

8TH ANNUAL REPORT 2013-14

OF

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

CIN: U70102TG2006PTC049949

BOARD OF DIRECTORS

Shri B. Sudaschander Reddy

Shri K Narasimha Reddy

Shri Ashwin Ramanlal Parmar

AUDITORS

Gianender & Associates

Chartered Accountants

Plot No. 6, Site No. 21,

Geeta Mandir Marg,

New Rajinder Nagar,

New Delhi – 110 060

BANKERS

ICICI Bank Ltd.,

Standard Chartered Bank

REGISTERED OFFICE

KNR House, 4th Floor,

Plot No. 114, Phase – I,

Kavuri Hills, Hyderabad - 500033

NOTICE

Notice is hereby given that the **8th Annual General Meeting** of the members of **PATEL KNR Heavy Infrastructures Limited** will be held at its registered office at KNR House, 4th Floor, Plot No. 114, Phase – I, Kavuri Hills, Hyderabad on Monday, the 29th day of September 2014 at 11.30 AM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014, with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri K Narasimha Reddy, who retires by rotation and being eligible, offers himself for re-election.
3. To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
“**RESOLVED THAT** M/s. Gianender & Associates, Chartered Accountants (Firm Registration No. 00466IN) New Delhi be and is hereby re-appointed as the 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.

SPECIAL BUSINESS

4. **To adopt new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a *Special Resolution*:

“**RESOLVED THAT** pursuant to provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

5. **Fixing the Borrowing limits of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED that** in supersession of the resolution passed by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 15th February, 2008, consent of the Company be and is hereby accorded, pursuant to

Section 180(1)(c) and (2) and other applicable provisions, if any, of the Companies Act, 2013, to the Board of Directors of the Company or any Committee thereof as may be authorised by the Board in this behalf for borrowing from time to time, any sum or sums of money for the purposes of the Company, upon such terms and conditions and with or without security, in Indian/Foreign Currency, as the Board of Directors or any Committee thereof as may be authorised by the Board in this behalf may in its absolute discretion think fit, notwithstanding that the money or monies to be so borrowed by the Company (apart from temporary loans obtained or to be obtained from time to time from the Company's Bankers in the ordinary course of business) together with the sums already borrowed, may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however that the sums so borrowed and remaining outstanding on account of principal shall not, at any time, exceed **Rs. 1000 Crores** (Rupees One Thousand crores only) or the aggregate of the paid up capital and free reserve of the Company whichever is higher.”

6. Creation of Charges / Mortgages on the movable and immovable properties of the Company, both present and future, in respect of borrowings:

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT in supersession of the resolution passed by the shareholders of the Company at the Extra- Ordinary General Meeting of the Company held on 15th February, 2008, the consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 to mortgage and / or to create any charge by the Board of Directors of the Company on all or any of the immovable and / or movable properties of the Company, both present and future or whole or substantially the whole of the undertaking or undertakings of the Company on such terms in such form and in such manner as the Board of Directors may think fit, in favour of all or any of the Banks, Financial Institutions, Companies, Insurance Companies, Corporations, Trustees for holders of debentures / bonds / securities, other persons, firms, body corporates and secured lenders (hereinafter referred to as “Lenders”) for securing any loans (rupee loan, commercial paper and / or foreign currency loans / external commercial borrowing) and / or working capital facilities, advances already obtained or that may hereinafter be obtained from any of the lenders and / or to secure any debentures / bonds / securities issued / that may be issued and all interest, compound / additional interest, commitment charge, costs, charges, expenses and all other monies payable to the respective lenders and / or agents and / or trustees to the debentures / bonds / securities in terms of the respective loan and other agreements entered with or to be entered with the lenders.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any one or more Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company and/ or Committee of Directors constituted for this purpose, be and is hereby authorised to finalise with any of the lenders, jointly or severally, the documents for creating aforesaid mortgage / charge and to do all such acts, deeds, things as may be considered necessary, desirable or expedient for implementing the resolution and to resolve any question, difficulty or doubt which may arise in relation thereto or otherwise considered by the Board of Directors to be in the best of interest of the Company.”

BY ORDER OF THE BOARD

For PATEL KNR Heavy Infrastructures 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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.**Item No.4**

The existing Articles of Association (AOA) are based on the Companies Act, 1956 and several regulations in the existing AOA contain references to specific sections of the Companies Act, 1956 and some regulations in the existing AOA are no longer in conformity with the Act.

The Act is now largely in force, the Board recommends alteration of the existing AOA by replacing the same with a new set of AOA. The new AOA are based in Table 'F' of the Act which sets out the model articles of association for a company limited by shares.

The draft AOA is available for inspection during business hours of the Company on any working day.

None of the Directors/Key Managerial Personnel/their relatives of the Company have any interest or concern in the resolution.

