

KNR MUZAFFARPUR HOLDINGS PRIVATE LIMITED

U65923TG2011PTC077094

BOARD OF DIRECTORS

Shri K Narasimha Reddy

Shri K. Jalandhar Reddy

AUDITORS

M/s. Sukumar Babu & Co.,

Chartered Accountants,

Flat. No: 513, Aditya Enclave, Annapurna Block,
Ameerpet, Hyderabad.

REGISTERED OFFICE

KNR House, 4th Floor,
Plot No. 114, Phase – I, Kavuri Hills
Hyderabad – 500033
Andhra Pradesh, India

NOTICE

Notice is hereby given that the **3rd Annual General Meeting** of the members of **KNR Muzaffarpur Holdings Private Limited** will be held at its registered office at KNR House, 4th Floor, Phase – I, Kavuri Hills, Hyderabad 500033 on Monday, the 29th day of September 2014 at 11.00 A.M to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Statement of Profit and Loss for the financial year ended 31st March, 2014 and the Balance Sheet as on that date together with the Report of the Board of Directors and Auditors thereon.
2. To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Sukumar Babu & Co., Chartered Accountants (Registration No. 004188S) be and is hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company.

BY ORDER OF THE BOARD

For KNR Muzaffarpur Holdings Private Limited

Sd/-

Director

Place: Hyderabad

Date: 26.08.2014

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. Members/proxies are requested to bring the attendance slips duly filled in for attending the meeting and to bring their copies of the Annual Report to the meeting as copies will not be distributed at the meeting.
3. Members desiring to seek any information on the annual accounts are requested to write to the company at an early date to enable compilation of information.

DIRECTOR'S REPORT

**To
The Members,**

Your Directors take pleasure in presenting the **3rd Annual Report** together with the Audited Accounts for the year ended 31st March, 2014.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby state that

- i) in the preparation of the annual accounts for the year ended March 31, 2014, the applicable accounting standards have been followed along with proper explanations relating to material departure;
- ii) we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and profit for the year ended on that date;
- iii) we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv) the accounts for the year ended March 31, 2014 have been prepared on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO:

The particulars relating to Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo as required under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are as follows

a) Conservation of Energy: Not Applicable

b) Technology absorption, Adoption and Innovation: Not Applicable

No technology absorption is involved and there is no import of technology.

c) Foreign Exchange earnings and outgo - Nil

PARTICULARS OF EMPLOYEES:

There are no employees to whom the provisions of section 217 (2A) of the Companies Act, 1956 will apply.

AUDITORS:

The Statutory Auditors of the Company viz., M/s. Sukumar Babu & Co., Chartered Accountants retire at the conclusion of the next Annual General Meeting and being eligible have offered themselves for reappointment to hold office from the conclusion of the this Annual General Meeting till the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENTS:

Your Directors like to place on record their appreciation to the Company's Members for the support and co-operation extended to the Company.

For and on behalf of the Board

Sd/-
Director

Sd/-
Director

Place: Hyderabad
Date: 26.08.2014

Sukumar Babu & Co

Chartered Accountants,

Flat. No: 513, Aditya Enclave, Annapurna Block, Ameerpet, Hyderabad-500016

Independent Auditor's Report

To the Members of
KNR Muzaffarpur Holdings Pvt. Ltd.,

Report on the Financial Statements

We have audited the accompanying financial statements of **KNR Muzaffarpur Holdings Pvt. Ltd.,** ("the Company"), which comprise the Balance Sheet as at March 31, 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 gives a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

for **SUKUMAR BABU & CO.,**
Chartered Accountants
Firm Regn. No: 004188S

Sd/-

C. SUKUMAR BABU
Partner
Membership No: 024293

Place: Hyderabad
Date: 15-05-2014

The Annexure referred to in paragraph 1 of the Our Report of even date to the members of KNR Muzaffarpur Holdings Pvt. Ltd., on the accounts of the company for the year ended 31st March, 2014.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

- i. The Company has no fixed assets and accordingly paragraphs 4(i) (a), (b) and (c) of the Order is not applicable.
- ii. The Company has no inventories and accordingly paragraphs 4(ii) (a), (b) and (c) are not applicable
- iii. According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans / advances, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.

