

**M.K. DANDEKER & CO.,**  
*Chartered Accountants*

Phone : +91-44-25222100  
Fax : +91-44-25220721  
E-mail : dandeker@vsnl.com  
dandeker@eth.net

No. 244, (Old No.138),  
Angappa Naicken Street,  
2nd Floor, CHENNAI - 600 001.  
Branches : BANGALORE  
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 31<sup>st</sup> 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**

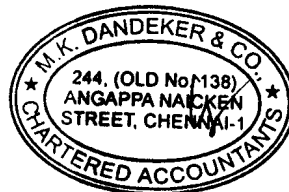
Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956. 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.

Page 1 of 5



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 2013,
- 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 31<sup>st</sup> 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 clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

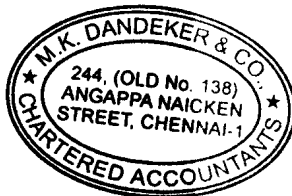
For **M.K.DANDEKER & Co.,**  
(ICAI Reg No 000679S)



**K.J.DANDEKER**  
**PARTNER**  
**CHARTERED ACCOUNTANTS**  
**Membership No 018533**

**Date:** May 29, 2013

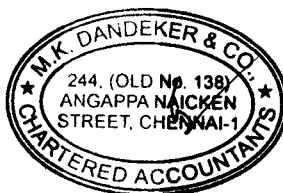
**Place:** Hyderabad



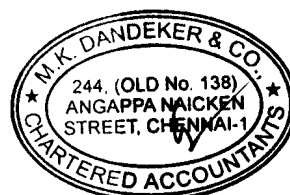
**ANNEXURE TO THE AUDITORS' REPORT**

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, 2013, 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.



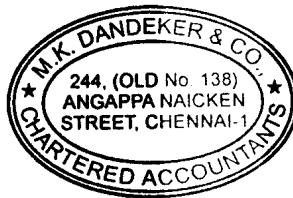
- (vi) The Company has not accepted deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956. Hence clause 4(vi) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
- (vii) In our Opinion, the Company has 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 31<sup>st</sup> March 2013, 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, there are no disputed statutory liabilities in respect of income tax, service tax and cess.
- (x) The Company has no accumulated losses at the end of the financial year and it 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 29, 2013

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 31,2013

Amt in Rs

Particulars	Note no	As at 31-3-2013		As at 31-3-2012	
<b>EQUITY &amp; LIABILITIES:</b>					
<b>Shareholders' funds</b>					
Share capital	3	37,00,00,000		37,00,00,000	
Reserves and surplus	4	-31,31,554	36,68,68,446	1,83,75,053	38,83,75,053
<b>Non- Current Liabilities</b>					
Long term Borrowings	5	3,52,69,00,000		3,70,34,00,000	
Other Long term liabilities	6	15,42,799		15,10,332	
Long-term Provision	7	13,68,16,605	3,66,52,59,404	9,88,16,605	3,80,37,26,937
<b>Current Liabilities</b>					
Other current Liabilities	8	33,99,72,148	33,99,72,148	33,76,01,297	33,76,01,297
<b>TOTAL</b>			<b>4,37,20,99,998</b>		<b>4,52,97,03,287</b>
<b>ASSETS:</b>					
<b>Non-Current Assets</b>					
<b>Fixed Assets</b>					
Tangible assets	9 (i)	38,59,899		25,71,498	
Intangible assets	9 (ii)	3,66,46,53,772	<b>3,66,85,13,671</b>	3,92,64,14,756	3,92,89,86,254
<b>Current Assets</b>					
Trade Receivables	10	1,27,01,447		1,87,07,938	
Cash and Bank Balances	10	65,84,99,714		54,66,01,150	
Short-terms loans and advances	10	3,23,85,165	<b>70,35,86,326</b>	3,54,07,945	60,07,17,033
<b>TOTAL</b>			<b>4,37,20,99,998</b>		<b>4,52,97,03,287</b>
<b>Significant accounting policies</b>	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*

