

TAMIL NADU STATE MARKETING CORPORATION LIMITED**THIRTY FOURTH ANNUAL REPORT**

CONTENTS	PAGE NO.
General Information	1
Notice to Shareholders.....	2
Directors' Report.....	3-21
Auditors' Report.....	22-32
Comments of the Comptroller and Auditor General of India.....	33
Balance Sheet.....	34
Statement of Profit and Loss	35
Notes to the Balance Sheet and the Statement of Profit and Loss	36-62

PRESENT BOARD OF DIRECTORS**Thiru P.THANGAMANI**

Chairman, TASMAC Ltd. and
Hon'ble Minister (Electricity, Prohibition & Excise),
Secretariat, Chennai – 600 009.

Thiru K.SHANMUGAM, I.A.S.,

Additional Chief Secretary to Government,
Finance Department,
Secretariat, Chennai - 600 009.

Dr.C.CHANDRAMOULI, I.A.S.,

Additional Chief Secretary to Government,
Commercial Taxes & Registration Department (i/c),
Secretariat, Chennai – 600 009.

Dr.NIRANJAN MARDI, I.A.S.,

Additional Chief Secretary to Government,
Home, Prohibition and Excise Department,
Secretariat, Chennai - 600 009.

Thiru R.KIRLOSH KUMAR, I.A.S.,

Managing Director
Tamil Nadu State Marketing Corpn. Ltd.,
Egmore, Chennai – 600 008.

&

Commissioner of Prohibition & Excise (i/c),
Chepauk, Chennai – 600 005.

**CHIEF GENERAL MANAGER
(FINANCE) & COMPANY SECRETARY**

Thiru R.BALASUBRAMANIAN,
B.B.A., A.C.A., A.C.S., L.L.B.,

AUDITORS

M/s. SUNDARAM & SRINIVASAN,
Chartered Accountants,
New No.4, Old No.23,
C.P Ramasamy Road,
Alwarpet, Chennai – 600 018.

BANKERS

State Bank of India, Union Bank of India,
Indian Overseas Bank, ICICI Bank,
Indian Bank, Vijaya Bank,
State Bank of Travancore.

REGISTERED OFFICE

C.M.D.A. Tower-II, IV Floor,
Gandhi Irwin Bridge Road,
Egmore, Chennai - 600 008.
Phone: 2852 1970 Fax: 2852 4634
e-mail: md2tasmac@gmail.com

TAMIL NADU STATE MARKETING CORPORATION LIMITED

CMDA TOWER-II, IV FLOOR, GANDHI IRWIN BRIDGE ROAD, EGMORE, CHENNAI-8.

NOTICE

Date : 27.12.2017

To

All the Share Holders

Notice is hereby given that the 34th Annual General Meeting of TASMAC will be held on **27.12.2017** at **03.00 P.M. at the Industries Department Conference Hall, 9th Floor, Namakkal Kavignar Maaligai, Secretariat, Chennai – 600 009** to transact the following business.

ORDINARY BUSINESS:**1. To adopt accounts:**

“To receive, consider and adopt the Statement of Profit and Loss for the year ended 31.03.2017 and the Balance Sheet as at that date together with Directors’ Report, Auditors’ Report and the comments of the Comptroller and Auditor General of India thereon.”

2. To fix the remuneration for the Statutory Auditors for the year 2017-18 by passing the following resolution with or without modification as a Special Resolution:

“Resolved to authorize the Board of Directors of TASMAC to fix the remuneration for the Statutory Auditors for the year 2017-18 who have already been appointed by the Comptroller and Auditor General of India under Section 139 of the Companies Act, 2013 and Travelling Allowance and out of pocket expenses, as required under Section 142 of the Companies Act, 2013”.

(BY ORDER OF THE BOARD)

Sd/-
MANAGING DIRECTOR**Registered Office**

TASMAC Ltd.,
CMDA Tower-II, IV Floor,
Gandhi Irwin Bridge Road,
Egmore, Chennai – 600 008.

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote and the proxy need not be a member.
2. A proxy form is enclosed.
3. The members are requested to sign and send the Form enclosed herewith, giving consent to hold the 34th Annual General Meeting on 27.12.2017 at shorter notice.

DIRECTORS' REPORT

To

The Shareholders

Dear Members,

Your Directors have pleasure in presenting the 34th Annual Report and the audited accounts of the Company for the year ended 31st March 2017.

1. INTRODUCTION:

TASMAC was incorporated on 23.5.1983 and it is conducting its wholesale and retail business of IMFS and Beer all over Tamil Nadu. It is also marketing Imported Foreign Liquor, Beer and Wine products.

2. SALE OF IMFS & BEER PRODUCTS:

Sales turnover of IMFS and Beer products during the year under report is furnished below:

Year	IMFS & Beer (₹ in Crores)
2016-2017	31,243.57

3. REVENUE TO GOVERNMENT:

Details regarding revenue to the Government by way of Value Added Tax (Sales Tax) and Annual Privilege Fee (License Renewal Fee) from TASMAC during the year under report are given below:

(₹ in Crores)

Year	Value Added Tax (Sales Tax)	Annual Privilege Fee (License Renewal Fee)
2016-2017	14,574.74	0.06

4. CHANGE IN THE NATURE OF BUSINESS

There were no changes in the nature of business during the year under report.

5. FINANCIAL RESULTS:

Your Directors have pleasure to report that the Corporation has earned a Profit of Rs.25.23 crores (before tax) during the year under report.

6. DIVIDEND:

Since there is accumulated loss after adjustment of earlier years' carry forward loss against current year profit (after tax), the Board of Directors has not recommended any dividend for the financial year under review.

7. AMOUNTS TRANSFERRED TO RESERVES:

The current year profit (after tax) has been adjusted against accumulated loss of earlier years.

8. SHARE CAPITAL:

During the year under report, the company has not issued any shares.

9. DIRECTORS:

The following changes have been taken place in the Board of TASMAC during the year 2016-17.

- (i) Thiru. Natham R.Viswanathan, formerly Hon'ble Minister (Electricity, Prohibition and Excise) ceased to be the Chairman, TASMAC Ltd, with effect from 18.04.2016.
- (ii) Thiru.R.Kirlosh Kumar, I.A.S., was appointed as Managing Director, TASMAC Ltd, with effect from 17.06.2016 in the place of Dr.C.N.Mahesvaran, I.A.S., holding additional charge of the post of Managing Director.
- (iii) Dr.C.Chandramouli, I.A.S., Additional Chief Secretary to Government, Commercial Taxes and Registration Department (i/c) was appointed as a Director with effect from 24.06.2016 in the place of Thiru.Md.Nasimuddin, I.A.S.
- (iv) Thiru. P.Thangamani, Hon'ble Minister (Electricity, Prohibition and Excise) was appointed as the Chairman, TASMAC Ltd, with effect from 29.06.2016. He functioned as the Chairman, TASMAC upto 05.12.2016.
- (v) Thiru.R.Kirlosh Kumar, I.A.S., Managing Director, TASMAC Ltd placed in full additional charge of the post of Commissioner of Prohibition and Excise was appointed as a Director with effect from 05.07.2016 in the place of Dr.C.N.Mahesvaran, I.A.S.
- (vi) Thiru. P.Thangamani, Hon'ble Minister (Electricity, Prohibition and Excise) was again appointed as the Chairman, TASMAC Ltd, with effect from 13.03.2017.
- (vii) Dr.Niranjani Mardi, I.A.S., Additional Chief Secretary to Government, Home, Prohibition and Excise Department was appointed as a Director with effect from 16.03.2017 in the place of Thiru.Apurva Varma, I.A.S.

10. EXTRACT OF THE ANNUAL RETURN.

The extract of the annual return in Form MGT-9 as provided under Section 92(3) of the Companies Act, 2013, is attached as **Annexure - I** to the Directors' Report.

11. NUMBER OF BOARD MEETINGS CONDUCTED DURING THE YEAR UNDER REPORT.

During the year under report, the Board of Directors Meetings have been convened 4 times i.e. on 27.06.2016, 30.08.2016, 21.09.2016 and 27.12.2016. The details of Attendance of Directors in the Board Meeting held during the financial year 2016-17 are as under:

Name	No. of Meetings attended out of 4 meetings held	Remarks
Tvl.		
Executive Director		
R.Kirlosh Kumar, I.A.S, Managing Director	4	
Non – Executive Directors		
P.Thangamani, Chairman Hon'ble Minister for Electricity, Prohibition and Excise	2	Appointed as Chairman TASMAC w.e.f 29.06.2016
K.Shanmugam, I.A.S Additional Chief Secretary to Government, Finance Department	4	
Apurva Varma, I.A.S Principal Secretary to Government, Home, Prohibition and Excise Department	4	Ceased to be a Director w.e.f 03.03.2017
Dr.C.Chandramouli, I.A.S Additional Chief Secretary to Government, Commercial Taxes & Registration Department	1	

12. DECLARATION OF INDEPENDENT DIRECTORS.

TASMAC being a private limited company, the provisions of Section 149 of the Companies Act, 2013 pertaining to appointment of Independent Directors do not apply.

13. KEY MANAGERIAL PERSONNEL.

TASMAC being a private limited company, the provisions for Key Managerial Personnel under Section 203(1) of the Companies Act, 2013 are not applicable.

14. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013.

The Company has not granted any loan nor given any guarantee nor made any investments under Section 186 of the Companies Act, 2013 during the year under review and hence disclosure under the said provision is not applicable.

15. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES.

The Company has not entered into any contract nor made any arrangements with related parties as defined under Section 188 of the Companies Act, 2013 during the year under report.

16. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY -**A) REDUCTION IN WORKING HOURS OF RETAIL VENDING SHOPS AND CLOSURE OF 1000 SHOPS**

Government has ordered to reduce the working hours of TASMAC retail vending liquor shops and the bars attached thereto and to reduce the number of shops. Accordingly, from 24.05.2016 onwards, the TASMAC retail vending liquor shops and the bars attached thereto are working from 12 noon to 10 p.m as against 10 a.m to 10 p.m. Also, 500 TASMAC retail vending liquor shops have been closed with effect from 19.06.2016. Further, 500 more retail vending liquor shops have been closed with effect from 24.02.2017. Thus, 1000 retail vending liquor shops were closed after identifying suitable shops in the year 2016-2017.

B) MATERIAL CHANGES SUBSEQUENT TO CLOSE OF FINANCIAL YEAR - ORDERS OF THE SUPREME COURT OF INDIA DATED 31.03.2017 AND 11.07.2017

As per the orders of the Hon'ble Supreme Court of India, dated 31.03.2017, TASMAC has temporarily closed 3321 Retail Vending Shops situated within a distance of 220 meters from the outer edge of the National Highways/State Highways/ Service Lane along the highway in all those local bodies where the population is 20,000 people or less and those Retail Vending Shops which are situated within a distance of 500 meters from the outer edge of the National Highways/ State Highways/ Service Lane along the highway in all those local bodies where the population is more than 20,000 people.

TASMAC has relocated shops as per the norms laid down in the order of the Hon'ble Supreme Court of India and as per rule 8(1) of the Tamil Nadu Liquor Retail Vending (in shops and bars) Rules, 2003.

The Hon'ble Supreme Court in S.L.P. (Civil) No. 10243 of 2017 in Arrive Safe Society of Chandigarh vs. The Union Territory of Chandigarh by order dated 11.07.2017 has held that "the

purpose of the directions contained in the order dated 15 December, 2016 is to deal with the sale of liquor along and in proximity of highways properly understood, which provide connectivity between cities, towns and villages. The order does not prohibit licensed establishments within municipal area. This clarification shall govern other municipal areas as well. We have considered it appropriate to issue this clarification to set at rest any ambiguity and to obviate repeated recourse to IAs, before the Court”.

As on 21.12.2017, 4566 Retail Vending shops are functioning in the State.

17. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, INNOVATION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

Since the company is engaged in trading activities alone, furnishing of particulars regarding conservation of Energy, Technology absorption, Innovation, Foreign Exchange earnings and outgo under Section 134 (3) (m) of the Companies Act, 2013 is not applicable to TASMAC.

18. DEPOSITS :

The Company has neither accepted nor renewed any deposit from public during the year under report.

19. RISK MANAGEMENT (Sec 134 (3)(n)) :

TASMAC is given exclusive privilege of selling by wholesale and retail IMFS and Beer products throughout the State. There is no potential risk in respect of this business except the risk associated with changes in the Policy of the Government. Further the Board reviews the performance of the Company in each meeting.

20. DISCLOSURE RELATING TO SEXUAL HARASSMENT :

The Company has put in place Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. All employees (permanent, contractual, temporary, consolidated pay) are covered under this policy. The Company has not received any complaint under the said Act during the year.

21. CORPORATE SOCIAL RESPONSIBILITY :

A Corporate Social Responsibility Committee had been constituted by the Board of TASMAC in its 173rd Meeting held on 26.03.2015 with the following members:

- | | |
|--|------------|
| 1. Chairman, TASMAC | - Chairman |
| 2. The Additional Chief Secretary to Government,
Home, Prohibition and Excise Department, | - Member |

3. The Commissioner of Prohibition and Excise - Member
4. Managing Director, TASMAC - Member
5. Chief General Manager (Finance) &
Company Secretary - Secretary of the Committee

The Board in its 177th meeting held on 19.02.2016 approved the CSR policy. The Committee met on 30.09.2015, 19.02.2016 and 21.09.2016. Since, the average profit of the previous three years is negative, TASMAC has not spent any amount towards CSR activity during the year under report.

22. DETAILS OF SUBSIDIARY, JOINT VENTURE OR ASSOCIATE COMPANIES

The Company does not have any Subsidiary, Joint Venture or Associate Company.

23. CONSTITUTION OF AUDIT COMMITTEE PURSUANT TO SECTION 177 OF THE COMPANIES ACT, 2013.

In accordance with the provisions of Section 177 of the Companies Act, 2013, the Corporation has an Audit Committee, whose composition, role, functions and powers have been clearly laid out.

The Committee met on 31.10.2017 and reviewed the accounts, system of internal control etc. and the minute of the meeting was placed before the Board of TASMAC.

24. AUDITORS

M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai were appointed as Statutory Auditors by the Comptroller and Auditor General of India under Section 139 of the Companies Act, 2013 for the year 2016-2017. Replies to the observation of the Statutory Auditors are attached to this report (**Annexure – II**).

25. SECRETARIAL AUDIT REPORT.

TASMAC being a private limited company, the Secretarial audit under Section 204(1) of the Companies Act, 2013 are not applicable to TASMAC.

26. DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 134 (3) (C) OF THE COMPANIES ACT, 2013.

In compliance with the provisions of Section 134 (3) (C) of the Companies Act, 2013, your Directors wish to place on record that:

- (i) in the preparation of the annual accounts, all the applicable accounting standards had been followed, with proper explanation relating to material departures;

- (ii) such accounting policies had been selected and applied them consistently, judgments and estimates made were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit/loss of the company for that period;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts were prepared on a going concern basis;
- (v) the internal financial controls as laid down have been followed by the company and that such internal controls are adequate and were operating effectively.
- (vi) proper systems had been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

27. COMMENTS ON THE ACCOUNTS BY THE ACCOUNTANT GENERAL:

The comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of TASMAC for the year ending 31st March 2017 furnished by the Principal Accountant General (Economic and Revenue Sector Audit), Tamil Nadu is attached to this report **(Annexure-III)**.

