

# NATVARLAL VEPARI & CO.

*Chartered Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of Surat Smart City Development Limited**

**Report on the Audit of Financial Statements as per Indian Accounting Standards**

### **Opinion**

We have audited the accompanying standalone financial statements as per Indian Accounting Standards of Surat Smart City Development Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "the standalone financial statements" as per Indian Accounting Standards)

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Indian Accounting Standards financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the Profit and Loss and Total Comprehensive Income, Changes in Equity and its Cash flows for the year ended on that date.

### **Basis for Opinion**

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### **Management's Responsibility for the Standalone Financial Statements as per Indian Accounting Standards**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility for the Audit of Standalone Financial Statements as per Indian Accounting Statements**

Our responsibility is to issue an auditor's report and express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Indian Accounting Standard financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act and other authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Indian Accounting Standards financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in of the Indian Accounting Standard financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Indian Accounting Standards financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Indian Accounting Standards financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Indian Accounting Standards financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

- (a) Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial control system in place and the operating effectiveness of such controls, wherever applicable.

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies identified in internal control.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing would reasonably be expected to outweigh the public interest benefits of such communication.

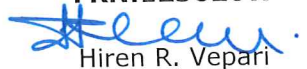
### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books.

- c. The Balance Sheet, Profit and Loss, Statement of changes in equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i) The Company does not have any pending litigations which would impact its financial position.
- ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**Forming an Opinion and Reporting on Financial Statements  
For Natvarlal Vepari & Co.  
Chartered Accountants  
FRN:123626W**

Place :Surat  
Date : 13<sup>th</sup> December, 2020

  
Hiren R. Vepari  
Partner  
Membership No. 102680

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**ANNEXURE 'A' TO AUDIT REPORT**

**(As referred to in our Report of even date)**

- (i) (a) The company has maintained proper records showing full particulars and situation of fixed asset.
  - (b) We are informed that the fixed asset has been physically verified by the management.
  - (c) The immovable property is vested in the name of the company.
- (ii) There being no Inventories, clause (ii) of the Order is not applicable to the company.
- (iii) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 189 of the Companies Act, 2013 and therefore clauses 3 (iii) (a), (b) & (c) of the Order are not applicable to the Company.
- (iv) According to the information provided, the company has not entered into any transaction in respect of loans, guarantees and security. However, the Company has made investment in its subsidiary company within the threshold limits of two-layers of investment. Therefore, the clause 3 (iv) of the Order is not applicable to the company.
- (v) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits within the meaning of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014. Consequently, the clause 3 (v) is not applicable to the Company.
- (vi) The maintenance of cost records under section 148(1) of the Companies Act, 2013, is not applicable to the Company.
- (vii) (a) Based on our audit procedures and according to the information and explanations given to us, there are no arrears of undisputed statutory dues which remained outstanding as at 31st March, 2020 for a period of more than six months from the date they became payable.
  - (b) According to the records made available to us and the information and explanations given by the management, there are no disputed statutory dues on account of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax that have not been deposited on account of matters pending before appropriate authorities.
- (viii) According to the records made available to us and, the information and explanations given by the management, the Company has not borrowed funds from any financial institution or bank or Government or issued debentures till 31st March, 2020. Consequently, in our opinion, the question of reporting on defaults in repayment of dues to financial institutions or banks or Government or debenture holders does not arise.
- (ix) In our opinion and according to the information and explanations given to us, the company neither has raised any moneys by way of initial public offer or further public offer (including debt instruments) and term loans, nor has any unutilised amount as on the 1st day of the financial year out of moneys raised during the

earlier years on this account. Accordingly, the provisions of Clause 3 (ix) are not applicable to the Company.

- (x) According to the records and information and explanations provided by the management, we report that no fraud on or by the company has been noticed or reported during the course of audit.
- (xi) According to the records verified and, information and explanations provided by the management, the company has not paid or provided for the managerial remuneration during the period. Therefore, the clause (xi) of the Order does not become applicable to the Company.
- (xii) The Company not being a Nidhi company, the clause 3 (xii) of the Order is not applicable to the company.
- (xiii) According to the records verified and, information and explanation provided to us, the company has not entered into a contract or arrangement with its related parties during the year with respect to Sec. 188 during the year, therefore, the clause 3 (xiii) of the Order is not applicable to the company.
- (xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review, therefore, the clause 3 (xiv) of the Order is not applicable to the company.
- (xv) The company or its directors have not entered into an arrangement for acquisition of assets for consideration other than cash, therefore the clause (xv) of the Order is not applicable to the company.
- (xvi) According to the information and explanation provided by the management, the company is not engaged in the business which is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934, therefore the clause 3 (xvi) of the Order does not become applicable to the company.

**Forming an Opinion and Reporting on Financial Statements  
For Natvarlal Vepari & Co.  
Chartered Accountants  
FRN:123626W**

Place : Surat  
Date : 13<sup>th</sup> December, 2020

  
Hiren R. Vepari  
Partner  
Membership No. 102680

UDIN 

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**Surat Smart City Development Limited**

**ANNEXURE 'B' TO AUDITOR'S REPORT PERIOD ENDED 31-03-2020**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **Surat Smart City Development Limited** as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the period ended on that date.