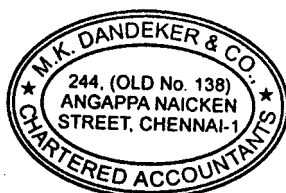
**K.J.Dandeker**

Partner

Membership No. 018533

Place: Hyderabad

Date: 29/05/2013



**For Patel-KNR Infrastructures Ltd**

*B.P.P.*  
Director

*Mangala M.*

Company Secretary

*K.M. 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, 2013

Particulars	Note No	31.03.2013	31.03.2012
<b>REVENUE</b>			
Revenue from oprations	11	65,86,01,087	68,31,56,821
Other Income	12	2,99,27,671	1,47,42,712
<b>Total Revenue</b>		<b>68,85,28,758</b>	<b>69,78,99,533</b>
<b>EXPENSES</b>			
Operating Expenses	13	8,15,27,207	10,36,32,334
Employee benefit Expenses	14	96,000	1,44,000
Finance Cost	15	35,79,90,458	37,39,80,585
Administration Expenses	16	7,32,667	2,02,033
Depreciation & Amortization Expenses	9	26,21,77,316	26,20,65,224
Other Expenses	17	75,11,717	2,77,00,671
<b>Total Expenses</b>		<b>71,00,35,365</b>	<b>76,77,24,847</b>
Profit/ (loss) Before exceptional and Extraordinary items and Tax		<b>(2,15,06,607)</b>	<b>(6,98,25,314)</b>
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		<b>(2,15,06,607)</b>	<b>(6,98,25,314)</b>
<b>Balance carried to Balance Sheet</b>		<b>(2,15,06,607)</b>	<b>(6,98,25,314)</b>
Basic and Diluted earnings per equity share		(0.58)	(1.89)
Face value per equity share		10.00	10.00
<b>Significant accounting policies</b>	<b>2</b>		

The accompanying notes are an intergral part of the financial statements

As per our report attached

**For M. K. Dandeker & Co.**

**For Patel-KNR Infrastructures Ltd**

Chartered Accountants

(ICAI Registration No. 000679S)

*K.J. Dandeker*

**K.J.Dandeker**

Partner

Membership No. 018533

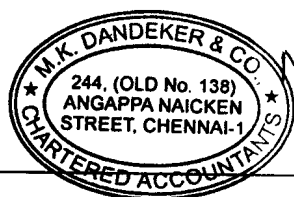
Place: Hyderabad

Date: 29/05/2013

*Asli*  
Director

*K.N. 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, 2013**

	As at 31-3-2013	As at 31-3-2012
<b>A Cash flow from operating activities</b>		
Net Profit before taxes	-21506607	(6,98,25,314)
Adjustments for:		
Depreciation	262177315.5	26,20,65,224
Interest paid	357990458.5	37,39,80,585
Interest received	-29927671	(1,47,42,712)
Operating profit before working capital changes	<b>56,87,33,496</b>	<b>55,14,77,783</b>
Adjustments for :		
Increase / (Decrease) in Current liabilities	-1,37,29,149	2,03,51,804
(Increase) / Decrease in short term loans and advances	30,22,780	(85,04,375)
(Increase) / Decrease in Trade Receivable	60,06,491	32,17,44,790
Increase / (Decrease) in Long term provisions	3,80,00,000	
Increase / (Decrease) in short term provisions	32467	
Cash generated from/(used in) operating activities	<b>60,20,66,085</b>	<b>88,50,70,002</b>
Direct taxes paid		-
<b>Net cash generated from / (used in) operating activities</b>	<b>60,20,66,085</b>	<b>88,50,70,002</b>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets, including intangible assets	-1704733	-
Dividend on MF received		-
Interest received	29927671	1,47,42,712
Cash generated from / (used in) investing activities		-
Extraordinary items		-
<b>Net cash generated from / (used in) investing activities</b>	<b>2,82,22,938</b>	<b>1,47,42,712</b>
<b>C Cash flow from financing activities</b>		
(Repayment)/Proceeds from other borrowings	-16,04,00,000	-14,84,00,000
Interest paid	-35,79,90,458	(37,39,80,585)
<b>Net cash generated from / (used in) financing activities</b>	<b>(51,83,90,458)</b>	<b>(52,23,80,585)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>11,18,98,564</b>	<b>37,74,32,129</b>
Cash and cash equivalents as at the beginning	54,66,01,150	16,91,69,021
Cash and cash equivalents as at the end	65,84,99,714	54,66,01,150