According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has taken loans / advances from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

The Company has taken un-secured loans from the holding company for an amount of Rs. 14,000/- and the year end outstanding balance is Rs. 4,94,712/- .

There is no agreement for such loans. Hence the rate of interest and terms of repayment are not ascertainable.

- iv. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
- v. a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
b) As per information & explanations given to us and in our opinion, the transaction entered into by the company with parties covered u/s 301 of the Act does not exceeds five lacs rupees in a financial year therefore requirement of reasonableness of transactions does not arises.

- vi. The Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.
- vii. The Company has no internal audit system.
- viii. As per information & explanations given by the management, maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
- ix. In respect of statutory dues:
 - a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2014 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 is no amount payable in respect of Income tax, Wealth tax, Service tax, Sales tax, Customs Duty and Excise Duty which have not been deposited on account of any disputes are nil.
- x. The Company is in existence for a period of less than five years hence reporting under paragraph 4(x) is not applicable.
- xi. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 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. The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
- xiv. According to information and explanations given to us, the Company is not trading in Shares, Mutual funds & other Investments. But the company has invested an amount of Rs.2,09,10,000/- during this year and year ending investment is Rs. 27,59,10,000/- in KNR Muzaffarpur Barauni Tollways Private Limited as Equity Capital.

- xv. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
- xvi. Based on our audit procedures and on the information given by the management, we report that the company has not raised any term loans during the year.
- xvii. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2014, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- xviii. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
- xix. The Company has no outstanding debentures during the period under audit.
- xx. The Company has not raised any money by public issue during the year.
- xxi. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

For **SUKUMAR BABU & CO.,**
Chartered Accountants
Firm Regn. No: 004188S

Place: Hyderabad
Date: 15-05-2014

Sd/-
C. SUKUMAR BABU
Partner
Membership No: 024293

KNR MUZAFFARPUR HOLDINGS PRIVATE LIMITED

BALANCE SHEET AS AT 31st March, 2014

(Amount in Rs.)

PARTICULARS	NOTE No.	As At 31-03-2014	As At 31-03-2013
I EQUITY AND LIABILITIES			
1) SHAREHOLDERS' FUNDS			
a) Share Capital	3	276,010,000	255,100,000
b) Reserves and Surplus	4	(2,576,246)	(2,530,909)
2) SHARE APPLICATION MONEY		-	-
3) NON - CURRENT LIABILITIES			
Long Term Borrowings	5	2,745,712	2,710,712
4) CURRENT LIABILITES			
Other Current Liabilities	6	20,000	10,000
TOTAL		276,199,466	255,289,803
II ASSETS			
1) NON-CURRENT ASSETS			
Non Current Investments	7	275,910,000	163,710,000
2) CURRENT ASSETS			
a) Cash and Cash Equivalents	8	289,466	289,803
b) Other Current Assets	9	-	91,290,000
TOTAL		276,199,466	255,289,803
Significant Accounting Policies	1 & 2		

See accompanying Notes (1-20) to financial statements

As per our report of even date attached

For Sukumar Babu & Co.

Chartered Accountants

(Firm Regn. No. 004188S)

For and on behalf of the Board

Sd/-

C.Sukumar Babu

Partner

Membership No: 024293

Place : Hyderabad

Date : 15-05-2014

Sd/-

K.Narasimha Reddy

Director

Sd/-

K. Jalandhar Reddy

Director

KNR MUZAFFARPUR HOLDINGS PRIVATE LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

(Amount in Rs.)