**Management's Responsibility for the Financial Statements**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail,

accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**Forming an Opinion and Reporting on Financial Statements  
For Natvarlal Vepari & Co.  
Chartered Accountants  
FRN:123626W**

Place: Surat  
Date: 13<sup>th</sup> December, 2020



Hiren R. Vepari  
Partner

Membership No. 102680

UDIN 

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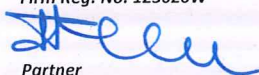


**SURAT SMART CITY DEVELOPMENT LIMITED**

Balance sheet as at March 31, 2020

Particulars	Note no.	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	78,67,825	1,16,21,312
Capital work-in-progress	3	5,00,58,75,012	4,24,61,05,890
Financial Asset-Investments	4	1,82,00,000	1,82,00,000
		<b>5,03,19,42,837</b>	<b>4,27,59,27,202</b>
<b>Current assets</b>			
<b>Financial assets</b>			
- Trade and other receivables	5	21,31,21,018	17,23,14,196
- Cash and cash equivalents	6	3,86,64,82,451	1,58,13,92,707
- Loans and Advances	7	6,08,356	3,91,895
- Other Financial Assets	8	30,175	21,339
		<b>4,08,02,41,999</b>	<b>1,75,41,20,137</b>
<b>Total Assets</b>		<b>9,11,21,84,836</b>	<b>6,03,00,47,339</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share Capital	9	2,00,00,00,000	2,00,00,00,000
Other Equity	9.1	43,58,14,480	32,53,86,693
Share application money pending allotment		-	-
<b>Equity attributable to owners of the Company</b>		<b>2,43,58,14,480</b>	<b>2,32,53,86,693</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	10	6,20,71,72,884	3,23,92,61,927
		<b>6,20,71,72,884</b>	<b>3,23,92,61,927</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
- Trade and other payables	11		
Total Outstanding dues to Micro and Small Enterprises			
Total Outstanding of creditors other than Micro and		46,68,730	38,25,140
Other current liabilities	12	28,90,28,743	31,90,73,579
Provisions	13	17,55,00,000	14,25,00,000
<b>Total Liabilities</b>		<b>46,91,97,473</b>	<b>46,53,98,719</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,11,21,84,836</b>	<b>6,03,00,47,339</b>
Significant Accounting Policies	1		
Notes forming an integral part of Financial Statements	1-25		

For Natvarlal Vepari & Co.  
Chartered Accountants.  
Firm Reg. No. 123626W

  
Partner

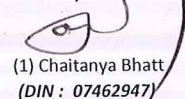
Hiren R Vepari  
Membership no.-102680  
UDIN :

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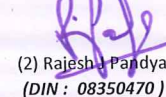
Date: 13th December, 2020  
Place: Surat

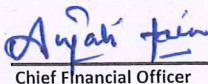
For and on behalf of Surat Smart City Development Ltd.

Director/CEO

  
(1) Chaitanya Bhatt  
(DIN : 07462947)

Director

  
(2) Rajesh Pandya  
(DIN : 08350470)

  
Chief Financial Officer

  
Company Secretary

Date: 13th December, 2020  
Place: Surat



**SURAT SMART CITY DEVELOPMENT LIMITED**

Note no. 2

**Property, Plant and Equipment (Administrative Assets)**

Particulars	Computer Equipments	Office Equipments	Electronic Equipments	Electrical Installations & Equipments	Furniture & Fittings	Total
<b>Gross Block:</b>						
As at March 31, 2019	1,12,42,081.00	4,400.00	1,51,23,248.00	3,50,902.00	32,55,075.00	2,99,75,706.00
Add: Addition	5,93,264.22	-	-	-	-	5,93,264.22
Less: Disposals	-	-	-	-	-	-
As at March 31, 2020	1,18,35,345.22	4,400.00	1,51,23,248.00	3,50,902.00	32,55,075.00	3,05,68,970.22
<b>Accumulated Depreciation:</b>						
As at March 31, 2019	81,42,167.33	3,099.62	86,01,626.22	1,62,276.44	14,45,224.40	1,83,54,394.01
Add: Charge for the year	21,37,341.23	585.40	16,89,786.20	49,613.98	4,69,424.54	43,46,751.34
Less: Disposals	-	-	-	-	-	-
As at March 31, 2020	1,02,79,508.56	3,685.01	1,02,91,412.41	2,11,890.42	19,14,648.94	2,27,01,145.35
<b>Net carrying amount:</b>						
As at March 31, 2019	30,99,913.67	1,300.39	65,21,621.78	1,88,625.56	18,09,850.60	1,16,21,311.99
As at March 31, 2020	15,55,836.66	714.99	48,31,835.59	1,39,011.58	13,40,426.06	78,67,824.87

Property, Plant and Equipment (Capital Assets)

Particulars	Hydraulic project		Street Lights and Cables		Total
	ABD-1b_6	ABD-16d			
<b>Gross Block:</b>					
As at March 31, 2019	-	-	-	-	-
Add: Addition	26,89,814.00		72,43,721.00		99,33,535.00
Less: Grant related to the asset	26,89,814.00		72,43,721.00		99,33,535.00
As at March 31, 2020	-	-	-	-	-
<i>(Refer Note no. 10.1 and 25)</i>					
<b>Accumulated Depreciation:</b>					
As at March 31, 2019	-	-	-	-	-
Add: Charge for the year	-	-	-	-	-
Less: Disposals	-	-	-	-	-
As at March 31, 2020	-	-	-	-	-
<b>Net carrying amount:</b>					
As at March 31, 2019	-	-	-	-	-
As at March 31, 2020	-	-	-	-	-

