

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PATEL KNR HEAVY INFRASTRUCTURES LIMITED.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **PATEL KNR HEAVY INFRASTRUCTURES LIMITED**, which comprise the Balance Sheet as at 31 March 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation 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 accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

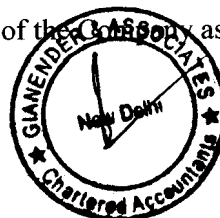
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

OPINION:

In our opinion and to the best of our information and according to the explanations given to us, the 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 31st March, 2013;



- b. In the case of the Statement of Profit and Loss, of the loss of the Company 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books.
 - c. The Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the directors as on 31st March 2013, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2013, from being appointed as a director in terms of Paragraph (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Place:

Date: 18/5/2013

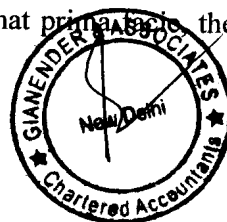
For Gianender & Associates
Chartered Accountants
Firm Regn. No. 004661N

Sunil Kumar
Sunil Kumar
Partner
M.No. 098334

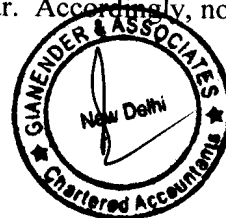


Annexure referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report on ever date.

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) We are informed that the management of the Company has physically verified during the year all its fixed assets and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed of any substantial part of its fixed assets and therefore the going concern assumption is appropriate.
- (ii) The Company is engaged in the business of BOT (Annuity) on DBFOT pattern and hence the clauses 4 (ii) (a), (b) & (c) of the Companies (Auditor’s Report) Order 2003 relating to inventory are not applicable.
- (iii) According to the information & explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under clause-4 (iii) (b) to (g) of the Companies (Auditor’s Report) Order 2003 does not arise.
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business, for construction/ purchase of fixed assets and sale of service. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- (v) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act ,1956 to the best of our knowledge and belief and according to the information and explanation provided to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act,1956 that need to be entered in to the register maintained under the said section have been so entered.
 - (b) In our opinion, the transactions exceeding the value of rupees five lakh in respect of any party during the year have been at prices, which are prima facie reasonable having, regard to the prevailing market prices at the relevant time, where such market prices are available.
- (vi) The Company has not accepted deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act 1956. Hence, Clause 4 (vi) of the Companies (Auditor’s Report) Order 2003 is not applicable to the Company.
- (vii) The Company has no internal audit system.
- (viii) We have broadly reviewed the books of accounts maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost record under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.



- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues, Income tax, and other statutory dues during the year with the appropriate authorities except tax deducted at source under income tax Act, where there have been some delays in few cases. Undisputed Labour welfare cess of Rs.259.04 lakhs was accrued but not due as on 31st March, 2013. As on 31st March 2013, there are no other undisputed statutory dues payable for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues which have not been deposited on account of any dispute of income tax and cess.
- (x) According to information and explanations given to us and records of the company examined by us, the company does not have accumulated losses at the end of the financial year. The company has not incurred cash losses both during the financial year and in the immediately preceding financial year.
- (xi) The company has not defaulted in the repayment of dues to the banks and financial Institutions.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanation given to us, the Company has not raised funds on short term basis. Hence, the provisions of clause 4 (xvii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year on the terms and conditions which are prejudicial to the interest of the company.
- (xix) The Company has not issued debentures during the year. Accordingly, no security or charge needs to be created.



- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and the records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**For Gianender & Associates
Chartered Accountants
Firm Regn. No. 004661N**

Sunil Kumar

**Sunil Kumar
Partner
M.NO. 098334**



Place:

Date: 18/5/2013

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2013

(Rupees in Lakhs)

