

M.K. DANDEKER & CO.,

Chartered Accountants

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HYDERABAD
MUMBAI

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PATEL KNR INFRASTRUCTURES LTD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of M/s **PATEL KNR INFRASTRUCTURES LTD**, which comprise the Balance Sheet as at 31st March 2014, 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

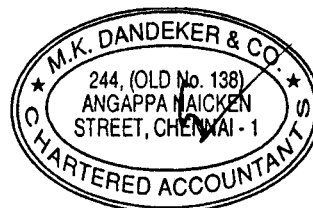
Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of 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 auditing 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 misstatements 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. 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.

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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 said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014,
- b) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- c) In case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies (Auditor's Report) Order, 2003 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.

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

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
- iii. The Balance Sheet and Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet and Statement of Profit and Loss dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v. On the basis of written representations received from the directors, as on 31st March 2014, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

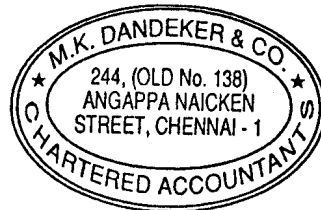
For **M.K.DANDEKER & Co.,**
(ICAI Reg No 000679S)

K.J. DANDEKER

K.J.DANDEKER
PARTNER
CHARTERED ACCOUNTANTS
Membership No 018533

Date: May 30, 2014

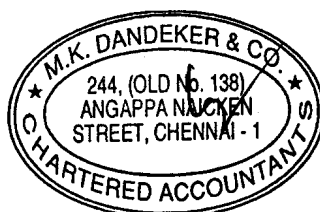
Place: Hyderabad



ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the Auditor's to the Members of **PATEL KNR INFRASTRUCTURES LTD** on the accounts for the year ended March 31, 2014, we report that:

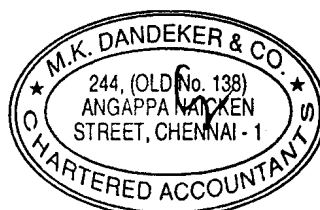
- (i)
 - (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) We are informed that the management of the Company has physically verified during the year all its fixed assets and no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed of any major part of its fixed assets so as to affect the going concern status.
- (ii) The Company is engaged in the business of infrastructure development and its maintenance and hence the clauses 4 (ii) (a) (b) and (c) of the Companies (Auditor's Report) Order 2003 relating to inventory are not applicable.
- (iii) According to the information and the explanations given to us the Company has not granted/obtained any loans secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence reporting under Clause 4 (iii) (a) to (g) does not arise
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of fixed assets. 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 our opinion, and according to the information and explanations given to us, there are no transaction that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956 and hence reporting under clause 4 (v) (b) of the Companies (Auditor's Report) Order 2003 does not arise.
- (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) In our Opinion, the Company has an internal audit system commensurate with its size and nature of its business.



- (viii) The Company is maintaining the Cost records as prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956.
- (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 regular in depositing undisputed statutory dues including Income tax and other statutory dues during the year with the appropriate authorities. As at 31st March 2014, there are no 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, the following is the disputed statutory liabilities in respect of the statutory dues and which has not been deposited as on 31st March 2014

Name of the Statute	Nature of the Dues	Amount Rs	Period to which the amount relates	Forum where dispute is Pending
Income Tax Act, 1961	Income Tax demand	5,38,120/-	Assessment Year 2011-12	CIT Appeals

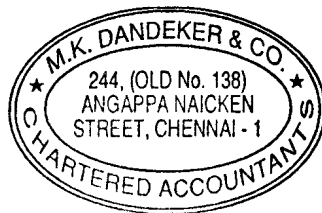
- (x) The Company has accumulated losses at the end of the financial year and it is not more than Fifty Percentage of its net worth. The Company has not incurred any cash losses in the current and immediately preceding year.
- (xi) The Company has not defaulted in repayment of dues to any banks or financial 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 any special statute applicable to chit fund/nidhi/mutual benefit fund/societies 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 and other investments.



- (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 explanations given to us, the Company has not raised funds on short term basis. Accordingly, 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 Sec 301 of the Companies Act 1956 during the period.
- (xix) The Company has issued 9.57% Non- Convertible Debentures and Security/First charge has been created on the Assets of the Company for the said Debentures.
- (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 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 we have been informed of such case by management.