**SURAT SMART CITY DEVELOPMENT LIMITED**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

		As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
<b>3</b>	<b>Capital Work-in-progress</b>		
	Water Tank	52,05,80,335	46,28,77,682
	Office Building	1,99,98,114	89,98,114
	Other Building	9,23,70,034	5,38,10,787
	Restoration & Development of Fort	35,79,14,000	29,52,74,000
	Roads, Streets & Pavements	93,28,23,252	73,86,50,703
	Street Lights & Cables	-	69,74,000
	Waterlines	63,38,57,102	49,89,67,109
	Hydraulic Plant & Machinery	22,46,41,664	14,88,68,240
	Sewage & Drainage (Plant & Machinery)	1,79,89,61,900	1,79,89,61,900
	Computer Equipments	61,69,519	61,69,519
	Electronic Equipments	33,08,09,937	18,92,93,872
	Software	4,43,62,515	53,10,000
	Air & Water quality management system	1,06,10,577	-
	Other fixed assets (Intangible asset)	8,96,800	-
	Electrical Equipments	3,18,79,263	3,19,49,965
	<b>Total</b>	<b>5,00,58,75,012</b>	<b>4,24,61,05,890</b>
<b>4</b>	<b>Financial Asset-Investments</b>		
	Investment in subsidiary company (Refer note 4.1)	1,82,00,000	1,82,00,000
	<b>Total</b>	<b>1,82,00,000</b>	<b>1,82,00,000</b>
<b>4.1</b>	Surat Smart City Development Limited has subscribed 18,20,000 shares of Rs 10/- each of AIC SURATI iLAB FOUNDATION (a venture as Atal Incubation Centre formed under Atal Innovation Mission of Government of India) making it its wholly owned subsidiary company. As per the requirement of one of the conditions of Atal Innovation Mission for setting up Atal Incubation Centre, Surat Smart City Development Limited who is the promoter company, shall provide matching contribution to its wholly owned subsidiary company every year of amount decided by the Management of the Company and the Subsidiary Company		
<b>5</b>	<b>Trade &amp; Other receivables</b>		
	Interest Accrued on Fixed Deposits	3,45,20,580	79,84,561
	TDS Receivable	6,10,25,958	4,87,77,773
	Indirect Taxes Receivable	42,46,220	47,23,603
	Advance Income Tax	11,33,28,260	11,08,28,260
	<b>Total</b>	<b>21,31,21,018</b>	<b>17,23,14,196</b>
<b>6</b>	<b>Cash and Bank Balances</b>		
	<b>Current Cash and Bank Balance</b>		
	Imprest (Petty) cash in hand	25,000	25,000
	Balance in Current Accounts with Scheduled Bank	8,01,28,230	76,73,918
	Balances with banks in fixed deposit accounts with original maturity of less than 12 months	3,68,00,00,000	1,52,00,00,000
	Balances with banks in fixed deposit accounts with original maturity of more than 12 months	-	-
	<b>Other Bank Balances</b>		
	Balance with scheduled banks in savings account	10,63,29,221	5,36,93,788
	<b>Total</b>	<b>3,86,64,82,451</b>	<b>1,58,13,92,706</b>
<b>7</b>	<b>Loans and Advances</b>		
	Loans and Advance given to Subsidiary Company	3,25,895	3,25,895
	Advance for Expenses	1,33,645	38,000
	Hydraulic project-SETC OF 3X400 Sq.mm LT XLPE Aluminium	1,48,816	28,000
	<b>Total</b>	<b>6,08,356</b>	<b>3,91,895</b>
	Street light and cable-Visible Improvement Street light		
	ABD-16d		
<b>8</b>	<b>Other Financial Assets</b>		
	Electricity Deposit	30,175	21,339
	<b>Total</b>	<b>30,175</b>	<b>21,339</b>

**SURAT SMART CITY DEVELOPMENT LIMITED**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

9	Equity Share Capital	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		Equity Share Capital	
	Authorised Share capital (20,00,00,000 shares of Rs 10/- each)	2,00,00,00,000	2,00,00,00,000
	Issued Share capital (20,00,00,000 shares ( P.Y 20,00,00,000) of Rs 10/- each)	2,00,00,00,000	2,00,00,00,000
	Subscribed & Fully Paid up capital (20,00,00,000 ( P.Y 20,00,00,000) shares of Rs 10/- each)	2,00,00,00,000	2,00,00,00,000
	<b>Total</b>	<b>2,00,00,00,000</b>	<b>2,00,00,00,000</b>

The company has only one class of equity shares having a par value of Rs 10 per share. Each holder of equity share is entitled for one vote per share held.

9.1	Other Equity Reserve & Surplus	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		Opening Balance	32,53,86,693
	Grant pertaining to FY 2018-2019	3,00,00,000	-
	Profit/(Loss) for the period	8,04,27,787	3,13,42,834
	<b>Total</b>	<b>43,58,14,480</b>	<b>32,53,86,693</b>

The details of Shareholders holding 5% and above shares	As at 31 <sup>st</sup> March 2020		As at 31 <sup>st</sup> March 2019	
	Number of Shares	% held	Number of Shares	% held
Surat Municipal Corporation	10,00,00,000	50%	10,00,00,000	50%
Government of Gujarat	10,00,00,000	50%	10,00,00,000	50%

10	Other Non- Current Liabilities	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		(A) Capital Grant from Gol & GoG	
	Opening Balance - Capital Grants received from Government of India. (Refer Note 10.1)	3,23,92,61,927	1,84,99,61,749
	Add: Grants received during the year from Central Government (Refer Note 10.2)	1,86,00,00,000	96,07,50,000
	Add: Capital Grants received from Government of Gujarat (Refer Note 10.2)	96,50,00,000	46,00,00,000
	Add: Reversal of Capital Expense (F.Y: 2016-17)	-	1,10,00,000
		6,06,42,61,927	3,28,17,11,749
	Less: A&OE Grant pertaining to FY 2018-2019 (Refer Note 10.3)	3,00,00,000	-
	Less: Assets capitalised during the year from Grants related to assets (Refer Note 25)	99,33,535	4,24,49,822
		6,02,43,28,392	3,23,92,61,927
	(B) Capital Grant related to CITIES Mission		
	Capital Grants received for CITIES Mission (Refer Note 10.5)	8,00,00,000	-
	(C) Revenue Grant		
	A & OE Grant Received from GOI	12,25,00,000	-
	Less : Amount recognised in Profit and Loss to the extent of expenses incurred (Refer Note 10.4)	1,96,55,508	-
		10,28,44,492	-
	<b>Total</b>	<b>6,20,71,72,884</b>	<b>3,23,92,61,927</b>

10.1 The Smart City Projects (SCPs) are segmented into various smaller project units for ease of administration. All the project units are integrated with each other and can be considered as functional in totality only after completion of the full project. A single segment of any project is not capitalised as a fixed asset till all the segmented parts of an entire project are completed. In the current financial year, the projects mentioned in Note 25 were completed in its entirety and hence the respective amount is transferred from the Capital Work in progress to the Property Plant and Equipment relating to the capital projects. Further, as per the notification issued by Ministry of Corporate Affairs dated 20<sup>th</sup> September, 2018, "Government Grants relating to assets, including non-monetary grants at fair value, shall be presented in the balance sheet by either setting up grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset". Accordingly, the option of deducting grant in arriving at the carrying value of the asset has been opted in the current financial year for capitalising the completed project.