**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*

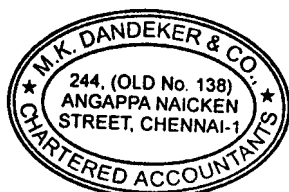
**K.J.Dandeker**

Partner

Membership No. 018533

Place: Hyderabad

Date: 29/05/2013



**For Patel-KNR Infrastructures Ltd**

*Belu*

Director

*Mangala M.*

Company Secretary

*K.V. Reddy*

Director



**PATEL-KNR INFRASTRUCTURES LTD**

Year Ended March 31, 2013

**Note 3: Share capital**

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number	Amt in Rs	Number	Amt in Rs
<b>Authorised</b> Equity Shares of Rupees 10/- each	4,00,00,000	40,00,00,000	4,00,00,000	40,00,00,000
<b>Issued</b> Equity Shares of Rupees 10/- each	3,70,00,000	37,00,00,000	3,70,00,000	37,00,00,000
<b>Subscribed and Paid up</b> 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
<b>Total</b>	<b>3,70,00,000</b>	<b>37,00,00,000</b>	<b>3,70,00,000</b>	<b>37,00,00,000</b>

**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, 2013		As at March 31, 2012	
	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**

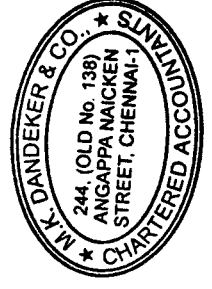
Particulars	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	Amt in Rs.	No. of Shares	Amt in Rs.
Patel Engineering Ltd (Holding Company and Ultimate Holding Co) Equity share of Rs 10 Each	15,54,000	1,55,40,000	15,54,000	1,55,40,000
		1,55,40,000		1,55,40,000

**iii. Shareholding more than 5% shares**

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	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%
Enpro Ltd	66,60,000	18%	66,60,000	18%
<b>Total</b>	<b>3,70,00,000</b>	<b>100%</b>	<b>3,70,00,000</b>	<b>100%</b>

**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 ensuing annual general meeting

**Note 4: Reserves and surplus**

Particulars	As at March 31, 2013		As at March 31, 2012	
(a) Profit / (Loss) Surplus				
Opening balance	1,83,75,053		8,82,00,367	
(+) Profit/(Loss) for the current period / year	(2,15,06,607)	(31,31,554)	(6,98,25,314)	1,83,75,053
<b>Total</b>		<b>(31,31,554)</b>		<b>1,83,75,053</b>

**Note 5: Long-term borrowings**

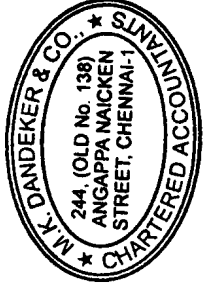
Particulars	As at March 31, 2013		As at March 31, 2012	
Debtentures (refer foot note no. i)				
(i) Secured				
Non convertible debtentures as on 01/04/2012	3,86,38,00,000		4,01,22,00,000	
Less : Redeemed during the year	16,04,00,000		14,84,00,000	
Less : Redeemable in Next year	17,65,00,000	3,52,69,00,000	16,04,00,000	3,70,34,00,000
<b>Total</b>		<b>3,52,69,00,000</b>		<b>3,70,34,00,000</b>

**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 company, 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 14/04/2013

✓



**Note 6: Other long term liabilities**

Particulars	Amt in Rs	
	As at March 31, 2013	As at March 31, 2012
a) Trade Payables		
Due to Related parties	15,42,799	15,10,332
Due to others		15,10,332
<b>Total</b>	<b>15,42,799</b>	<b>15,10,332</b>