28. ACKNOWLEDGEMENT:

We take this opportunity to acknowledge the continuing support and encouragement received by the Corporation from the Government of Tamil Nadu. We also wish to place on record our appreciation for the excellent work done by all officers and staff of the Corporation.

Date: 27.12.2017

Sd/- CHAIRMAN
for and on behalf of the Board of Directors

ANNEXURE - I TO THE DIRECTORS' REPORT

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2017

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U93090TN1983SGC010048
2.	Registration Date	23/05/1983
3.	Name of the Company	TAMILNADU STATE MARKETING CORPORATION LIMITED
4.	Category/Sub-category of the Company	PRIVATE LIMITED COMPANY - LIMITED BY SHARES STATE GOVERNMENT COMPANY
5.	Address of the Registered office & contact details	IV FLOOR, CMDA TOWER – II, OFFICE COMPLEX, GANDHI IRWIN BRIDGE ROAD, EGMORE CHENNAI – 600 008, TAMILNADU PHONE : 28521970 FAX :28524634 e-mail : md2tasmac@gmail.com
6.	Whether listed company	NO
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10% or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	WHOLESALE / RETAIL OF IMFS AND BEER	-	-

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES: N.A.

	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/Associate	% of shares held	Applicable Section
1	N.A.				

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

A) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2016]			No. of Shares held at the end of the year[As on 31-March-2017]			% Change during the year
	Demat	Physical	Total	Demat	Physical	Total	
A. Promoters (1) Indian							
a) Individual/HUF	0	0	0	0	0	0	0
b) Central Govt	0	0	0	0	0	0	0
c) State Govt(s)	0	150000	150000	0	150000	150000	0
d) Bodies Corp.	0	0	0	0	0	0	0
e) Banks / FI	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0
Total shareholding of Promoter (A)	0	150000	150000	0	150000	150000	0
B. Public Shareholding							
1. Institutions	0	0	0	0	0	0	0
a) Mutual Funds	0	0	0	0	0	0	0
b) Banks / FI	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0
g) FIIIs	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0
Sub-total (B)(1):-	0	0	0	0	0	0	0

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2016]				No. of Shares held at the end of the year[As on 31-March-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions	0	0	0	0	0	0	0	0	0
a) Bodies Corp.									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0
Non Resident Indians	0	0	0	0	0	0	0	0	0
Overseas Corporate Bodies	0	0	0	0	0	0	0	0	0
Foreign Nationals	0	0	0	0	0	0	0	0	0
Clearing Members	0	0	0	0	0	0	0	0	0
Trusts	0	0	0	0	0	0	0	0	0
Foreign Bodies - D R	0	0	0	0	0	0	0	0	0
Sub-total(B)(2):-	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+(B)(2)	0	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	150000	150000	100	0	150000	150000	100	0

B) Shareholding of Promoter-

S. No.	Share holder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. Shares	% of total of Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	State Government	150000	100	0	150000	100	0	0

C) Change in Promoters' Shareholding (please specify, if there is no change)

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year	150000	100	150000	100
2.	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	No Change	No Change		
	At the end of the year	150000	100	150000	100

D) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs): NIL
E) Shareholding of Directors and Key Managerial Personnel:

S. No	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year	9	0.01	9	0.01
2.	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.):	No Change	No Change		
	At the end of the year	9	0.01	9	0.01

V) INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

Particulars of Indebtedness	Secured Loans excluding deposits (₹)	Unsecured Loans (₹)	Deposits (₹)	Total Indebtedness (₹)
Indebtedness at the beginning of the financial year				
i) Principal Amount	620,14,22,793	914,80,72,931	-	1534,94,95,724
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	35,74,966	-	-	35,74,966
Total (i+ii+iii)	620,49,97,759	914,80,72,931	-	1535,30,70,690
Change in Indebtedness during the financial year				
* Addition	-	284,56,71,346*	-	284,56,71,346
* Reduction	30,28,38,543	-	-	30,28,38,543
Net Change	(30,28,38,543)	284,56,71,346	-	254,28,32,803
Indebtedness at the end of the financial year				
i) Principal Amount	589,90,77,000	1199,37,44,277	-	1789,28,21,277
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	30,82,216	-	-	30,82,216
Total (i+ii+iii)	590,21,59,216	1199,37,44,277	-	1789,59,03,493

* ₹ 1000 Crores short term loan availed from Indian Bank during March 2016 was repaid during April 2016.

* ₹ 1100 Crores short term loan availed from Indian Bank and ₹ 100 Crores from Union Bank of India totaling of ₹ 1200.00 Crores during March 2017 were repaid during April and May 2017.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-
A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

S. No.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
		Thiru. R.Kirlosh Kumar, I.A.S.,	
1	Gross salary	₹	₹
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	17,88,394	17,88,394
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income- tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission - as % of profit - others, specify	-	-
5	Others, please specify	-	-
	Total (A)	17,88,394	17,88,394
	Ceiling as per the Act	N.A.	N.A.

B. Remuneration to other directors: NIL
C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

S. No	Particulars of Remuneration	Key Managerial Personnel	
		CGM (F) & CS	Total
1	Gross salary	₹	₹
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	26,25,739	26,25,739
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	—	—
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	—	—
2	Stock Option	—	—
3	Sweat Equity	—	—
4	Commission - as % of profit others, specify...	— — —	— — —
5	Others, please specify	—	—
	Total	26,25,739	26,25,739

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: NIL

ANNEXURE – II TO THE DIRECTORS’ REPORT

OBSERVATIONS OF THE STATUTORY AUDITORS	REPLY BY TASMAC
<p>The Company has not provided for; As per Standards on Auditing (SA) 570,</p> <p>a. Hon’ble Supreme Court Order dated 15th December 2016 directing appellants not to issue or extend or renewal of licenses for sale of liquor/ liquor shops on/ along the State and National Highways. The company as per the Order of Supreme Court has temporarily closed 3320 Retail Vending Shops throughout the state with effect from 1st April 2017. We are unable to quantify the impact based on order of the Hon’ble Supreme Court on the closure of Retail Vending shops along State and National Highways.</p>	<p>The impact of closure of shops based on the orders of the Supreme Court cannot be quantified.</p>
<p>b. Due to uncertainty in the policy of the Government relating to continuance of operations of Retail Vending liquor shops under the banner of State Government / State run enterprise of Tamilnadu State Marketing Corporation Limited, the Management based on Tamilnadu Government Orders have also considerably reduced the shop/ retail vending units across the State in a major amount whereby on various dates the shops to a extent of 1000 shops were closed during the FY 2016-17. The management has approved the renewal of the rental/ bar license agreement.</p> <p>The process of renewing these agreements has not yet been completed at the district level. There has been large scale relocation of shops due to orders of the Supreme Court of the India and various cases on the location of the retail vending shops in the Hon’ble Madras High Court and Madurai Bench of the Madras High Court and Law and Order problems. There was no response to the tender for the bar eatable contract whereby there could be loss to the Exchequer of Government of Tamilnadu which cannot be quantified at this stage.</p>	<p>Necessary instructions have been given to all Senior Regional Managers and District Managers for renewal of rental agreements and execution of fresh agreements in respect of existing Retail Vending shops and relocated Retail Vending shops respectively.</p> <p>The tender process for permission for sale of eatable and collection of empty bottles with new formula for fixation of upset price has been initiated and agreements with successful bar contractors would be executed by the end of December 2017 onwards.</p>

The company is in the practice of ascertaining and accounting for the 90 days old stock at the depots, whereas this practice is not being followed in respect of 90 days stock at retail vending shops. There was delay in a few cases while reporting and transferring back Sedimented stock from shops to depots. The Company has not ascertained and accounted for Sedimented stock /stock unfit for consumption held at a few of the retail vending shops.

In the case of Retail Vending Shops, the flying squads under the head of Deputy Collectors stationed at Senior Regional Managers offices, the concerned District Managers, Senior Regional Managers and Head quarters flying squads are conducting surprise physical verification of stock in the Retail Vending Shops. Further Internal Auditors are also conducting physical verification of stock every month. They specifically report over 90 days stock held in the Retail Vending shops. Further, the supervisors of all retail vending shops are periodically instructed to return over 90 days stock to the concerned IMFS Depot.

There is absolute control in respect of identifying sedimented stock/stock unfit for consumption both at the shops and in the Depots. However action is being taken to get certificate from all Retail Vending shops periodically that there is no sedimented stock/stock unfit for consumption in the shop.

The Company due to the size of operation is maintaining various packages of software across platforms. Accounts are consolidated at Head Office as per Returns and Schedules certified by the Internal Auditors received from Depots and Offices of District Managers.

We were unable to reconcile and confirm the following:

- Sales as per Retail Shop Vending Machines wherever it is installed and put to use with Sales and Collections reported in the schedules.
- Accounts Maintained in Tally in District Manager Office with returns and Schedules from the concerned District Manager Offices.

The Electronic billing machines have been installed in about 2500 retail vending shops. These machines are stored with data related to stock transfer from Depot to shops. The sale bills are prepared and issued every day in the billing machines. In certain areas there is a network connectivity issue due to fluctuation in signal strength of mobile communication. This affects complete dependance on the data generated through Electronic Billing Machines installed in the shops. Further electronic billing machines have not been installed in retail vending shops in most of the districts. The electronic billing machine is parallely used in most of the shops where they are installed.

Hence the data generated through billing machines are not used for Financial Accounting.

Steps have been taken to update accounts maintained in District Managers office in Tally software so that it can be reconciled with the returns and schedules from the concerned District Manager Offices.

The Management based on the scrolls and statements received from various banks, in respect of Non-operative collection accounts, has disclosed in the Notes on accounts, Cash on hand as on 8th November 2016 and the acceptance of Specified Bank Notes and other notes between 9th November 2016 to 30th December 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures of Cash in hand as on specified dates, handling of Specified Bank Notes (SBN), non-permitted transactions and its treatment in books of accounts (which as per the Management's statement is based on the scrolls and statements received from banks) are correct.

The Government of India vide Notification No.2652, dated 08.11.2016, inter alia, ordered that currencies in the denominations of ₹ 1000/- and ₹ 500/- ceased to be legal tender with effect from 09.11.2016. Based on the above Notification necessary instructions have been given immediately to all Senior Regional Managers and District Managers to instruct the shops personnel not to accept currencies in the denomination of ₹ 1000/- and ₹ 500/- while selling liquor to the consumers from 09.11.2016 onwards. These instructions were given by mail and informed over phone before (i.e. before 12.00 noon) opening the retail vending shops on 09.11.2016. The District Managers in turn have given necessary instructions to the shop personnel.

The disclosures of Cash in hand as on specified dates, handling of Specified Bank Notes (SBN) and non-permitted transactions are based on the scrolls and statements received from banks.

The Company has not ascertained and accounted the Cost of a few pieces of land which are under the possession of the Company, as listed in Note No.11(a) 1 to the "Balance Sheet and the Statement of Profit and Loss".

The lands listed in Note No.11 (a) 1 mentioned above and listed in Note 11(a) 2 have not yet been registered in the name of the Company, although the Company has been in the possession of these assets for many years.

Annexures - A and C to Audit Report :

(C) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except title deeds, in respect of freehold lands:

- Amounting to ₹ 90.62 lakhs, the title deeds of which are held in the name of TASCOT Ltd which has since been 'amalgamated' with the Company.

Steps have been taken to ascertain the cost of these lands. The cost will be accounted for in the accounts of TASMAC in the forth coming years.

TASMAC has taken necessary action for registration of the lands listed in Note No.11(a) 2.

TASMAC has made progress in ascertaining the cost of these lands and registration of these assets since the date of last Directors' Report.

Action is being taken to transfer the name in the relevant documents from the name of erstwhile Tamil Nadu Spirits Corporation Limited (TASCO) (which had since been amalgamated with TASMAC) to TASMAC.

- Costing ₹ 2,461.91 lakhs which are not registered in the name of the Company.
- Relating to 5 Godowns, which were allotted by the Government of Tamil Nadu for which cost has not yet been ascertained.

The company has to periodically review and strengthen the policies relating to Purchases, Procurements and Price Fixation.

TASMAC has well laid down purchase policies such as approval of new brands (by the Government/Commissioner of Prohibition and Excise), review of cost sheet submitted by the suppliers, price negotiation by Internal Committee, recommending negotiated final basic price to the Board for approval.

Based on the approval of the Board, Government is addressed for issuing classification G.O (for IMFS as Ordinary / Medium and Premium category). On receipt of classification G.O. and brand label approval by the Commissioner of Prohibition and Excise, purchase orders are placed with the suppliers for supply of approved brands. Procurements are periodically done based on demand and stock position of various brands.

Confirmation of balances of advances, deposits, trade payables and trade receivables has not been received in certain cases.

Certificate of confirmation of balances have been obtained in respect of Advances, Deposits, Trade Payables and Trade Receivables except in respect of a very few cases.

The Fixed Assets register maintained by the Company are to be updated showing full particulars, value including quantitative details and situation of fixed assets.

Corporate office is maintaining Fixed Assets register containing details regarding fixed assets in all locations including Corporate office, the Senior Regional Manager offices, District Manager Offices and Depots. Further all SRM offices, DM offices and Depots are maintaining Fixed Assets register containing fixed assets in respect of those offices and more specifically the DM office is maintaining fixed assets held in retail vending shops also. Steps have been taken to update these registers.

On the basis of the information and explanation given to us, fixed assets are being physically verified by the management at reasonable intervals. In our opinion, the frequency of verification of fixed assets by the management during the year except identification of Assets retired from active use and kept for disposal is reasonable having regard to the size of the Company and nature of its assets. As informed to us, no material discrepancies were noticed on such verification. However, we were not able to reconcile the physical verification report with the values of fixed assets reported in the books of accounts.

Plant and Machinery retired from active use which were taken over from the erstwhile Tamil Nadu Spirit Corporation Limited (TASCO) have been disposed off.

Action is being taken for identifying the condemned assets in various units, (Corporate Office, Senior Regional Manager Offices, District Manager Offices, Depots and shops) for their disposals.

During the course of Audit, we have observed that Internal Control System has to be strengthened commensurate with the size of the company and the nature of business in the following;

Raising bills on Sale of goods immediately on sale, identification of sediment stock periodically in respect of inventory at Retail Vending Shops, periodical review and strengthening of purchase policy, Selection of Vendors, Suppliers Price Fixation, Procurement Policy, integration of software under various platforms, review of internal audit reports and its impact analysis, maintenance of books of accounts on double entry system of accounting in retail vending shops, depots and District Manager Offices, assets backing to Self insurance corpus fund, HR and pay roll processing, follow up action on Various cash misappropriation, Cash Theft, action for timely renewal of agreements.

With regard to the sale of goods the internal control system has to be strengthened commensurate with the size of the company and the nature of its business.

Annexure-C to Audit Report :

During the course of our audit we observed that

- the sales are not billed as and when they take place in the retail shops as is observed by us

Regarding Self Insurance of retail vending shops the settlement of insurance claim is on case to case basis after obtaining complete documentation. TASMAC is meeting this risk out of the Corpus funds created for this purpose with the prior approval of the Board.