**SURAT SMART CITY DEVELOPMENT LIMITED****NOTE 9.1 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

Particulars	Reserve and Surplus	Items of Other Comprehensive Income	Total Impact on Other Equity
	Retained Earnings		
<b>As on 31st March 2020</b>			
<b>Balance as at 01.04.2019</b>	<b>32,53,86,693</b>	-	<b>32,53,86,693</b>
Changes in accounting policy or prior period errors	3,00,00,000	-	3,00,00,000
Restated balance at the beginning of the reporting period	35,53,86,693	-	35,53,86,693
Total comprehensive income for the year	8,04,27,787	-	8,04,27,787
<b>Balance at the end of the reporting period 31.03.2020</b>	<b>43,58,14,480</b>	-	<b>43,58,14,480</b>

**SURAT SMART CITY DEVELOPMENT LIMITED**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

10.2 In the current year, the Government of India has further released grant of Rs. 186 crore as Project Fund and Rs 12.25 crore as A & OE Fund. As per Smart City Mission Guidelines, Government of Gujarat has released Project Fund of Rs 96.50 crore as matching contribution.

10.3 A & OE Grant received during the financial year 2018-19 of Rs. 3.00 Crore was considered as part of the Capital Grant in that year has now been transferred to the Reserve and Surplus (Other Equity) as the company has already offered the same for income in the year 2018-19

10.4 As per IND AS 20-Accounting for Government Grants and Disclosure of Government Assistance, Government Grants which are revenue in nature are required to be recognised in the Statement of Profit and Loss on a systematic basis over a period in which the entity recognises, as expenses the related costs for which the grants are intended to compensate. In the current financial year, the amount of revenue grant has been scooped into the Statement of Profit and Loss as income only to the extent of costs incurred; the balance revenue grant is carried over as a Non-current liability, which would be absorbed against the expenses for which it has been granted.

10.5 During the current financial year, the Company received grant for the purpose of fulfilling the requirements of CITIES Mission which states about enhancing project preparation and strengthen the capacity of SPV through regular activities under the "CITIES Expertise" program. This phase should last approximately 12 months for each awarded project. The maturation phase shall end with the validation by the PMU of the Maturation Final Report, to trigger the implementation phase and its related financing. At national level, the completion of the maturation phase shall lead to the capitalization and dissemination of best practices through the SmartNet portal and events.

		As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
11	<b>Trade and Other Payables</b>		
	Total Outstanding dues to Micro, Small and Medium Enterprises	-	-
	Total Outstanding of creditors other than Micro, Small and Medium Enterprises	46,68,730	38,25,140
	<b>Total</b>	<b>46,68,730</b>	<b>38,25,140</b>

		As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
12	<b>Other Current Liabilities</b>		
	Security Deposit from Suppliers & Contractors	8,45,44,398	3,91,37,716
	Retention Money Deposit from Suppliers & Contractors	16,67,38,101	21,82,34,191
	Earnest money deposit from contractors	1,13,40,800	2,04,26,800
	Other Deposits	2,06,93,101	2,59,39,986
	TDS Payable	26,70,397	61,90,565
	GST TDS Payable	19,17,825	-
	Indirect Taxes Payable	3,23,764	66,21,216
	Interest on TDS payable	3,767	-
	Construction cess payable	7,96,589	25,23,106
	<b>Total</b>	<b>28,90,28,743</b>	<b>31,90,73,579</b>

		As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
13	<b>Provisions</b>		
	Provision for Tax	17,55,00,000	14,25,00,000
	<b>Total</b>	<b>17,55,00,000</b>	<b>14,25,00,000</b>

		As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
14	<b>Other Income</b>		
	Awards and Incentive	20,00,000	-
	Interest on fixed deposits with bank	13,47,76,916	8,54,25,563
	Interest on Savings Account	72,46,543	58,53,292
	Collections of Tender Form Fees	1,99,800	2,96,400
	Amortisation of A & O E Fund (Refer Note 10.4)	1,96,55,508	-
	Scrap Sale and other income	-	2,150
	Forfeited Deposits	-	1,50,000
	Performance related penalty from contractors	58,13,734	1,46,81,298
	<b>Total</b>	<b>16,96,92,502</b>	<b>10,64,08,703</b>



**SURAT SMART CITY DEVELOPMENT LIMITED**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

15	Project Management Consultant Fee Project Costs	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		1,52,96,589	2,46,57,851
		<b>Total</b>	<b>2,46,57,851</b>
16	Operation and Maintenance expense Operation & Maintenance charge for project PAN 4b_1 Operation & Maintenance charge for project PAN 4b_2 Annual Maintenance charge for PAN 4a_2 Operation & Maintenance charge for project PAN 1b_1 Operation & Maintenance charge for project PAN 4b_3 Operation & Maintenance charge for project PAN 6_2 <i>(Refer note 16.1 for all of the above)</i>	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		-	99,32,878
		8,49,600	8,49,600
		-	81,61,721
		1,23,90,010	-
		4,98,770	-
		1,25,10,541	-
		<b>Total</b>	<b>1,89,44,199</b>
16.1	Certain tender related to Smart City Projects of the company requires the supplier of the the capital projects to also include operation and maintenance expenses for an agreed period as part of the project expenditure under the respective projects. These O & M charges being revenue in nature does not result in creation of any asset and hence charged to Profit and Loss Account.		
17	Employee Benefit Expense Salary, wages, including bonus	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		30,36,759	37,73,007
		<b>Total</b>	<b>37,73,007</b>
18	Financial Costs Bank charges & Commission	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		649	-
		<b>Total</b>	<b>-</b>
19	Depreciation and Amortization Expense Depreciation for the year	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		43,46,751	83,20,884
		<b>Total</b>	<b>83,20,884</b>
20	Other Expenses Rent on vehicles hired GST Charges Income Tax surcharge Postage & Telegram Expense Telephone Expense Printing & Stationery Expense Local Conveyance Expense Travelling Allowance and Boarding expense Audit Fee Consultancy Fee Registration Charges Publicity & Advertisement Seminar & Symposiums Other Office Expense	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
		1,39,121	3,04,974
		1,144	9,073
		1,125	-
		4,673	4,714
		10,583	26,205
		39,750	3,71,141
		17,900	21,668
		5,18,816	3,89,704
		4,50,000	4,50,000
		13,15,450	6,45,604
		15,497	18,090
		37,99,691	28,88,980
		9,33,721	14,04,365
		87,576	3,35,411
		<b>Total</b>	<b>68,69,928</b>