Date: May 30, 2014

Place: Hyderabad



For **M.K.DANDEKER & Co.,**
(ICAI Reg No 000679S)

K.J.DANDEKER
PARTNER
CHARTERED ACCOUNTANTS
Membership No 018533

PATEL-KNR INFRASTRUCTURES LTD

Regd office:Patel Estate Road,Jogeswari(W),Mumbai-400102

Balance Sheet as at March 31,2014

Amt in Rs

Particulars	Note no	As at 31-3-2014		As at 31-3-2013	
EQUITY & LIABILITIES:					
Shareholders' funds					
Share capital	3	37,00,00,000		37,00,00,000	
Reserves and surplus	4	-1,90,52,477	35,09,47,523	-31,31,554	36,68,68,446
Non- Current Liabilities					
Long term Borrowings	5	3,34,14,00,000		3,52,69,00,000	
Other Long term liabilities	6	15,74,452		15,42,799	
Long-term Provision	7	-	3,34,29,74,452	13,68,16,605	3,66,52,59,404
Current Liabilities					
Other current Liabilities	8	36,15,62,790	36,15,62,790	33,99,72,148	33,99,72,148
Short-term provisions	8(a)	19,00,00,000	19,00,00,000	-	-
TOTAL			4,24,54,84,765		4,37,20,99,998
ASSETS:					
Non-Current Assets					
Fixed Assets					
Tangible assets	9 (i)	33,85,186		38,59,900	
Intangible assets	9 (ii)	3,40,28,92,787		3,66,46,53,772	
Other Long Term loans and Advanes	10	3,44,25,578	3,44,07,03,551	3,24,10,165	3,70,09,23,837
Current Assets					
Trade Receivables	11	1,26,75,602		1,26,75,602	
Cash and Bank Balances	11	78,75,18,641		65,39,06,899	
Short-term loans and advances	11	45,67,442		45,92,815	
Other current assets	12	19,529	80,47,81,214	845	67,11,76,161
TOTAL			4,24,54,84,765		4,37,20,99,998
Significant accounting policies	2				

The accompanying notes are an intergral part of the financial statements

As per our report attached

For M. K. Dandeker & Co.

Chartered Accountants

(ICAI Registration No. 000679S)

K.J. Dandeker

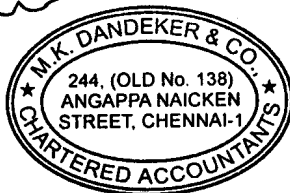
K.J.Dandeker

Partner

Membership No. 018533

Place: Hyderabad

Date: 30/05/2014



For Patel-KNR Infrastructures Ltd

Margala M.

Director

Margala M.

Company Secretary

K. N. Reddy

Director

PATEL-KNR INFRASTRUCTURES LTD

Regd office:Patel Estate Road,Jogeswari(W),Mumbai-400102

Statement of Profit and Loss for the year ended March 31, 2014

Particulars	Note No	31.03.2014	31.03.2013
REVENUE			
Revenue from operations	13	65,88,00,000	65,86,01,087
Other Income	14	4,08,09,577	2,99,27,671
Total Revenue		69,96,09,577	68,85,28,758
EXPENSES			
Operating Expenses	15	9,89,14,168	8,15,27,207
Employee benefit Expenses	16	1,44,000	96,000
Finance Cost	17	34,44,09,825	35,79,90,458
Administration Expenses	18	1,35,759	7,32,667
Depreciation & Amortization Expenses	9	26,22,35,697	26,21,77,316
Other Expenses	19	96,91,051	75,11,717
Total Expenses		71,55,30,500	71,00,35,365
Profit/ (loss) Before exceptional and Extraordinary items and Tax		(1,59,20,923)	(2,15,06,607)
Exceptional Items		-	-
Profit before Extraordinary Items & Tax		-	-
Extraordinary items		-	-
Profit before Tax		-	-
Tax Expenses:			
1.Current Tax		-	-
2.Deferred Tax		-	-
Profit /(Loss) for the period		(1,59,20,923)	(2,15,06,607)
Balance carried to Balance Sheet		(1,59,20,923)	(2,15,06,607)
Basic and Diluted earnings per equity share		(0.43)	(0.58)
Face value per equity share		10.00	10.00
Significant accounting policies	2		

The accompanying notes are an intergral part of the financial statements

As per our report attached

For M. K. Dandeker & Co.

Chartered Accountants

(ICAI Registration No. 000679S)

K.J. Dandeker

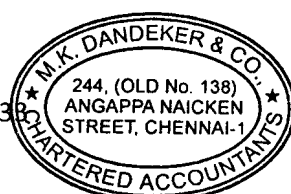
K.J. Dandeker

Partner

Membership No. 018538

Place: Hyderabad

Date:30.05.2014



For Patel-KNR Infrastructures Ltd

B.B.

Director

K.V. Reddy

Director

Mangala M.