Since it is a continuous process, the Corpus Fund is not invested in bank fixed deposit etc.

Regarding strengthening of Internal Control System in respect of sale of goods, necessary instructions are being given on continuous basis to Senior Regional Managers, District Managers and Depot Managers. This is being verified by the internal auditors of Wholesale Division and Retail Vending Division. This activity is also reviewed by Senior Regional Managers in respective regions and the Corporate Office at State level on monthly basis. Five special flying squads under the head of Deputy Collectors for checking of retail shops have been formed. A vigilance team has been formed at the Head Office for effecting system improvements, promotion of integrity, to conduct squad, etc., Electronic billing machines have been installed in about 2500 retail vending shops in two phases in retail vending shops situated in Chennai Region, Trichy, Madurai, Coimbatore and Erode Districts.

TASMAC has been continuously giving instructions to shop personnel to issue bills for each sale effected in the shop. This is being monitored on continuous basis, during inspection by various authorities.

in the test checks, resulting in the possibility of delayed accounting of sales.

- the billing machines provided in the retail shops are either not in working condition or not used as found in the test checks.
- the shortages in the stock verification process carried on by the staff and the internal auditors are recovered at one and half times of the MRP and this acts only as a detective/ corrective control and not as a preventive control.

Annual maintenance contract has been entered into with the billing machine supplier for uninterrupted working of Electronic billing machines in all shops. Further this is monitored by Head Office and District Managers' Offices on daily basis, so that all the billing machines are in working condition.

The Shortages committed by shop personnel are recovered at one and half times of shortages and interest @ 24% p.a. on the amount of shortage from the date of committing shortage. This condition is uniformly implemented by all the District Managers. This penal condition definitely have a preventive effect as the shop personnel have to pay penal amount, interest over and above the shortages and also undergo other disciplinary proceedings.

IMFS and Beer items are purchased from the local manufacturers to whom licence has been issued by the Commissioner of Prohibition and Excise.

The internal audit reports of Retail Vending division is periodically discussed on monthly basis in the meeting with District Managers and the concerned Senior Regional Managers at regional level. The minutes of the meeting is prepared and follow up action is being taken by the concerned District Managers and Senior Regional Managers. This is also monitored at the Head Office.

The Management of H.R. and Payroll processing is done at the concerned District Manager's offices. It includes collecting attendance sheets from all the retail vending shops on monthly basis in Districts and accordingly the pay roll is processed.

Cash theft is covered under Self Insurance.

The observation is related to sedimented stock at the retail vending shops, periodical review and strengthening of purchase policy, procurement policy integration of software under various platforms, Maintenance of accounts under double entry system in retail vending shops, Depots and District Manager offices follow up action on various cash misappropriation and action on timely renewal of agreement have suitably been replied in paragraph above appropriately.

Sundaram & Srinivasan
CHARTERED ACCOUNTANTS

New No. 4, Old No. 23,
C.P. Ramaswamy Road,
Alwarpet, Chennai - 600 18.

Telephone : { 2498 8762
2498 8463
4210 6952

E-mail : yessendes@vsnl.net

Website : www.sundaramandsrinivasan.com

INDEPENDENT AUDITORS' REPORT

To the Members of Tamilnadu State Marketing Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Tamilnadu State Marketing Corporation Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and the Cash Flow Statement and a summary of significant accounting policies and other explanatory information for the year then ended.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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 financial statements.

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

Basis of Qualified Opinion**The Company has not provided for;**

1. As per Standards on Auditing (SA) 570,
 - a. Honourable Supreme Court Order dated 15th December 2016 directing appellants not to issue or extend or renewal of licenses for sale of liquor / liquor shops on/ along the State and National Highways. The company as per the Order of Supreme Court has temporarily closed 3320 Retail Vending Shops throughout the state with effect from 1st April 2017. We are unable to quantify the impact based on order of the Honourable Supreme Court on the closure of Retail Vending shops along State and National Highways.
 - b. Due to uncertainty in the policy of the Government relating to continuance of operations of Retail Vending liquor shops under the banner of State Government / State run enterprise of Tamilnadu State Marketing Corporation Limited, the Management based on Tamilnadu Government Orders have also considerably reduced the shops/ retail vending units across the State in a major amount whereby on various dates the shops to a extend of 1000 shops were closed during the FY 2016-17. The management has approved the renewal of the rental / bar license agreement. The process of renewing these agreements has not yet been completed at the district level. There has been large scale relocation of shops due to orders of the Supreme Court of the India and various cases on the location of the retail vending shops in the Hon'ble Madras High Court and Madurai Bench of the Madras High Court and Law and Order problems. There was no response to the tender for the bar eatable contract whereby there could be loss to the Exchequer of Government of Tamilnadu which cannot be quantified at this stage.
2. The company is in the practice of ascertaining and accounting for the 90 days old stock at the depots, whereas this practice is not being followed in respect of 90 days stock at retail vending shops. There was delay in a few cases while reporting and transferring back Sedimented stock from shops to depots. The company has not ascertained and accounted for Sediment stock/ Stock Unfit for Consumption held at a few of the retail vending shops.
3. The Company due to the size of operation is maintaining various packages of software across platforms. Accounts are consolidated at Head Office as per Returns and Schedules certified by the Internal Auditors received from Depots and Offices of District Managers. We were unable to reconcile and confirm the following:
 - Sales as per Retail Shop Vending Machines wherever it is installed and put to use with Sales and collections reported in the schedules.
 - Accounts maintained in Tally in District Managers Office with returns and Schedules from the concerned District Manager Offices.
4. The Management based on the scrolls and statements received from various banks, in respect of Non-operative collection, has disclosed in the Notes on accounts, Cash on hand as on 08th November 2016 and the acceptance of Specified Bank Notes and other notes between 9th November 2016 to 30th December 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures of Cash in hand as on specified dates, handling of specified bank notes (SBN), non-permitted transactions and its treatment in books of accounts (which as per the management's statement is based on the scrolls and statements received from banks) are correct.
5. The Company has not ascertained and accounted the Cost of few pieces of Land which are under the possession of the company, as listed in Note No. 11(a) 1 to the "Balance Sheet and the Statement of Profit and Loss".
6. The Lands listed in Note No. 11(a) 1 mentioned above and listed in Note 11(a) 2 have not yet been registered in the name of the company, although the company has been in the possession of these assets for many years.

Accordingly, we are unable to comment on the consequential effects on the financial statements on account of these matters.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion above, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2017;
- b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to;

1. The Commissioner of Prohibition and Excise under Section 17C of The Tamil Nadu Prohibition Act, 1937 has been given powers for granting of exclusive privilege for manufacturing Liquor in State of Tamilnadu. However the Commissioner of Prohibition and Excise is outside the preview of our audit. Hence, we are unable to comment on the granting of license for manufacturer of liquor in Tamilnadu, The company procures liquor from these licensed manufacturers/vendors.
2. The company has to periodically review and strengthen the policies relating to Purchases, Procurements and Price Fixation.
3. The Company is required and accordingly complying with the provisions of the Tamilnadu Prohibition Act & Rules, TN VAT Act etc. to fix/arrive at the Selling Price / Maximum Retail Price (MRP).
4. Confirmation of balances of advances, deposits, trade payables and trade receivables has not been received in certain cases (Refer Note 27, "Other notes forming part of Financial Statements").

Our Opinion is not qualified in respect of these matters.

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 Act, we give in the "Annexure-A", a statement on the matters specified in the paragraph 3 and 4 of the order.
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 *except in case of Cash in hand as on specified dates, handling of specified bank notes (SBN), non-permitted transactions and its treatment in books of accounts.* (Which as per the management's statement is based on the scrolls and statements received from the banks).
 - b) *Except for the effect of the matter described in the Basis of Qualified Opinion paragraph above, proper returns adequate for the purpose of our audit have been received from Depots and Offices of District Managers, not visited by us.* 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 *(after considering the entries passed at the time of compilation at the Head Office to take care of the non-maintenance of books of account on accrual basis and according to the double entry system of accounting at Depots, Retail Vending Shops and many District Managers Offices);*
 - c) The Balance Sheet and Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account *except the matter stated*

in paragraph 2(a) & 2(b) above and returns received from Depots and Offices of District Managers, not visited by us;

- d) *Except for the effect of the matter described in the Basis of Qualified Opinion paragraph above, 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) *The matter described in the Basis of Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the company.*
- f) *As per notification No. GSR 463(E) dated 5th June, 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 164(2) of the Companies Act, 2013 is not applicable to the Company.*
- g) **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”; and**
- h) *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 has disclosed the impact of pending litigations on its financial position in its financial statements Refer Note 30.2, “Other notes forming part of Financial Statements”;*
 - ii. *The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;*
 - iii. *There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.*
 - iv. **The Company has provided requisite disclosures in Note No. 42 to the financial statements as to holdings as well as dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated 8th November 2016 of the Ministry of Finance, during the period from 8th November 2016 to 30th December 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company (which as per the management’s statement is based on the scrolls and statements received from banks) and as produced to us by the Management.**

3. As required by Section 143 (5) of the Act, we have given in “Annexure-C”, a statement on the matters specified in the directions and additional directions issued by the Comptroller and Auditor General of India for the company.

For **Sundaram & Srinivasan**
Chartered Accountants
Firm Registration No: 004207S

Sd/-

P. Menakshi Sundaram

Partner

Membership No: 217914

Place : Chennai
Date : 31st October 2017

Annexure - A to the Independent Auditors' Report

(Referred to in Paragraph 1 of our Report on Other Legal and Regulatory Requirements relevant to paragraph 3&4 of "the order")

We report that :

i. In Respect of its fixed assets:

- a. ***The Fixed Asset register maintained by the Company are to be updated showing full particulars, value including quantitative details and situation of fixed assets.***
- b. On the basis of the information and explanation given to us fixed assets are being physically verified by the management at reasonable intervals. In our opinion, the frequency of verification of fixed assets by the management during the year ***except Identification of Assets retired from active use and kept for disposal*** is reasonable having regard to the size of the company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification. ***However, we were not able to reconcile the Physical verification report with the value of fixed assets reported in the books of accounts.***
- c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company ***except title deeds, in respect of freehold lands:***
 - ***Amounting to ₹ 90.62 lakhs, the title deeds of which are held in the name of TASCO Ltd which has since been 'amalgamated' with the Company***
 - ***Costing ₹ 2461.91 Lakhs which are not registered in the name of the company.***
 - ***Relating to 5 Godowns, which were allotted by the Government of Tamilnadu, for which cost has not yet been ascertained.***

In respect of lands that have been taken on lease and disclosed as Fixed Assets in the Financial Statements, the lease agreements are registered in the name of the company, where the company is the lessee.

- ii. According to the information and explanations given to us, the Company has carried out Physical verification of inventory at reasonable intervals and discrepancies noticed on such verification were not material and the same has been dealt in the books of accounts ***except for delay in few cases Identification and treatment of sediment stock/unfit stock over 90 days stock at few retail vending shops.***
- iii. According to the information and explanations given to us, the Company has not granted any loans to companies, firms, limited liability partnership firms or other parties covered under

section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable to the Company

- iv. In our opinion and according to the information and explanations given to us, the Company has not given any loans, guarantee, securities and has not made any investments hence provisions of section 185 & 186 of the Act is not applicable, accordingly, paragraph 3(iv) of the Order is not applicable to the Company
- v. The Company has not accepted any deposits from the public during the year and hence the directives issued by the Reserve Bank of India and the provisions of Sec 73 to 76 or any other relevant provisions of the Act and the rules framed there under are not applicable. Accordingly, paragraph 3(v) of the Order is not applicable to the Company
- vi. The provisions under Section 148(1) of the Companies Act, 2013 regarding maintenance of cost records, is not applicable to the company, accordingly paragraph 3(vi) of the Order is not applicable to the Company.
- vii. According to the information and explanations given to us in respect of statutory dues:
 - a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, duty of customs, duty of excise, value added tax, service tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, there is no arrears of outstanding statutory dues as on the last date of the financial year concerned for a period of more than six months from the date they become payable.
 - b. According to the information and explanations given to us, the company is having disputed statutory dues (on account of Income-Tax, Service Tax, Sales Tax – Value Added Tax) pending before various forums amounting to ₹ 9,58,244.35 lakhs as at 31st March 2017 (Previous Year – ₹ 9,56,570.51 lakhs) as detailed in Note No. 39 in the Notes to Financial Statements.
- viii. The Company has not defaulted in the repayment of any loans or borrowings from any financial institution, banks, government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.
- ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- x. Based on 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 to us by the management, no material fraud by the Company or on the Company by its officers or employees

has been noticed or reported during the course of our audit ***except cash shortages/thefts noticed at various retail outlets during the year as detailed in Note No. 13 & 18 to the financial statements. we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures of Cash in hand as on specified dates, handling of specified bank notes (SBN), non-permitted transactions and its treatment in books of accounts (which were reportedly based on banks scrolls and statements) are correct.***

- xi. As per notification No. GSR 463(E) dated 5th June, 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 164(2) of the Companies Act, 2013 is not applicable to the Company. Accordingly, paragraph 3 (xi) of the Order is not applicable.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act wherever applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable.

For **Sundaram & Srinivasan**
Chartered Accountants
Firm Registration No: 004207S

Sd/-
P MENAKSHI SUNDARAM
PARTNER
Membership No: 217914

Place : Chennai

Date : 31st October 2017

Annexure - B to the Independent Auditors' Report

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 Tamilnadu State Marketing Corporation Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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.

Auditors' 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 judgment, 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.

Meaning of Internal Financial Controls 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 31 March 2017, 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 except the areas listed below:

During the course of Audit, We have Observed that Internal Control Systems has to be strengthened commensurate with the size of the company and the nature of business in the following;

Raising bills on Sale of goods immediately on sale, identification of sediment stock periodically in respect of inventory at Retail Vending Shops, periodical review and strengthening of purchase policy, Selection of Vendors, Suppliers Price Fixation, Procurement Policy, integration of software under various platforms, review of internal audit reports and its impact analysis, maintenance of books of account on double entry system of accounting in retail vending shops, depots and District Manager Offices, asset backing to Self insurance corpus fund, HR and pay roll processing, follow up action on Various cash misappropriation, Cash Theft, action for timely renewal of agreements.