**SURAT SMART CITY DEVELOPMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

21	Payment to Auditors (Net of GST)	Figure for the current reporting period (Rs)		Figure for the previous reporting period (Rs)	
	As Auditors:	4,50,000		4,50,000	
	As Advisor in other capacity				
	GST Matter	3,60,000		2,70,000	
	Company Law Matter	-		-	
	Taxation Matter	-		-	
	<b>Total</b>		8,10,000		7,20,000
			8,10,000		7,20,000

22 As per the information and returns provided by the management of the Company, we have been informed that there are no Micro and Small Enterprises, to whom the company owes dues as at 31<sup>st</sup> March, 2020. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

**23 Related Party Disclosures**

23.1	List of related parties with relationships:	For The Current reporting period	For The Previous reporting period
		Name of Related Parties	Name of Related Parties
	<u>Relationships</u>		
	<u>Subscriber to Share Capital</u>	Surat Municipal Corporation	Surat Municipal Corporation
	<u>Wholly owned Subsidiary Company</u>	AIC SURATI iLAB FOUNDATION	AIC SURATI iLAB FOUNDATION
	<i>Note: Related party relationship is as identified by the Company and relied upon by the Auditors.</i>		

23.2	Transactions during the year with Related Parties:	Figures for the Current reporting period	Figures for the Previous reporting period
		Amount	Amount
	Nature of Transactions		
	Subscription to Share Capital of wholly owned subsidiary company	-	1,82,00,000
	Advance for expenses	-	3,25,895

24	Earning Per Share	Figures for the Current reporting period	Figures for the Previous reporting period
		Amount	Amount
	Particulars		
	Net Profit after Tax as per the Statement of Profit and Loss attributable to the Equity Shareholders	8,04,27,787	3,13,42,834
	Number of Equity shares used as denominator for calculating EPS	20,00,00,000	20,00,00,000
	Basic Earning Per Share (EPS)	0.40	0.31
	Face Value per Equity share	Rs 10/-	Rs 10/-

**SURAT SMART CITY DEVELOPMENT LIMITED**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

25 Detail of Project capitalised / expensed out during the current financial year :					
Sr No.	Project Name	Project Number	Project amount (in Rs)	Amount capitalised as Fixed Asset	Funded from: Own capital/Grant Fund
1	Hydraulic project-SETC OF 3X400 Sq.mm LT XLPE Aluminium Armoured Cable for Sarthana Water Works	ABD-1b_6	26,89,814	26,89,814	Grant fund
2	Street light and cable-Visible Improvement Street light (Archana Vidhyalaya to Mithi Khadi)	ABD-16d	72,43,721	72,43,721	Grant fund

As per our report of even date

For Natvarlal Vepari & Co.  
Chartered Accountants  
FRN : 123626W



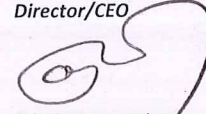
Partner  
Hiren Vepari  
Membership no.-102680  
UDIN

20102680A A A A A K 7 7 2 4

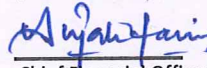
Date: 13th December, 2020  
Place: Surat

For and on behalf of Surat Smart City Development Ltd.

Director/CEO



(1) Chaitanya Bhatt  
(DIN : 07462947)



Chief Financial Officer

Director



(2) Rajesh J. Pandya  
(DIN : 08350470)



Company Secretary

Date: 13th December, 2020  
Place: Surat

# Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

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## 1. Corporate Information:

Surat Smart City Development Limited (herein referred to as “the Company”) is a public company domiciled and incorporated in India under the Companies Act, 2013 (‘the Act’). The registered office of the company is at First floor, South Zone Office of Surat Municipal Corporation, Udhna, Surat. The company has been formed as a Special Purpose Vehicle under Smart City Mission of the Government of India for implementation of smart city projects in Surat. The Company was incorporated on March 31, 2016.

## 2. Significant accounting policies:

Significant accounting policies adopted in preparation and presentation of the accounts are as under:

### (A) Statement of Compliance and Basis of Accounting:

#### (i) **Statement of Compliance with Ind AS**

The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the ‘Act’) read with Companies (Indian Accounting Standards) Rules, 2015; and the other relevant provisions of the Act and Rules thereunder.

#### (ii) **Historical Cost Convention**

The financial statements have been prepared on historical cost basis, except for the certain financial assets and liabilities which are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of consideration given in exchange for goods or services.

#### (iii) **New and amended standards**

The Company has applied the following standards and amendments for the first time for the current annual reporting period commencing from April 01, 2019 *wherever applicable*:

- IND AS 116: Leases
- Amendment to IND AS 109-Financial Instruments
- Amendment to IND AS 12- Income Taxes

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

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- Amendment to IND AS 19-Employee Benefits
- Amendment to IND AS 28-Investments in Associates and Joint Ventures

### (iv) Standards issued but not yet effective:

The amendments are proposed to be effective for reporting periods beginning on or after 1 April 2020.