PARTICULARS	NOTE No.	As At 31-03-2013		As At 31-03-2012	
I EQUITY AND LIABILITIES					
1) SHAREHOLDERS' FUNDS					
a) Share Capital	1	2,382.38		2,382.38	
b) Reserves and Surplus	2	<u>1,584.68</u>	3,967.06	<u>1,939.96</u>	4,322.34
2) SHARE APPLICATION MONEY PENDING ALLOTMENT					
-					
3) NON - CURRENT LIABILITIES					
a) Long-term borrowings	3	50,190.29		54,952.10	
b) Other Long term Liabilities	4	241.77		259.03	
c) Long-term Provisions	5	<u>1,238.00</u>	51,670.06	<u>786.40</u>	55,997.53
4) CURRENT LIABILITES					
a) Trade Payables	6	76.23		56.87	
b) Other Current Liabilities	7	<u>2,843.99</u>	2,920.22	<u>2,529.52</u>	2,586.39
TOTAL			<u><u>58,557.34</u></u>		<u><u>62,906.26</u></u>
II ASSETS					
1) NON-CURRENT ASSETS					
a) Fixed Assets					
-Tangible Assets	8		50,873.82		53,666.38
b) Long-term loans and advances	9		456.22		456.22
2) CURRENT ASSETS					
a) Trade Receivables	10	755.75		3,220.75	
b) Cash and Cash Equivalents	11	3,490.81		3,061.62	
c) Short-term loans and advances	12	1,027.40		767.84	
d) Other Current Assets	13	<u>1,953.34</u>	7,227.30	<u>1,733.45</u>	8,783.66
TOTAL			<u><u>58,557.34</u></u>		<u><u>62,906.26</u></u>

Significant Accounting Policies 22


See accompanying Notes (1-38) to financial statements

As per our report of even date attached

For Gianender & Associates

Chartered Accountants

(ICAI Registration No.004661N)

Sunil Kumar


Sunil Kumar
Partner

Membership No:098334

Place :

Date : 18/5/2013

For and on behalf of the Board

B. Suresh Chandan Rao
Director

KM Reddy
Director

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013

(Rupees In Lakhs)

PARTICULARS	NOTE No.	For The Year ended 31-03-13	For The Year ended 31-03-12
I Income			
Revenue from operations	14	8,874.00	8,890.25
Other income	15	152.65	116.54
Total Revenue		9,026.65	9,006.79
II Expenses:			
Operating & Maintenance Expenses	16	884.28	828.70
Employee benefits expense	17	-	0.50
Finance costs	18	4,973.06	5,090.70
Depreciation and amortization expense	19	3,368.57	3,377.80
Other expenses	20	156.02	58.21
Total expenses		9,381.93	9,355.91
Profit before tax (I- II)		(355.28)	(349.12)
Tax expense:			
1) Current tax		-	-
2) Deferred tax		-	-
Profit (Loss) for the period		(355.28)	(349.12)
Earnings per equity share:			
1) Basic		(1.49)	(1.47)
2) Diluted		(1.49)	(1.47)

Significant Accounting Policies

22

See accompanying Notes (1-38) to financial statements

As per our report of even date attached

For Gianender & Associates

Chartered Accountants

(ICAI Registration No.004661N)

For and on behalf of the Board

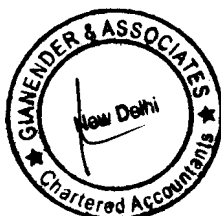
Sunil Kumar
Sunil Kumar

Partner

Membership No:098334

Place :

Date : 18/5/2013



B. Suresh Chandra Rao
B. Suresh Chandra Rao

Director

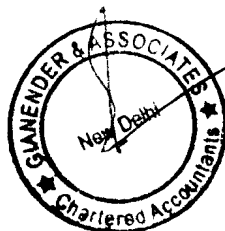
Director

PATEL KNR HEAVY INFRASTRUCTURES LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(Amount in Lakhs)

PARTICULARS	For the Year ended 31-03-2013	For the Year ended 31-03-2012
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	(355.28)	(349.12)
Adjustments for		
Depreciation & Amortisation Expenses	3,368.57	3,377.80
Preliminary Expenses written off	-	-
Provision for Periodic Maintenance	451.60	393.20
Interest and Financial Charges	4,973.06	5,090.70
Interest Received From FDR	(154.38)	(23.26)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	8,283.57	8,489.32
(Increase)/Decrease in Trade and Other Receivables	105.13	473.46
Increase/(Decrease) in Trade Payables and Other Liabilities	312.25	26.57
CASH GENERATED FROM OPERATIONS	8,700.95	8,989.35
Taxes paid	-	(499.72)
NET CASH USED IN OPERATING ACTIVITIES	8,700.95	8,489.63
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Capital Work In Progress	-	-
Interest Received	155.68	23.26
Less : Interest Accrued	1.57	1.30
NET CASH USED IN INVESTING ACTIVITIES	154.11	21.96
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Funds Borrowed / (Repaid)	(5,337.82)	(521.96)
Interest paid	(4,968.74)	(5,090.70)
NET CASH FROM FINANCING ACTIVITIES	(10,306.56)	(5,612.66)
Cash and Cash Equivalents as at April 1, 2012 (Opening Balance)	(1,451.50)	2,898.93
Cash and Cash Equivalents as at March 31, 2013 (Closing Balance)	3,061.62	162.69
	1,610.12	3,061.62



Notes:

1 Components of Cash & Cash Equivalents	
Cash in Hand	0.59
Bank Balance -Current Account	208.04
- Fixed Deposit	1,401.49
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	1,610.12

2 The Cash flow statement is prepared in accordance with the Indirect Method stated in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities.