For **Sundaram & Srinivasan**
Chartered Accountants
Firm Registration No: 004207S

Sd/-

P MENAKSHI SUNDARAM

Partner

Membership No: 217914

Place : Chennai

Date : 31st October 2017

Annexure - C to the Independent Auditors' Report

Directions under Section 143(5) of the Companies Act, 2013 ("the Act")

S. No.	Questions	Auditors Comments
1	Whether the company has clear title/ lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/ lease deed are not available.	<p>No. The title deeds, in respect of freehold lands,:</p> <ul style="list-style-type: none"> ● Amounting to ₹ 90.62 lakhs, the title deeds of which are held in the name of TASCO Ltd which has since been 'amalgamated' with the Company ● Costing ₹ 2461.91 Lakhs which are not registered in the name of the company. ● Relating to 5 Godowns, which were allotted by the Government of Tamilnadu, for which cost has not yet been ascertained. <p>In respect of lands that have been taken on lease and disclosed as Fixed Assets in the Financial Statements, the lease agreements are registered in the name of the company, where the company is the lessee.</p>
2	Whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.	The Tamilnadu State Marketing Corporation Ltd ("the Company") has not waived/ written off any debts/ loans/ interest etc. in the current reporting financial year 2016-17. The reporting for the same is not applicable for the current financial year.
3	Whether proper records are maintained for inventories lying with third parties & assets received as gifts/ grants from Government or other authorities.	<p>No Stock of inventories is lying with third parties except Goods in Transit, for which proper records are maintained.</p> <p>As informed to us and the same has been reported as per reporting requirement of Companies (Auditor's Report) Order ("the CARO"), 2016. Reference to our CARO report – Annexure A para ii.</p> <p>There are no assets received as gifts from the government or other authorities during the year.</p>
Additional Specific Directions under Section 143(5) of the Companies Act, 2013 ("the Act")		
1	Whether the company has an effective system for recovery of dues in respect of its sales activities and the dues outstanding and recoveries there against have been properly recorded in the books of accounts?	Yes

Additional Specific Directions under Section 143(5) of the Companies Act, 2013 (“the Act”)

S. No.	Questions	Auditors Comments
2	Whether the Company has effective system for physical verification, valuation of stock, treatment of non-moving items and accounting the effect of shortage / excess noticed during physical verification.	Yes. The company is in the practice of ascertaining and accounting for the 90 days old stock at the depots, whereas this practice is not being following in respect of 90 days stock at retail vending shops. There was delay in a few cases while reporting and transferring back Sedimented stock from shops to depots. The Company has not ascertained and accounted for Sedimented stock/stock unfit for consumption held at few retail vending shops.
3	Whether the Company has effective system of accounting breakages of bottles?	Yes
4	Whether the Company has an effective internal control systems with regard to sales, collections and remittance of funds by Retail Shops?	<p>During the Course of our audit, we observed that with regard to the sale of Goods the internal control system has to be strengthened commensurate to the size of the Company and the Nature of Business.</p> <p>The Major Reason for this qualified opinion are that</p> <ul style="list-style-type: none"> ● <i>The sales are not billed as and when they take place in the retail shops as is observed by us in the test checks, resulting in the possibility of delayed accounting of sales;</i> ● <i>The Billing Machines provided in the retail shops are either not in working condition or not used as found in the test checks;</i> ● <i>The shortages in the stock verification process carried on by the staff and the internal auditors are recovered at one and half times of MRP and this acts only as a detective / corrective control and not as a preventive control.</i>

For **Sundaram & Srinivasan**
Chartered Accountants
Firm Registration No: 004207S

Sd/-
P MENAKSHI SUNDARAM
Partner

Place : Chennai
Date : 31st October 2017

Membership No: 217914

DEVIKA NAYAR, IA&AS**Accountant General (E & RSA)
Tamilnadu**

“Lekha Pariksha Bhavan,
361, Anna Salai, Chennai - 600 018.
Ph.: 044-24327922
Fax : 044-24311659

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF TAMILNADU STATE MARKETING CORPORATION LIMITED, CHENNAI FOR THE YEAR ENDED 31ST MARCH 2017.

The preparation of financial statements Tamilnadu State Marketing Corporation Limited, Chennai for the year ended 31 March 2017. In accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 31-10-2017.

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 143 (6) (a) of the Act of the financial statements of Tamilnadu State Marketing Corporation Limited, Chennai for the year ended 31 March 2017. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

**For and on the behalf of the
Comptroller & Auditor General of India**

Sd/-

**DEVIKA NAYAR
Principal Accountant General**

**Place: Chennai
Date: 14-12-2017**

TAMIL NADU STATE MARKETING CORPORATION LIMITED

CMDA TOWER-II, 4th FLOOR, GANDHI IRWIN BRIDGE ROAD, EGMORE, CHENNAI- 600 008

BALANCE SHEET AS AT 31st MARCH, 2017

PARTICULARS	NOTE No.	ASAT 31-03-2017	ASAT 31-03-2016
I EQUITY AND LIABILITIES		₹	₹
1 SHARE HOLDERS' FUNDS			
(a) SHARE CAPITAL	3	15,00,00,000	15,00,00,000
(b) RESERVES AND SURPLUS	4	(96,56,24,264)	(1,65,36,95,109)
2 NON-CURRENT LIABILITIES			
(a) OTHER LONG TERM LIABILITIES	5	81,69,62,439	81,94,40,596
(b) LONG TERM PROVISIONS	6	40,26,15,615	48,25,32,915
3 CURRENT LIABILITIES			
(a) SHORT TERM BORROWINGS	7	17,89,28,21,277	15,34,94,95,724
(b) TRADE PAYABLES	8	2,97,51,40,146	3,18,51,88,631
(c) OTHER CURRENT LIABILITIES	9	3,56,19,48,268	3,86,85,35,169
(d) SHORT TERM PROVISIONS	10	18,37,60,054	4,23,13,292
TOTAL		25,01,76,23,535	22,24,38,11,218
II ASSETS			
1 NON-CURRENT ASSETS			
(a) FIXED ASSETS			
(i) TANGIBLE ASSETS	11(i)	53,85,14,514	57,89,96,096
(ii) INTANGIBLE ASSETS	11(ii)	15,64,761	17,89,691
(iii) CAPITAL WORK IN PROGRESS	11(iii)	8,45,45,000	7,73,00,000
TOTAL FIXED ASSETS		62,46,24,275	65,80,85,787
(b) DEFERRED TAX ASSETS (NET)	12	43,58,17,400	-
(c) LONG TERM LOANS AND ADVANCES	13	1,90,78,11,354	1,75,98,52,110
(d) OTHER NON-CURRENT ASSETS	14	22,30,377	29,53,702
2 CURRENT ASSETS			
(a) INVENTORIES	15	12,86,56,84,330	10,55,57,34,513
(b) TRADE RECEIVABLES	16	29,50,845	31,95,796
(c) CASH AND BANK BALANCES	17	6,03,01,81,511	5,99,55,64,929
(d) SHORT-TERM LOANS AND ADVANCES	18	3,01,76,64,805	3,09,18,97,372
(e) OTHER CURRENT ASSETS	19	13,06,58,638	17,65,27,009
TOTAL		25,01,76,23,535	22,24,38,11,218

Notes forming part of the Financial Statements (1-43)

Sd/- **P.THANGAMANI**

Chairman

Sd/- **R.KIRLOSH KUMAR**

Managing Director

Sd/- **R.BALASUBRAMANIAN**

Chief General Manager (Finance) &

Company Secretary

Place : Chennai

Date : 31.10.2017

As per our report of even date

for **M/s. SUNDARAM & SRINIVASAN**

Chartered Accountants

FRN 004207S

Sd/- **P MENAKSHI SUNDARAM**

Partner

M.No. 217914

TAMIL NADU STATE MARKETING CORPORATION LIMITED

CMDA TOWER-II, 4th FLOOR, GANDHI IRWIN BRIDGE ROAD, EGMORE, CHENNAI- 600 008

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2017

PARTICULARS	NOTE No.	YEAR ENDED 31-03-2017	YEAR ENDED 31-03-2016
REVENUE		₹	₹
I REVENUE FROM OPERATIONS	20	3,12,47,03,51,257	3,02,87,29,06,025
II OTHER INCOME	21	2,40,49,81,143	2,54,65,49,418
III TOTAL REVENUE (I+II)		3,14,87,53,32,400	3,05,41,94,55,443
IV EXPENSES			
PURCHASES OF STOCK IN TRADE		1,65,90,23,39,454	1,56,74,65,27,081
CHANGES IN INVENTORIES OF STOCK IN TRADE	22	(2,30,99,49,817)	1,83,98,38,816
EMPLOYEE BENEFIT EXPENSES	23	3,69,19,19,010	3,28,33,78,446
VAT ON IMFS & BEER		1,45,74,74,30,718	1,40,03,74,33,106
FINANCE COST	24	28,84,97,477	2,83,94,30,038
DEPRECIATION AND AMORTISATION EXPENSES	25	5,01,23,649	7,45,28,355
PRIOR PERIOD EXPENSES		21,995	1,87,37,864
OTHER EXPENSES	26	1,25,26,96,469	1,25,56,81,596
TOTAL EXPENSES		3,14,62,30,78,955	3,06,09,55,55,302
V PROFIT/(LOSS) BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX (III - IV)		25,22,53,445	(67,60,99,859)
VI EXCEPTIONAL ITEMS		-	-
VII PROFIT/(LOSS) BEFORE EXTRAORDINARY ITEMS AND TAX (V - VI)		25,22,53,445	(67,60,99,859)
VIII EXTRAORDINARY ITEMS		-	-
IX PROFIT/(LOSS) BEFORE TAX (VII - VIII)		25,22,53,445	(67,60,99,859)
X TAX EXPENSE:			
(1) CURRENT TAX		4,38,86,118	-
(2) MAT CREDIT ENTITLEMENT		(4,38,86,118)	-
(3) DEFERRED TAX		43,58,17,400	(58,03,18,995)
XI PROFIT / (LOSS) AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS (IX-X)		68,80,70,845	(1,25,64,18,854)
XII PROFIT / (LOSS) FOR THE PERIOD		68,80,70,845	(1,25,64,18,854)
XIII EARNINGS PER EQUITY SHARE			
(1) BASIC		4,587	(8,376)
(2) DILUTED		4,587	(8,376)
(3) FACE VALUE PER EQUITY SHARE		1,000	1,000
Notes forming part of the Financial Statements	(1-43)		

Sd/- **P.THANGAMANI**

Chairman

Sd/- **R.KIRLOSH KUMAR**

Managing Director

Sd/- **R.BALASUBRAMANIAN**

Chief General Manager (Finance) &

Company Secretary

Place : Chennai

Date : 31.10.2017

As per our report of even date

for **M/s. SUNDARAM & SRINIVASAN**

Chartered Accountants

FRN 004207S

Sd/- **P MENAKSHI SUNDARAM**

Partner

M.No. 217914

TAMIL NADU STATE MARKETING CORPORATION LIMITED

CMDA TOWER-II, 4th FLOOR, GANDHI IRWIN BRIDGE ROAD, EGMORE, CHENNAI- 600 008

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Tamil Nadu State Marketing Corporation Limited (TASMAC), is a company, wholly owned by Govt. of Tamilnadu, incorporated on 23.05.1983 under the erstwhile Companies Act, 1956 for the purpose of taking over from the private sector, the wholesale distribution of arrack and Indian Made Foreign Spirits in the whole State of Tamil Nadu. TASMAC has been granted the 'exclusive privilege' of wholesale and retail vending of IMFL for the whole State of Tamil Nadu as per sections 17-C(1-A)(a) and 17-C(1-B)(a) of the Tamil Nadu Prohibition Act, 1937 (Tamil Nadu Act X of 1937).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 AS-1 Disclosure of accounting policies

The accounts have been prepared under historical cost convention and on the basis of going concern, with revenues recognised and expenses accounted on accrual basis, unless otherwise stated herein and comply with the Accounting Standards referred to in Section 133 of the Companies Act, 2013.

2.2 AS-2 - Valuation of Inventories

Inventories (Stock at Depots and Stock at Retail Shops) are valued at Cost or Net Realisable Value whichever is lower (Cost of inventory is inclusive of taxes and duties, average transit insurance cost, average transport cost, net of trade discount by using First – in – First out method (FIFO)), except the following. :-

- i. The cost of Empty Bottles is 'Nil'. However, a nominal value of Re.1/- is adopted for valuation of the same.
- ii. The Cost of Empty/waste cartons (being packing materials received with the goods purchased) is 'Nil'. However, a nominal value of Re.1/- is adopted for valuation of the same.
- iii. Stock in Transit is valued at Cost.
- iv. Stock of Excise Labels is valued at cost.

2.3 AS-3 Cash flow Statements

Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard (AS-3) on Cash Flow Statements issued by the Institute of Chartered Accountants of India

2.4 AS-4 Events occurring after the Balance Sheet Date

- (a) Assets and Liabilities are adjusted for events occurring after the Balance Sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the Balance Sheet date.
- (b) Dividends, which are proposed/declared by the Company after the Balance Sheet date but before the approval of the Financial Statements are not reflected in the financial statements in line with revised AS-4.

2.5 AS-5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

- (a) Significant items of prior period income and expenses and those income and expenses of Extra-ordinary nature are disclosed separately in the financial statements, so that their impact on the current period can be perceived.
- (b) Nature of changes in the accounting policies having material effect and their impact in the financial statements have been quantified and disclosed separately.

2.6 AS-9 Revenue Recognition

- ❖ Sales are accounted inclusive of Value Added Tax (Sales Tax).
- ❖ Interest on deposits, agency commission on 'bar eatables contractors fee', penalty and demurrage are accounted on accrual basis.
- ❖ Discounts earned on prompt payments to suppliers is accounted as and when payments are made.
- ❖ MRP Value of bottles of liquor, missing as recorded in the G.R.A. (Goods Receipt Acknowledgement), is recovered from the suppliers and recognised as Income of the period to which they relate.
- ❖ Other Revenue Recognition:
- ❖ Other items of revenue are recognised in accordance with the Accounting Standard (AS-9) issued by the Institute of Chartered Accountants of India. Accordingly, where there are uncertainties in the measurement/realisation of income, the same is not accounted for.
- ❖ Sale of Empty/Waste Cartons and Empty Bottles are accounted on cash basis.

2.7 AS-10 Property, Plant and Equipment

Fixed assets including "Leasehold land and Computer Software (other than internally generated)" are stated at cost of construction or acquisition less depreciation/amortisation. All costs attributable to bring the fixed assets to their working conditions are capitalised. However, fixed assets (Land and Buildings) taken over from Tamil Nadu Spirit Corporation Limited on amalgamation are stated at re-valued amounts,

In respect of Land, with reference to the guideline value obtained from the respective Sub-Registrars; and

In respect of Buildings, with reference to the valuation done by Approved Valuers.

Fixed Assets retired from active use and held for disposal

These are stated at lower of their net book value and Net realisable value and shown separately as "Other Current Assets" and are disclosed under Current Assets.

Depreciation Accounting

- a) Lease hold Lands (other than those for which Lease Deed is yet to be registered) are amortised over the period of lease.
- b) Depreciation on assets, other than "Plant & Machinery retired from active use and kept for disposal and Computer Software (other than internally generated)", is provided under Written Down Value Method of depreciation over the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013.
- c) The difference between depreciation on Buildings based on revaluation and that on its original cost is transferred from Revaluation Reserve to General Reserve.
- d) Computer Software (other than internally generated) is amortised over a period of three years on Straight Line basis as per AS-26: Intangible Assets.
- e) Individual Assets costing less than ₹ 5,000/- are depreciated in full.

2.8 AS-15 Employee benefits

- a) Short term employee benefits and contribution to defined contribution plans are recognised as an expense on accrual basis and measured at an undiscounted amount in the Statement of Profit and Loss.
- b) Post employment and other long term employee benefits (gratuity and leave encashment) are recognised as an expense, at the present value of the amounts payable, determined using actuarial valuation techniques, in the Statement of Profit and Loss for the year. Actuarial gains and losses in respect of post employment benefits are charged to the Statement of Profit and Loss.