PARTICULARS	NOTE No.	For The Year ended 31-03-14	For The Year ended 31-03-13
I Income			
Revenue from operations		-	-
Other income		-	-
Total Revenue		-	-
II Expenses:			
Finance costs	10	337	197
Depreciation and amortization expense	11	-	2,494,212
Other expenses	12	45,000	36,500
Total expenses		45,337	2,530,909
Profit before tax (I- II)		(45,337)	(2,530,909)
Tax expense:			
1) Current tax		-	-
2) Deferred tax		-	-
Profit (Loss) for the period		(45,337)	(2,530,909)
Earnings per equity share:			
1) Basic		(0.45)	(25.31)
2) Diluted		(0.45)	(25.31)
Significant Accounting Policies	1&2		
Notes referred to above form an integral part of the accounts			

As per our report of even date attached

For Sukumar Babu & Co.,

Chartered Accountants

(Firm Regn. No. 004188S)

For and on behalf of the Board

Sd/-

C.Sukumar Babu

Partner

Membership No: 024293

Place : Hyderabad

Date : 15-05-2014

Sd/-

K.Narasimha Reddy

Director

Sd/-

K. Jalandhar Reddy

Director

KNR MUZAFFARPUR HOLDINGS PRIVATE LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014****(Amount in Rs.)**

PARTICULARS	For the Year ended 31-03-2014	For the Year ended 31-03-2013
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	(45,337)	(2,530,909)
Adjustments for		
Depreciation	-	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(45,337)	(2,530,909)
(Increase)/Decrease in Trade and Other Receivables	-	-
Increase/(Decrease) in Trade Payables and Other Liabilities	10,000	-
CASH GENERATED FROM OPERATIONS	(35,337)	(2,530,909)
Taxes paid	-	-
NET CASH USED IN OPERATING ACTIVITIES	(35,337)	(2,530,909)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of long-term investments - Subsidiaries	(112,200,000)	(163,710,000)
Share Application Money	91,290,000	(91,290,000)
(Increase)/Decrease in Other Receivables	-	290,712
Increase/(Decrease) in Other Payable & Liabilities	-	-
NET CASH USED IN INVESTING ACTIVITIES	(20,910,000)	(254,709,288)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Un-secured loans or Advances / (Repaid)	35,000	2,430,000
Share Capital received	-	-
Non-Cumulative Redeemable Preference Shares	20,910,000	255,000,000
NET CASH FROM FINANCING ACTIVITIES	20,945,000	257,430,000
	(337)	189,803
Cash and Cash Equivalents as at the beginning of the year	289,803	100,000
Cash and Cash Equivalents as at the end of the year (refer note 8)	289,466	289,803

Notes:

- The Cash flow statement is prepared in accordance with the Indirect Method stated in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities.
- Previous year's figures have been regrouped, wherever necessary.
- Figures in brackets represent cash outflows.

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

For Sukumar Babu & Co.,

Chartered Accountants

(Firm Regn. No. 004188S)

For and on behalf of the Board

Sd/-

C.Sukumar Babu

Partner

Membership No: 024293

K.Narasimha Reddy

Director

Sd/-

K. Jalandhar Reddy

Director

Sd/-

Place: Hyderabad

Date : 15-05-2014

KNR MUZAFFARPUR HOLDINGS PRIVATE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

3 SHARE CAPITAL

Particulars	(Amounts in Rs.)	
	As at	As at
	March 31, 2014	March 31, 2013
AUTHORISED CAPITAL		
10,000 Equity Shares of Rs. 10/- Each	100,000	100,000
2,79,90,000 Preference Shares of Rs .10/ Each	279,900,000	279,900,000
	280,000,000	280,000,000
ISSUED, SUBSCRIBED & FULLY PAID SHARE CAPITAL		
10,000 Equity Shares of 10/- Each Fully Paid up (Wholly owned Subsidiary of KNRC Holdings & Investments Pvt Ltd)	100,000	100,000
2,75,91,000 9% Non-Cumulative Redeemable Preference Shares of 10/ Each	275,910,000	255,000,000
	276,010,000	255,100,000

3.1

a) Details of Equity Shares held by each shareholders holding more than 5% of total equity shares.