#### (a) Issue of Ind AS 117 – Insurance Contracts

Ind AS 117 supersedes Ind AS 104 Insurance contracts. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Under the Ind AS 117 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk.

Application of this standard is not expected to have any significant impact on the Company's financial statements.

#### (b) Amendments to existing Standards

Ministry of Corporate Affairs has carried out amendments of the following accounting standards:

Ind AS 103 – Business Combination 2

Ind AS 1, Presentation of Financial Statements and Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors

Ind AS 40 – Investment Property

The Company is in the process of evaluating the impact of the new amendments issued but not yet effective.

### (B) Subsidiary Company – AIC SURATi iLAB FOUNDATION:

AIC SURATi iLAB FOUNDATION, a fully owned subsidiary of Surat Smart City Development Limited, has been incorporated as a Section 8 licensed company under the Companies Act, 2013 for establishing Atal Incubation Centre (AIC). The main objective is to set up and implement Atal Incubation Centre in partnership with Atal Innovation Mission, NITI Aayog, with an objective of supporting innovative technology based start-up enterprises in India. The AIC shall endeavour to implement the following:

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

- i) Establish a high class incubation facility, including but not limited to a suitable physical infrastructure and operating facilities and affiliations with the sectoral experts.
- ii) Enable support ecosystem for incubated start-ups, including but not limited to mentoring, planning, organizing events, lab facilities, regulatory guidance, etc.
- iii) Provide preference in support to start-ups or innovators that have applications/impact in the core sectors of the economy.
- iv) Encourage innovation in the Indian ecosystem, through activities such as, but not limited to awareness workshops, training and capacity building, mentoring support to early stage start-up enterprises.
- v) Encourage creation of new technologies and intellectual property.
- vi) To support and carry out any other activity relevant to promotion and incubation of start-ups in the country.

As per IND AS 110-Consolidated Financial Statements, subsidiaries are all the entities (including structured entities) over which the company has control. The company controls an entity if and only if the company has all of the following:

- (a) Power over the entity;
- (b) Exposure or rights to variable returns from its involvement with the entity;  
and
- (c) The ability to use its power over the entity to affect the amount of company's returns.

SURATI iLAB Foundation has one of its prime objective that *"the profit, if any or other income and property of the said company, whenever derived, shall be applied solely for the promotion of the objects as set forth in the Memorandum of Association of the company and that no portion thereof shall be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise by way of profit, to persons who at any time are or have been members of the said company or to any of them or to any person claiming through any one or more of them."* Considering the said prime objective of the subsidiary company incorporated as a Section 8 licensed company, the company cannot have any exposure or right to variable returns earned by such subsidiary company due to restriction of use of such earned profits for its set objective as mentioned in

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

Memorandum of Association and hence, the criteria as mentioned in (B) (b) and (B) (c) is not fulfilled. Since only the condition mentioned in (B) (a) is satisfied, it cannot be said that the company has any control over its subsidiary company as per these standards and hence the consolidation of financials is not required to be done.

**(C) Other Income:**

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**(D) Going Concern:**

There are no significant instructions or order passed by the relevant authorities which would impact the going concern status of the Company and its future operations.

**(E) Fair Value Measurement:**

The Company measures certain financial instruments at fair value at each balance sheet date. Certain accounting policies and disclosures require the measurement of fair values, for both financial and nonfinancial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The best estimate of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

Subsequently that difference is recognised in Statement of Profit and Loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy that categorizes into three levels, described as follows, being the inputs to valuation techniques used to measure value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 — inputs that are unobservable for the asset or liability

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### **(F) Financial Instruments:**

A Company recognizes financial assets and financial liabilities when it becomes party to the contractual provision of the instrument

#### **(i) Financial Assets:**

##### **a) Initial recognition and measurement:**

Financial assets are initially measured at its fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at Fair Value Through Statement of Profit and Loss Account) are added to or deducted from the fair value of the concerned financial assets, as appropriate, on



## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

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initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through Statement of Profit and Loss are recognized immediately in Statement of Profit and Loss.

However, trade receivable that do not contain a significant financing component are measured at transaction price.

**b) Subsequent measurement:**

For subsequent measurement, the company classifies financial asset in following broad categories:

- Financial asset carried at amortized cost.
- Financial asset carried at Fair Value Through Other Comprehensive Income (FVTOCI)
- Financial asset carried at Fair Value Through Profit and Loss (FVTPL)

**Financial asset carried at amortized cost (net of any write down for impairment, if any):**

Financial assets are measured at amortized cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset giving rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortized costs using Effective Interest Rate (EIR) method less impairment, if any. The losses arising from impairment are recognized in the Statement of Profit and Loss. Cash and bank balances, trade receivables, loans and other financial asset of the company are covered under this category.

Under the EIR method, the future cash receipts are discounted to the initial recognition value using EIR. The cumulative amortization using the EIR method of the difference between the initial recognition amount and maturity amount is added to the initial recognition value (net of principal repayments, if any) of the financial asset over the relevant period of the financial asset to arrive at amortized cost at each reporting date. The corresponding effect of the amortization

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

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under EIR method is recognized as interest income over the relevant period of the financial asset. The same is included under "other income" in the Statement of Profit and Loss. The amortized cost of the financial asset is also adjusted for loss allowance, if any.

### **Financial asset carried at FVTOCI:**

Financial asset under this category is measured initially as well as at each reporting date at fair value, when asset is held with a business model whose objective is to hold asset for both collecting contractual cash flows and selling financial assets. Fair value movements are recognized in the Other Comprehensive Income.

### **Financial asset carried at FVTPL:**

Financial asset under this category are measured initially as well as at each reporting date at fair value. Changes in fair value are recognized in the Statement of Profit and Loss.

### **c) De-recognition:**

A financial asset is primarily derecognized when rights to receive cash flows from the asset have expired or the Company has transferred its contractual rights to receive cash flows of the financial asset and has substantially transferred all the risk and reward of the ownership of the financial asset.