2.9 AS-16 Borrowing Costs

Borrowing costs specifically identified to the acquisition or construction of qualified assets are capitalised as part of such assets. Capitalisation of borrowing costs will cease when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.10 AS-17 Segment Reporting

The Company is trading in Indian Made Foreign Spirits and Beer. The segment revenue on sale of these products and related cost of purchases are shown separately. Other income / expenses and assets / liabilities are not capable of being separately identified with the segments.

2.11 AS-18 Related Party Transactions

Remuneration to Key Managerial Personnel, other than Independent Non-executive Directors, is disclosed as 'Related Party Transactions' in the Notes to Accounts, as per the Accounting Standard 18 and its interpretations.

2.12 AS-22 Accounting for Taxes on Income

- a) Income-tax Expense is accounted as Current Tax and Deferred Tax.
- b) Deferred Tax Asset is recognised 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.
- c) Deferred Tax Assets as a result of timing differences in unabsorbed depreciation/carry forward losses under tax laws are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such Deferred Tax Assets can be realised.
- d) Minimum Alternate Tax (MAT) payable in a year is charged to the Statement of Profit and Loss as current tax. The company recognizes MAT credit available as an asset only to the extent there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT Credit is allowed to be carried forward. In the year in which the Company recognizes MAT Credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement". The Company reviews the "MAT Credit Entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

2.13 AS-26 Intangible Assets

Intangible Assets other than internally generated are recognised and accounted if and only if it is probable that future economic benefits that are attributable to the assets will flow to the company and the cost of the assets can be measured reliably.

2.14 AS-28 Impairment of Assets

The carrying amounts of assets are reviewed at Balance Sheet date to ascertain impairment based on internal/external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price of the assets or their value in use or zero.

2.15 AS-29 Provisions, Contingent Liabilities and Contingent Assets

- a) A present obligation, which could be reliably estimated, is provided for in the accounts, if it is probable that an outflow of resources embodying economic benefits will be required for its settlement.
- b) Contingent Liabilities are disclosed by way of notes to the Balance Sheet.
- c) Contingent Assets are neither recognised nor disclosed.

TAMIL NADU STATE MARKETING CORPORATION LIMITED

CMDA TOWER-II, 4th FLOOR, GANDHI IRWIN BRIDGE ROAD, EGMORE, CHENNAI- 600 008

NOTES TO BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

PARTICULARS	ASAT 31-03-2017	ASAT 31-03-2016
NOTE : 3	₹	₹
SHARE CAPITAL		
AUTHORISED		
1,50,000 EQUITY SHARES OF ₹1000/- EACH	15,00,00,000	15,00,00,000
ISSUED, SUBSCRIBED AND FULLY PAID UP		
1,50,000 EQUITY SHARES OF ₹1000/- EACH	15,00,00,000	15,00,00,000
Total	15,00,00,000	15,00,00,000
(a) RECONCILIATION OF NUMBER OF SHARES		
EQUITY SHARES		
AT THE BEGINNING OF THE YEAR		
- NUMBER OF SHARES	1,50,000	1,50,000
AT THE END OF THE YEAR		
- NUMBER OF SHARES	1,50,000	1,50,000
(b) DETAILS OF SHARES HELD BY SHARE HOLDERS HOLDING MORE THAN 5% OF THE AGGREGATE SHARES IN THE COMPANY		
EQUITY SHARES - HELD BY GOVERNMENT OF TAMILNADU	1,50,000	1,50,000
	100%	100%
(c) RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO SHARES		
<p>The Company has one class of equity shares having a par value of ₹1000 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing AGM, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Co. after distribution of all preferential amounts, in proportion to the shareholding.</p>		
NOTE : 4	AS AT 31-03-2017	AS AT 31-03-2016
RESERVES & SURPLUS	₹	₹
(a) REVALUATION RESERVE		
OPENING BALANCE	15,34,21,361	15,46,51,453
LESS : DEPRECIATION ON REVALUED AMOUNT WITHDRAWN FROM REVALUATION RESERVE	(11,70,187)	(12,30,092)
CLOSING BALANCE Total (a)	15,22,51,174	15,34,21,361
(b) GENERAL RESERVE		
OPENING BALANCE	25,00,848	12,70,756
ADD : DEPRECIATION ON REVALUED AMOUNT WITHDRAWN FROM REVALUATION RESERVE	11,70,187	12,30,092
CLOSING BALANCE Total (b)	36,71,035	25,00,848

PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
	₹	₹
(ii) Cash Credit - SBI Commercial Branch (Secured by hypo. of stocks at Whole sale Depots and Guranteed by Govt. of Tamilnadu as collateral to the extent of Rs.70 Crores)	1,29,51,41,272	1,70,04,61,451
(iii) Cash Credit - IOB, T. Nagar (Secured by hypo. of stocks at Retail Vending Shops of Chennai (North), Chennai (South), Chennai (Central), Tiruvallur (East), Tiruvallur (West), Kancheepuram (North) Kancheepuram (South), Vellore, Arakonnam, Tiruvannamalai, Salem, Namakkal, Dharmapuri and Krishnagiri Districts)	1,42,66,118	54,15,672
(iv) Cash Credit - Union Bank of India, Egmore (Secured by hypo. of stocks at Retail Vending Shops of Madurai (North), Madurai (South), Ramnad, Dindigul, Sivaganga and Erode Districts)	27,39,92,679	41,48,57,477
(v) Cash Credit - Indian Bank CMDA (Secured by hypo. of stocks at Retail Vending Shops of Cuddalore, Villupuram, Thanjavur, Tiruvarur, Trichy, Nagapattinam, Pudukottai, Karur, Perambalur, Theni, Virudhunagar, Tirunelveli, Tuticorin and Kanyakumari Districts)	37,72,62,506	37,10,67,333
(vi) Cash Credit Working Capital Demand Loan- ICICI Bank, Nungambakkam. (Secured by hypo. of stocks at Retail Vending Shops of Coimbatore North, Coimbatore South, Tiruppur and The Nilgiris Districts)	-	-
Secured - Total (a)	5,89,90,77,000	6,20,14,22,793
	AS AT 31-03-2017	AS AT 31-03-2016
UNSECURED	₹	₹
Loans repayable on demand		
From Banks		
Short Term Loan - INDIAN BANK, CMDA Branch, Chennai	10,99,35,96,197	9,12,43,28,767
Short Term Loan - UBI, Egmore.	1,00,00,00,000	-
Vijaya Bank, Egmore - (Current A/c)	1,48,080	2,37,44,164
Unsecured - Total (b)	11,99,37,44,277	9,14,80,72,931
Total (a+b)	17,89,28,21,277	15,34,94,95,724
	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 8	₹	₹
TRADE PAYABLES	2,97,51,40,146	3,18,51,88,631
Total	2,97,51,40,146	3,18,51,88,631
Amounts outstanding to Micro, Small and Medium Enterprises (stipulated to be disclosed as per Section-22 of the Micro, Small and Medium Enterprises Development Act, 2006) as at the Balance Sheet date was ₹ Nil (L.Y ₹ Nil). The above information regarding Micro, Small and Medium Enterprise was based on information available with the company.		

PARTICULARS	ASAT 31-03-2017	ASAT 31-03-2016
	₹	₹
NOTE : 9		
OTHER CURRENT LIABILITIES		
INTEREST ACCRUED BUT NOT DUE ON BORROWINGS	30,82,216	35,74,966
STATUTORY LIABILITIES	82,16,12,087	74,93,62,136
OTHER PAYABLES		
EMD / SECURITY DEPOSITS	1,33,60,28,642	1,71,81,94,785
OTHER LIABILITIES	1,40,12,25,323	1,39,74,03,282
Total	3,56,19,48,268	3,86,85,35,169
"OTHER LIABILITIES" pertain to:		
Whole Sale - Outstanding expenses	41,05,63,607	37,25,49,211
Retail vending - Outstanding expenses	40,04,29,262	44,70,44,273
- Employees Acc/Injury/Disablement Relief Fund	37,19,60,719	34,15,14,092
- RV Bar contract fee received in advance	7,97,52,596	7,85,93,251
- Health Fund	6,68,68,766	6,66,03,754
- Others	7,16,50,373	9,10,98,701
"Other Current Liabilities" include ₹ 685.01 Lakhs (L.Y. ₹ 685.01 Lakhs) being provision for registration charges made on estimated basis on the lands for which cost has been brought into the books of account and pending for registration as stated in Note No.11(a)(2) (Land free hold). (Refer Note No.27)		
	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 10	₹	₹
SHORT TERM PROVISIONS		
PROVISIONS FOR EMPLOYEE BENEFITS		
Whole Sale - Leave Salary	66,07,579	76,07,758
- Gratuity	13,47,462	19,88,680
Retail Vending - Gratuity	13,08,17,830	3,27,16,854
OTHERS		
CURRENT INCOME TAX (PROVISION FOR TAX)	4,49,87,183	—
Total	18,37,60,054	4,23,13,292

Note : 11
FIXED ASSETS
TAMIL NADU STATE MARKETING CORPORATION LIMITED

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	ASAT 01.04.16 ₹	ADDITIONS ₹	DELETIONS/ ADJ. ₹	ASAT 31.03.17 ₹	FOR THE YEAR ₹	DELETIONS ₹	ASAT 31.03.17 ₹	ASAT 31.03.16 ₹
(i) TANGIBLE ASSETS								
Land								
Leasehold	22,75,077	-	1,50,000	21,25,077	43,465	-	3,74,836	17,50,241
Freehold	29,17,82,407	-	-	29,17,82,407	-	-	-	29,17,82,407
Buildings								
Buildings Fences, Wells, Tubewells	3,07,615	-	-	3,07,615	77,355	-	2,13,343	94,272
Buildings RCC Structure	30,73,97,940	8,58,179	13,69,729	30,68,86,390	93,53,849	-	12,26,62,762	19,40,89,027
Buildings Other than RCC Structure	2,03,57,564	-	-	2,03,57,564	10,67,269	-	1,26,55,373	77,02,191
Roads								
Carpeted Roads - RCC	88,99,105	-	-	88,99,105	12,54,345	-	54,11,642	34,87,463
Plant and Equipment								
Plant and Machinery (others)	30,89,556	1,67,912	-	32,57,468	2,43,611	-	21,09,836	11,47,632
Furniture and Fixtures	8,84,42,663	8,27,860	-	8,92,70,523	19,36,821	-	8,31,62,649	61,07,874
Motor Vehicles								
Car	1,50,77,037	31,36,626	-	1,82,13,663	18,31,375	-	1,24,98,203	57,15,460
Jeep	8,32,767	-	-	8,32,767	-	-	7,91,128	41,639
Cycle	1,64,691	-	-	1,64,691	-	-	1,64,691	-
Office Equipments	22,20,31,697	35,16,727	20,610	22,55,27,814	2,87,14,510	6,829	19,64,29,844	2,90,97,970
Computers & data processing units								
Computers - End User devices	5,99,81,329	15,85,589	-	6,15,66,918	28,48,185	-	5,67,96,652	47,70,266
Computers - Server	1,17,52,371	-	-	1,17,52,371	16,70,180	-	91,58,900	25,93,471
TOTAL (i)	1,03,23,91,819	1,00,92,893	15,40,339	1,04,09,44,373	4,90,40,965	6,829	50,24,29,859	53,85,14,514
Previous Year	95,22,12,762	8,07,71,754	5,92,697	1,03,23,91,819	7,36,51,801	5,01,526	45,33,95,723	57,89,96,096
(ii) INTANGIBLE ASSETS								
Computer software [other than internally generated]	60,26,087	8,79,749	-	69,05,836	11,04,679	-	53,41,075	17,89,691
TOTAL (ii)	60,26,087	8,79,749	-	69,05,836	11,04,679	-	53,41,075	17,89,691
Previous Year	59,61,087	65,000	-	60,26,087	9,65,635	-	42,36,396	17,89,691
(iii) CAPITAL WORK-IN-PROGRESS	7,73,00,000	72,45,000	-	8,45,45,000	-	-	-	7,73,00,000
GRAND TOTAL	1,11,57,17,906	1,82,17,642	15,40,339	1,13,23,95,209	5,01,45,644	6,829	50,77,70,934	62,46,24,275
(iv) Assets retired from active use and held for disposal (Grouped under "CURRENT ASSETS" - Valued at lower of their net book value and Net realisable value)								
Plant and Machinery	37,22,532	-	37,22,532	-	-	22,98,651	-	14,23,881
TOTAL	37,22,532	-	37,22,532	-	-	22,98,651	-	14,23,881
Previous Year	37,22,532	-	-	37,22,532	-	-	22,98,651	14,23,881

TAMIL NADU STATE MARKETING CORPORATION LIMITED

CMDA TOWER-II, 4th FLOOR, GANDHI IRWIN BRIDGE ROAD, EGMORE, CHENNAI- 600 008

NOTES TO BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

PARTICULARS

Note No.11 (a)

FIXED ASSETS:

1 Lands under possession but pending for ascertainment of cost and registration

The following lands, which are under possession of the company, are not brought into the books of account in the absence of ascertainment of their costs:

SI.No.	Location	Area (Hectare)
i)	Pollachi	0.32.5
ii)	Karur	0.81.0
iii)	Dharmapurai	1.06.5
iv)	Kangeyam	0.40.5
v)	Nagercoil	1.02.5

2 Lands under possession for which cost has been ascertained but pending for registration:

The following areas of land, which are under possession of the company and for which cost has been brought into the books of account are pending for registration:

SI.No.	Location	Area (in acres)
i)	Ambattur (TASCO)	5.621
ii)	Thirumazhisai (including buildings) (TASCO)	9.900
iii)	Trichy (Thuvakudi) (TASCO)	2.000
iv)	Thirubuvanam (TASCO)	2.000
v)	Erode (Suriyanpalayam) (TASCO)	1.440
vi)	Karaikudi (TASCO)	2.000
vii)	Kancheepuram	2.670
viii)	Namakkal	10.230
ix)	Perambalur	1.215
x)	Ramnad	2.430
xi)	Theni	2.000
xii)	Tiruvallur	1.983
xiii)	Tiruvannamalai	5.000
xiv)	Tiruvarur	2.000
xv)	Salem (Santhiyur) (TASCO)	1.670

3 Useful life based Depreciation:

Depreciation has been calculated in accordance with provisions of Schedule II to the Companies Act, 2013. The useful lives of the Tangible Assets other than Land are taken as specified in the Schedule II to the Companies Act, 2013. Intangible Assets - Computer Software (other than internally generated) is amortised over a period of three years on Straight Line basis. In respect of Buildings, the useful lives are taken as per Schedule II to the Companies Act, 2013 and the same has been substantiated by Certificates from Chartered Engineers. The Residual value in respect of Tangible Assets other than Land and Electronic Billing Machines included in Office Equipment is taken as 5% of the Original Cost/ Cost substituted Original Cost. The Residual value in respect of Electronic Billing Machines is taken as 2% on the Original Cost since the same is as per the requirements of TASMAC and this is also substantiated by the Supplier.