**Note 7: Long-term provisions**

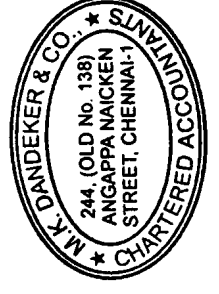
Particulars	Amt in Rs	
	As at March 31, 2013	As at March 31, 2012
Periodic Maintenance Reserve	13,68,16,605	9,88,16,605
<b>Total</b>	<b>13,68,16,605</b>	<b>9,88,16,605</b>

Details of movement of Provisions are as follows

Particulars	Periodic Maintenance Amt in RS	Major Maintenance Amt in RS	Periodic Maintenance Amt in RS	Major Maintenance Amt in RS
Opening Balance	9,88,16,605		6,07,94,800	
Add: Accretion during the year	3,80,00,000		3,80,21,805	
Less: Utilised during the year -	Nil		Nil	
Closing Balance	13,68,16,605		9,88,16,605	

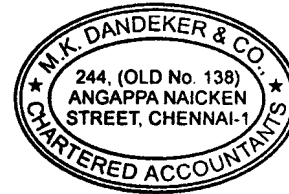
**Note 8: Other current liabilities**

Particulars	Amt in Rs	
	As at March 31, 2013	As at March 31, 2012
Trade Payables (Due to KNR Construction Ltd)	3,84,182	66,07,788
Interest accrued but not due on borrowings	16,25,68,411	17,05,93,509
Debentures Redeemable within 12 months	17,65,00,000	16,04,00,000
Other Trade Payables	5,19,555	33,99,72,148
<b>Total</b>	<b>33,99,72,148</b>	<b>33,76,01,297</b>



Note 10: Current assets

Particulars	As at March 31, 2013		As at March 31, 2012	
a) Trade Receivables				
1) Client Bills receivable	37,17,589		37,17,589	
2) ROB Receivables	-		57,41,549	
b) Annuity Receivables	89,51,087		91,50,000	
c) Client Retention Deposit	6,926		6,926	
d) Other Receivables	25,845	1,27,01,447	91,874	1,87,07,938
b) Cash and Bank Balances				
1) Cash and Cash equivalents				
Balances with Bank				
- On Currents Accounts	30,57,26,472		38,55,43,901	
2) Fixed Depsoit Including Interest there on	35,27,73,242	65,84,99,714	16,10,57,249	54,66,01,150
(Deposited with bank in conection with issue of debentures )				
c) Short term Loans and advances				
Income Tax Advance	3,23,85,165	3,23,85,165		3,54,07,945
<b>Total</b>		<b>70,35,86,326</b>		<b>60,07,17,033</b>



**PATEL-KNR INFRASTRUCTURES LTD**

Notes to financial statements for the year ended 31 March 2013

11. Revenue from Operations	As at 31-3-2013	As at 31-3-2012
a) Annuity Income	65,86,01,087	65,88,90,659
b) ROB Income		2,42,66,162
	<b>65,86,01,087</b>	<b>68,31,56,821</b>

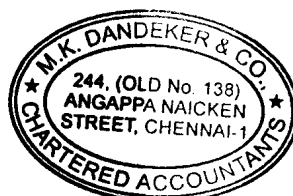
12. Other Income	As at 31-3-2013	As at 31-3-12
a) Interest Income	2,99,27,671	1,47,42,712
	<b>2,99,27,671</b>	<b>1,47,42,712</b>

13. Operating Expenses	As at 31-3-2013	As at 31-3-12
P.W.Wages ROB Cost		2,37,80,838
Repairs and Maintenance:-		
Regular Maintenance Cost	4,35,27,207	4,18,29,691
Periodic Maintenance Cost	3,80,00,000	3,80,21,805
	<b>8,15,27,207</b>	<b>10,36,32,334</b>

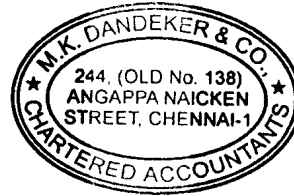
14. Employee benefit Expenses	As at 31-3-2013	As at 31-3-12
Salaries & Wages	96,000	1,44,000
	<b>96,000</b>	<b>1,44,000</b>

15. Finance Cost	As at 31-3-2013	As at 31-3-12
Bank Charges	46,068	66,815
Interest on Debentures	35,79,44,391	37,39,13,770
	<b>35,79,90,458</b>	<b>37,39,80,585</b>