Name of the Shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	% held	No. of Shares	% held
KNRC Holdings & Investments Pvt. Ltd.,	10,000	100%	10,000	100%

b) Details of 9% Non- cumulative Reddemable Preference Shares held by each shareholders holding more than 5% of total NCRPS

Name of the Shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	% held	No. of Shares	% held
JKM Infra Projects Ltd.,	27,591,000	100%	25,500,000	100%

3.2 The reconciliation of the number of shares outstanding at the beginning and at the end of the year is set out below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	Amount in Rupees	No. of Shares	Amount in Rupees
Number of Equity Shares at the beginning	10,000	100,000	10,000	100,000
Add:- Number of Shares Issued	-	-	-	-
Less: Number of Shares Brought Back	-	-	-	-
Number of Equity Shares at the end of the year	10,000	100,000	10,000	100,000
Number of Non-Cumulative Reddemable Preference Shares at the beginning	25,500,000	255,000,000	-	-
Add:- Number of Shares Issued	2,091,000	20,910,000	25,500,000	255,000,000
Less: Number of Shares Brought Back	-	-	-	-
Number of Non-Cumulative Reddemable Preference Shares at the end of the year	27,591,000	275,910,000	25,500,000	255,000,000

4 RESERVES AND SURPLUS

(Amounts in Rs.)		
Particulars	As at	As at
	March 31, 2014	March 31, 2013
Surplus/(deficit) in the Statement of Profit and Loss		
Opening balance	(2,530,909)	-
Add: Profit/(Loss) for the year	(45,337)	(2,530,909)
	(2,576,246)	(2,530,909)

5 LONG-TERM BORROWINGS

(Amounts in Rs.)		
Particulars	As at	As at
	March 31, 2014	March 31, 2013
UNSECURED LOANS		
Loans and Advances from Related Parties		
(Refer note no: 17)		
KNR Constructions Ltd.,	34,500	26,500
KNRC Holdings and Investments Pvt. Ltd.,	494,712	480,712
Other Loans and Advances		
JKM Infra Projects Ltd.,	2,216,500	2,203,500
	2,745,712	2,710,712

6 OTHER CURRENT LIABILITIES

(Amounts in Rs.)		
Particulars	As at	As at
	March 31, 2014	March 31, 2013
Audit Fee Payable	20,000	10,000
	20,000	10,000

7 NON- CURRENT INVESTMENTS

Particulars	(Amounts in Rs.)	
	As at	As at
	March 31, 2014	March 31, 2013
TRADE INVESTMENTS		
Investment In Equity Instruments - Un-Quoted		
KNR Muzaffarpur Barauni Tollway Pvt Ltd (2,75,91,000 Equity Shares of 10/- Each)	275,910,000	163,710,000
	275,910,000	163,710,000

8 CASH AND CASH EQUIVALENTS

Particulars	(Amounts in Rs.)	
	As at	As at
	March 31, 2014	March 31, 2013
Balance with Banks		
In Current accounts	189,466	189,803
Cash in Hand	100,000	100,000
	289,466	289,803

9 OTHER CURRENT ASSETS

Particulars	(Amounts in Rs.)	
	As at	As at
	March 31, 2014	March 31, 2013
Share Application Money invested in KNR Muzaffarpur Barauni Tollway Pvt Ltd	-	91,290,000
Miscellaneous Expenditure (Asset) (To the extend not written off or adjusted)		
Preliminary Expenses	-	2,484,212
Pre- Operative Expenses	-	10,000
Less: Written off during the period / year	-	2,494,212
Sub-Total	-	-
TOTAL	-	91,290,000

KNR MUZAFFARPUR HOLDINGS PRIVATE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

10 FINANCE COSTS

(Amount in Rs.)		
PARTICULARS	As At 31-03-2014	As At 31-03-2013
Bank Charges	337	197
TOTAL	337	197

11 DEPRECIATION AND AMORTIZATION EXPENSES

(Amount in Rs.)		
PARTICULARS	As At 31-03-2014	As At 31-03-2013
Preliminary/Pre-operative Expenses written off	-	2,494,212
TOTAL	-	2,494,212