TAMIL NADU STATE MARKETING CORPORATION LIMITED

CMDA TOWER-II, 4th FLOOR, GANDHI IRWIN BRIDGE ROAD, EGMORE, CHENNAI- 600 008

NOTES TO BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 12	₹	₹
DEFERRED TAX (LIABILITIES)/ASSETS		
DEFERRED TAX LIABILITIES - DUE TO TIMING DIFFERENCES IN		
(1) EXPENDITURE CLAIMED FOR IT PURPOSES BUT NOT PROVIDED FOR IN ACCOUNTS	1,63,05,072	1,60,13,910
DEFERRED TAX LIABILITES Total (a)	1,63,05,072	1,60,13,910
DEFERRED TAX ASSETS - DUE TO TIMING DIFFERENCES IN		
(1) DEPRECIATION AND AMORTISATION	1,74,20,771	1,53,13,849
(2) WELFARE FUND COLLECTIONS - DEDUCTIBLE ON PAYMENT BASIS	15,18,70,108	6,13,386
(3) ACCRUED EXPENSES DEDUCTIBLE ON PAYMENT BASIS-SEC. 43B OF I.T. ACT	19,01,30,389	-
(4) ACCRUED EXPENSES DEDUCTIBLE ON PAYMENT BASIS U/S.40(a)	12,459	86,675
(5) PROVISIONS FOR DOUBTFUL DEBTS AND ADVANCES	9,26,88,745	-
DEFERRED TAX ASSETS Total (b)	45,21,22,472	1,60,13,910
DEFERRED TAX (LIABILITIES)/ASSETS	43,58,17,400	-

During the previous year, in the absence of virtual/reasonable certainty of future taxable income, the company has recognized deferred tax assets arising on account of :

Depreciation and Amortisation

Employees Welfare Fund deductible on payment basis and

Accrued expenses deductible on payment basis u/s.43B / 40(a) of Income tax Act, 1961 "only to the extent of the deferred tax liability arising on account of Expenditure claimed for IT purposes but not provided for in Accounts as at March 31, 2016". as compared to the earlier practice of recognising in full. During the current year, the company has adopted the policy of earlier years (prior to 2015-16) which results in increase in profit after tax by ₹.43.58 crores.

PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 13	₹	₹
LONG TERM LOANS AND ADVANCES		
UNSECURED, CONSIDERED GOOD		
SECURITY DEPOSITS		
ELECTRICITY DEPOSITS	13,43,930	12,44,185
RENTAL DEPOSITS	4,68,19,030	5,17,03,923
OTHER DEPOSITS	6,00,963	4,58,665
(Other Deposits represent Telephone Deposit ₹1,78,464, CMDA Deposit ₹4,22,335 and Lease Rent Advance ₹164)		

OTHER LOANS AND ADVANCES (SPECIFY NATURE)			
REFUND DUE	- INCOME TAX	21,19,35,559	11,15,19,596
PAID UNDER PROTEST	- INCOME TAX	1,31,07,77,357	1,30,44,77,357
	- SALES TAX	2,85,63,217	2,85,63,217
	- SERVICE TAX	12,71,96,960	12,51,51,451
INCOME TAX - MAT CREDIT		18,04,50,676	13,65,64,558
NON CURRENT ASSETS - LOANS AND ADVANCES TO EMPLOYEES		1,23,662	1,69,158
UNSECURED, CONSIDERED DOUBTFUL			
NON CURRENT ASSETS - LOANS AND ADVANCES		16,75,24,222	15,62,41,703
LESS : PROVISION FOR DOUBTFUL LOANS AND ADVANCES		(16,75,24,222)	(15,62,41,703)
(Refer Note No.27)	Total	1,90,78,11,354	1,75,98,52,110

Provisions for doubtful Loans and Advances are made on the following basis :

(₹ in lakhs)

SI.No.	Particulars	Basis	31.03.2017	31.03.2016
a)	Insurance Claim Recoverable (Whole sale division)	Loans and Advances outstanding for : - more than 3 Years - 100%	322.26	322.26
b)	Insurance Premium Recoverable (Whole sale division)	Loans and Advances outstanding for : - more than 3 Years - 100%	34.35	34.35
c)	Insurance Claims - Retail Vending shops	Loans and Advances outstanding for : - more than 3 Years - 100%	348.29	318.32
d)	Shortages and Misappropriation - Retail Vending Shops	Loans and Advances outstanding for : - more than 3 Years - 100%	769.85	558.49
		- others - as estimated by management on case to case basis	172.75	301.26
		Total	942.60	859.75
e)	Loans and Advances - TASCO	Net of dues receivable(Receivable Less Payable) from CPE office. - (dues more than 3 years) - 100%	23.90	23.90
f)	Sundry Debtors - TASCO	Loans and Advances Outstanding for : - more than 3 Years - 100%	3.84	3.84
		Total	1,675.24	1,562.42

PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 14	₹	₹
OTHER NON-CURRENT ASSETS		
LONG-TERM TRADE RECEIVABLES		
DEBTS OUTSTANDING FOR A PERIOD EXCEEDING ONE YEAR		
UNSECURED		
CONSIDERED GOOD	22,30,377	29,53,702
OVERDUE AND DOUBTFUL	10,03,00,399	9,86,80,511
	10,25,30,776	10,16,34,213
LESS : PROVISION FOR DOUBTFUL RECEIVABLES	(10,03,00,399)	(9,86,80,511)
Total	22,30,377	29,53,702

Age wise classification of debtors has been compiled based on the certified information from District Managers / Internal Auditors of District Managers' Office.. (Also Refer Note No.27)

(₹ in lakhs)

Sl.No.	Particulars	Basis	AS AT 31.03.2017	AS AT 31.03.2016
1	Trade Receivables : - Provision for Doubtful Debts	Debts outstanding for : - more than 3 Years - 100% - more than 2 years but less than 3 years - 50%	996.88 6.12	976.37 10.44
	Total		1,003.00	986.81

PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 15 INVENTORIES	₹	₹
STOCK AT DEPOTS	4,53,48,51,443	3,24,33,38,238
STOCK AT RETAIL SHOPS	5,21,69,94,801	5,50,64,53,234
STOCK IN TRANSIT	3,11,30,93,874	1,80,50,83,263
STOCK OF EMPTY BOTTLES	1	1
STOCK OF EMPTY CARTONS	1	1
STOCK OF EXCISE LABEL	7,44,210	8,59,776
Total	12,86,56,84,330	10,55,57,34,513

VALUE OF CLOSING STOCK AS AT 31.03.2017

PARTICULARS	IMFS ₹	Beer ₹	Total ₹
STOCK AT DEPOTS	4,12,84,16,617	40,64,34,826	4,53,48,51,443
STOCK AT RETAIL SHOPS	4,90,08,93,169	31,61,01,632	5,21,69,94,801
STOCK IN TRANSIT	2,72,17,47,500	39,13,46,374	3,11,30,93,874
STOCK OF EMPTY BOTTLES	-	-	1
STOCK OF EMPTY CARTONS	-	-	1
STOCK OF EXCISE LABEL	-	-	7,44,210
TOTAL			12,86,56,84,330

- 1 Stock of empty bottles as on 31.03.2017 has been valued at ₹1/- (L.Y. ₹1/-) based on the opinion given by the Expert Advisory Committee" of the Institute of Chartered Accountants of India, New Delhi and a similar stock of Empty/Waste Cartons (being packing materials received with the purchased goods) is valued at a nominal value of ₹1/- (L.Y. ₹1/-) since the cost is 'Nil'.
- 2 Shortage (Net) amounting to ₹ 23.44 Lakhs, (L.Y. ₹23.44 Lakhs) noticed at wholesale godowns during physical verification of stock, has been adjusted in closing stock during 2003-04, and the company has initiated proceedings against the contractor/employees for the recovery of the same.
- 3 Sedimented stock at the end of the year has been valued at 'Nil' as against the earlier practice of valuing at lower of cost or net realisable value and this results in profit for the year is lower by ₹ 2.79 Crores.

PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 16	₹	₹
TRADERECEIVABLES		
DEBTS OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS		
UNSECURED		
CONSIDERED GOOD	-	-
OTHERS		
UNSECURED		
CONSIDERED GOOD	29,50,845	31,95,796
Total	29,50,845	31,95,796
PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 17	₹	₹
CASH AND BANK BALANCES		
CASH AND CASH EQUIVALENTS		
(1) BALANCES WITH BANKS		
(i) IN CURRENT ACCOUNTS	3,51,98,263	10,71,21,166
(ii) DDs' ON HAND	19,59,111	8,07,740
(iii) CASH ON HAND	91,85,88,081	80,10,81,374
(iv) REMITTANCE IN TRANSIT	15,47,61,274	14,74,39,423
Total (a)	1,11,05,06,729	1,05,64,49,703
(2) OTHER BANK BALANCES		
(i) IN DEPOSIT ACCOUNTS WITH MATURITY PERIOD MORE THAN 3 MONTHS	-	-
(i) IN DEPOSIT ACCOUNTS EARMARKED AS "SECURITY DEPOSIT FROM EMPLOYEES"	80,00,00,000	81,62,54,082
(ii) SHORT TERM DEPOSITS WITH BANKS - HELD		
(a) AS SECURITY AGAINST DEMAND LOANS AVAILED (Refer Note No.7(i))	4,08,00,00,000	4,08,60,00,000
(b) AS LIEN MARKED TO E.S.I.C.	3,96,74,782	3,68,61,144
Total (b)	4,91,96,74,782	4,93,91,15,226
Total (a+b)	6,03,01,81,511	5,99,55,64,929
PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 18	₹	₹
SHORT TERM LOANS AND ADVANCES		
UNSECURED, CONSIDERED GOOD		
LOANS AND ADVANCES TO EMPLOYEES	5,32,041	9,61,193
PREPAID EXPENSES	3,37,62,788	3,02,91,563
ADVANCE INCOME TAX	7,23,73,333	13,89,91,054
OTHER LOANS AND ADVANCES *	2,91,09,96,643	2,92,16,53,562
Total	3,01,76,64,805	3,09,18,97,372

(Refer Note No.27)			
* OTHER LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD pertain to			
Wholesale	- Demurrage Charges Recoverable	55,69,486	56,96,273
	- Handling Loss Recoverable	22,45,394	22,01,912
	- Insurance Claims Receivables	1,81,77,436	1,48,77,715
	- Insurance Premium - Recoverable	92,27,311	1,00,74,867
Retail Vending	- Petty cash advance	43,036	-
Retail Vending	- Shortages Recoverable	44,51,467	1,20,72,338
	- Insurance claim Receivable	-	30,70,276
	- Loans and Advances	35,70,164	36,90,905
Others		2,86,77,12,349	2,86,99,69,276

Others include refund due from Government towards Vend fee, Annual Privilege Fee, Special Privilege Fee amounting to ₹. 280.16 Crores. The Commissioner, P&E Department vide his letter No.P&E 9(1)/17936/2012, dated 13.11.2014, 06.08.2015 and 20.07.2017 has confirmed as follows : "... necessary proposals were sent to Government ... for the refund of excess payment paid by the TASMAC in respect of Vend fee, Annual Privilege fee and Special Privilege fee ... After obtaining the orders of the Government, the excess payment paid by TASMAC will be refunded" (relevant extracts only are given herein above).

PARTICULARS	AS AT 31-03-2017	AS AT 31-03-2016
NOTE : 19	₹	₹
OTHER CURRENT ASSETS		
INTEREST ACCRUED ON BANK DEPOSITS	11,29,03,696	14,85,52,948
OTHER ASSETS		
(a) PLANT & MACHINERY RETIRED FROM ACTIVE USE AND KEPT FOR DISPOSAL (Refer Note 11(iv))	-	14,23,881
(b) INCOME RECOVERABLE -CMB/PENALTY	1,71,38,756	2,62,40,357
(c) OTHER ASSETS	6,16,186	3,09,823
Total	13,06,58,638	17,65,27,009
(Refer Note No.27)		

PARTICULARS	YEAR ENDED 2016-2017	YEAR ENDED 2015-2016
NOTE : 20	₹	₹
REVENUE FROM OPERATIONS		
(a) SALE OF PRODUCTS		
(i) SALE OF IMFS	2,77,27,91,23,067	2,69,92,89,00,459
(ii) SALE OF BEER	35,15,65,30,060	32,90,65,89,206
	3,12,43,56,53,127	3,02,83,54,89,665
(b) OTHER OPERATING REVENUE		
AGENCY COMMISSION FOR COLLECTING BAR TENDER AMOUNT	3,46,98,130	3,74,16,360
Total	3,12,47,03,51,257	3,02,87,29,06,025

PARTICULARS	YEAR ENDED 2016-2017	YEAR ENDED 2015-2016
NOTE : 21	₹	₹
OTHER INCOME		
INTEREST INCOME		
- BANK DEPOSITS	39,03,33,450	46,90,50,285
- OTHERS	1,62,30,645	2,80,58,140
DISCOUNT EARNED ON PROMPT PAYMENT TO SUPPLIERS	1,31,92,55,292	1,27,91,71,257
MISCELLANEOUS RECEIPTS	67,91,61,601	77,02,69,736
PRIOR PERIOD INCOME	155	-
Total	2,40,49,81,143	2,54,65,49,418

PARTICULARS	YEAR ENDED 2016-2017	YEAR ENDED 2015-2016
NOTE : 22	₹	₹
CHANGES IN INVENTORIES OF STOCK IN TRADE		
OPENING STOCK	10,55,57,34,513	12,39,55,73,329
LESS: CLOSING STOCK	12,86,56,84,330	10,55,57,34,513
Total	(2,30,99,49,817)	1,83,98,38,816

PARTICULARS	YEAR ENDED 2016-2017	YEAR ENDED 2015-2016
NOTE : 23	₹	₹
EMPLOYEES REMUNERATION AND BENEFITS		
SALARIES AND BONUS	2,66,68,23,621	2,24,36,82,032
CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	40,72,37,659	40,57,87,609
STAFF WELFARE AND OTHER BENEFITS	61,78,57,730	63,39,08,805
Total	3,69,19,19,010	3,28,33,78,446

Salaries and Bonus includes provision towards bonus @ 20% under the Payment of Bonus (Amendment) Act, 2015 (Act No. 6 of 2016) as against 8.33% minimum bonus provided upto previous year since the company has sufficient allocable surplus.