The Directors commends resolution no.6 for approval of members as Special Resolution

Item Nos. 5 & 6

At the Extra ordinary General Meeting of the Company held on 15th February 2008, the Members had, by way of Ordinary Resolutions and in pursuance of the provisions of Section 293(1)(a) and (d) of the Companies Act, 1956, approved of:

- i. creation of a mortgage or charge for the said borrowings, as security by way of mortgage / hypothecation on the Company's assets in favour of lenders for securing the borrowings including interest, charges, etc. payable thereon and
- ii. borrowing monies on behalf of the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital of the Company and its free reserves, subject to the

total outstanding amount so borrowed not exceeding a sum of Rs.1000 crores at any point of time.

Under Section 180 of the Act, the above powers of the Board are required to be exercised only with the consent of the company by a Special Resolution.

The Ministry of Corporate Affairs (“MCA”) has vide its General Circular No 4/2014 dated March 25, 2014 clarified that the Ordinary Resolutions passed under Sections 293(1)(a) and 293(1)(d) of the Companies Act, 1956 would be sufficient compliance of Section 180 of the Act until September 11, 2014.

The approval of the Members for the said borrowings and creation of a mortgage or charge for the said borrowing is therefore now being sought, by way of a Special Resolutions, pursuant to Section 180(1)(c) and 180(1)(a) of the Act respectively.

The Directors commend the Resolutions at Item Nos.5 and 6 of the accompanying Notice for the approval of the Members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives is concerned or interested in passing of the Resolutions at Item Nos. 5 & 6 of the Notice for approval of the members by a Special Resolution.

BY ORDER OF THE BOARD

For PATEL KNR Heavy Infrastructures Limited

Sd/-
Director

Place: Hyderabad
Date: 26.08.2014

DIRECTOR'S REPORT

**To
The Members,**

Your Directors take pleasure in presenting the Audited accounts for the year ended 31st March, 2014.

OPERATIONS:

Amount in Rs. Lakhs		
Particulars	2013-14	2012-13
Turnover	8874.00	8874.00
Profit Before Tax	(1112.83)	(355.28)
Profit After Tax	(1112.83)	(355.28)
EPS (in Rs.)	(4.67)	(1.49)

AUDITORS:

Gianender & Associates, Chartered Accountants, New Delhi, the statutory auditors of the company retire at the conclusion of this Annual General Meeting and are eligible for reappointment.

DIRECTORS:

Shri K Narasimha Reddy, Director retires by rotation at the Annual General Meeting and being eligible, offers himself for re-appointment.

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 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 judgements 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;
- 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.

Further your Directors confirm that none of the directors is disqualified under section 274 (1) (g) of the Companies Act, 1956.

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 |
| c) Foreign Exchange earnings and outgo | |
| Foreign Exchange Inflow | - NIL |
| Foreign Exchange Outflow | |
| - Loan Repayment | 1,203.30 Lakhs (P.Y Rs.1,191.08 Lakhs) |
| - Payment of interest | 514.17 Lakhs (PY Rs.573.31 Lakhs) |
| - Agency Fee | 16.23 Lakhs (PY Rs.14.69 Lakhs) |

PARTICULARS OF EMPLOYEES:

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

DEPOSITS:

Your Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as of the balance sheet date.

ACKNOWLEDGEMENTS:

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

On behalf of the Board

Sd/-
B S Reddy
Director

Sd/-
K N Reddy
Director

Place: Hyderabad
Date: 26.08.2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PATEL KNR HEAVY INFRASTRUCTURES LIMITED.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **PATEL KNR HEAVY INFRASTRUCTURES LIMITED**, which comprise the Balance Sheet as at 31 March 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 the accounting principles generally accepted in India including accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION:

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

- a. In the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2014;

- b. In the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

**Place: Hyderabad
Date: 28.05.2014**

**Sd/-
Sunil Kumar
Partner
M.No. 098334**

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

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

- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues, Income tax, and other statutory dues during the year with the appropriate authorities except tax deducted at source under income tax Act, where there have been some delays in few cases. Undisputed Labour welfare cess of Rs.241.77 lakhs was accrued but not due as on 31st March, 2014. As on 31st March 2014, there are no other undisputed statutory dues payable for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us, there are no dues which have not been deposited on account of any dispute of income tax and cess.
- (x) According to information and explanations given to us and records of the company examined by us, the company does not have accumulated losses at the end of the financial year. The company has not incurred cash losses both during the financial year and in the immediately preceding financial year.
- (xi) The company has not defaulted in the repayment of dues to the banks and financial Institutions.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanation given to us, the Company has not raised funds on short term basis. Hence, the provisions of clause 4 (xvii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year on the terms and conditions which are prejudicial to the interest of the company.
- (xix) The Company has issued debentures during the year and accordingly security or charge has been created in favour of debentures Trust.