3 Previous year's figures have been regrouped, wherever necessary.

4 Figures in brackets represent cash outflows.

5 Notes on accounts stated in 1 to 38 form an integral part of the Cash Flow Statement.

6 Reconciliation with Cash and Bank Balances (Note no 11)

	As on 31st March 2013	As on 31st March 2012
Cash and Cash Equivalents as per AS-3	1,610.12	3,061.62
Add:		
Other Bank Balances (maturities more than 3 months)	1,880.69	-
Total Cash and Bank Balances (Note no 11)	3,490.81	3,061.62

The Schedules referred above form an integral part of the Balance Sheet.

As per our report of even date attached

For Gianender & Associates

Chartered Accountants

Firm Regn. No.004661N

For and on behalf of the Board



Sunil Kumar

Partner

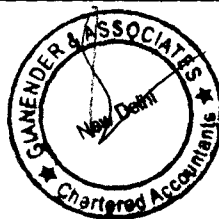
Membership No:098334

Place:

Date : 18/5/2013

 Director

 Director



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 1

SHARE CAPITAL

Particulars	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	Amount in Lakhs	No. of Shares	Amount in Lakhs
EQUITY SHARE CAPITAL				
Authorised Share capital				
Equity Shares of Rs. 10/- each	30,000,000	3,000.00	30,000,000	3,000.00
Issued, subscribed & fully paid share capital				
Equity Shares of Rs. 10/- each Issue at Par	23,823,804	2,382.38	23,823,804	2,382.38
Total	23,823,804	2,382.38	23,823,804	2,382.38

The Company has only one class of equity shares having a par value of Rs.10/-per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in indian rupees. The dividend, if any proposed, by the board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

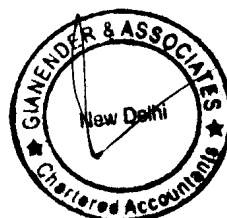
During the year ended 31st March 2013, no dividend is declared by Board of Directors. (Previous year - Nil)

The reconciliation of the number of shares and amount outstanding of share capital as at March 31, 2013 and March 31, 2012 is set out below:

Particulars	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	Amount in Lakhs	No. of Shares	Amount in Lakhs
Number of Equity Shares at the beginning	23,823,804	2,382.38	23,823,804	2,382.38
Add:- Number of Shares Issued	-	-	-	-
Less: Number of Shares Brought Back	-	-	-	-
Number of Equity Shares at the end	23,823,804	2,382.38	23,823,804	2,382.38

The details of shareholder holding more than 5% shares as at March 31, 2013 and March 31, 2012 is set out below:

Name of the shareholder	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	% held	No. of Shares	% held
1 Patel Engineering Infrastructures Pvt Ltd & its Nominees	10,006,003	42	10,006,003	42
2 KNR Constructions Ltd & its Nominees	9,529,501	40	9,529,501	40
3 ENPRO Ltd	4,288,300	18	4,288,300	18
	23,823,804	100	23,823,804	100



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 2

RESERVES AND SURPLUS

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Surplus/(deficit) in the Statement of Profit and Loss		
Opening balance	1,939.96	2,289.08
Add: Profit/(Loss) for the year	(355.28)	(349.12)
Total	1,584.68	1,939.96

NOTE 3

LONG- TERM BORROWINGS

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
SECURED LOANS		
Term Loan		
<u>From Banks</u>		
a) Rupee Loans		
-Allahabad Bank, Mumbai	8,127.68	8,763.68
-Canara Bank ,Mumbai	6,861.74	7,367.66
-Bank of Baroda ,Mumbai	6,163.53	6,630.97
-Bank of Maharashtra ,Mumbai	4,825.03	5,180.52
Sub-Total	25,977.98	27,942.83

Terms of Security

- a) Mortgage /charge over the borrower's immovable and moveable properties (other than project assets but including all receivables) both present and future;
- b) Charge/assignment of revenues receivables (including annuity payments received from NHAI)
- c) Charge over /assignment of the rights, titles and interests of the borrower in to and in respect of all project agreements (in accordance with concession agreement).
- d) Assignment of insurance policies, contractor guarantees contractor performance bonds and liquidated damages;
- e) Pledge of 30% of the fully paid up Equity share capital of the borrower;

The aforesaid charge will rank Pari - Passu with the mortgages and charges created/to be created in favour of participating institutions/banks.

