |

(Rs. in million)

| Associate | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Adani Agri Logistics Ltd. | Adani Agri Fresh Ltd. | Adinath Polyfills Pvt. Ltd. | Adani Enterprises Ltd. | Adani Foundation | Adani Wilmar Ltd. | Adani Port Infra. Pvt. Ltd. | Adani Infra. Services Pvt. Ltd. | Adani Properties Pvt. Ltd. | Shanti krupa Estate Pvt Ltd. | Adani Shipyards Pvt. Ltd. | Total |
| - | - | - | 736.85 | - | 54.02 | - | - | - | - | - | 791.36 |
| - | - | - | 403.99 | - | (23.65) | - | - | - | - | - | 381.63 |
| - | - | - | | - | - | - | - | - | - | - | - |
| - | - | - | | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 2.04 | - | - | - | - | - | 2.80 |
| - | - | - | - | - | 1.97 | - | - | - | - | - | 1.97 |
| - | - | - | 139.55 | - | (0.06) | - | - | - | 5.51 | - | 157.34 |
| - | - | - | 26.92 | - | 0.01 | - | - | - | - | - | 29.30 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | 0.25 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 256.50 | - | - | 256.60 |
| - | - | 58.44 | 0.03 | - | - | 260.53 | 0.04 | - | - | - | 319.10 |
| 48.50 | - | - | 21.50 | - | - | - | - | - | - | - | 70.00 |
| - | - | - | - | - | - | - | - | - | - | 0.10 | 0.10 |
| - | - | - | - | - | - | - | - | 256.50 | - | - | 256.60 |
| 6.89 | - | - | - | - | - | - | - | - | - | - | 6.89 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | 217.75 | - | 46.26 | - | - | 19.97 | - | - | 284.84 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 19.97 | - | - | 35.88 |
| - | - | - | 964.65 | - | 5.01 | - | - | 0.04 | - | - | 970.34 |
| 0.42 | 0.01 | - | (34.91) | - | 7.21 | - | - | - | - | - | (18.64) |
| - | - | - | - | - | - | - | - | - | - | - | 25.70 |
| - | - | - | - | - | - | - | - | - | - | - | 18.67 |
| - | - | - | - | - | - | - | - | - | - | - | 70.51 |
| - | - | - | - | - | - | - | - | - | - | - | 36.49 |
| - | - | - | - | - | - | - | - | - | - | - | 0.19 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | 61.00 | - | - | - | - | - | - | 61.00 |
| - | - | - | - | 7.50 | - | - | - | - | - | - | 7.50 |
| - | - | - | - | - | - | 12.71 | 124.34 | 6.33 | - | - | 143.38 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | 70.00 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | (37.41) | - | (5.00) | - | - | - | - | - | (42.41) |
| - | - | - | (23.11) | - | - | - | - | - | - | - | (23.11) |
| - | - | - | (96.69) | - | (0.30) | - | - | - | - | - | (96.99) |
| - | - | - | (120.13) | (3.13) | (0.42) | - | - | - | - | - | (160.19) |
| - | - | - | 84.09 | - | 11.77 | - | - | - | - | - | 1,675.90 |
| - | - | - | 135.77 | - | 1.68 | - | - | - | - | - | 2,183.71 |
| - | - | 173.70 | - | - | - | - | - | - | - | - | 173.70 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | 1.30 | 1.61 |
| - | - | - | - | - | 1.13 | - | - | - | - | 1.20 | 2.33 |
| - | - | 173.70 | (50.01) | - | 6.47 | - | - | - | - | 1.30 | 1,711.81 |
| - | - | - | (7.47) | (3.13) | 2.39 | - | - | - | - | 1.20 | 2,002.74 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | 750.00 |

**7. Interest in joint ventures:**

The Company's interest and share in joint ventures in the jointly controlled entities are as follows:

**a) List of joint ventures**

| Sl. No. | Name of Joint Ventures | Description of Interest | Nature of Project | Ownership Interest | Country of Incorporation or residence |
|---|---|---|---|---|---|
| 1 | Adani Petronet (Dahej) Private Limited | Jointly Controlled Entity | Development of a Solid Cargo Port Terminal | 50% | India |

b) Financial interest in jointly controlled entities

(Rs. in million)

| | | Company's Share of | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Sl. No.** | **Name of Joint Venture Entity** | **Assets** | **Liabilities** | **Income** | **Expenditure** | **Tax** | **Capital Commitments** | **Contingent Liabilities** |
| 1. | Adani Petronet (Dahej) Private Limited | 520.52 | 42.81 | - | 4.32 | - | 932.75 | - |

**8.** The Company takes various types of derivative instruments to hedge its future loans & interest liabilities. The category-wise outstanding position of derivative instruments as at 31st March, 2007 and 31st March, 2008 is as under:

| **Nature** | **Particulars of Derivatives** | | **Purpose** |
|---|---|---|---|
| | **31st March, 2008** | 31st March, 2007 | |
| Principal Only Swap | **USD 13.00 million** | USD13.00 million<br>Rs.3,530.46 million | Principal Only Swap |
| Coupon Only Swap | **-** | USD13.00 million<br>Rs.2,500.00 million | Coupon Only Swap |
| Currency Swap | **-** | Rs.1,795.00 million | Currency Swap |

The details of foreign currency exposures that are not hedged by a derivative instrument or otherwise as at 31st March, 2008 is as under:

| Nature | **31st March, 2008** | | 31st March, 2007 | |
|---|---|---|---|---|
| | **Amount (Rs. in million)** | **Amount (Rs. in million)** | Amount (Rs. in million) | Foreign Currency (in million) |
| Foreign Currency Loan | **3,032.58** | **USD 75.98** | 775.81 | USD 17.80 |
| Creditors | **270.11** | **USD 6.76** | 17.83 | USD 0.41 |
| | **5.01** | **GBP 0.06** | 3.57 | GBP 0.04 |
| | **11.38** | **Euro 0.18** | 0.39 | Euro 0.01 |

Closing rates as at 31st March, 2008:

USD 1 = Rs. 39.97

EURO 1 = Rs.63.09

GBP 1 = Rs.79.53

**9.** Amounts Received/Receivable under Long-term Infrastructure Usage Agreements

The Company has entered into various long-term agreements granting sub-leases out of its leasehold lands and /or rights to use infrastructure facilities for the period of the sub-leases which are generally co-terminus with the period of the Concession Agreement between the Company, Gujarat Maritime Board and Government of Gujarat. The Company has received/to receive upfront amounts in consideration of grant of the sub-leases and rights to use its infrastructure facilities. Unamortized amounts received/receivable under Long-term Leases/Infrastructure Usage Agreements at the end of the year amounting to Rs. 6,810.95 million (Previous Year - Rs.7,414.84 million) have been disclosed on the face of the Balance Sheet (Also refer Note 2(n) above).

**10. Prior period items:**

(Rs. in million)

| **Particulars** | **Year ended 31st March, 2008** | Year ended 31st March, 2007 |
|---|---|---|
| Demurrage Charges | **Nil** | 13.55 |
| Contribution to Gratuity Fund | **Nil** | 1.92 |
| Administrative and Other Expenses<br>(Construction cost of Vadenagar Lake for community development) | **12.95** | Nil |
| **Total** | **12.95** | 15.47 |

**11.** Extraordinary Item during the year represents award delivered in favour of the Company following arbitration proceedings between the Company and The New India Assurance Company Limited towards business interruption losses incurred by the Company following an earthquake in Gujarat on 26th January, 2001. As per the arbitration award, the Company received Rs. 76.68 million towards the insurance claim amount, and Rs. 47.21 million towards interest claim thereon. The Company has accounted for the insurance claim amount net of expenses incurred on arbitration of Rs. 7.28 million.