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

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

**Place: Hyderabad
Date: 28.05.2014**

**Sd/-
Sunil Kumar
Partner
M.NO. 098334**

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2014

(Rupees in Lakhs)

PARTICULARS	NOTE No.	As At 31-03-2014	As At 31-03-2013
I EQUITY AND LIABILITIES			
1) SHAREHOLDERS' FUNDS			
a) Share Capital	1	2,382.38	2,382.38
b) Reserves and Surplus	2	<u>471.85</u>	<u>1,584.68</u>
		2,854.23	3,967.06
2) SHARE APPLICATION MONEY PENDING ALLOTMENT		-	-
3) NON - CURRENT LIABILITIES			
a) Long-term borrowings	3	50,620.44	50,190.29
b) Other Long term Liabilities	4	224.50	241.77
c) Long-term Provisions	5	<u>1,693.00</u>	<u>1,238.00</u>
		52,537.94	51,670.06
4) CURRENT LIABILITIES			
a) Trade Payables	6	42.30	76.23
b) Other Current Liabilities	7	<u>2,931.46</u>	<u>2,843.99</u>
		2,973.76	2,920.22
TOTAL		<u>58,365.93</u>	<u>58,557.34</u>
II ASSETS			
1) NON-CURRENT ASSETS			
a) Fixed Assets			
-Tangible Assets	8	48,484.20	50,873.82
b) Long-term loans and advances	9	456.22	456.22
2) CURRENT ASSETS			
a) Trade Receivables		-	-
b) Cash and Cash Equivalents	10	6,059.74	3,490.81
c) Short-term loans and advances	11	908.49	1,027.40
d) Other Current Assets	12	<u>2,457.28</u>	<u>2,709.09</u>
		9,425.51	7,227.30
TOTAL		<u>58,365.93</u>	<u>58,557.34</u>

Significant Accounting Policies 20

See accompanying Notes to financial statements

As per our report of even date attached

For Gianender & Associates

Chartered Accountants

(ICAI Registration No.004661N)

For and on behalf of the Board

Sd/-

Ravi Kumar Goyal

Partner

Membership No:501246

Place: Hyderabad

Date : 28.05.2014

Sd/-

Director

Sd/-

Director

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

(Rupees In Lakhs)

PARTICULARS	NOTE No.	For the Year ended 31.03.2014	For the Year ended 31.03.2013
I Income			
Revenue from operations	13	8,874.00	8,874.00
Other income	14	323.74	152.65
Total Revenue		9,197.74	9,026.65
II Expenses:			
Operating & Maintenance Expenses	15	900.87	876.30
Finance costs	16	5,381.64	4,973.06
Depreciation and amortization expense	17	3,408.68	3,368.57
Other expenses	18	619.38	164.00
Total expenses		10,310.57	9,381.93
Profit before tax (I- II)		(1,112.83)	(355.28)
Tax expense:			
1) Current tax		-	-
2) Deferred tax		-	-
Profit (Loss) for the period		(1,112.83)	(355.28)
Earnings per equity share:	29		
1) Basic		(4.67)	(1.49)
2) Diluted		(4.67)	(1.49)
Significant Accounting Policies	20		

See accompanying Notes to financial statements

As per our report of even date attached

For Gianender & Associates

For and on behalf of the Board

Chartered Accountants

(ICAI Registration No.004661N)

Sd/-

Sd/-

Sd/-

Ravi Kumar Goyal

Director

Director

Partner

Membership No:501246

Place: Hyderabad

Date : 28.05.2014

PATEL KNR HEAVY INFRASTRUCTURES LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(Amount in Lakhs)

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	(1,112.83)	(355.28)
Adjustments for		
Depreciation & Amortisation Expenses	3,408.68	3,368.57
Preliminary Expenses written off	-	-
Provision for Periodic Maintenance	455.00	451.60
Interest and Financial Charges	5,381.64	4,973.06
Interest Received From FDR	(326.79)	(154.38)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	7,805.70	8,283.57
(Increase)/Decrease in Trade and Other Receivables	2,416.21	105.13
Increase/(Decrease) in Trade Payables and Other Liabilities	36.41	312.25
CASH GENERATED FROM OPERATIONS	10,258.32	8,700.95
Taxes paid	-	-
NET CASH USED IN OPERATING ACTIVITIES	10,258.32	8,700.95
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Capital Work In Progress	(28.29)	-
Interest Received	328.36	155.68
Less : Interest Accrued	166.37	1.57
NET CASH USED IN INVESTING ACTIVITIES	133.70	154.11
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Funds Borrowed / (Repaid)	(560.62)	(5,337.82)
Interest paid	(5,381.78)	(4,968.74)
NET CASH FROM FINANCING ACTIVITIES	(5,942.40)	(10,306.56)
	4,449.62	(1,451.50)
Cash and Cash Equivalents as at April 1, 2013 (Opening Balance)	1,610.12	3,061.62
Cash and Cash Equivalents as at March 31, 2014 (Closing Balance)	6,059.74	1,610.12

Notes:

1 Components of Cash & Cash Equivalents

Cash in Hand	0.16	0.59
Bank Balance -Current Account	518.90	208.04
- Fixed Deposit	5,540.68	1,401.49
	6,059.74	1,610.12