### **d) Impairment of Financial Assets:**

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model for evaluating impairment of financial assets other than those measured at Fair Value Through Profit and Loss (FVTPL).

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original Effective Interest Rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

For trade receivables Company applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed. For other assets, the Company uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used. ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Statement of Profit and Loss under the head 'Other expenses'

### (ii) Financial Liabilities:

#### a) Initial recognition and Measurement:

The Company recognizes a financial liability in its Balance Sheet when it becomes party to the contractual provisions of the instrument. Company classifies all financial liabilities as subsequently measured at amortised cost or at FVTPL.

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

#### b) Subsequent Measurement:

Financial liabilities at Fair Value Through Profit and Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at Fair Value Through Profit and Loss. Interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through EIR amortization process. Amortized cost is calculated by taking into account any

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

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discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included as finance costs in the Statement of Profit and Loss.

**c) De-recognition of Financial Liabilities:**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss.

**(iii) Offsetting of Financial Instruments:**

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

**(iv) Derivative Financial Instruments:**

Derivative Financial Instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each reporting date. Gain or loss arising from changes in the fair value of heading instrument is recognized in the Statement of Profit and Loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

**(G) Operating Segment and its reporting:**

Reporting is made to the Chief Operating Decision Makers ('Shareholders' being the local body and the State Government) for the purpose of resource allocation and assessment of segment focuses on the types of public welfare projects undertaken by the Company. The Company undertakes various projects for the public welfare as per the Smart City Mission Statement and Guidelines, which in

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

the context of Indian Accounting Standard 108 'Segment Information' represents single reportable segment.

### (H) Accounting for Government Grants:

Grants related to assets are Government Grants whose primary condition is that an entity qualifying for them should purchase, construct or acquire long-term assets. Grants related to income are government grants other than those related to assets. As per Ind AS 20 (Revised) "Accounting for Government Grants and Disclosure for Government Assistance" accounting of the Government grants has been done in following manner:

#### (i) Grants related to Assets (Capital Grants):

Grants related to purchase, construction or acquisition of long term assets are recognised only when the same are received and conditions related to the same are fulfilled. Till the financial year 2017-18, grants were recognised as 'non-current liabilities' under the head 'Capital Grants' at fair value. The said grants related to purchase, construction or acquisition of long term depreciable assets were to be recognised in Statement of Profit and Loss as 'Deferred Income' over the periods and in the proportions in which depreciation expense on those assets is recognised.

However, as per notification issued by the Ministry of Corporate Affairs dated September, 20, 2018, in paragraph 23-28 of IND AS 20, the following has been amended:

*"Government Grants related to assets, including non-monetary assets at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset."*

#### (ii) Grants related to meet the revenue Expenses (Revenue Grants):

Government Grants, which are revenue in nature are recognised in Statement of Profit and Loss on a systematic basis over the period in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

A Government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

support to the entity with no future related costs are recognised in Statement of Profit and Loss of the period in which it becomes receivable.

**(I) Taxation:**

Current Tax is recognised in Statement of Profit and Loss, except to the extent that it relates to items recognised in 'Other Comprehensive Income' or directly in the equity, in which case, the current tax is also recognised in 'Other comprehensive Income' or directly in the Statement of equity.

**(J) Cash and cash equivalents:**

Cash and cash equivalents includes cash on hand, other short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. It consists of balances with bank which are unrestricted to withdrawals and usage.

**(K) Particulars of Loan, Guarantees and Investments made by the Company:**

The Company has invested Rs 1,82, 00,000 in AIC SURATI iLAB FOUNDATION (its wholly owned subsidiary company). The Company has also borne the cost of building of infrastructural facilities along with its incorporation related expenses, being a part of one of the approved Smart City projects, identifiable as PAN 9\_1 from the financial year 2018-2019.

**(L) Related Party Transactions:**

Sr. No.	Name of related party	Nature of Transaction	Amount of Transaction	Financial Year
1	AIC SURATI iLAB FOUNDATION	Subscription to Equity shares of AIC SURATI iLAB Foundation.	Rs 182 Lakh	2018-2019
2	Surat Municipal Corporation	Subscriber to Share Capital of Surat Smart City Development Limited.	Rs 100 Crore	2016-2017

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

### (M) Management of Capital:

For the purpose of management of capital of the company, debt-to-equity ratio has been considered which comprises of net debt divided by total equity as per the financial statements:

Particulars	As at March 31, 2020	As at March 31, 2019
Non-Current Liabilities	6,20,71,72,884	323,92,61,927
Equity	245,07,80,931	235,53,86,693
Debt/Equity Ratio	2.53	1.37

### (N) Property, Plant and Equipment's:

#### (i) **Deemed Cost of assets on transition to Ind AS:**

On transition to Ind AS, the company has elected to use the exemption available under Ind AS 101 to continue the carrying value for all of its PPE as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition (March 31, 2016).

#### (ii) **Depreciation method, estimated useful lives and residual value:**

Depreciation on the Fixed Assets is provided based on the useful life of the assets as provided under Schedule II to the Companies Act, 2013 after retaining the residual value of the asset. The useful life is determined based on the evaluation, taking into account the nature of assets, the operating conditions of the assets, technological changes, etc. The residual values are not more than 5% of the original cost of the assets. The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

#### (iii) **Capital work in progress and condition related to its conversion to the Property Plant and Equipment:**

Capital work in progress (CWIP) comprises of cost of acquisition of assets, duties, levies and any cost directly attributable to bringing the asset to its working condition for the intended use. Expenditure incurred on project

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

under implementation is treated as incidental expenditure incurred during construction and is allocated to the assets which is subsequently allocated / apportioned on completion of the entire project. The conversion of the any item of capital work in progress into assets is done only after receiving confirmation related to the project completion (i.e. Completion certificates).