**12.** The Government of India (GoI) has, vide its letter dated 12th April, 2006, granted approval to the Company's proposal for development, operation and maintenance of a Multi-Product Special Economic Zone (SEZ) over an area of 2,658 hectares of the Company's land at Mundra, Gujarat. Subsequently through a Notification dated 23rd June, 2006, the Ministry of Commerce & Industry (Department of Commerce) has included Mundra Port and port limits in notified Special Economic Zone.

The Company is of the view, supported by an external opinion, that it may avail benefit u/s 80IAB of the Income Tax Act on the entire income of the Company including the Special Economic Zone Operations. Accordingly, the Company has decided to avail benefits u/s 80IAB of the Income Tax Act, 1961 from this year and has not created provision for income tax on income attributable to SEZ activities (including notified port area).

**13.** The Company has made provision of Rs. 259.46 million for taxation based on its profit excluding SEZ (including notified port area) profit for the year ended 31st March, 2008. The Company has also utilized MAT credit entitlement of Rs. 47.55 million (against the MAT payment made during financial year 2005-06) which represents that portion of MAT liability, which can be recovered, based on the provisions of Section 115JAA of the Income Tax Act, 1961.

**14.** Sundry Debtors outstanding for a period more than six months include deferred receivables (amount receivable under Lease/Long-term Infrastructure Usage Agreements) of Rs. 1,859.09 million (Previous Year Rs.2280.09 million).

**15. Details of employee benefits – Gratuity**

The Company has a defined gratuity plan. Every employee gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognzed in the balance sheet for the respective plans.

**Profit and Loss Account**

**a) Net Employee benefit expense:**

(Rs. in million)

| **Sl. No.** | **Particulars** | **Gratuity (Funded) 31st March, 2008** | Gratuity (Funded) 31st March, 2007 |
|---|---|---|---|
| 1. | Current Service cost | **1.70** | 1.70 |
| 2. | Interest Cost on benefit obligation | **0.35** | 0.43 |
| 3. | Expected return on plan assets | **(0.24)** | (0.34) |
| 4. | Actuarial loss | **10.17** | 2.07 |
| 5. | Net benefit expense | **11.98** | 3.85 |

Note: Actual return on plan assets Rs. 0.21 million (Previous Year: Not readily available)

**Balance Sheet**

**b) Details of Provision for gratuity :**

(Rs. in million)

| **Sl. No.** | **Particulars** | **Gratuity (Funded) 31st March, 2008** | Gratuity (Funded) 31st March, 2007 |
|---|---|---|---|
| 1. | Present value of defined benefit obligation | **14.41** | 8.32 |
| 2. | Fair value of plan assets | **6.02** | 7.83 |
| 3. | Surplus/(deficit) of funds | **(8.39)** | (0.49) |
| 4. | Net asset/(liability) | **(8.39)** | (0.49) |

**c) Changes in Present Value of the defined benefit obligation are as follows :**

(Rs. in million)

| Sl. No. | Particulars | Gratuity (Funded) 31st March, 2008 | Gratuity (Funded) 31st March, 2007 |
|---|---|---|---|
| 1. | Defined benefit obligation at the beginning of the Period | **8.32** | 5.24* |
| 2. | Current Service cost | **1.70** | 1.70 |
| 3. | Interest Cost | **0.35** | 0.43 |
| 4. | Actuarial loss | **9.71** | 2.22 |
| 5. | Benefits paid | **(5.67)** | (1.27) |
| 6. | Defined benefit obligation at the end of the period | **14.41** | 8.32 |

* Including the earlier year adjustments made of Rs.1.92 million.