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

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

4 Figures in brackets represent cash outflows.

5 Notes on accounts form an integral part of the Cash Flow Statement.

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

	As on 31st March 2014	As on 31st March 2013
Cash and Cash Equivalents as per AS-3	6,059.74	1,610.12
Add:		
Other Bank Balances (maturities more than 3 months)	-	1,880.69
Total Cash and Bank Balances (Note no 11)	6,059.74	3,490.81

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

As per our report of even date attached

For Gianender & Associates

Chartered Accountants

Firm Regn. No.004661N

For and on behalf of the Board

Sd/-

Ravi Kumar Goyal

Partner

Membership No:501246

Place: Hyderabad

Date : 28.05.2014

Sd/-

Director

Sd/-

Director

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 1

SHARE CAPITAL

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares in Lakhs	Rupees in Lakhs	No. of Shares in Lakhs	Rupees in Lakhs
EQUITY SHARE CAPITAL				
Authorised Share capital				
Equity Shares of Rs. 10/- each	300.00	3,000.00	300.00	3,000.00
Issued, subscribed & fully paid share capital				
Equity Shares of Rs. 10/- each Issued at Par	238.24	2,382.38	238.24	2,382.38
Total	238.24	2,382.38	238.24	2,382.38

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

During the year ended 31st March 2014, no dividend is declared by Board of Directors. (Previous year - Nil)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of preferential amounts. The distribution will be in proportion to the number of equity shares held by the Shareholders

The reconciliation of the number of shares and amount of share capital outstanding as at March 31, 2014 and March 31, 2013 is set out below:

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares in Lakhs	Rupees in Lakhs	No. of Shares in Lakhs	Rupees in Lakhs
Number of Equity Shares at the beginning	238.24	2,382.38	238.24	2,382.38
Add:- Number of Shares Issued	-	-	-	-
Less: Number of Shares Brought Back	-	-	-	-
Number of Equity Shares at the end	238.24	2,382.38	238.24	2,382.38

The details of shareholder holding more than 5% shares as at March 31, 2014 and March 31, 2013 is set out below:

Name of the shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of Shares in Lakhs	% held	No. of Shares in Lakhs	% held
1 Patel Engineering Infrastructures Pvt Ltd & its Nominees	100.06	42.00	100.06	42.00
2 KNR Constructions Ltd & its Nominees	95.30	40.00	95.30	40.00
3 ENPRO Ltd	42.88	18.00	42.88	18.00
	238.24	100.00	238.24	100.00

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 2

RESERVES AND SURPLUS

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
Surplus/(deficit) in the Statement of Profit and Loss		
Balance as per Last Financial Statements	1,584.68	1,939.96
Add: Profit/(Loss) for the year	(1,112.83)	(355.28)
Total	471.85	1,584.68

NOTE 3

LONG- TERM BORROWINGS

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
SECURED LOANS		
Debentures		
Rated, Listed, Redeemable Non Convertible debentures (Refer foot note i)	36,790.00	-
Sub-Total	36,790.00	-
Term Loan		
From Banks (Refer foot note ii)		
Rupee Loans		25,977.98
Foreign Currency Loan	11,246.22	11,004.53
Sub-Total	11,246.22	36,982.51
UNSECURED LOANS		
Loans and advances from related parties (Refer foot note iii)		
From KNR Constructions Ltd - Associate Company	1,033.69	5,120.30
From Patel Engineering Infrastructures Private Limited-Associate Company	1,550.53	7,608.61
Other Loans and advance		
From Patel Engineering Ltd	-	478.87
Sub-Total	2,584.22	13,207.78
Total	50,620.44	50,190.29

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

Foot Note - i

Term of Security

A first pari passu charge, save and except project assets.

- i. By way of mortgage over all immovable properties, both present and future.
- ii. By way of hypothecation over all tangible movable assets, including moveable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other moveable assets, both present and future
- iii. Charge over all accounts including the DSRA, Escrow Account and the Sub-Accounts.
- iv. By way of Hypothecation on all intangible assets of the company including but not limited to the goodwill and undertaking both present and future.
- v. Pledge of 100% of the share capital of the Company
- vi. Charge over /assignment of the rights, titles, benefits, interests, claims and demand of the Company in the project documents