Terms of Repayment

The above loan is repayable in fifty four quarterly unequal installments ranging from Rs. 3.16 Crores to Rs.7.51 Crores beginning from 1st March, 2011 and ending on 1st June, 2024. The numbers of balance installments as on 31st March, 2013 are 45. The Interest is payable monthly and the interest rate vary between 12% to 13%



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

b) Foreign Currency Loans			
-Standard Chartered Bank,London		11,004.53	11,101.49
	Sub-Total	11,004.53	11,101.49

Terms of Security

- a) Mortgage /charge over the borrower's immovable and moveable properties (other than project assets but including all receivables) both present and future.
- b) Charge/assignment of revenues receivables (including annuity payments received from NHAI).
- c) Charge over /assignment of the rights, titles and interests of the borrower in, to and in respect of all project agreements (in accordance with concession agreement).
- d) Assignment of insurance policies, contractor guarantees contractor performance bonds and liquidated damages.
- e) Pledge of 100% of the share capital of the borrower
- f) Charge over all bank accounts including the Escrow account, all sub- accounts in relation thereto and the Debt Service Reserve account.

The aforesaid charge will rank pari-passu with the mortgages and charges created/to be created in favour of participating institutions/banks including the swap providers.

Terms of Repayment

The above loan is repayable in twenty seven semi-annual unequal installments ranging from \$0.47 Millions to \$1.47 Millions commencing from 30th Sep' 2010 and ending on 30th Sep'2023. The number of balance installments as on 31st March, 2013 is 21. The Interest is payable half-yearly.

Translation of loan Amount

The Company had hedged the above facility to cover against fluctuation in foreign exchange and LIBOR to the satisfaction of the lenders through USD/INR options up to 31st March 2016 .Loan amount repayable upto 31st March 2016 has been translated at hedged rate of Rs.50.7850 /Per USD and balance loan amount at closing rate as on 31st March 2013.

UNSECURED LOANS

Loans and advances from related parties

From KNR Constructions Ltd - Associate Company	5,120.30	6,200.30
From Patel Engineering Infrastructures Private Limited-Associate Company	7,608.61	9,228.61
(Above borrowings are in the nature of sub-debt and there is no stipulation as to interest)		

Other Loans and advance

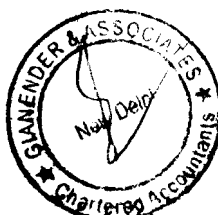
From Patel Engineering Ltd	478.87	478.87
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Sub-Total

	13,207.78	15,907.78
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Total

	50,190.29	54,952.10
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NOTE 4

OTHER LONG TERM LIABILITIES

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Trade payables	-	-
Others		
-Labour Welfare Cess Payable	241.77	259.03
Total	241.77	259.03

NOTE 5

LONG TERM PROVISIONS

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Provision for employee benefits	-	-
Others		
-Periodic Maintenance Provision	1,238.00	786.40
Total	1,238.00	786.40

NOTE 6

TRADE PAYABLES

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Sundry Creditors (Suppliers/Service/)	57.27	37.91
Bills Payable (Sub-contractors/Labour)	18.96	18.96
Total	76.23	56.87



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 7

OTHER CURRENT LIABILITIES.