16. Administration and General Exp	As at 31-3-2013	As at 31-3-12
Postage Telegram	-	60
Stationery and Printing	-	683
Travel Rail/Road	25,237	22,060
Travell Loading/Boarding	1,964	8,523
Travel-meals/Food Expenses	18,122	5,599
Listing fee	1,68,540	55,803
Telephone Expenses	-	3,718
General Expenses	5,00,604	1,61,390
Irrecoverable debts w/o	18,200	-
	<b>7,32,667</b>	<b>2,57,836</b>

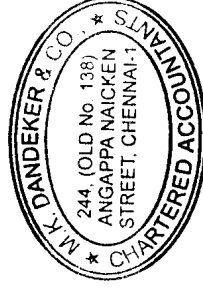


17. Other Expense	As at 31-3-2013	As at 31-3-12
Audit fee	2,80,900	2,24,720
Certification fee	1,29,214	1,21,845
Rates and Taxes	14,396	6,680
Advertisement	30,508	13,307
Consultation Charges	69,62,093	14,92,836
Professional	32,843	11,67,708
Int.on TDS Delay	2,130	61,533
Loss on foregin Exchange Hedging	-	2,45,56,239
Vehicle Maintenance	59,633	-
	<b>75,11,717</b>	<b>2,76,44,868</b>



NOTE NO:9 Fixed Assets

Particulars	Gross Block				Depreciation			Net Block	
	As at 01.04.2012	Additions during the Year	Deductions during the Year	As at 31.03.2013	As at 01.04.2012	For the year	Deductions during the Year	As at 31.03.2013	As at 31.03.2012
<b>Note 9 (i)- Tangible Assets</b>									
Buildings	15,57,000	-	-	15,57,000	1,73,000	86,500	-	2,59,500	13,84,000
Motor vehicles	21,77,395	17,04,733	-	38,82,128	9,89,897	3,29,832	-	13,19,729	11,87,499
<b>TOTAL</b>	<b>37,34,395</b>	<b>17,04,733</b>	-	<b>54,39,128</b>	<b>11,62,897</b>	<b>4,16,332</b>	-	<b>15,79,229</b>	<b>25,71,499</b>
<b>Previous Year</b>	37,34,395			37,34,395	11,62,897	4,16,332		11,62,897	25,71,499
<b>Note 9(ii) - Intangible Assets</b>									
Carriageway	4,71,16,97,708	-	-	4,71,16,97,708	78,52,82,952	26,17,60,984	-	1,04,70,43,936	3,92,64,14,765
<b>TOTAL</b>	<b>4,71,16,97,708</b>	-	-	<b>4,71,16,97,708</b>	<b>78,52,82,952</b>	<b>26,17,60,984</b>	-	<b>1,04,70,43,936</b>	<b>3,92,64,14,765</b>
<b>Previous Year</b>	4,71,16,97,708			4,71,16,97,708	26,17,60,984	26,17,60,984		52,35,21,969	4,18,81,75,739

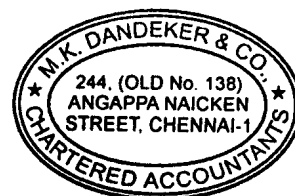


5

## Annexure

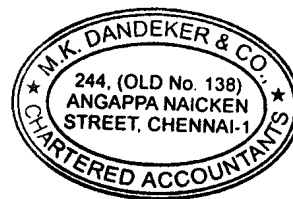
**Representation relating to matters specified in Para 4 of the companies (Auditors Report) Order, 2003, issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956**

- (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.



## 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 28<sup>th</sup> 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 NHAI.

## 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.

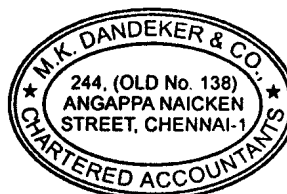
### 3. Fixed Assets:

#### 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:



4

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.