**d) Changes in Fair Value of Plan Assets are as follows :**

(Rs. in million)

| Particulars | Gratuity (Funded) 31st March, 2008 | Gratuity (Funded) 31st March, 2007 |
|---|---|---|
| Opening fair value of plan assets | **8.68** | 5.52 |
| Expected return | **0.24** | 0.34 |
| Contributions by employer | **3.23** | 3.09 |
| Benefits Paid | **(5.67)** | (1.27) |
| Actuarial gains/(losses) | **(0.46)** | 0.15 |
| Closing fair value of plan assets | **6.02** | 7.83 |

Note: 1. The Company is maintaining entire funds with the Life Insurance Corporation of India (LIC) – Insurer, to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC as at the end of the period. The total value of Plan Assets amounting to Rs 6.02 million is as certified by the LIC. 2. The Company expects to contribute Rs. 16 million to gratuity in 2008-09.

**e) The principle assumptions used in determining Gratuity obligations are as follows :**

| Sl. No. | Particulars | Gratuity (Funded) 31st March, 2008 | Gratuity (Funded) 31st March, 2007 |
|---|---|---|---|
| 1. | Discount rate | **8.00%** | 8.00% |
| 2. | Expected rate of return on plan assets | **8.00%** | 8.00% |
| 3. | Expected rate of salary increase | **8.50%*** | 5.00% |
| 4. | Mortality | **LIC (1994-96) Ultimate** | LIC (1994-96) Ultimate |
| 5. | Withdrawal rate | **Age Related** | Age Related |

*The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**f) Amounts for the current and previous four periods are as follows :**

(Rs. in million)

| Gratuity | March '08 | March '07 | March '06 | March '05 | March '04 |
|---|---|---|---|---|---|
| Defined benefit obligation | **(14.41)** | (8.32) | (5.11) | (3.48) | Nil |
| Plan Assets | **6.02** | 7.83 | 5.52 | 3.23 | Nil |
| Surplus/(deficit) | **(8.39)** | (0.49) | 0.41 | (0.25) | Nil |
| Experience loss on plan liabilities | **9.71** | 2.22 | 0.09 | * | Nil |
| Experience loss on plan assets | **(0.46)** | 0.15 | 0.09 | * | Nil |

*In the absence of availability, relevant information on the experience adjustments on plan assets and liabilities have not been furnished above.

**Note:** Since Adani Logistics Limited and Inland Conware Private Limited have become Company's subsidiary as on 31st March, 2008, the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the respective balance sheet under the plans are not readily available.

16. Assets taken under Operating Leases – residential houses for staff accommodation and aircraft are obtained under operating lease. Lease rent is payable as per the lease term. The lease rent term is generally for eleven months for residential houses and six months for aircraft and renewable for the period by mutual agreement. There is no sub-lease and all the leases are cancelable in nature. There are no restrictions imposed by the lease arrangements. There is no contingent rent in the lease agreements. There is no escalation clause in the lease agreements. Expenses incurred under such leases have been included in the Profit and Loss Account.

17. Income from Operations includes Land Lease Income, Long-term Infrastructure Usage Income and Income incidental thereto of Rs. 1,473.15 million (Previous Year - Rs. 374.68 million).

18. The Company had incurred a sum of Rs.70.95 million in an earlier year on consultancy services procured for putting up a Shipyard Project. This amount is being carried forward in the Balance Sheet under the head Capital Work in Progress and will be transferred to a Company to be incorporated or division of the Company for putting up the project as may be possible.

19. **Capital Work-in-Progress includes Expenditure during Construction Period and Capital Inventory, details of which are as follows:**

(Rs. in million)