Company Secretary

PATEL-KNR INFRASTRUCTURES LTD

Regd office:Patel Estate Road,Jogeswari(W),Mumbai-400102

Cash flow statement for the year ended March 31, 2014

	As at 31-3-2014	As at 31-3-2013
A Cash flow from operating activities		
Net Profit before taxes	-1,59,20,923	-2,15,06,607
Adjustments for:		
Depreciation/ amortisation	26,22,35,697	26,21,77,316
Interest paid	34,44,09,825	35,79,90,458
Interest received	-4,08,09,577	-2,99,27,671
Operating profit before working capital changes	54,99,15,022	56,87,33,496
Adjustments for :		
Increase / (Decrease) in Current liabilities	2,15,90,642	-1,36,96,682
(Increase) / Decrease in short term loans and advances	25,373	30,22,780
(Increase) / Decrease in Trade Receivable	-	60,06,491
Increase / (Decrease) in provisions-MMR	5,31,83,395	3,80,00,000
(Increase) / Decrease in Long term loans and advances	-20,15,413	-
(Increase) / Decrease in other Current assets	-18,684	-
Cash generated from/(used in) operating activities	62,26,80,335	60,20,66,085
Direct taxes paid	-	-
Net cash generated from / (used in) operating activities	62,26,80,335	60,20,66,085
B Cash flow from investing activities		
Purchase of fixed assets, including intangible assets	-	-17,04,733
Dividend on MF received	-	-
Interest received	4,08,09,577	2,99,27,671
Cash generated from / (used in) investing activities	-	-
Extraordinary items	-	-
Net cash generated from / (used in) investing activities	4,08,09,577	2,82,22,938
C Cash flow from financing activities		
(Repayment)/Proceeds from other borrowings	-18,54,68,347	-16,04,00,000
Interest paid	-34,44,09,825	-35,79,90,458
Net cash generated from / (used in) financing activities	-52,98,78,172	-51,83,90,458
Net (decrease) / increase in cash and cash equivalents (A+B+C)	13,36,11,742	11,18,98,564
Cash and cash equivalents as at the beginning	65,39,06,899	54,66,01,150
Cash and cash equivalents as at the end of the year 31 March 2014	78,75,18,641	65,84,99,714

Notes:

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements" as specified in Companies (Accounting Standards) Rules ,2006
- Purchase of fixed assets includeds movement of capital work in progress and preoperative expenses pending allocation during the period.
- Cash and cash equivalents represent cash and bank balances .

As per our report attached

For M. K. Dandeker & Co.

Chartered Accountants

(ICAI Registration No. 000679S)

K.J. Dandeker

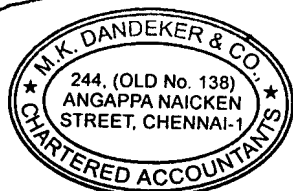
K.J.Dandeker

Partner

Membership No. 018533

Place: Hyderabad

Date: 30.05.2014



For Patel-KNR Infrastructures Ltd

B.P.B.

Director

K.V. Reddy

Director

Margala M.

Company Secretary

PATEL-KNR INFRASTRUCTURES LTD
Year Ended March 31, 2014

Note 3: Share capital

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	Amt in Rs	Number	Amt in Rs
Authorized				
Equity Shares of Rupees 10/- each Issued	4,00,00,000	40,00,00,000	4,00,00,000	40,00,00,000
Equity Shares of Rupees 10/- each Subscribed and Paid up	3,70,00,000	37,00,00,000	3,70,00,000	37,00,00,000
Equity Shares of Rupees 10/- each fully paid (refer foot note no. i, ii, iii and iv)	3,70,00,000	37,00,00,000	3,70,00,000	37,00,00,000
Total	3,70,00,000	37,00,00,000	3,70,00,000	37,00,00,000

Foot Notes:

i. Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	Amt in Rs.	No. of Shares	Amt in Rs.
Shares outstanding at the beginning of the period / year	3,70,00,000	37,00,00,000	3,70,00,000	37,00,00,000
Shares issued during the period / year	-	-	-	-
Shares bought back during the period / year	-	-	-	-
Shares outstanding at the end of the period / year	3,70,00,000	37,00,00,000	3,70,00,000	37,00,00,000

ii. Shares held by Holding /ultimate holding company and their subsidiaries /associates

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	Amt in Rs.	No. of Shares	Amt in Rs.
Patel Engineering Ltd (Holding Company and Ultimate Holding Co) Equity share of Rs 10 Each	15,54,000	1,55,40,000	15,54,000	1,55,40,000
		1,55,40,000		1,55,40,000

iii. Shareholding more than 5% shares

Name of Shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of Shares held	% of total holding	No. of Shares held	% of total holding
Patel Engineering Ltd	1,55,40,000	42%	1,55,40,000	42%
KNR Constructions Ltd	1,48,00,000	40%	1,48,00,000	40%
Empro Ltd	66,60,000	18%	66,60,000	18%
Total	3,70,00,000	100%	3,70,00,000	100%

iv. Terms/Rights attached to Equity share holders:

The company has only one class of equity share having par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share. The company declares and pays dividend in Indian rupees. The dividend proposed if any by the board of directors is subject to the approval of the share holders in the ensuring annual general meeting

Note 4: Reserves and surplus

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Profit / (Loss) Surplus		
Opening balance	(31,31,554)	1,83,75,053
(+) Profit/(Loss) for the current period / year	(1,59,20,923)	(2,15,06,607)
Total	(1,90,52,477)	(31,31,554)

Note 5: Long-term borrowings

Particulars	As at March 31, 2014	As at March 31, 2013
Debtentures (refer foot note no. i)		
(i) Secured		
Non convertible debtentures at the beging of the year	3,70,34,00,000	3,86,38,00,000
Less : Redeemed during the year	17,65,00,000	16,04,00,000
Less : Redeemable in Next year	18,55,00,000	17,65,00,000
Total	3,34,14,00,000	3,52,69,00,000

Foot Notes:

The company has issued 9.57% Rated Taxable Redeemable Non-Convertible Debtentures of face value Rs. 10 lakhs each amounting to Rs 409 Crores on April 23, 2010. The same are redeemable partly every year with the redemption starting from Oct'2010 and would be completed by 2027". The said debtentures carry an interest rate of 9.57% payable half yearly. These debtentures were subsequently listed on 01/06/2010 in NSE. Interest due during the year have been paid fully without delay. Since the company has incurred a loss during the year, Debtenture Redemption Reserve has not been created.

ii) All the above debtentures are secured by 1) First charge on the entire assets , movable and immovable ,present and future of the company, 2) First charge on the revenues and receivables of the company including the annuity, 3) First charge on the Debt service reserve account, and other reserves, Trust and retention account and all other Bank accounts of the comapny, 4) Assignment of all the contracts, Project documents and insurance policies as regards the road project on NH -7 on annuity and 5) Assignment of a revolving letter of credit of Rs 32.94 Crores in favour of AXIS Bank).6) Next repayment date 14/04/2014

Note 6: Other long term liabilities

Amt in Rs

Particulars	As at March 31, 2014		As at March 31, 2013	
a)Trade Payables				
Due to Related parties	15,74,452	15,74,452	15,42,799	15,42,799
Due to others	-	-	-	-
Total		15,74,452		15,42,799

Note 7. Long-term provisions

Particulars	As at March 31, 2014		As at March 31, 2013	
Periodic Maintenance Reserve (Refer Note Below)	-	-	13,68,16,605	13,68,16,605
Total		-		13,68,16,605

Note 8: Other current liabilities

Amt in Rs

Particulars	As at March 31, 2014		As at March 31, 2013	
Trade Payables (Due to KNR Construction Ltd)	1,76,28,903	3,84,182		
Interest accrued but not due on borrowings	15,66,84,022	16,25,68,411		
Debentures Redeemable within 12 months	18,55,00,000	17,65,00,000		
Other Trade Payables	17,49,865	5,19,555		
Total		36,15,62,790		33,99,72,148

Note 8 (a): Short term provisions

Particulars	As at March 31, 2014		As at 31 March 2013	
Periodic Maintenance Reserve (Refer Note Below)	19,00,00,000	19,00,00,000	-	-
Total		19,00,00,000		-

Note - Details of movement of Provisions are as follows(Note no 7 and 8(a))

Particulars	As at March 31, 2014		As at March 31, 2013	
Opening Balance	13,68,16,605	9,88,16,605		
Add: Accretion during the year	5,31,83,395	3,80,00,000		
Less: Utilised during the year -	Nil	Nil		
Closing Balance	19,00,00,000	13,68,16,605		

NOTE NO:9 Fixed Assets										
	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions during the Year	Deduction s during the Year	As at 31.03.2014	As at 01.04.2013	For the Year	Deduction s during the Year	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Particulars										
Note 9 (i) - Tangible Assets										
Buildings	15,57,000	-	-	15,57,000	2,59,500	86,500	-	3,46,000	12,11,000	12,97,500
Motor vehicles	38,82,128	-	-	38,82,128	13,19,729	3,88,213	-	17,07,942	21,74,186	25,62,399
TOTAL	54,39,128	-	-	54,39,128	15,79,229	4,74,713	-	20,53,942	33,85,186	38,59,899
Previous Year	37,34,395	17,04,733	-	54,39,128	11,62,897	4,16,332	-	15,79,229	38,59,899	-
Note 9(ii) - Intangible Assets										
Carrageway	4,71,16,97,707	-	-	4,71,16,97,707	1,04,70,43,936	26,17,60,984	-	1,30,88,04,920	3,40,28,92,787	3,66,46,53,772
TOTAL	4,71,16,97,707	-	-	4,71,16,97,707	1,04,70,43,936	26,17,60,984	-	1,30,88,04,920	3,40,28,92,787	3,66,46,53,772
Previous Year	4,71,16,97,707	-	-	4,71,16,97,707	78,52,82,952	26,17,60,984	-	1,04,70,43,936	3,66,46,53,772	-