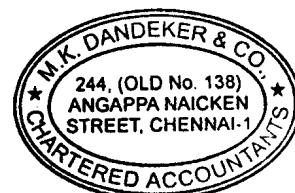
**6. Borrowing Costs:**

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:

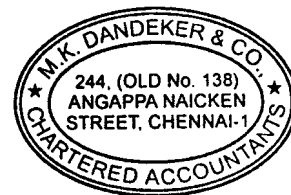
- A. the provision for impairment loss, if any, required; or
- B. the reversal, if any, required of impairment loss recognized in previous periods.

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.)



A handwritten signature or mark, possibly initials, located to the right of the stamp.

**Note No:18- Earnings and Diluted per share**

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

Basic	2012-2013	2011-2012
Profit /(loss) after tax per Accounts (Rs.)	(2,14,97,107)	(6,94,20,679)
PAT available to equity shareholders(Rs.)	(2,14,97,107)	(6,94,20,679)
Weighted average number of shares	3,70,00,000	3,70,00,000
<b>Basic/ Diluted EPS (Rupees)</b>	0.58	1.8762

**Note No:19 –Wealth Tax**

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

**Note No: 20-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:21-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.

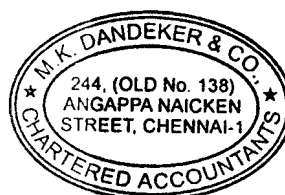
**Note No:22- Auditor's Remuneration (excluding service tax)**

Remuneration	Rupees	
	2012-13	2011-12
Audit Fees	2,50,000	2,00,000
Tax Audit fee	25,000	25,000
Certification Expenses	1,29,213	60,000
Reimbursement of Expenses	12,847	30,583

**Note No: 23- Disclosure of Related Parties / Related Party Transactions.**

A. List of related parties

1. Patel Engineering Limited
2. KNR Constructions Limited
3. Patel-KNR Heavy Infrastructures Ltd
4. Patel-KNR JV



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

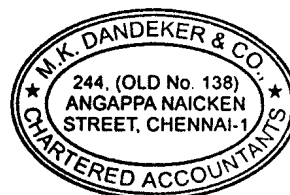
S No	Nature of transaction	Amount of Transaction	Amount Due to 31/03/2013	Amount Due From as on 31/03/13
1	Patel Engineering Limited (Share Holder)			
	- Unsecured Loan	Nil (Nil)	Nil (Nil)	Nil (Nil)
	-Reimbursement of Expenses	15,19,832 (15,10,332)	15,19,832 (15,10,332)	Nil ( Nil)
2	KNR Constructions Limited(Share Holder)			
	-EPC cost	Nil (Nil)	Nil (Nil )	Nil (Nil)
	-EPC Payable	Nil (Nil)	Nil (Nil)	Nil (Nil)
	- Reimbursement of Expenses	27,206 (91,029)	27,206 (81,029)	(Nil) (Nil)
	-Operation and Maintenance Exp	4,35,27,207 (4,18,29,691)	Nil (Nil)	Nil (10,000)
	-ROB Expenses	Nil (2,37,80,838)	3,77,256 (59,99,088)	Nil (Nil)
	-Other Payables	Nil (Nil)	(6926) (6926)	Nil Nil
3	Patel-KNR Heavy Infrastructures Ltd -Reimbursement of exp	3,03,372 (Nil)	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:24- 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:25- Employee Benefits**

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

**Note No:26 -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.

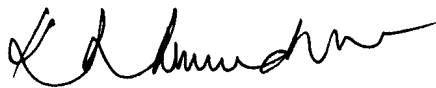
**Note No:27 –Depreciation on carriageway under Schedule XIV of the Companies Act 1956**

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:28 –Previous Year Figures**

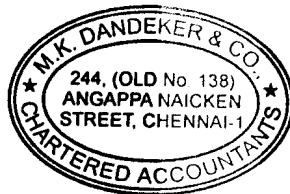
The company has reclassified/regrouped the previous year figures where ever required

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

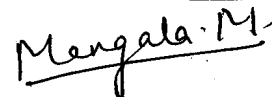


**K.J.Dandeker**  
Partner  
Membership No. 018533

Place:Hyderabad  
Date: 29/05/2013



For and on Behalf of the board

  
Director  
Director

Company Secretary