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Current maturity of long term borrowings		
Term Loan		
From Banks		
a) Rupee Loans		
-Allahabad Bank,Mumbai	600.00	525.00
-Canara Bank ,Mumbai	503.04	436.51
-Bank of Baroda ,Mumbai	450.00	393.75
-Bank of Maharashtra ,Mumbai	348.00	304.50
b) Foreign Currency Loans		
- Standard Chartered Bank,London	672.90	603.01
Interest accrued but not due	4.32	1.63
Labour Welfare Cess Payable	17.27	17.27
Patel Engineering Ltd (Withheld Amount)	11.28	11.28
Outstanding Expenses		
Audit Fee payable	3.54	3.54
Certification Fee Payable	0.20	0.07
AMR Constructions Limited	3.05	3.05
Independent Consultancy Fee	7.92	-
Consultancy Charges Payable	30.74	27.36
Misc. Expenses Payable	5.59	0.09
Other Payables (For Punch List items)	150.20	150.20
Statutory Dues		
VAT Payable	0.83	6.14
TDS/TCS	35.11	46.12
Total	2,843.99	2,529.52



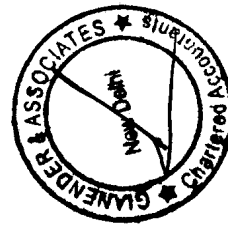
PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 8

FIXED ASSETS

Particulars	Gross Block			Accumulated Depreciation			Net Block	
	As at April 1, 2012	Additions/ Adjustments	As at March 31, 2013	As at April 1, 2012	For the Period	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
I								
Tangible Assets								
Carriage way	59,748.26	576.01	60,324.27	6,081.88	3,368.57	9,450.45	50,873.82	53,666.38
Sub-total	59,748.26	576.01	60,324.27	6,081.88	3,368.57	9,450.45	50,873.82	53,666.38
TOTAL	59,748.26	576.01	60,324.27	6,081.88	3,368.57	9,450.45	50,873.82	53,666.38
As at 31st March, 2012	59,748.26	-	59,748.26	2,704.08	3,377.80	6,081.88	53,666.38	57,044.18



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 9

LONG TERM LOANS AND ADVANCES

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
(Unsecured, considered good)		
Others Loans & Advances		
MAT Credit	456.22	456.22
Total	456.22	456.22

NOTE 10

TRADE RECEIVABLES

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
(Unsecured, considered good)		
Debts outstanding for a period less than six months	755.75	755.75
Debts outstanding for a period more than six months from the date they became due for payment	-	2,465.00
Total	755.75	3,220.75

NOTE 11

CASH AND BANK BALANCES

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Cash & Cash Equivalents		
Balance with Banks		
Current accounts	208.04	484.03
Term Deposit with less than 3 months original maturity	1,401.49	2,577.00
Cash on hand	0.59	0.59
Sub-Total	1,610.12	3,061.62
Other Bank Balance		
Bank Deposits with more than 3 months original maturity	1,880.69	-
Total	3,490.81	3,061.62



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 12

SHORT TERM LOANS AND ADVANCES

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
(Unsecured, considered good)		
Loans and advance		
-Patel Engineering Limited	325.00	325.00
Sub- total	325.00	325.00
Others		
Prepaid Insurances	11.50	-
VAT Recoverable	260.33	254.33
TDS Receivable	242.06	179.81
Income Tax (Refund)	188.51	8.70
Sub- total	702.40	442.84
Total	1,027.40	767.84

NOTE 13

OTHER CURRENT ASSETS

Particulars	(Rupees in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Amounts Recoverable from KNR Constructions Limited	33.65	33.65
Amounts Recoverable from Patel Engineering Ltd	1,443.19	1,414.22
Amount withheld - NHAI	432.31	284.28
Receivable from NHAI	42.62	-
Interest Accrued but not due	1.57	1.30
Total	1,953.34	1,733.45



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 14

REVENUE FROM OPERATIONS

PARTICULARS	(Amount in Lakhs)	
	As At	As At
	31-03-2013	31-03-2012
Sale of Services		
Annuity Income	8,874.00	8,890.25
TOTAL	8,874.00	8,890.25

NOTE 15

OTHER INCOME

PARTICULARS	(Amount in Lakhs)	
	As At	As At
	31-03-2013	31-03-2012
Interest Income	154.38	23.26
Liability written back	-	24.82
Prior Period Items	-	59.88
Gain/(Loss) on foreign exchange fluctuation	(1.73)	8.58
TOTAL	152.65	116.54

NOTE 16

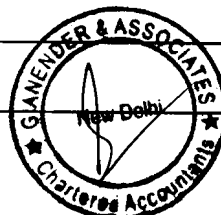
OPERATING & MAINTENANCE EXPENSES

PARTICULARS	(Amount in Lakhs)	
	As At	As At
	31-03-2013	31-03-2012
Consultancy charges	7.98	8.42
Carrigeway repairs & maintenances		
- Routine Maintenance	424.70	427.08
- Periodic Maintenance	451.60	393.20
TOTAL	884.28	828.70