Terms of Repayment

	Series A	Series B	Series C	Series D	Series E	Series F	Total
Rupees in lakhs	18,000.00	2,320.00	920.00	1,630.00	3,190.00	13,940.00	40,000.00
Coupon Rate	10.04%	9.50%	9.75%	9.75%	10.00%	10.35%	
Redemption Schedule							
30-Sep-15	475.00	415.00	-	-	-	-	890.00
31-Mar-16	475.00	415.00	-	-	-	-	890.00
30-Sep-16	450.00	-	140.00	-	-	-	590.00
31-Mar-17	450.00	-	140.00	-	-	-	590.00
30-Sep-17	405.00	-	320.00	-	-	-	725.00
31-Mar-18	405.00	-	320.00	-	-	-	725.00
30-Sep-18	435.00	-	-	415.00	-	-	850.00
31-Mar-19	435.00	-	-	415.00	-	-	850.00
30-Sep-19	555.00	-	-	400.00	-	-	955.00
31-Mar-20	555.00	-	-	400.00	-	-	955.00
30-Sep-20	585.00	-	-	-	445.00	-	1,030.00
31-Mar-21	585.00	-	-	-	445.00	-	1,030.00
30-Sep-21	555.00	-	-	-	590.00	-	1,145.00
31-Mar-22	555.00	-	-	-	590.00	-	1,145.00
30-Sep-22	750.00	-	-	-	560.00	-	1,310.00
31-Mar-23	750.00	-	-	-	560.00	-	1,310.00
30-Sep-23	1,005.00	-	-	-	-	1,100.00	2,105.00
31-Mar-24	1,005.00	-	-	-	-	1,100.00	2,105.00
30-Sep-24	1,480.00	-	-	-	-	1,305.00	2,785.00
31-Mar-25	1,480.00	-	-	-	-	1,305.00	2,785.00
30-Sep-25	2,890.00	-	-	-	-	-	2,890.00
31-Mar-26	-	-	-	-	-	3,040.00	3,040.00
30-Sep-26	-	-	-	-	-	3,045.00	3,045.00
31-Mar-27	-	-	-	-	-	3,045.00	3,045.00
Total	16,280.00	830.00	920.00	1,630.00	3,190.00	13,940.00	36,790.00

The Company has issued 40,000 Non-Convertible Debentures of face value of Rs.1.00 Lakhs each amounting to Rs.40000 lakhs on 3rd Sep-2013. These Debentures were subsequently listed on 25th Sep, 2013 on BSE. The said debentures are redeemable half yearly with the redemption starting from Sep-2013 and ending on March-2027. Interest due on debentures during the year have been paid fully without delay. The said funds have been utilised in repayment of rupee loan, repayment of promoter's unsecured loan, issue expenses and maintenance of DSRA.

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

Foot Note - ii

Terms of Security

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

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

Terms of Repayment

The above loan is repayable in twenty seven semi-annual unequal installments ranging from \$0.47 Millions to \$1.47 Millions commencing from 30th Sep' 2010 and ending on 30th Sep' 2023. The number of balance installments as on 31st March, 2014 is 19. The interest is payable half-yearly.

Translation of loan Amount

The Company had hedged the above facility to cover against fluctuation in foreign currency and LIBOR to the satisfaction of the lenders through USD/INR options up to 30th Sep 2023. Loan amount repayable upto 31st March 2016 has been translated at hedged rate of Rs.50.7850 /Per USD as the loan upto 31st March 2016 is hedged at Rs.50.7850/Per USD and balance loan amount at closing rate as on 31st March 2014 because the balance loan is hedged at Rs.70/ Per USD, whereas the closing rate as on 31st March 2014 is Rs.60.0998 Per USD

Foot Note - iii

Loans from KNR Constructions Limited & Patel Engineering Infrastructure Limited are in the nature of Sub-debt and are repayable after satisfaction of senior Debt

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 4

OTHER LONG TERM LIABILITIES

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
Trade payables	-	-
Others		
-Labour Welfare Cess Payable	224.50	241.77
Total	224.50	241.77

NOTE 5

LONG TERM PROVISIONS

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
Provision for employee benefits	-	-
Others		
-Periodic Maintenance Provision	1,693.00	1,238.00
Total	1,693.00	1,238.00

NOTE 6

TRADE PAYABLES

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
Sundry Creditors (Suppliers/Service)*	42.29	57.27
Bills Payable (Sub-contractors)	0.01	18.96
Total	42.30	76.23

* Includes Rs. 37.57 lakhs (Previous Year Rs. 57.26lakhs) payable to KNR Constructions Limited- Associate Company

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 7

OTHER CURRENT LIABILITIES

Particulars	(Rupees in Lakhs)	
	As At 31-03-2014	As At 31-03-2013
Current maturity of long term borrowings		
Debentures	1,710.00	
Term Loan		
<u>From Banks</u>		
Rupee Loans	-	1,901.04
Foreign Currency Loan	749.08	672.90
Interest accrued but not due on borrowings;	4.18	4.32
Labour Welfare Cess Payable	17.27	17.27
Patel Engineering Ltd (Withheld Amount)	11.28	11.28
Outstanding Expenses		
Audit Fee payable	3.72	3.54
Certification Fee Payable	0.16	0.20
AMR Constructions Limited	-	3.05
Independent Consultancy Fee	10.51	7.92
Consultancy Charges Payable	32.15	30.74
Misc. Expenses Payable*	1.32	5.59
Other Payables (For Punch List items)	150.20	150.20
Statutory Dues		
VAT Payable	0.82	0.83
TDS/TCS	240.77	35.11
Total	2,931.46	2,843.99

* Includes Rs. 1.23 lakhs (Previous Year Rs. 5.49 lakhs) payable to KNR Constructions Limited- Associate Company

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 9

LONG TERM LOANS AND ADVANCES

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
(Unsecured, considered good)		
Others Loans & Advances		
MAT Credit	456.22	456.22
Total	456.22	456.22