Note 10: Other long term Loans and advances

Particulars	As at March 31, 2014		As at March 31, 2013	
	Sales Tax deposits	25,000.00		25,000
Income Tax Advance	3,44,00,578		3,23,85,165	
		3,44,25,578		3,24,10,165

Note 11: Current assets

Particulars	As at March 31, 2014		As at March 31, 2013	
	a) Trade Receivables and other deposits (Unsecured considered good)			
-Outstanding for more than 6 months :-				
-Client Bills receivables	37,17,589		37,17,589	
-Client Retention Deposit	6,926		6,926	
-Outstanding for less than 6 months :-				
- Annuity Receivables	89,51,087		89,51,087	
		1,26,75,602		1,26,75,602
b) Cash and Bank Balances				
1) Cash and Cash equivalents				
Balances with Bank				
- On Currents Accounts	32,31,56,842	32,31,56,842	30,57,26,472	30,57,26,472
2) Fixed Deposit Including Interest there on				
Themilnadu Mercantile Bank Ltd *	19,14,86,214		17,55,66,549	
The Ratnakar Bank Ltd	10,00,00,000		10,00,00,000	
Axis Bank Ltd	7,87,11,149		7,26,13,878	
Axis Bank Ltd	2,68,37,432		-	
Axis bank Ltd	6,73,27,004	46,43,61,799	-	34,81,80,427
(* Deposited with bank in connection with issue of debentures)				
c) Short term Loans and advances:-				
Interest accrued and due	45,67,442	45,67,442	45,92,815	45,92,815
Total		80,47,61,685		67,11,75,316

Note 12: Other Current assets

Particulars	As at March 31,		As at March 31,	
	1) Other Receivables	-		845
2) Prepaid Expenses	19,529		-	
		19,529		845

13. Revenue from Operations	As at 31-3-2014	As at 31-3-2013
a) Annuity Income	65,88,00,000	65,86,01,087
	65,88,00,000	65,86,01,087

14. Other Income	As at 31-3-2014	As at 31-3-2013
a) Interest Income	3,97,50,097	2,99,27,671
b) Interest on income tax refund	10,59,480	-
	4,08,09,577	2,99,27,671

15. Operating Expenses	As at 31-3-2014	As at 31-3-2013
Repairs and Maintenance:-		
Regular Maintenance Cost	4,57,30,773	4,35,27,207
Periodic Maintenance Cost	5,31,83,395	3,80,00,000
	9,89,14,168	8,15,27,207

16. Employee benefit Expenses	As at 31-3-2014	As at 31-3-2013
Salaries & Wages	1,44,000	96,000
	1,44,000	96,000

17. Finance Cost	As at 31-3-2014	As at 31-3-2013
Bank Charges	23,596	46,067.60
Interest on Debentures	34,43,86,229	35,79,44,391
	34,44,09,825	35,79,90,458

18. Administration and General Exp	As at 31-3-2014	As at 31-3-2013
Insurance	20,293	-
Stationery and Printing	1,250	-
Travel Rail/Road	46,334	25,237
Travell Loading/Boarding	5,815	1,964
Travel-meals/Food Expenses	5,042	18,122
Listing fee	56,180	1,68,540
General Expenses	-	5,00,604
Irrecoverable debts w/o	-	18,200
Other Expenses	845	-
	1,35,759	7,32,667

19. Other Expense	As at 31-3-2014	As at 31-3-2013
Audit fee	2,80,900	2,80,900
Certification fee	89,888	1,29,214
Rates and Taxes	250	14,396
Advertisement	29,236	30,508
Consultation Charges	90,08,062	69,62,093
Professional	1,04,617	32,843
Tax audit fees	28,090	-
Int.on TDS Delay	-	2,130
Vehicle Maintenance	-	59,633
Repair and Maintenance	1,50,008	-
	96,91,051	75,11,717

Note No:1-Corporate Information

The Company as formed as SPV namely Patel-KNR Infrastructures Ltd and has been awarded on Build Operate and Transfer (BOT) Annuity basis, the widening of existing two-lane portion from Km 463.6.00 (A.P-karnataka border) to Km 524.00 (Avathi village), covering 60.4 Kilometers, on National Highway No.7 (NH-7) in the state of KARNATAKA, to 4 lanes under the Concession Agreement dated 28th September, 2006 with the National Highways Authority of India. The Concession Agreement is for a period of 18 years from the date of the Commencement stated in clause 1.1 of the said agreement. At the end of Concession period, the entire facility will be transferred to NHA.

