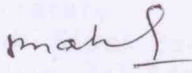

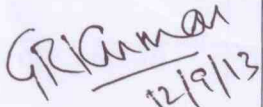
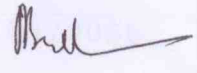


FORM B

Format of covering letter of the annual audit report to be filed with the Stock exchanges

1.	Name of the Company	Dredging Corporation of India Limited
2.	Annual Financial Statements for the year ended	31 <sup>st</sup> March, 2013
3.	Type of Audit Observation	<b>Qualified Opinion</b> vide Note 4(l) of Independent Auditors Report regarding ' <i>Non-recognition of impairment of long-term investments of Rs.3,000 lacs (Last year: Rs.3,000 lacs) in M/s Sethusamudram Corporation Limited; which is not in accordance with para 17 of "AS-13 Accounting for Investments" as prescribed under sub-section 3C of section 211 of the Act.</i> '
4.	Frequency of observation	First time
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report;	<p><b>The Notes to the NOTE VI- NON CURRENT INVESTMENT in the annual Financial statement for 2012-13 stated as under (Page no. 30 of the Annual Report for 2012-13):</b></p> <p>Sethusamudram Corporation Ltd.(SCL), a Special Purpose Vehicle was incorporated on 06.12.2004 for developing the Sethusamudram ShipChannel Project with Government of India, Tuticorin Port Trust, Ennore Port Ltd., Visakhapatnam Port Trust, Chennai Port Trust, Dredging Corporation of India Ltd., Shipping Corporation of India Ltd and Paradip Port Trust as the shareholders. DCI invested in Equity share capital `3000 lakh (previous year `3000 lakh). The dredging work at Palk Strait was suspended from 16-07-2009. The Management does not consider any diminution in the value of the investment and the same has been carried at cost.</p> <p><b><u>Management response to the qualification by auditor as given in the Director's Report is as under (Page no. 8 of the Annual Report for 2012-13) :-</u></b></p> <p>The Management is of the view that the qualification of the Auditors is unwarranted as Sethusamudram Corpoation Limited (SCL) is a Special Purpose Vehicle floated solely for the purpose of the Sethusamudram Ship Channel Project (SSCP) with Central Government as majority shareholder holding 66% of the Rs.745 Cr. paid up share capital along with Ports, SCI and DCI. The holding of DCI is Rs.30Cr which is only about 4% of the paidup share capital of SCL. There is no private investment. It is incorrect to assume that there is any decline in investment value unless any diminution is recognized as such by the Central Government - the major shareholder. SCL is a continuing entity though the dredging work has been stopped/frozen pending final verdict of the Apex Court. Principles of valuation of Trade investment are not relevant to this investment. Moreover, there has been no decline in the investee's assets and results as SCL's Balance Sheet as on 31/03/2012 showed a positive networth of Rs.798.97 Cr. Further SCL has declared a pre-operative surplus of Rs.1.91 Cr. for FY 2011-12 in their Annual Report. It is a strategic investment by DCI to grow its business over a long term. Long term investment is to be carried at cost. Unless there are published documents/ financial reports evidencing a decline in the carrying cost, Statutory Auditor's</p>

		qualification is inappropriate. The factual position in this regard is adequately covered in Notes to the Financial Statements 2012-13.
6.	Additional Comments from the board/audit committee chair	<p>Sethusamudram Corporation Limited (SCL) is a SPV floated solely for the purpose of the Sethusamudram Ship Channel Project (SSCP) with Central Government as major shareholder along with Ports, SCI and DCI and the Company is a continuing entity. The dredging work has been discontinued pending judgment by the Hon'ble Supreme Court on various cases/ writ petitions against the implementation of SSCP.</p> <p>As per the latest Audited Financial Statements of SCL, the networth as at 31/3/13 has increased to Rs.801.02 Cr (PY Rs.798.97 Cr.). There is no diminution in the value of investment in SCL by the Company.</p>
7.	To be signed by – - CEO/Managing Director - CFO - Auditor of the company - Audit Committee chairman	

 CEO Capt.D.K.Mohanty Chairman and Managing Director	 CFO P.V.Ramana Murthy Director (Finance)	 12/9/13 Statutory Auditors G.R.Kumar & Co., Chartered Accountants, Firm Reg.No.004941S G.R.Kumar Partner Membership no. 052367	 Chairman, Audit Committee S.Balachandran 05-9-13
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