NOTE 10

CASH AND BANK BALANCES

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
Cash & Cash Equivalents		
Balance with Banks		
Current accounts	518.90	208.04
Term Deposit with less than 3 months original maturity	5,540.68	1,401.49
Cash on hand	0.16	0.59
Sub-Total	6,059.74	1,610.12
Other Bank Balance		
Bank Deposits with more than 3 months original maturity	-	1,880.69
Total	6,059.74	3,490.81

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 11

SHORT TERM LOANS AND ADVANCES

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
(Unsecured, considered good)		
Loans and advance		
-Patel Engineering Limited	-	325.00
		-
Sub- total	-	325.00
Others		
Prepaid Insurances	10.31	11.50
VAT Recoverable	257.33	260.33
TDS Receivable	210.28	242.06
Income Tax (Refund)	430.57	188.51
Sub- total	908.49	702.40
Total	908.49	1,027.40

NOTE 12

OTHER CURRENT ASSETS

(Rupees in Lakhs)		
Particulars	As At 31-03-2014	As At 31-03-2013
Amounts Recoverable from KNR Constructions Limited - Associate	-	33.65
Amounts Recoverable from Patel Engineering Ltd	1,057.50	1,443.19
Annuity Accrued but not Due	755.75	755.75
Amount withheld - NHAI	435.04	432.31
Amount Recoverable from NHAI	42.62	42.62
Interest Accrued but not due	166.37	1.57
Total	2,457.28	2,709.09

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 8

FIXED ASSETS

(Rupees in Lakhs)

Particulars		Gross Block			Accumulated Depreciation			Net Block	
		As at April 1, 2013	Additions/ Adjustments	As at March 31, 2014	As at April 1, 2013	For the Period	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
I	Tangible Assets								
	Carriage way	60,324.27	987.73	61,312.00	9,450.45	3,407.15	12,857.60	48,454.40	50,873.82
	Flat (Refer foot note)	-	31.33	31.33	-	1.53	1.53	29.80	-
	Sub-total	60,324.27	1,019.06	61,343.33	9,450.45	3,408.68	12,859.13	48,484.20	50,873.82
	TOTAL	60,324.27	1,019.06	61,343.33	9,450.45	3,408.68	12,859.13	48,484.20	50,873.82
	Previous Year	59,748.26	576.01	60,324.27	6,081.88	3,368.57	9,450.45	50,873.82	53,666.38

Foot Note: The Flat is mortgaged to the Debenture Trustee

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 13

REVENUE FROM OPERATIONS

(Rupees in Lakhs)		
PARTICULARS	As At 31-03-2014	As At 31-03-2013
Sale of Services		
Annuity Income	8,874.00	8,874.00
TOTAL	8,874.00	8,874.00

NOTE 14

OTHER INCOME

(Rupees in Lakhs)		
PARTICULARS	As At 31-03-2014	As At 31-03-2013
Interest Income	326.79	154.38
Gain/(Loss) on foreign currency translation	(3.05)	(1.73)
TOTAL	323.74	152.65

NOTE 15

OPERATING & MAINTENANCE EXPENSES

(Rupees in Lakhs)		
PARTICULARS	As At 31-03-2014	As At 31-03-2013
Carrigeway repairs & maintenances		
- Routine Maintenance	445.87	424.70
- Periodic Maintenance	455.00	451.60
TOTAL	900.87	876.30

NOTE 16

FINANCE COSTS

(Rupees in Lakhs)		
PARTICULARS	As At 31-03-2014	As At 31-03-2013
Interest Expense		
Interest on Term Loans	4,360.76	4,328.14
Interest on TDS	0.01	15.46
Interest on Income Tax	-	53.27
	4,360.77	4,396.87
Other Borrowing Costs		
Loan Prepayment Charges	61.80	-
Bank Charges	0.32	0.57
Hedging Expenses	958.75	575.62
TOTAL	5,381.64	4,973.06

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

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

NOTE 17

DEPRECIATION AND AMORTIZATION EXPENSE

PARTICULARS	(Rupees in Lakhs)	
	As At 31-03-2014	As At 31-03-2013
Amortization Expenses	3,407.15	3,368.57
Depreciation	1.53	-
TOTAL	3,408.68	3,368.57

NOTE 18

OTHER EXPENSES

PARTICULARS	(Rupees in Lakhs)	
	As At 31-03-2014	As At 31-03-2013
Administration And Other Expenses		
Advisory Fee	337.08	-
Arranging Fee	112.36	-
Agency Fee	20.31	18.33
Consultancy Fee	48.45	7.98
Independent Engineer Fee	33.49	
Franking Charges	4.10	-
Insurance Premium	21.60	11.37
Travelling & Conveyance	2.78	-
Legal & Professional Charges	17.97	120.51
Payments to the auditor	-	
for Audit	3.37	3.37
for taxation matters	0.56	0.56
for other services	2.37	0.06
for reimbursement of expenses	0.12	0.11
Miscellaneous Expenses	14.82	1.71

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

19. CORPORATE OVERVIEW:-

The Company is a Special Purpose Vehicle floated by Patel Engineering Infrastructures Private Ltd and KNR Constructions Ltd. Hyderabad, in pursuance of a contract with National Highway Authority of India ("NHAI") for the Design, Construction, Development, Operation, Finance and Maintenance of Islam Nagar (KM 230.00) to Kadtal (KM 278.00) of Nagpur –Hyderabad Section on NH-7 in the State of Andhra Pradesh, Under North-South Corridor (NHDP Phase –II) on BOT (Annuity) basis – Project Reference Number NS-2 /BOT/AP-07. The company has achieved Provisional COD with effect from 11th June 2010.

20. SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF ACCOUNTING

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

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

B. FIXED ASSETS

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

C. DEPRECIATION

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

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

D. CAPITAL WORK IN PROGRESS

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

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

E. REVENUE RECOGNITION

Revenue is recognized based on the nature of activity when consideration can be reasonable measured and there exists reasonable certainty of its recovery.

Revenue from Operations

Annuity Income is accounted for on accrual basis.

Other Operating Income

Other operational revenue represents income earned from activities incidental to the business and is recognized when the right to receive the income is established as per the terms of the contract.

Other income

Interest income is accrued at applicable interest rate on time proportion basis.

Dividend income is accounted when the right to receive the same is established.

Other items of income are accounted for as and when the right to receive arises.

F. INVESTMENTS

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

G. EARNING PER SHARE

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

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increase loss per share are included

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31MARCH 2014

H. IMPAIRMENT OF ASSETS

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

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

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

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

I. BORROWING COSTS

Borrowing costs that are attributable to the acquisition and construction of qualifying assets are capitalized, as part of cost of such assets till such time the asset is ready for its intended use. A qualifying asset is one that requires substantial period of time to get ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they were incurred.

In accordance of accounting standard - 16 "Borrowing Costs", income earned on investment of (short term) of funds intermittently surplus but inextricably linked with project is set off against related borrowing costs

J. EMPLOYEE BENEFITS

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

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

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

K. TAXES

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

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

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

Deferred tax assets in relation to unabsorbed depreciation or carry forward of losses under tax laws should be recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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

L. FOREIGN CURRENCY TRANSACTIONS AND DERIVATIVES

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

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31MARCH 2014

M. CLAIMS

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

N. PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

Contingent Liability is disclosed in the case of

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

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

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31MARCH 2014

21. Employee Benefits

The employees of the Company are on deputation from Promoter Companies and their present Compensation including salary as well as post-retirement benefits is taken care of by their respective Holding Company and therefore Company has no liability for employee benefits, in accordance with the provisions of Accounting Standard-15 "Employee Benefits". Hence, no provision has been made in the books of account.

22. 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).

23. Inventories

The company does not have any transactions to which the provision of AS-2 relating to Valuation of Inventories is applicable.

24. Segment Information

Business Segment:

The services rendered by the Company are in the nature of Design, Construction, Development, Operation, Finance and Maintenance of Islam Nagar (KM 230.00) to Kadthal (KM 278.00) of Nagpur –Hyderabad Section on NH-7 in the State of Andhra Pradesh, Under North-South Corridor (NHDP Phase –II) on BOT (Annuity) basis and hence no business segment disclosure is considered necessary.

Geographical Segment:

During the year under report the Company has engaged in its business within the state of Andhra Pradesh. The conditions prevailing in Andhra Pradesh being uniform, no separate geographical disclosure is considered necessary.

25. The Effects of Changes in Foreign Exchange Rates

In terms of provisions of para 46 A (notified by MCA in AS-11) company has exercised the option of capitalisation of foreign exchange differences arising on outstanding long term foreign currency borrowing from Standard Chartered Bank to carriageway. The same will be depreciated over the remaining concession period.

26. Taxes on Income

a).The Company is eligible for deduction under section 80IA of the Income Tax Act and the concession period of the Company's project falls within the tax holiday period as defined in Section 80IA. Since deferred tax on Timing Difference between Accounting Income and Taxable Income that arise during the year is reversing during such Tax Holiday period, no deferred tax asset/liability arises and accordingly no provision is made in the accounts.

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

b) The Company does not have taxable wealth under the provisions of the Wealth Tax Act 1952.

27. Related Party Transactions:

a) List of related party with whom transaction entered during the year

Name of Related Party	Relationship
KNR Constructions Limited	Associate Company and O & M Contractor
Patel Engineering Infrastructures Limited	Associate Company
KEY MANAGEMENT PERSONNEL	
Mr. ASHWIN RAMANLAL PARMAR	Director
Mr. B.S.REDDY	Director
Mr. K.N.REDDY	Director

b) The nature and volume of transactions during the year with the above-related parties, are as follows.