12 OTHER EXPENSES

(Amount in Rs.)		
PARTICULARS	As At 31-03-2014	As At 31-03-2013
Administration And Other Expenses		
Audit Fees	20,000	10,000
Demat Charges	-	10,000
General Expenses	-	1,000
Certification/Filing Fee	17,000	8,000
Professional Fee	8,000	7,500
TOTAL	45,000	36,500

KNR MUZAFFARPUR HOLDINGS PVT LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

1. Company Overview

The Company is engaged in the business of Investment activity

2. Significant Accounting Policies

2.1 Basis of Accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless otherwise stated separately herein below.

2.2 Fixed Assets and Depreciation

Fixed Assets are stated at cost of acquisition, or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down Value (WDV) method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

2.3 Provisions, Contingent Liabilities and Contingent Assets

The Company recognizes provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made in the notes on accounts when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. Contingent assets are neither recognized nor disclosed in the financial statements.

KNR MUZAFFARPUR HOLDINGS PVT LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

2.4 Taxes on Income

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws applicable. Provision for deferred tax is made for timing differences arising between taxable incomes and accounting income using the tax laws and tax rates enacted or subsequently enacted as of the balance sheet date. Deferred Tax Assets are recognized only if there is a virtual certainty that there will be sufficient taxable income in future.

2.5 Investments

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

2.6 Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition or the construction of a qualifying asset is capitalized for the period until the asset is ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time i.e., more than 12 months to get ready for intended use. All other borrowing costs are charged to revenue.

KNR MUZAFFARPUR HOLDINGS PVT LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

13. Segmental Reporting – Not Applicable.
14. Particulars of Employees who were in receipt of remuneration of more than Rs.5,00,000/- or more per month, if employed for a part of the year -- Nil (Previous Year – Nil) or who were in receipt of remuneration of more than Rs.60,00,000/- or more per annum, if employed for whole of the year – Nil (Previous Year – Nil).
15. Auditor's remuneration (including service tax) charged to the accounts.

(Amount in Rs.)		
Particulars	2013-14	2012-13
Audit fees	20,000	10,000

16. In the opinion of the Board, the current assets, loans & advances, have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.
17. As per Accounting Standard 18, "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related Parties as defined in the Accounting Standard are as follows:

A . Following is the list of related parties and relationships:

Sl. No	Particulars
A	Holding Company
	KNRC Holding & Investments Pvt. Ltd.,
B	Key Management Personnel
	Sri. K.Narasimha Reddy
	Sri. K. Jalandhar Reddy
C	Relatives of Key Management Personnel
	Nil

KNR MUZAFFARPUR HOLDINGS PVT LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

B. Related party transactions during the year ended 31st March 2014 are as follows:
(Previous year's figures are given in brackets below the current year figures)

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

(Amount in Rs.)					
S.No	Name of the Related party	Relationship	Nature of transaction	2013-14	2012-13
1	KNRC Holdings and Investments Private Limited	Holding Company	Share Capital	Nil	Nil
			Unsecured Loan-Taken/(Paid)	14,000	2,00,000

Balance outstanding as on 31.03.2014

(Amount in Rs.)					
S.No	Name of the Related party	Relationship	Nature of transaction	2013-14	2012-13
1	KNRC Holdings and Investments Private Limited	Holding Company	Share Capital	1,00,000	1,00,000
			Unsecured Loan-Taken/(Paid)	4,94,712	4,80,712

KNR MUZAFFARPUR HOLDINGS PVT LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

18. In the opinion of the management, there is no impairment of assets requiring provision in accordance with AS-28 relating to 'Impairment of Assets'
19. Previous year's figures have been regrouped/reclassified wherever necessary

As per our report of even date

For Sukumar Babu & Co.,

Chartered Accountants

(Firm Regn. No.004188S)

For and on behalf of the Board

Sd/-

C. Sukumar Babu

Partner

Membership No: 024293

Place: Hyderabad

Date : 15-05-2014

Sd/-

K. Narasimha Reddy

Director

Sd/-

K. Jalandhar Reddy

Director