NOTE 17

EMPLOYEE BENEFITS EXPENSE

PARTICULARS	(Amount in Lakhs)	
	As At	As At
	31-03-2013	31-03-2012
Salaries, Wages and Other Benefits	-	0.50
TOTAL	-	0.50



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 18

FINANCE COSTS

PARTICULARS	(Amount in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Interest Expense		
Interest on Term Loans	4,328.14	4,443.33
Interest on TDS	15.46	4.76
Interest on Income tax	53.27	16.43
Other Interest	-	9.20
	<u>4,396.87</u>	<u>4,473.72</u>
Other Borrowing Costs		
Excess Bank Charges Recovered	-	(1.19)
Bank Charges	0.57	0.59
Hedging Expenses	575.62	617.58
TOTAL	<u>4,973.06</u>	<u>5,090.70</u>

NOTE 19

DEPRECIATION EXPENSE

PARTICULARS	(Amount in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Depreciation	3,368.57	3,377.80
TOTAL	<u>3,368.57</u>	<u>3,377.80</u>



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE 20

OTHER EXPENSES

PARTICULARS	(Amount in Lakhs)	
	As At 31-03-2013	As At 31-03-2012
Administration And Other Expenses		
Agency Fee	18.33	46.87
Insurance Premium	11.37	-
Travelling & Conveyance	0.86	1.49
Business Promotion Expenses	-	1.50
Filing Fees	0.13	2.29
Certification Fees	0.40	-
IT Representation Fees	0.15	0.40
Legal & Professional Charges	120.51	0.33
Payments to the auditor		
for Audit	3.37	3.37
for tax audit	0.56	0.56
for other services	0.06	1.09
for reimbursement of expenses	0.11	0.04
Miscellaneous Expenses	0.17	0.27
TOTAL	156.02	58.21



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

21. CORPORATE OVERVIEW:-

The Company is a Special Purpose Vehicle floated by Patel Engineering Infrastructures Private Ltd and KNR Constructions Ltd. Hyderabad, in pursuance of a contract with National Highway Authority of India ("NHAI") for the Design, Construction, Development, Operation, Finance and Maintenance of Islam Nagar (KM 230.00) to Kadtal (KM 278.00) of Nagpur –Hyderabad Section on NH-7 in the State of Andhra Pradesh, Under North-South Corridor (NHDP Phase –II) on BOT (Annuity) basis – Project Reference Number NS-32 /BOT/AP-07. The company has achieved Provisional COD with effect from 11th June 2010.

22. SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF ACCOUNTING

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with the generally accepted accounting principles ("GAAP"), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the year, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates and would be recognized in the period in which the results are known.

B. FIXED ASSETS

Fixed Assets are stated at cost of acquisition less accumulated depreciation/ amortization. Costs of acquisition are inclusive of freight, insurance, duties, levies and all incidentals attributable to bringing the assets to its working condition. Preoperative expenses incurred up to the date of commencement of commercial operations are capitalized.

C. DEPRECIATION

Depreciation on Fixed Assets is provided on Straight Line Method (SLM) at the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956. However where rate of the depreciation provided in schedule XIV of the Companies Act does not fully depreciate the assets over the period of the concession, Such fixed assets are depreciated over the period of the rights given under the concession agreement. Depreciation on addition and deletion is calculated on pro-rata basis. The fixed assets, the cost of which are less than Rs.5,000 are fully depreciated in the year of acquisition.



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

D. CAPITAL WORK IN PROGRESS

Capital Work In Progress includes direct and indirect expenditure incurred for the Carriage way and costs incidental and related there to.

Expenses incurred relating to the development of carriageway prior to commencement of commercial operations is included under Capital Work-in-progress (net of income earned during project development stage) and after completion are transferred to tangible Asset.

E. REVENUE RECOGNITION

Annuity Income is accounted for on accrual basis.

Interest Income is recognized on a time proportion basis. Other items of Income are accounted as and when the right to receive arises.

F. INVESTMENTS

Current Investments are carried at lower of cost and market value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investment.

G. EARNING PER SHARE

Basic and Diluted Earnings Per Share (EPS) is reported in accordance with Accounting Standard (AS) -20, "Earning Per Share", issued by the Institute of Chartered Accountants of India and notified under Companies (Accounting Standards) Rules, 2006. EPS is computed by dividing the net profit or loss for the year by the weighted average number of Equity Shares outstanding during the year.