(Rupees in Lakhs)

Company Particulars	2013-14	2012-13
Patel Engineering Infrastructures Ltd		
-Share Capital	Nil	Nil
-Unsecured Loan Received	Nil	Nil
-Unsecured Loan Repaid	6,058.08	1,620.00
KNR Constructions Ltd		
-Share Capital	Nil	Nil
-Unsecured Loan Received	271.35	Nil
-Unsecured Loan Repaid	4,357.96	1,080.00
-Amount Recoverable	5.62	33.09
-O & M Expenses	445.87	424.70
- Expenses re-imbursement	42.99	14.40

Balance outstanding as on 31 March 2014

(Rupees in Lakhs)

Company Particulars	2013-14	2012-13
Patel Engineering Infrastructures Pvt Ltd		
-Share Capital	1,000.60	1,000.60
-Unsecured Loan	1,550.53	7,608.61
KNR Constructions Ltd		
-Share Capital	952.95	952.95
-Unsecured Loan	1,033.69	5,120.30
-Amount Recoverable	Nil	33.65
-O & M Payable	37.57	57.26
- Expenses re-imbursement	1.23	5.49

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31MARCH 2014

The entire shareholding held by respective shareholders is pledged to Lenders and Debenture Trustee.

- c) No amounts pertaining to related parties have been written off or written back during the year.(previous year: Rs. Nil)

28. Provisions, Contingent Liabilities and Contingent Assets and Commitments

a) Movement in provisions:

(Rupees in Lakhs)

Particulars	2013-14	2012-13
Opening Balance	1,238.00	786.40
Additional provision during the year	455.00	451.60
Provision used/reversed during the year	-	-
Provision transferred due to transfer of business	-	-
Balance	1,693.00	1,238.00
Represented as:		
- Long Term Provision	1,693.00	1,238.00
- Short Term Provision	-	-

b) Nature of provisions:

Periodic Maintenance Provision: The Company is required to operate and maintain the project highway during the entire concession period and hand over the project back to the Authority (NHAI) as per the maintenance standards prescribed in Concession agreement.

For this purpose, besides a regular maintenance, periodic major maintenance is required to be performed. Normally periodic maintenance includes resurface of pavements, repairs of structures, repairs and refurbishment of tolling system and other equipment's and maintenance of service roads. As per Concession agreement, the periodic maintenance is expected to occur over a period 5 years. The maintenance cost /bituminous overlay may vary based on the actual usage during maintenance period. Accordingly on the grounds of prudence, based on estimates, a provision for major maintenance expenses is provided for in the books annually.

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31MARCH 2014

c) Contingent Liabilities and Commitments

Rupees in Lakhs

Particulars	2013-14	2012-13
Contingent Liability	Nil	Nil
Capital Commitments (Net of advances)	Nil	Nil
Other Commitment		
Operation & Maintenance		
Estimated amount of contracts to be executed from schedule project completion date, on Operation & Maintenance (Base price Rs.378.00 lakhs for base year 2010-11, escalated @ 5% p.a. upto the end of concession period) and not provided for	9135.82	9581.68
Periodic Maintenance		
Periodical Maintenance to be incurred in FY:2015-16	2,169	2,169
Expenditure already provided for up to FY:2013-14	1,693	1,238

29. Earnings Per Share (EPS)

Particulars	2013-14	2012-13
Net Profit after tax (Rs. in Lakhs)	(1,112.83)	(355.28)
Weighted Average number of Equity Shares	23,823,804	23,823,804
Basic and Diluted Earnings per shares(Rs.)	(4.67)	(1.49)
Face Value per equity shares (Rs.)	10.00	10.00

30. Impairment

The Company has reviewed the future discounted cash flows based on value in use of fixed assets and is satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision is required to be made for the impairment in the accounts.

31. As per terms of the concession agreement dated 5thSep. 2007 between the Company and NHAI, the Company is entitled for an Annuity of Rs.4,437 Lakhs (half-yearly) after 6 months from the completion of construction period of 24 months.

PATEL KNR HEAVY INFRASTRUCTURES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31MARCH 2014

32. Dues To Micro, Small And Medium Enterprises

There has been no claimed transaction during the period with MICRO, Small and Medium Enterprises covered under the MICRO, Small and Medium Enterprises development act. (MSMED Act, 2006) Hence reporting details of principal and interest does not arise.

33. Expenditure in Foreign Currency

Particulars	2013-2014	2012-13
Foreign Exchange Outgo	1,203.30	1,191.08
Expenditure in foreign currency		
-Payment of interest	514.17	573. 31
-Agency Fee	16.23	14.69

34. Remuneration paid to the Statutory Auditors for the year ended 31.03.2014 (including service tax)

Rupees in Lakhs

Audit and Other Fees	2013-14	2012-13
Statutory Audit Fees	3.37	3.37
Tax Audit Fee	0.56	0. 56
Certification Fees	2.37	0.06
Out of Pocket Expenses	0.12	0.11

35. 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.

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

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

For and on behalf of the Board

Sd/-
Ravi Kumar Goyal
Partner
M.No.501246
Place: Hyderabad
Date: 28.05.2014

Sd/-
Director

Sd/-
Director