PARTICULARS	YEAR ENDED 2016-2017	YEAR ENDED 2015-2016
NOTE : 24	₹	₹
FINANCE COST		
INTEREST EXPENSES		
INTEREST PAYMENT- CASH CREDIT	12,65,94,842	13,02,08,807
- OTHERS	16,08,01,570	2,70,92,21,231
- ON SHORTFALL IN PAYMENT OF ADVANCE TAX	11,01,065	-
Total	28,84,97,477	2,83,94,30,038

PARTICULARS	YEAR ENDED 2016-2017	YEAR ENDED 2015-2016
NOTE : 25	₹	₹
DEPRECIATION AND AMORTISATION EXPENSES		
DEPRECIATION ON FIXED ASSETS - TANGIBLE ASSETS	4,90,18,970	7,35,62,720
- INTANGIBLE ASSETS	11,04,679	9,65,635
TOTAL	5,01,23,649	7,45,28,355
PARTICULARS	YEAR ENDED 2016-2017	YEAR ENDED 2015-2016
NOTE : 26	₹	₹
OTHER EXPENSES		
RENT	35,67,17,260	35,88,54,819
POWER AND FUEL	8,26,17,826	8,41,43,335
INSURANCE	21,89,02,969	21,97,51,635
ANNUAL PRIVILEGE FEE	6,06,700	6,06,700
FSSAI LICENSE FEE	1,06,89,648	-
RATES AND TAXES	43,75,991	34,62,747
LEGAL FEES	1,17,94,080	58,31,987
BANK CHARGES	27,91,47,158	26,92,10,999
AUDITORS REMUNERATION	11,68,200	10,00,500
INTERNAL AUDIT FEES AND OTHER AUDIT FEES	4,59,39,881	4,98,40,151
PRINTING AND STATIONERY	6,12,41,938	6,28,48,870
REPAIRS TO BUILDINGS	11,14,560	29,47,011
REPAIRS TO PLANT & MACHINERY	1,58,48,690	1,45,93,124
REPAIRS TO OTHERS	1,61,80,321	1,09,69,671
FUEL EXPENSES	25,55,942	22,82,158
MISCELLANEOUS EXPENSES	9,42,62,139	11,13,75,256
TRAVEL AND CONVEYANCE	3,66,30,759	3,87,88,383
PROVISION FOR DOUBTFUL DEBTS	16,19,888	(37,28,050)
PROVISION FOR DOUBTFUL ADVANCES	1,12,82,519	2,29,02,300
Total	1,25,26,96,469	1,25,56,81,596

NOTE : 27

Other Long Term Liabilities, Other Current Liabilities, Trade Payables, Long Term Loans & Advances, Trade Receivables, Short Term Loans & Advances and Other Current Assets are subject to:

(i) confirmation and/or reconciliation and (ii) suitable adjustments, consequent thereto, in the financial statements.

NOTE : 28

Changes in the Accounting Policies :

1. Sedimented stock at the end of the year has been valued at 'Nil' (Refer Note No.15) .
2. Deferred Tax assets and liabilities have been recognised as per the requirement of AS-22 and Note 2.12 of the significant accounting policies. (Refer Note No.12).

NOTE : 29

- 1 Non Current/Current Assets - Long Term/Short Term Loans and advances include "Cash shortage and theft" and "insurance claim receivable" as given below :

(₹ in lakhs)

Particulars	2016-17 ₹	2015-16 ₹
Cash Shortage	179.40	284.22
Embezzlement under follow up	807.73	696.25
Insurance Claims	337.02	349.03
Sub total	1,324.15	1329.5
Less : Provisions	1,290.89	1178.07
Total	33.26	151.43

Out of the above sum of ₹ 33.26 Lakhs, (L.Y. ₹151.43 Lakhs), the company has recovered a sum of ₹23.93 Lakhs (L.Y. ₹87.60 Lakhs) subsequently and with regard to the balance sum of ₹9.33 Lakhs (L.Y. ₹63.83 Lakhs), the Board is of the opinion that these shortages/thefts are recoverable from employees and insurance companies.

It is further stated that to prevent/discourage committing shortage/misappropriation by shop personnel and to ensure transparency in accounting of the same, besides disciplinary action against shop personnel concerned, the management is taking all possible steps to strictly enforce/implement the systems such as remittance of 1 ½ times of stock shortage along with cash shortage, if any, by errant shop personnel in the bank account opened exclusively for that purpose in each District rather than remitting together with shop's concerned daily sales proceeds.

NOTE : 30 - Commitments
30.1 Capital Commitments

Estimated amounts of contracts remaining to be executed

(₹ in lakhs)

Particulars	2016-17 ₹	2015-16 ₹
	Nil	Nil

30.2 CONTINGENT LIABILITIES (NOT PROVIDED FOR)

(₹ in lakhs)

Sl.No.	Particulars	2016-17 ₹	2015-16 ₹
a)	Sales Tax including penalty and penal interest disputed before various authorities since the company is of the opinion that the company will get relief in the appeal. The company has paid ₹285.63 Lakhs (L.Y. ₹285.63 Lakhs) under protest in this regard (Vide note 39 also) .	272.36	272.36
b)	Income tax disputed before various authorities. (The company has paid ₹13,107.77 Lakhs (L.Y. ₹13,044.77 lakhs) under protest in this regard. (Vide note 39 also))	9,25,238.82	9,23,809.87
c)	Disputed ESI demands of ₹398.57 lakh (L.Y. ₹398.57 lakh) for the period from April 2004 to September 2005 has not been provided for since the company is exempted from the provisions of the ESI Act for the said period. Against the demand of ₹398.57 Lakhs, an amount		

	of ₹367.04 Lakhs (L.Y. ₹395.20 Lakhs) including accrued interest of ₹26.83 Lakhs (L.Y. ₹28.16 Lakhs) is held in fixed deposit with Vijaya Bank under lien marked in favour of ESI, pending disposal of Writ Appeal which was filed by the TASMAC against ESIC and Vijaya Bank, Chennai before the Hon'ble Madras High Court, Chennai (Vide note 39 also) .	398.57	398.57
d)	Annual Maintenance Charges on computer claims contested before the Court by the company.	10.01	10.01
e)	Claim made by United India Insurance Co. Ltd., Kulithalai has not been acknowledged as debt.	49.14	49.14
f)	Service Tax and penalty under the Finance Act, 1994, demanded by the Commissioner of Service Tax, in the opinion of the company, is not payable and the same is contested before the Customs, Excise and Service Tax Appellate Tribunal, Chennai. The company has paid ₹1271.97 Lakhs (L.Y. ₹1251.51 Lakhs) as pre deposit in this regard (Vide note 39 also) .	32,334.61	32,090.02
g)	Legal cases in respect of various issues pending in various courts 70 cases (L.Y. 79 Cases)	10,535.40	10,025.13
h)	Rental increase claimed by Landlords not acknowledged as debt of :		
	1) SRM office, Chennai	41.43	41.43
	2) SRM office, DM office and IMFS Depot of Coimbatore,	-	229.24
i)	Claims made by Dindigul District Co-operative Milk Producers Union Ltd. towards Electricity Charges and Security Guard Salary.	13.93	13.93
j)	Increase in Rent claimed by TNWHC not acknowledged as debt	171.92	148.00
	Total	9,69,066.19	9,67,087.70

k) Income tax disputed before Income tax Appellate Tribunal, Chennai by the company with regard to appeals preferred by Income Tax Authorities for the Assessment Years 2001-02 & 2002-03 in respect of depreciation claim for the assets taken over from TASCO allowed by CIT (Appeals), Chennai – Not capable of quantification.

l) Rent disputed at a few retail vending shops – not capable of quantification.

31. The quantitative details are furnished hereunder

Particulars	QUANTITY (IN CASES)			
	2016-17		2015-16	
	IMFS	BEER	IMFS	BEER
Opening Stock	26,87,443	11,64,220	29,52,960	10,63,123
Purchases	5,69,06,912	2,41,51,527	5,51,14,212	2,33,23,451
Total	5,95,94,355	2,53,15,747	5,80,67,172	2,43,86,574
Sales	5,66,76,118	2,42,61,651	5,53,79,729	2,32,22,354
Closing Stock	29,18,237	10,54,096	26,87,443	11,64,220

32. Prior Period Expenses represent

Particulars	2016-17 ₹	2015-16 ₹
Prior Period Expenses		
Depreciation on Lease hold land	21,995	-
Depreciation	-	89,081
Rent	-	1,67,992
EDLI Charges	-	1,84,80,791
Total	21,995	1,87,37,864

33. Related Party Transactions

Remuneration to Managing Director (included in employees' remuneration and benefits)

Particulars	2016-17 ₹	2015-16 ₹
Salary	17,88,394	4,74,535
Contribution to Pension Fund	1,32,835	-
Contribution towards Leave Salary	-	11,11,860
Total	19,21,229	15,86,395

34. Auditor's Remuneration

Particulars	2016-17 ₹	2015-16 ₹
Audit Fees	8,85,000	8,62,500
Tax Audit Fee	1,41,600	Nil
VAT Audit Fee	1,41,600	1,38,000
Total	11,68,200	10,00,500

35. The disclosures as required under the revised AS-15

DEFINED CONTRIBUTION PLAN

The Company's defined contribution plans are :-

- Employees' Provident Fund, being long term benefit, for regular employees, temporary male assistants drafted from Secretariat and temporary employees;
- Employees' Pension scheme, being long term benefit, (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) for the regular employees, temporary male assistants drafted from Secretariat and temporary employees;
- Accident/Injury/Disablement Relief Fund Scheme available to the temporary male assistants drafted from Secretariat and temporary employees, while the employee is in service.

The company has no further obligation beyond making these contributions.

DEFINED BENEFIT PLAN:

The company has a scheme of long term benefit viz., Gratuity being a defined benefit plan and the fund of said Gratuity is being maintained by Life Insurance Corporation of India. Accumulation of credits of earned leave encashment is not funded and provision has been made in the books of account based on the valuation of Actuary.

a) Defined Contribution Plan: Charge to the Statement of Profit and Loss based on contributions :

Sl.No.	Description	2016-17 ₹	2015-16 ₹
a)	Provident Fund	22,87,20,442	21,46,97,676
b)	Employees' Pension Scheme	47,15,604	65,11,847
c)	Group Insurance Premium	(2,64,908)	11,74,428
d)	Medical Benefits during the tenure of service of employees	2,09,659	3,54,051

Apart from the above, the company has provided on accrual basis, the benefits on Accident / Injury / Disablement Relief Fund @ ₹ 75/ per month/per employee to District Managers, Assistant Managers (Accounts) and Retail Vending shop personnel who are employed on temporary and contract basis and also for the temporary male Assistants drafted from Secretariat.

b) Disclosure of Defined Benefit Plans based on the actuarial reports are summarised hereunder:

GRATUITY:

'Gratuity Fund Scheme for both Regular employees and Temporary employees are managed by Life Insurance Corporation of India. The present value of obligations are determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit to build up final obligation. The amount recognized in respect of gratuity as per the actuarial valuation reports (funded as per demand made by the Life Insurance Corporation of India) is as under:

(i) Regular Employees :

Sl.No.	Description	2016-17 ₹	2015-16 ₹
a)	Components of Employer Expense:		
i.	Current Service cost	40,58,604	56,01,832
ii.	Interest cost	97,99,917	1,04,90,471
iii.	Expected return on plan assets	(81,06,000)	(81,54,649)
iv.	Actuarial loss/(gain)	(64,58,969)	(1,35,01,028)
v.	Total Expense recognized in the Statement of Profit and Loss (grouped under employee benefits expenses)	(7,06,447)	(55,63,374)

b)	Net Asset/(Liability) recognized in Balance Sheet:	2016-17 ₹	2015-16 ₹
i.	Present value of obligation	12,85,70,575	14,65,74,157
ii.	Fair value of plan assets	11,24,46,605	12,77,65,173
iii.	Surplus/(deficit)	(1,61,23,970)	(1,88,08,984)
c)	Change in the Defined Benefit Obligation:		
i.	Opening Defined Benefit Obligation	14,65,74,157	14,57,61,437
ii.	Current Service Cost	40,58,604	56,01,832
iii.	Interest Cost	97,99,917	1,04,90,471
iv.	Actuarial loss/(gain)	(46,54,560)	72,56,859
v.	Liabilities settled on sale of business	-	-
vi.	Benefits paid	(2,72,07,544)	(2,25,36,442)
vii.	Closing defined benefit obligation	12,85,70,575	14,65,74,157
d)	Change in Fair Value of Plan Assets:		
i.	Opening Fair Value of assets	12,77,65,173	10,50,13,589
ii.	Expected Return on Plan assets	81,06,000	81,54,649
iii.	Actuarial gain/(loss)	18,04,409	2,07,57,887
iv.	Contributions by employer	19,78,567	1,63,75,490
v.	Liabilities settled on sale of business	-	-
vi.	Benefits paid	(2,72,07,544)	(2,25,36,442)
vii.	Closing fair value of assets	11,24,46,605	12,77,65,173
e)	Actuarial Assumptions:		
i.	Discount rate (%)	7.04%	7.37%
ii.	Expected Return on Plan assets (%)	7.04%	8.00%
iii.	Projection of salaries (% - compound)	11.00%	12.00%

(ii) Temporary Employees :

Sl.No.	Description	2016-17 ₹	2015-16 ₹
a)	Components of Employer Expense:		
i.	Current Service cost	11,03,79,047	10,82,14,752
ii.	Interest cost	9,47,65,026	7,91,73,948
iii.	Expected return on plan assets	(6,54,01,859)	(5,73,75,308)
iv.	Actuarial loss/(gain)	(3,47,91,260)	1,05,34,745
v.	Total Expense recognized in the Statement of Profit and Loss (grouped under employee benefits expenses)	10,49,50,954	14,05,48,137

b)	Net Asset/(Liability) recognized in Balance Sheet:	2016-17 ₹	2015-16 ₹
i.	Present value of obligation	1,37,89,83,447	1,21,18,49,608
ii.	Fair value of plan assets	91,65,82,694	78,06,37,429
iii.	Surplus/(deficit)	(46,24,00,753)	(43,12,12,179)
c)	Change in the Defined Benefit Obligation:		
i.	Opening Defined Benefit Obligation	1,21,18,49,608	1,01,24,54,582
ii.	Current Service Cost	11,03,79,047	10,82,14,752
iii.	Interest Cost	9,47,65,026	7,91,73,948
iv.	Actuarial loss/(gain)	(3,79,68,985)	1,20,06,326
v.	Liabilities settled on sale of business	-	-
vi.	Benefits paid	(41,250)	-
vii.	Closing defined benefit obligation	1,37,89,83,447	1,21,18,49,608
d)	Change in Fair Value of Plan Assets:		
i.	Opening Fair Value of assets	78,06,37,429	71,15,89,431
ii.	Expected Return on Plan assets	6,54,01,859	5,73,75,308
iii.	Actuarial gain/(loss)	(31,77,724)	14,71,581
iv.	Contributions by employer	7,37,62,380	1,02,01,109
v.	Liabilities settled on sale of business	-	-
vi.	Benefits paid	(41,250)	-
vii.	Closing fair value of assets	91,65,82,694	78,06,37,429
e)	Actuarial Assumptions:		
i.	Discount rate (%)	7.35%	7.82%
ii.	Expected Return on Plan assets (%)	8.00%	8.00%
iii.	Projection of salaries (% - compound)	8.00%	9.00%

(c) EARNED LEAVE :

The Company has provided for Earned Leave Credits as per the valuation of actuary and it has not been funded so far. The amount recognized in respect of Earned Leave Credits (non-funded) is as under :

Sl.No.	Description	2016-17 ₹	2015-16 ₹
a)	Components of Employer Expense:		
i.	Current Service cost	97,33,089	1,07,88,598
ii.	Interest cost	51,33,274	59,47,712
iii.	Expected return on plan assets	-	-
iv.	Actuarial loss/(gain)	(1,69,64,374)	(1,66,18,153)
v.	Total Expense recognized in the Statement of Profit and Loss	(20,98,010)	1,18,157

b)	Net Asset/(Liability) recognized in Balance Sheet:	2016-17 ₹	2015-16 ₹
i.	Opening Defined Benefit Obligation	7,43,40,113	8,71,81,354
ii.	ADD : Total Expense as per Statement of profit and loss	(20,98,010)	1,18,157
iii.	LESS : Benefits paid	(93,78,340)	(1,29,59,398)
iv.	(Surplus)/deficit	6,28,63,763	7,43,40,113
c)	Change in the Defined Benefit Obligation:		
i.	Opening Defined Benefit Obligation	7,43,40,113	8,71,81,354
ii.	Current Service cost	97,33,089	1,07,88,598
iii.	Interest cost	51,33,274	59,47,712
iv.	Actuarial loss/(gain)	(1,69,64,374)	(1,66,18,153)
v.	Liabilities settled on sale of business	-	-
vi.	Benefits paid	(93,78,340)	(1,29,59,398)
vii.	Closing defined benefit obligation	6,28,63,763	7,43,40,113
d)	Actuarial Assumptions:		
i.	Discount rate (%)	7.04%	7.37%
ii.	Salary escalation rate (%)	11.00%	12.00%

36. Disclosure under AS-17 on "Segment Reporting":

The company operates under two Segments namely IMFS and BEER.