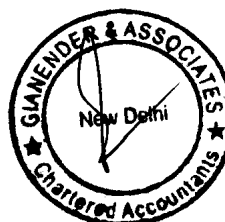
H. IMPAIRMENT OF ASSETS

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a) The provision for impairment loss, if any required; or
- b) The reversal, if any, required of impairment loss recognized in previous period.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- a) In the case of an individual assets , at the higher of the net selling price and the value in use:
- b) In the case of cash generating unit (a group of assets that generates identified, independent cash flows) , at the higher of cash generating unit's net selling price and the value in use:



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

I. BORROWING COSTS

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such asset, till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs incurred after the assets are ready for use to earn annuities are recognized as an expense in the period in which they are incurred.

For the period till commercial operations date, returns arising from surplus funds inextricably linked with the project, invested intermittently, are set-off against related borrowing cost.

J. EMPLOYEE BENEFITS

Provisions for / contributions to retirement benefit schemes are made as follows (as per AS-15):

- a) Provident fund on actual liability basis.
- b) Gratuity based on actuarial valuation.
- c) Leave encashment benefit on retirement on actuarial valuation basis

K. TAXES

Current tax is determined as the amount of tax payable in respect of taxable income for the year. A provision is made for income tax annually based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and qualified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax assets in relation to unabsorbed depreciation or carry forward of losses under tax laws should be recognized 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 realized.

Deferred tax in respect of timing differences which reverse during the tax holiday period is not recognized to the extent the enterprise's gross total income is subject to the deduction during the tax holiday period as per the provisions of section -80IA/80-IB of the Income tax Act.



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

L. FOREIGN CURRENCY TRANSACTIONS AND DERIVATIVES

- a) The reporting currency of the Company is Indian Rupee.
- b) Foreign Currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate on the date of the transaction.
- c) At each Balance Sheet date, foreign currency monetary items are reported using the closing rate or at amount likely to be realized from or required to disburse. Exchange differences, that arise on settlement of monetary items or on reporting at each Balance sheet date, of Monetary items at the closing rate are adjusted in capital work in progress during the construction phase of the project and recognized as income or expense in the operations phase in which they arise.
- d) Forward Exchange Contract: Exchange differences on such contracts are recognized in the statement of profit & loss in the reporting period in which the exchange rates changes. Any profit or loss arising on the cancellation of such forward contract is recognized as income or expense for the period.

M. CLAIMS

Claims by or against the Company are accounted for as and when accepted.

N. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

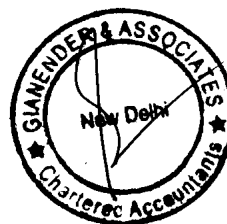
- a) the company has a present obligation as a result of a past event
- b) a probable outflow of resources is expected to settle the obligation and
- c) the amount of the obligation can be reliably estimated

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received

Contingent Liability is disclosed in the case of

- a) A present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) A possible obligation, unless the probability of outflow of resources is remote

Contingent Assets are neither recognized nor disclosed. Provisions, Contingent Liabilities and Contingent Assets are reviewed at each balance sheet date.



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

23. As per terms of the concession agreement dated 5th Sep. 2007 between the Company and NHAI, the Company is entitled for an Annuity of Rs.4,437 Lakhs (half-yearly) after 6 months from the completion of construction period of 24 months.
24. Particulars of Employees who were in receipt of remuneration of more than Rs.5,00,000/- or more per month, if employed for a part of the year -- Nil (Previous Year – Nil) or who were in receipt of remuneration of more than Rs.60,00,000/- or more per annum, if employed for whole of the year – Nil (Previous Year – Nil).
25. AS-15 – Employees Benefits – Provisions for contributions to Retirement Benefit Scheme was not made for the year ended 31.03.2013 as there were no employees in the company at the end of the year.
26. The company does not have any transactions to which the provision of AS-2 relating to Valuation of Inventories is applicable.
27. The Company is engaged in operation and management of Toll Road on Build, Operate and Transfer (BOT- Annuity) basis and does not have more than one segment reportable. The project of the company is located in the State of Andhra Pradesh i.e. only in one geographical segment.
28. In terms of provisions of para 46 A (notified by MCA in AS-11) company has exercised the option of capitalisation of foreign exchange differences arising on outstanding long term foreign currency borrowing from Standard Chartered Bank to carriageway. The same will be depreciated over the remaining concession period.
29. a) The Company is eligible for deduction under section 80IA of the Income Tax Act and the concession period of the Company's project falls within the tax holiday period as defined in Section 80IA. Since deferred tax on Timing Difference between Accounting Income and Taxable Income that arise during the year is reversing during such Tax Holiday period, no deferred tax asset/liability arises and accordingly no provision is made in the accounts.
- b) The Company does not have taxable wealth under the provisions of the Wealth Tax Act 1952.