### **(O) Provisions and Contingent Liabilities and Contingent Assets:**

#### **a) Provisions:**

Provisions are recognized when the company has present obligation (legal or constructive) as a result of past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense related to a provision is presented in the Statement of Profit and Loss net of any reimbursement/contribution towards provision made.

If the effect of the time value of money is material, estimate for the provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### **b) Contingent Liability:**

Contingent liability is disclosed in the case;

- When there is a possible obligation which could arise from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or;
- A present obligation that arises from past events but is not recognized as expense because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or;



## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

- The amount of the obligation cannot be measured with sufficient reliability.

**c) Capital Commitments:**

Commitments include the value of the contracts for the acquisition and construction of the assets. Following are the commitments with respect to Smart City Projects for which tenders awarded but the contracts were not completed till the year end.

(Amount in Crores)

Total cost of projects awarded	Total expenditure incurred up to 31.03.2019	Total expenditure incurred during the current financial year	Balance amount remaining unexecuted as on 31.03.2020
1010.64	447.34	79.26	484.04

**d) Contingent Assets:**

Contingent asset is disclosed in case a possible asset arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities, contingent assets and commitments are reviewed at each balance sheet date.

**(P) Earnings per share:**

**(i) Basic earnings per share:**

As per Ind AS 33 "Earnings per share", basic earnings per share is calculated by dividing:

- The profit attributable to the owners of the company
- By the weighted average number of equity shares outstanding during the financial year.

**(ii) Diluted earnings per share:**

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account:

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

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- The after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.
- There being no portion of dilutive shares in the company, only Earnings per Share is calculated.

### **(Q) Cash Flow Statement:**

Cash flows are reported using the indirect method where by the profit before tax is adjusted for the effect of the transaction of non-cash nature, any deferrals or accruals of past and future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the company are segregated.

### **(R) Current versus Non-Current Classification:**

The company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is classified as current when it satisfies any of the following criteria:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle.
- it is held primarily for the purpose of trading
- It is expected to be realized within 12 months after the date of reporting period, or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting period.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

A liability is current when it satisfies any of the following criteria:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle.
- it is held primarily for the purpose of trading

## Surat Smart City Development Limited

Note 1 to the Financial Statements for the financial year 2019-2020

- It is expected to be realized within 12 months after the date of reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period current liabilities include the current portion of long term financial liabilities.

The company classifies all other liabilities as non-current.

Signature to Schedules 1 to 26

For NATVARLAL VEPARI & CO.

CHARTERED ACCOUNTANTS

Firm Registration No: 123626W

Hiren R Vepari

Partner

Membership No. 102680

UDIN - 20102680AAAAAK7724

For and on behalf of

SURAT SMART CITY DEVELOPMENT LIMITED

(1) Chaitanya Bhatt

(2) Rajesh J Pandya

(Director – DIN:07462947)

(Director – DIN: 08350470)

(Chief Financial Officer)

(Company Secretary)

Place: Surat

Date: 13<sup>th</sup> December, 2020

Place: Surat

Date: 13<sup>th</sup> December, 2020

**SURAT SMART CITY DEVELOPMENT LIMITED**

Cash Flow Statement for the year ended 31st March, 2020

Particulars	As at March 31, 2020		As at March 31, 2019	
<b>(A) Cash Flow from Operating Activities:</b>				
Net profit/(loss) before tax and Extraordinary items:		11,34,27,787		4,38,42,834
Adjusted for:				
<b>Add:</b>				
Depreciation		43,46,751		83,20,884
Finance Cost		649		-
Operating Profit before Working Capital Changes		11,77,75,187		5,21,63,718
Adjusted for:				
(Increase)/Decrease in Trade and Other Receivables	(4,08,06,821)		(3,54,38,577)	
Increase/(Decrease) in Trade Payables & other liabilities	37,98,754		2,32,55,572	
Advance to suppliers	(2,25,297)	(3,72,33,364)	(3,85,234)	(1,25,68,239)
Cash Generated from Operations before prior period item		8,05,41,823		3,95,95,479
Tax Paid		(3,30,00,000)		(1,25,00,000)
<b>Net Cash Generated from/ (used in) Operations</b>		<b>4,75,41,823</b>		<b>2,70,95,479</b>
<b>(B) Cash Flow from Investing Activities:</b>				
Purchase of Fixed Assets		(1,05,26,799)		(4,24,49,822)
Increase in Capital WIP		(75,97,69,121)		(1,60,80,96,627)
Investment in subsidiary company				(1,82,00,000)
<b>Net Cash Generated from / (used in) Investing Activities</b>		<b>(77,02,95,921)</b>		<b>(1,66,87,46,449)</b>
<b>(C) Cash Flow from Financing Activities:</b>				
Finance Cost		(649)		
Proceeds from Share Capital and grants (Net)	3,02,75,00,000			1,43,17,50,000
Less : Amount transferred to profit and loss account	1,96,55,508	3,00,78,44,492		
<b>Net Cash Generated from/ (used in) used in Financing Activities</b>		<b>3,00,78,43,843</b>		<b>1,43,17,50,000</b>
Net (Decrease)/Increase in Cash and Cash Equivalents		2,28,50,89,745		(20,99,00,970)
Cash and Cash Equivalents at the beginning of the year		1,58,13,92,706		1,79,12,93,675
Cash and Cash Equivalents at the end of the year		3,86,64,82,451		1,58,13,92,706

Figures in brackets shows outflow

For Natvarlal Vepari & Co.  
Chartered Accountants.



Hiren Vepari  
Membership no.-102680  
Partner.

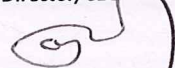
UDIN:

20102680AAAAAAK7724

Date: 13th December, 2020  
Place: Surat

For and on behalf of Surat Smart City  
Development Ltd.

Director/CEO

  
(1) Chaitanya Bhatt  
(DIN : 07462947)

Director

  
(2) Rajesh J Pandya  
(DIN : 08350470)

  
Chief Financial Officer

Date: 13th December, 2020  
Place: Surat

  
Company Secretary