Note No:02- SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting:

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with 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. However, certain escalation and other claims, which are not ascertainable, are not taken into account.

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 fixed assets and intangible assets, provision for doubtful debts / advances and future obligations. Actual results could differ from these estimates and would be recognized in the period in which the results are known.

2. Revenue

- i) Annuity collections are accounted for as and when the amount is accrued and when the recovery of the same is certain.
- ii) Other items of income are accounted as and when the right to receive arises.
- iii) Interest income is recognized on time basis determined by the amount outstanding and the rate applicable and where no significant uncertainty as to measurability or collectability exists.

3. Fixed Assets:

Tangible

Tangible Fixed Assets are stated at original cost less accumulated depreciation

Intangible Assets and Amortization

Intangible assets are recognized as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" issued by the Institute of Chartered Accountants of India and approved under the Companies Act (Rules) and are amortized as follows:

Carriageway representing right to receive half yearly annuities are obtained in consideration for rendering construction, operation and maintenance services in relation to building and maintenance of the project on Build, Operate and Transfer basis. The cost of such Carriageway comprises of construction cost and other preoperative costs incurred during the construction phase.

Such Carriageway on completion is capitalized as Intangible Asset and is amortized over the period of rights given under the Concession Agreement as they represent right to receive annuity during the concession period.

4. Depreciation:

Tangible Fixed Assets are depreciated based on useful life of the assets. The management has estimated the useful life for the following assets. a) Buildings -18years, b) Motor vehicle-10 years

5. Taxes

Tax on income for the current year is determined on the basis of book profit computed in accordance with the provisions of the Income Tax Act, 1961.

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.

6. Borrowing Costs:

Borrowing costs that are attributable to the acquisition and construction of qualifying asset are capitalized as part of the cost of such asset, till such time as 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 are recognized as an expense in the year in which they are incurred.

7. Provisions, Contingent Liabilities and Contingent Assets:

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.

Maintenance Obligations: Contractual obligations to maintain, replace or restore the infrastructure (principally resurfacing costs and major repairs and unscheduled maintenance which are required to maintain the carriage way in operational condition except for any enhancement element) are recognized and measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provision for the resurfacing is built up in accordance with the provisions of AS 29, Provisions, Contingent Liabilities and Contingent Assets.

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.

8. 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 periods.

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 asset, at the higher of net selling price and value in use;
- B. in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end use of its useful life.)

Note No:20- Earnings and Diluted per share

Basic and Diluted Earning per share (EPS) Computed in accordance with Accounting Standards (AS 20) "Earning per Share"

Basic	2013-14	2012-2013
Profit /(loss) after tax per Accounts (Rs.)	-1,58,88,424	(2,14,97,107)
PAT available to equity shareholders(Rs.)	-1,58,88,424	(2,14,97,107)
Weighted average number of shares	3,70,00,000	3,70,00,000
Basic/ Diluted EPS (Rupees)	0.43	0.58

Note No:21 –Wealth Tax

The Company does not have any taxable wealth under the provisions of the Wealth Tax Act 1957.

Note No: 22-Transaction with Micro, Small and Medium Enterprises

There have been no claimed transactions during the year with Micro and Small enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act 2006. Hence, reporting of details of principal and interest does not arise.

Note No:23-Deferred Tax Liability

The Company has not provided for any Deferred Tax Liability in the books as the timing differences arising on account of difference as per Income Tax Act,1961 and books of accounts are expected to get reversed during the tax holiday period under Section 80 IA of the Income Tax Act,1961.

Note No:24- Auditor's Remuneration (excluding service tax)

Remuneration	Rupees	
	2013-14	2012-13
Audit Fees	2,50,000	2,50,000
Tax Audit fee	25,000	25,000
Certification Expenses	80,000	1,29,213
Reimbursement of Expenses	-	12,847

Note No: 25- Disclosure of Related Parties / Related Party Transactions.**A. List of related parties**

1. Patel Engineering Limited – Share Holder
2. KNR Constructions Limited- Share Holder
3. Enpro Ltd - Shares Holder
3. Patel-KNR Heavy Infrastructures Ltd- Fellow Subsidiary company
4. Patel-KNR JV- Joint Venture of Holding company