30. Related Party Transactions:

Name of Related Party	Relationship
KNR Constructions Limited	Associate Company and O & M Contractor
Patel Engineering Infrastructures Private Limited	Associate Company



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

KEY MANAGEMENT PERSONNEL

Mr. ASHWIN RAMANLAL PARMAR	Director
Mr. B.S.REDDY	Director
Mr. K.N.REDDY	Director

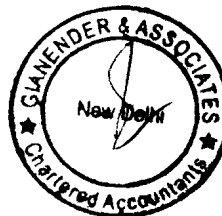
The nature and volume of transactions during the year with the above-related parties were as follows.

	(Amount in Lakhs)	
Company Particulars	2012-13	2011-12
Patel Engineering Infrastructures Pvt Ltd		
-Share Capital	Nil	Nil
-Unsecured Loan Received	Nil	1,298.46
-Unsecured Loan Repaid	1,620.00	Nil
KNR Constructions Ltd		
-Share Capital	Nil	Nil
- Unsecured Loan Received	Nil	606.14
-Unsecured Loan Repaid	1,080.00	Nil
-Amount Recoverable	33.09	21.24
-Loan & Advance	Nil	Nil
-O & M Expenses	424.70	427.08

Balance outstanding as on 31 March 2013

	2012-13	2011-12
Patel Engineering Infrastructures Pvt Ltd		
-Share Capital	1,000.60	1,000.60
-Unsecured Loan	7,608.61	9,228.61
KNR Constructions Ltd		
-Share Capital	952.95	952.95
-Unsecured Loan	5,120.30	6,200.30
-Amount Recoverable	33.65	33.65
-O & M Payable	57.27	37.91

The entire shareholding held by respective shareholders was pledged to Lenders.



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

31. CONTINGENT LIABILITY AND COMMITMENTS

Particulars	Amount in Lakhs
Contingent Liability	Nil
Capital Commitments (Net of advances)	Nil
Other Commitment	
Periodic Maintenance	
Periodical Maintenance to be incurred in FY: 2015-16	Rs.2,169 Lakhs
Expenditure already provided for up to FY: 2012-13	Rs.1,238 Lakhs

32. DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

There are no amounts payable to any micro small and medium enterprises as on 31st March 2013.

33. Remuneration paid to the Statutory Auditors for the year ended 31.03.2013 (including service tax) (Amount in Lakhs)

Audit and Other Fees	2012-13	2011-12
Statutory Audit Fees	3.37	3.37
Tax Audit Fee	0.56	0.56
Certification Fees	0.06	1.09
Out of Pocket Expenses	0.11	0.04

34. Earnings Per Share (EPS)

Particulars	2012-13	2011-12
Net Profit after tax (Rs. in Lakhs)	(355.28)	(349.12)
Weighted Average number of Equity Shares	23823804	23823804
Basic and Diluted Earnings per shares (Rs.)	(1.49)	(1.47)
Face Value per equity shares (Rs.)	10.00	10.00



PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

35. Expenditure in Foreign Currency.

Particulars	2012-2013	2011-2012
Foreign Exchange Outgo	1,191 .08	1,145.02
Expenditure in foreign currency		
-Payment of interest	573. 31	571.34
-Agency Fee	14.69	37. 58

36. In the opinion of the management, there is no impairment of assets requiring provision in accordance with AS-28 relating to 'Impairment of Assets'

37. In the opinion of the Board, the current assets, loans & advances, have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.

38. Previous year's figures have been regrouped/reclassified wherever necessary

For Gianender & Associates
Chartered Accountants
Firm Regn. No.004661N

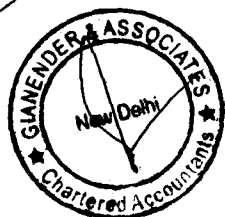
For and on behalf of the Board


Sunil Kumar
Partner


M.No.098334

Place:

Date: 18/5/2013




Director


Director