| **Particulars** | **Year ended 31st March, 2008** | Year ended 31st March, 2007 |
|---|---|---|
| **Expenditure during Construction Period :** | | |
| **A. Expenditure** | | |
| **Personnel Expenses** | | |
| Salaries, Wages & Bonus | **158.06** | 50.22 |
| Contribution to Provident Fund | **1.20** | 3.05 |
| Contribution to Gratuity | **-** | 0.94 |
| Workmen and Staff Welfare Expense | **1.10** | 3.16 |
| **Sub Total** | **160.36** | **57.37** |
| **Administrative and Other Expenses** | | |
| Power and Fuel | **5.41** | 16.51 |
| Insurance | **0.23** | 1.51 |
| Other Repairs and Maintenance | **1.03** | 2.83 |
| Legal and Professional Expenses | **162.51** | 33.43 |
| Traveling and Conveyance | **39.67** | 17.48 |
| Rent | **3.04** | 2.44 |
| Equipment Hire Charges | **-** | 6.29 |
| Water Charges | **-** | 8.33 |
| Other Expenses | **13.83** | 5.32 |
| **Sub Total** | **225.72** | **94.14** |
| **Financial Expenses** | | |
| Interest on Fixed Loans | **310.15** | 264.19 |
| Bank and Other Finance Charges | **27.31** | 39.90 |
| **Sub Total** | **337.46** | 304.09 |
| **Depreciation** | **124.11** | 85.06 |
| Provision for Taxation/FBT | **0.78** | - |
| **Total Expenditure [A]** | **848.43** | **540.56** |
| **B. Income** | | |
| Interest on Bank Deposits (TDS Rs.2.98 million) | **-** | 14.91 |
| Miscellaneous Income | **2.89** | 13.46 |
| Exchange Differences (Net) | **-** | 12.00 |
| Trial Run Income – Container Terminal – II | **45.52** | - |
| **Total Income [B]** | **48.41** | **40.37** |
| **Total [A – B]** | **800.02** | **500.29** |
| Brought Forward from Previous Year | **1,013.54** | 365.61 |
| Transferred on account of Amalgamation | **-** | 498.50 |
| **Total** | **1,813.56** | **1,364.40** |
| Capitalized/Allocated during the year | **470.49** | 350.86 |
| **Balance Carried Forward Pending Allocation/Capitalization** | **1343.07** | 1,013.54 |
| **B. Project Materials** | **520.66** | 75.77 |

**20. Capital Commitments:**

(Rs in million)

| Particulars | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for | **5,536.00** | 3,273.91 |

**21. Contingent Liabilities not provided for:**

(Rs. in million)

| | Particulars | Year ended 31st March, 2008 | Year ended 31st March,2007 |
|---|---|---|---|
| a) | Corporate Guarantee given by the Company against credit facility availed by a body corporate | **750.26** | 750.00 |
| b) | In earlier years, some contractors of the Company had filed civil suits against the Company for recovery of damages caused to its machinery in an earthquake Rs 3.71 million (Previous Year - Rs. 3.71 million), to its cargo stores in Company's godown Rs. 9.44 million (Previous Year - Rs. 9.44 million) and due to mishandling of wheat cargo by the Company Rs. 62 million (Previous Year - Rs. 62 million). Above civil suits are currently pending with Civil Judge (Senior Division), Gandhidham, Civil Judge, Bhuj and Civil Judge (Senior Division), Bhuj, respectively. The management is reasonably confident that no liability will devolve on the Company in this regard and hence no provision is made in the books of accounts towards these suits. | **75.15** | 75.15 |
| c) | In earlier years, the Company had received show cause notices from the Custom Authorities for recovery of custom duty, fine, interest and penalty on the import of a tug and bunkers by the Company Rs 44.92 million (Previous Year Rs 20.71 million), import of various Cargo at Port Rs 4.78 million (Previous Year Rs 4.52 million). The Customs cases are currently pending with Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad (Rs. 44.92 million), Assistant Commissioner of Customs, Mundra (Rs. 1.42 million), Customs, Excise and Service Tax Appellate Tribunal, Mumbai (Rs. 2.66 million), Commissioner of Customs, Ahmedabad (Rs. 0.26 million) and Deputy Commissioner of Customs Gujarat, (Rs. 0.44 million) respectively. The management is reasonably confident that no liability will devolve on the Company and hence no liability has been recognized in the books of accounts. | **28.73** | 25.23 |
| d) | Joint Commissioner Customs, Mundra has held the Company liable for short delivery of imported goods namely, H.M.S. through Mundra Port to various customers. The Company has been directed to remit the differential duty of Rs. 0.71 million and penalty of Rs. 0.05 million - under Section 117 of the Customs Act has been imposed. MPSEZL has preferred to challenge the said Orders which are pending before Commissioner of Customs (Appeals) at Ahmedabad. The management is reasonably confident that no liability will devolve on the Company and hence no liability has been recognized in the books of account. | **0.76** | 0.76 |
| e) | Deputy Commissioner of Customs, Mundra has held that the Company wrongly availed duty benefit exemption under DFCEC Scheme on import of second hand equipment and demanded duty payment of Rs. 2.50 million. The Company has filed its reply to the show cause notice with Deputy Commissioner of Customs, Mundra and Assistant Commissioner of Customs, Aircargo Complex, Ahmedabad and the management is of the view that no liability shall arise on the Company. | **2.63** | - |