B. Transactions with Related parties and amount due to/due from related party.

S No	Nature of transaction	Amount of Transaction	Amount Due to 31/03/2014	Amount Due From as on 31/03/14
1	Patel Engineering Limited			
	-Reimbursement of Expenses	Nil (15,19,832)	15,19,832 (15,19,832)	Nil (Nil)
2	KNR Constructions Limited			
	- Reimbursement of Expenses	Nil (22,965)	54,619 (22,965)	(Nil) (Nil)
	-Operation and Maintenance Exp	4,57,30,773 (4,35,27,207)	1,72,44,721 (Nil)	Nil (Nil)
	-ROB Expenses	Nil (Nil)	3,77,256 (3,77,256)	Nil (Nil)
	-Other Payables	Nil (Nil)	6,926 (6,926)	Nil Nil
3	Patel-KNR Heavy Infrastructures Ltd -Reimbursement of exp	Nil (3,03,372)	Nil (Nil)	Nil Nil
4	Patel-KNR JV -Other Receivable		Nil Nil	845 (845)

Note: Figures in brackets relate to previous year

C.No amount due to/due from related parties has been written off or written back during the year.

Note No:26- Segment Reporting

The Company is in the business of execution of BOT (annuity) road projects. Hence, operations are under single business and geographical segment.

Note No:27- Employee Benefits

The company does not have employees and hence the Accounting Standard -15 on 'Employee Benefits' is not applicable.

Note No:28 -Impairment

Based on a review of the future discounted cash flows, the recoverable amount of the project facility is more than its carrying amount. Accordingly, no provision for impairment is made for in the accounts.


Note No:29 –Depreciation on carriageway under Schedule XIV of the Companies Act 1956

The company is annuity based project and hence the method of Depreciation calculations specified in Schedule XIV not considered and the company is amortizing the cost of intangible asset over the period of concession agreement.

Note No:30 –Previous Year Figures

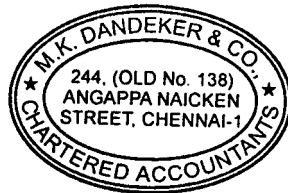
The company has reclassified/regrouped the previous year figures where ever required

As per our report attached
For M. K. Dandeker & Co.
Chartered Accountants
(ICAI Registration No. 000679S)



K.J.Dandeker
Partner
Membership No. 018533

Place:Hyderabad
Date: 30/05/2014



For and on Behalf of the board


Director
Director
Company Secretary

30.05.2014

To
M/s M.K.Dandeker &Co.,
Chartered Accountants,
No.244, (Old NO.138),
Angappa Naicken Street,
Second Floor,
Chennai-600001

Dear Sir/s,

SUB: MANAGEMENT REPRESENTATION LETTER

This representation letter is provided in connection with your audit of the financial statements of Patel KNR Infrastructures Limited ('the Company') for the year ended 31st March 2014 for the purpose of expressing an opinion as to whether the same gives a true and fair view of the financial position of the Company as of 31st March 2014. We acknowledge our responsibility for preparation of financial statements in accordance with the requirements of the Companies Act, 1956 and recognized accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India.

We confirm, to the best of our knowledge and belief, the following representations:

ACCOUNTING POLICIES

The accounting policies which are material in determining the affairs of the company as on 31.03.2014 are set out in the financial statements .The financial statements are prepared on accrual basis.

ASSETS

Tangible

The Company has neither purchased nor sold any tangible fixed assets during the period.

Useful lives of motors cars and Buildings are estimated at 10 years and 18 years respectively. The effect of the said change has been recognized properly in the accounts.

None of the fixed assets have been revalued during the year.

All the tangible fixed assets have been physically verified once in 6 months and no material discrepancies have been found on such verification.

Intangible

Carriageway representing right to receive half yearly annuities are obtained in consideration for rendering construction, operation and maintenance services in relation to building and maintenance of the project on Build, Operate and Transfer basis. The cost of such Carriageway comprises of construction cost and other preoperative costs incurred during the construction phase.

Such Carriageway on completion is capitalized as Intangible Asset and is amortized over the period of rights given under the Concession Agreement as they represent right to receive annuity during the concession period.

Investments

There have been no investments made during the year ended 31st March 2014.

Capital Commitments & Contingencies

At the balance sheet date, there were no outstanding commitments for capital expenditure.

Debtors, Loans and Advances

Debtors:

At the balance sheet date, an amount of Rs.37,15,589 is due from the client which is unsecured, considered good and outstanding for a period of less than 6 months and more than one year respectively .

Loans and Advances:

The following balances are appearing in the books as at 31st March 2014

TDS Receivable	Rs.3,44,00,578/-
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LIABILITIES

We have recorded all known liabilities in the financial statements.

No guarantees have been given to third parties.