(₹ in Lakhs)

Particulars	IMFS		BEER		TOTAL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Sale of goods	27,72,791.23	26,99,289.00	3,51,565.30	3,29,065.89	31,24,356.53	30,28,354.90
Revenue from other operations					346.98	374.16
Other Income					24,049.81	25,465.49
Total	27,72,791.23	26,99,289.00	3,51,565.30	3,29,065.89	31,48,753.32	30,54,194.55
Cost of Purchases						
Purchases	14,89,694.88	14,09,400.12	1,61,891.16	1,51,207.68	16,51,586.04	15,60,607.80
Freight and Lable Cost (unallocated)					7,437.36	6,857.47
Total cost of purchases					16,59,023.40	15,67,465.27
Other Expenses Incl. Tax and other adjustments (Unallocated)					14,82,849.21	14,99,293.47
Total					31,41,872.61	30,66,758.74
Profit /(Loss) after Tax					6,880.71	(12,564.19)

Note :

a) "Revenue from other operations", "Other Income" "Freight and Lable Cost (unallocated)" and "Other Expenses Incl. Tax and other adjustments (Unallocated)" and Assets and Liabilities are not capable of identification for the above segments, separately.

b) "Revenue from other operations" represent Agency commission for collecting Bar tender amount.

37. Disclosure under AS-20 "Earnings Per share" :

Particulars	Year Ended 31.03.2017 ₹	Year Ended 31.03.2016 ₹
Basic and Diluted Earnings per Share		
A) Basic Earnings per Share		
- Before Extraordinary items (net of tax)	4,587	(8,376)
- After Extraordinary items (net of tax)	4,587	(8,376)
B) Diluted Earnings per Share		
- Before Extraordinary items (net of tax)	4,587	(8,376)
- After Extraordinary items (net of tax)	4,587	(8,376)
Profit/(Loss) after Tax and before extraordinary items	68,80,70,845	(1,25,64,18,854)
Profit/(Loss) after extraordinary items and Tax	68,80,70,845	(1,25,64,18,854)
No. of Equity Shares at the end of the year	1,50,000	1,50,000
Equity Shares allotted subsequently	Nil	Nil
Potential Equity Shares	Nil	Nil

38. Disclosure under AS-26 "Intangible Assets"
Computer Software other than internally generated :

Sl.No.	Description	2016-17 ₹	2015-16 ₹
A	Useful Life	3 Years	3 Years
B	Amortisation Method	Straight Line Method	Straight Line Method
C(i)	Gross Carrying amount	69,05,836	60,26,087
C(ii)	Accumulated amortisation at the beginning of the period (Impairment Loss ₹ Nil)	42,36,396	32,70,761
C(iii)	Accumulated amortisation at the end of the period (Impairment Loss ₹ Nil)	53,41,075	42,36,396
D	Reconciliation of Carrying amount		
	Carrying amount at the beginning	17,89,691	26,90,326
	Add : Addition during the year	8,79,749	65,000
	Sub Total	26,69,440	27,55,326
	Less : Amortisation recognised during the period		
	Current Period	11,04,679	9,65,635
	Prior Period	-	-
	Carrying amount at the end	15,64,761	17,89,691

39. Disclosures under the Companies (Auditor's Report) Order, 2016.

Sl.No	Assessment Year	Nature of Dispute	Disputed Amount as on (₹)		Paid under protest as on (₹)		Balance unpaid as on (₹)		"Forum where the dispute is pending"
			31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	
1	1993-94	Penalty	2,59,018	2,59,018	-	-	2,59,018	2,59,018	STAT Remitted to DC-CT for fresh assessment
2	1997-98	Sales Tax	94,780	94,780	94,780	94,780	-	-	Madras High Court, Chennai.
		Penalty	3,61,165	3,61,165	-	-	3,61,165	3,61,165	STAT remanded
3	1998-99	Sales Tax	1,60,420	1,60,420	1,60,420	1,60,420	-	-	Madras High Court, Chennai.
		Penalty	3,01,940	3,01,940	3,01,940	3,01,940	-	-	STAT remanded
4	1999-2000	Sales Tax	10,95,743	10,95,743	30,42,954	30,42,954	(19,47,211)	(19,47,211)	Madras High Court, Chennai.
		Penalty	29,14,661	29,14,661	29,14,661	29,14,661	-	-	STAT remanded
		Penal Interest	1,21,50,484	1,21,50,484	1,21,50,484	1,21,50,484	-	-	Madras High Court, Chennai.
5	2000-01	Sales Tax	17,69,349	17,69,349	17,69,349	17,69,349	-	-	Sales Tax Appellate Tribunal, Chennai
		Penalty	19,33,634	19,33,634	19,33,634	19,33,634	-	-	Sales Tax Appellate Tribunal, Chennai
		Penal Interest	6,76,047	6,76,047	6,76,047	6,76,047	-	-	Sales Tax Appellate Tribunal, Chennai
6	2001-02	Sales Tax	32,02,247	32,02,247	32,02,247	32,02,247	-	-	Sales Tax Appellate Tribunal, Chennai
		Penalty	12,29,615	12,29,615	12,29,615	12,29,615	-	-	Sales Tax Appellate Tribunal, Chennai
		Penal Interest	10,87,086	10,87,086	10,87,086	10,87,086	-	-	Sales Tax Appellate Tribunal, Chennai
		TOTAL (A)	2,72,36,189	2,72,36,189	2,85,63,217	2,85,63,217	(13,27,028)	(13,27,028)	
7	2004-05 to 2005-06	ESI	3,98,56,546	3,98,56,546	-	-	3,98,56,546	3,98,56,546	Madras High Court, Chennai
		TOTAL (B)	3,98,56,546	3,98,56,546	-	-	3,98,56,546	3,98,56,546	
8	2000-01	Income Tax & Interest	30,13,704	30,13,704	30,13,704	30,13,704	-	-	CIT (Appeals) Chennai.
9	2001-02	Income Tax & Interest	69,83,060	69,83,060	69,83,060	69,83,060	-	-	CIT (Appeals) Chennai.
10	2003-04	Interest	14,80,868	14,80,868	-	-	14,80,868	14,80,868	CIT (Appeals), Chennai.
11	2004-05	Income Tax & Interest	1,90,69,123	1,90,69,123	1,73,88,918	1,73,88,918	16,80,205	16,80,205	Madras High Court, Chennai.
12	2007-08	Income Tax & Interest	1,31,73,583	1,31,73,583	1,14,80,117	1,14,80,117	16,93,466	16,93,466	Madras High Court, Chennai.
13	2009-10	Income Tax & Interest	6,09,41,50,516	6,09,41,50,516	-	-	6,09,41,50,516	6,09,41,50,516	Madras High Court, Chennai.
14	2010-11	Income Tax & Interest	12,62,00,42,630	12,62,00,42,630	-	-	12,62,00,42,630	12,62,00,42,630	Madras High Court, Chennai.
15	2011-12	Income Tax & Interest	13,58,68,51,420	13,58,68,51,420	1,26,56,11,558	1,26,56,11,558	12,32,12,39,862	12,32,12,39,862	ITAT, Chennai.
16	2012-13	Income Tax & Interest	16,62,47,52,010	16,62,47,52,010	-	-	16,62,47,52,010	16,62,47,52,010	ITAT, Chennai.
17	2013-14	Income Tax & Interest	19,85,31,79,897	19,85,31,79,897	-	-	19,85,31,79,897	19,85,31,79,897	ITAT, Chennai.
18	2014-15	Income Tax & Interest	23,55,82,89,810	23,55,82,89,810	-	-	23,55,82,89,810	23,55,82,89,810	ITAT, Chennai.
		Income Tax & Interest	14,28,95,122	-	63,00,000	-	13,65,95,122	-	CIT (Appeals) Chennai.
		TOTAL (C)	92,52,38,81,743	92,38,09,86,621	1,31,07,77,357	1,30,44,77,357	91,21,31,04,386	91,07,65,09,264	
19	2008-09 to 2014-15	Service Tax & Penalty	3,20,90,02,076	3,20,90,02,076	12,51,51,451	12,51,51,451	3,08,38,57,625	3,08,38,57,625	CESTAT, Chennai.
20	2013-14 to 2014-15	Service Tax & Penalty	2,44,58,923	-	18,34,421	-	2,26,24,502	-	Commissioner of Central EXCISE (Appeals), MADURAI
		TOTAL (D)	3,23,34,60,999	3,20,90,02,076	12,71,96,960	12,51,51,451	3,10,62,64,039	3,08,38,57,625	
		Total (A) + (B) + (C) + (D)	95,82,44,35,477	95,65,70,81,432	1,46,65,37,534	1,45,81,92,025	94,35,78,97,943	94,19,88,89,407	

40. No assets are carried at more than their realisable values. As such recognition of impairment loss does not arise as required under AS 28 Impairment of assets.
41. Amounts in the financial statements are rounded off to the nearest rupee except as otherwise stated.
42. Demonetisation

Details of Specified Bank Notes (SBN) held and transacted during the period from 08.11.2016 to 30.12.2016

	SBNs ₹	Other denomination notes ₹	Total ₹
Closing Cash in hand as on 08.11.2016	81,56,93,000	2,65,85,970	84,22,78,970
+ Permitted receipts	57,29,08,000	34,32,92,25,198	34,90,21,33,198
- Permitted Payments	—	—	—
(-) Amount deposited in Banks	1,38,86,01,000	33,67,60,69,725	35,06,46,70,725
Closing Cash in hand as on 30.12.2016	—	67,97,41,443	67,97,41,443

43. Previous year figures have been regrouped / reclassified, wherever necessary to conform to current period classification.

Signatories to Notes 1 to 43

Sd/- **P.THANGAMANI**
Chairman

Sd/- **R.KIRLOSH KUMAR**
Managing Director

Sd/- **R.BALASUBRAMANIAN**
Chief General Manager (Finance) &
Company Secretary

Place : Chennai
Date : 31.10.2017

As per our report of even date
for M/s. SUNDARAM & SRINIVASAN
Chartered Accountants
FRN 004207S

Sd/-
P MENAKSHI SUNDARAM
Partner
M.No. 217914

TAMIL NADU STATE MARKETING CORPORATION LIMITED

CMDA TOWER-II, 4th FLOOR, GANDHI IRWIN BRIDGE ROAD, EGMORE, CHENNAI- 600 008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

Particulars	Current Year		Previous Year	
	2016-17		2015-16	
	Amount	Amount	Amount	Amount
A. Cash Flow from Operating Activities	₹	₹	₹	₹
Net Profit/(Loss) before Tax and Extraordinary Items	25,22,53,445		(67,60,99,859)	
Adjustments for				
Depreciation	5,01,45,644		7,46,17,436	
Interest Expenses	28,84,97,477		2,83,94,30,038	
Interest Income	(40,65,64,095)		(49,71,08,425)	
Loss : (Profit) on Sale of Assets	(3,829)		(51,543)	
Provision made for Doubtful Debts & Advances	(1,29,02,407)		(1,91,74,250)	
Operating Profit Before Working Capital Changes	17,14,26,235		1,72,16,13,397	
Increase/ (Decrease) in Working Capital				
(Increase)/ Decrease in Trade Receivables	9,68,276		1,05,93,497	
(Increase)/ Decrease in Short Term Loans & Advances	11,52,73,748		4,79,86,801	
(Increase)/ Decrease in Long Term Loans & Advances	(13,50,56,837)		14,58,87,865	
(Increase)/ Decrease in Inventories	(2,30,99,49,817)		1,83,98,38,816	
(Increase)/ Decrease in Other Current Assets	4,58,68,371		2,29,75,318	
Increase/ (Decrease) in Current Liabilities & Provisions	(45,75,84,081)		(46,03,41,546)	
Cash Generated From Operations before Tax	(2,56,90,54,105)		3,32,85,54,148	
Less :				
Income Tax Paid	(4,10,41,181)		(3,71,77,264)	
Net Cash Generated From Operations ----- (A)		(2,61,00,95,286)		3,29,13,76,884
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(1,09,72,642)		(8,08,36,754)	
Sale of Fixed Assets	15,37,339		1,42,714	
Interest Income	40,65,64,095		49,71,08,425	
Capital Work in Progress	(72,45,000)		(4,03,00,000)	
Short Term Deposits with Banks	1,94,40,444		(5,50,94,319)	
Net Cash Flow from Investing Activities ----- (B)		40,93,24,236		32,10,20,066
C. Cash Flow from Financing Activities				
(Repayment) / Proceeds of Bank Borrowings	2,54,33,25,553		(1,09,28,94,710)	
Interest Paid	(28,84,97,477)		(2,83,94,30,038)	
Net Cash Flow from Financing Activities ----- (C)		2,25,48,28,076		(3,93,23,24,748)
Net (Decrease)/ Increase in Cash and Cash Equivalents	(A + B + C)	5,40,57,026		(31,99,27,798)
Cash and Cash Equivalents at the beginning of the period		1,05,64,49,703		1,37,63,77,501
Cash and Cash Equivalents at the end of the period		1,11,05,06,729		1,05,64,49,703
Deposits earmarked against Security Deposit from Employees		80,00,00,000		81,62,54,082
Short Term Deposits with Banks		4,08,00,00,000		4,08,60,00,000
Deposits Lien Marked to ESIC		3,96,74,782		3,68,61,144
		6,03,01,81,511		5,99,55,64,929
D. Notes forming part of the Financial Statements		1-43		

Notes:

- The above Cash Flow Statement has been prepared under the indirect method set out in AS - 3 issued by The Institute of Chartered Accountants of India
- Figures in brackets indicate Cash outflow
- Previous Year's figures have been restated, regrouped or reclassified wherever necessary.

Sd/- **P.THANGAMANI**

Chairman

Sd/- **R.KIRLOSH KUMAR**

Managing Director

Sd/- **R.BALASUBRAMANIAN**

Chief General Manager (Finance) &

Company Secretary

Place : Chennai

Date : 31.10.2017

As per our report of even date

for M/s.SUNDARAM & SRINIVASAN

Chartered Accountants

FRN 004207S

Sd/-

P MENAKSHI SUNDARAM

Partner

M.No. 217914