(Rs in million)

| | Particulars | Year ended 31st March, 2008 | Year ended 31st March,2007 |
|---|---|---|---|
| f) | Various showcause notices received from Commissioner/ Additional Commissioner/ Joint Commissioner/ Deputy Commissioner of Customs and Central Excise, Rajkot, for wrongly availing of Cenvet credit/ Service tax credit and Education Cess on input services and steel, cement and other misc. fixed assets. The Excise department has demanded recovery of the duty along with penalty and interest thereon. The Company has given deposit of Rs. 25 million against the demand. The matter is pending before CESTAT, Ahmedabad and Commissioner of Central Excise (Appeals), Rajkot. The Company has taken an external opinion in the matter based on which, management is of the view that no liability shall arise on the Company. | **512.71** | 132.17 |
| g) | Differential amount of customs duty in respect of machinery imported under EPCG Scheme and interest thereon. Based on budgeted sales plan, management is hopeful that it will be able to discharge the obligation by executing the required volume of exports in the future period. | **260.31** | 335.93 |

**22.** For the development of Special Economic Zone (SEZ) in the Mundra Taluka region, the Company is also acquiring land in Mundra and surrounding region under arrangements/agreements with private landowners/ parties for development of contiguous SEZ area, apart from acquisition of land from Government of Gujarat. Till 31st March, 2008, the Company has paid an aggregate amount of Rs. 1,209.96 million to various private landowners/ parties for acquisition of land, out of which Rs.788.98 million has been capitalized on allotment of a portion of land and the balance amount of Rs. 420.98 million is outstanding as advance at the year end.

**23. Provisions:**

(Rs. in million)

| Description | Opening Balance | Additions during the year | Utilization during the year | Closing Balance |
|---|---|---|---|---|
| Operational Claims | 68.11 | 54.08 | 81.91 | 40.28 |
| | (-) | (68.11) | (-) | (68.11) |

Previous year figures are in bracket

**Note:** Operational Claims are the expected claims made/to be made by the customers towards shortages of stock, handling loss, damages to the cargo and is different from non-recovery of dues from customers. Based on the past experience, company has made certain provisions in the books.

**24.** a) During the year, the Company had made Initial Public Offering (IPO) of 40.25 million equity shares of Rs.10 each for cash at a premium of Rs. 430 per share.

b) Initial Public Offer (IPO) fund utilization: The Company has spent Rs.2,009.10 million out of fresh issue of share capital of Rs.17,710 million as follows:

(Rs. in million)

| Particulars | Projected Utilisation as per the Prospectus dated November 14, 2007 | Actual spent upto March 31, 2008 |
|---|---|---|
| a) Issue Expenses | 650.00 | 341.70 |
| b) Investment in Adani Logistics Ltd. | 220.00 | 220.00 |
| c) Investment in Adani Petronet ( Dahej) Port Pvt. Ltd. | 2,094.60 | 260.50 |
| d) Investment in Inland Conware Pvt. Ltd. | 543.80 | 220.00 |
| e) Coal Terminal Project | 4,500.00 | 88.50 |
| f) SEZ Project | 7,000.00 | 10.00 |
| g) Construction and Development of basic infrastructure facilities at Mundra | 2,701.60 | 868.40 |
| **Total** | **17,710.00** | **2,009.10** |