In the opinion of the management, and to the extent of information available from the Company's records, there are no amounts payable to the small scale industries as at 31st March 2014.

There are no Contingent liabilities which are likely to result in a loss and which, therefore, require adjustment of assets or liabilities.

Provisions for claims and losses

No provision has been made in the accounts for losses and claims as there are none during the year.

Debentures

The company has issued 9.57% Rated Taxable Redeemable Non-Convertible Debentures of face value Rs.10 lakhs each amounting to Rs 409 Crores on April 23, 2010. The same are redeemable partly every year with the redemption starting from Oct'2010 and would be completed by 2027".The said debentures carry an interest rate of 9.57% payable half yearly. These debentures were subsequently listed on 01/06/2010 in NSE. Interest due during the year have been paid fully without delay. Since the company has incurred a loss during the year, Debenture Redemption Reserve has not been created.

Taxes

Tax on income for the current year is determined on the basis of book profit computed in accordance with the provisions of the Income Tax Act, 1961.

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.

STATEMENT OF PROFIT AND LOSS ACCOUNT

Except as disclosed in the financial statement, the results for the year were not materially affected by:

- a) transactions of a nature not usually undertaken by the company.
- b) circumstances of an exceptional or non recurring nature
- c) charges or credits relating to prior years.
- d) changes in accounting policies.

Borrowing cost other than directly attributable to qualifying assets is expensed.

GENERAL

There have been no irregularities involving management or employees who have a significant role in the system of internal control that could have a material effect on the financial statements.

The financial statements are free of material misstatements, including omissions.

The company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with the requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

The Company has no disputed tax demands in respect of income tax and VAT and other statutory dues.

On an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the period for long term investment.

There has been no fraud on or by the Company noticed or reported during the period.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

No personal expenses of employees and directors have been charged to the revenue account.

The company has not defaulted in repayment of dues to any banks or financial institutions.

None of the directors are disqualified under section 274(1) (g) of the Companies Act, 1956.

We have submitted to your representatives, minutes covering all the meetings of the Board of Directors ('BOD') held during the year. These minutes constitute a full and complete record of all meetings of the BOD held during the year ended March 31, 2014.

Our representation relating to matters specified in Para 4 & 5 of the Companies (Auditors Report) Order issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 is enclosed in the Annexure.

**Yours faithfully,
For Patel KNR Infrastructures Limited**


Director




Annexure

Representation relating to matters specified in Para 4 of the companies (Auditors Report) Order, 2003, issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Physical verification of assets has been carried out by the company and no material discrepancies were noticed on such verification.
- (c) Fixed assets have not been disposed off during the year and there is no issue of going concern.
- (ii) (a) The company has no inventory during the year .
- (b) As there is no inventory, the question of physical verification of the same does not arise.
- (c) In view of the above , no records were maintained for inventory.
- (iii) (a) The Company has not granted /obtained any loans, secured or unsecured to or from companies ,firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) The company has issued 9.57% Rated Taxable Redeemable Non-Convertible Debentures of face value Rs.10 lakhs each amounting to Rs 409 Crores on April 23, 2010. The same are redeemable partly every year with the redemption starting from Oct'2010 and would be completed by 2027. These Debentures are in First charge in favour of the Debenture trustee acting for the benefit of the Debenture holder, on all the assets of the issuer including immovable & movable properties both present & future (including all receivables) but excluding the project assets)
- (c) There is no specific repayment schedule for the unsecured loans received by the company
- (iv) There is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of fixed assets.
- (v) (a) The transactions that needs to be entered into a register in pursuance of section 301 of The Companies Act has been entered.
- (b) Each of these transactions have been made at reasonable prices having regard to prevailing market prices at the relevant time.

- (vi) The company has not accepted any deposits from the public.
- (vii) The company has an internal audit system commensurate with its size and nature of its business.
- (viii) No cost records are maintained as maintenance of cost records as prescribed by the Central Government is not applicable for the company.
- (ix) The company is regular in depositing undisputed income tax and other statutory dues with the appropriate authorities .
- (x) The company has not incurred any cash losses during the year.
- (xi) The company has been regular in repayment of dues to the banks/financial institutions.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares ,debentures and other securities
- (xiii) and (xiv) The nature of the company's business /activities during the year is such that these clauses are not applicable.
- (xv) The company has not given guarantee for loans taken by others from banks or financial institutions.
- (xvi) The term loans were applied for the purposes for which they were obtained.
- (xvii) The company has not raised any funds on short term basis during the year.
- (xviii) The company has not made any preferential allotment of shares to any party or company during the year.
- (xix) Securities have not been created for the Non-Convertible Debentures issued.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) No fraud on or by the company has been noticed or reported during the year.