(c) As at 31st March, 2008, the unutilised Initial Public Offer (IPO) proceeds of Rs. 15,700.90 million are lying as invested in mutual funds Rs. 7,803.11 million and bonds Rs. 462.38 million and balance amount of Rs, 7,435.41 million in fixed deposits with Bank as at 31st March, 2008. (Refer Schedule 8 and 11)

**25. Miscellaneous Expenditure – Share Issue Expenses**

The Company has incurred expenses aggregating to Rs.581.46 million, including Rs.5.42 million paid to Auditors, in connection with its Initial Public Offer (IPO). In term of Section 78 of the Companies Act, 1956 the Company has adjusted the said share issue expense against the Securities Premium received from the said IPO.

**26. Previous Year Comparatives**

Previous year's figures have been regrouped where necessary to conform to this year's classification.

**As per our report of even date**
**For S. R. BATLIBOI & ASSOCIATES**
*Chartered Accountants*

**per Raj Agrawal**
*Partner*
**Membership No. 82028**

**Place: Ahmedabad**
**Date: 28th May, 2008**

**For and on behalf of the Board of Directors**

**Gautam S. Adani**
*Chairman and Managing Director*

**Rajesh S. Adani**
*Director*

**Ameet H. Desai**
*Executive Director*

**Dipti Shah**
*Company Secretary*

**Place: Ahmedabad**
**Date: 28th May, 2008**

ADANI

BUSINESS *of* SUCCESS

# Mundra Port and Special Economic Zone Limited

Registered Office: "Adani House", Nr. Mithakhali Six Roads, Navrangpura, Ahmedabad - 380 009

## FORM OF PROXY

I/We ______________________________ of ______________________________being a member / members of the above Company hereby appoint Shri / Smt. ______________________________ of ______________________________ or failing him ______________________________of ______________________________as my/our proxy to vote for me/us and on my / our behalf at the 9th Annual General Meeting of the Company to be held on Friday, 26th September, 2008 at 9.00 a.m. and at any adjournment thereof.

Signed this ____________ day of ____________ 2008.

Signature ______________

Affix 1 Rupee Revenue Stampe

Folio No. __________ DPID No.* __________ Client ID No. * __________

* Applicant for members holding shares in electronic form.

Note : The Proxy and the power of Attorney (if any) under which it is signed or a notarially certified copy of that power must be deposited at the Registered Office of the Company at "Adani House", Nr. Mithakhali Six Roads, Navrangpura, Ahmedabad not less than 48 hours before the date and time for holding the Annual General Meeting.

ADANI

BUSINESS *of* SUCCESS

# Mundra Port and Special Economic Zone Limited

Registered Office: "Adani House", Nr. Mithakhali Six Roads, Navrangpura, Ahmedabad - 380 009

## ATTENDANCE SLIP

(to be handed over, duly filled in, at the Entrance of the Meeting Place)

Name of the attending Member / Proxy (in block letters): ______________________________

I hereby record my presence at the 9th Annual General Meeting on Friday, 26th September, 2008.

Folio No. ______________ DPID No. * ______________________ Client ID No. * ______________

* Applicable for members holding shares in electronic form.

Place : Ahmedabad

______________________
Member's / Proxy's Signature

Note : Share holders / Proxy holders are requested to bring the Attendance Slips with them, duly completed when they come to the meeting and hand them over at the gate, affixing signature on it.

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ADANI
"Adani House", Nr. Mithakhali Circle,
Navrangpura, Ahmedabad 380 009, Gujarat, INDIA
Ph: +91-79-26565555, Fax: +91-79-25556490, info@mundrasez.com
www.mundraport.com