



42nd ANNUAL REPORT

2014 - 15

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
(A Government of Andhra Pradesh Undertaking)

Regd. Office : Parisrama Bhavan, 6th Floor, 5-9-58/B, Fateh Maidan Road, HYDERABAD -500004.
Corporate Office : APIIC Towers, Mangalagiri, GUNTUR DIST.-522 503. Andhra Pradesh.



**ANDHRA PRADESH
INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
CIN : U99999TG1973SGC001630**

**Regd. Office : Parisrama Bhavan, 6th Floor, 5-9-58/B
Fateh Maidan Road, Hyderabad -500004.**

**Corporate Office : 59A-20-3/2A, Sri Siva Complex, Funtimes Club Road,
Teachers Colony, Vijayawada.**

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GENERAL INFORMATION

BOARD OF DIRECTORS :

a) Chairman :

1.	Dr. Krishnaiah Pirrala, IAS (Retired) Executive Chairman	21-08-2014 to till date
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b) Vice-Chairman & managing Director :

1.	Sri. Jayesh Ranjan, IAS	From 20-04-2013 to 30-04-2015
2.	Sri. V.Satyanarayana Kone, IAS (Andhra Division)	From 21-08-2014 to 26-08-2015

c) Directors:

During the Financial Year 2014-15, the following are the Members of the Board.

1.	Sri. Pradeep Chandra Kathi, IAS Prl.Secretary to Govt. & CIP Inds. & Com. Department	From 20-04-2013 to 31-12-2014
2.	Sri. Premchandra Reddy. L, IAS, Secretary to Govt. Finance (IF) Department.	From 03-02-2014 to 03-07-2015
3.	Ms. Sunitha, IAS Secretary to Govt., Finance (IF) Department.	From 03-07-2015 to 05-11-2015
4.	Sri. M.Tirumala Krishna Babu, IAS Prl. Secretary to Govt. I & I Department	From 03-02-2014 to 21-08-2014
5.	Sri Sambasiva Rao Dondapati, IAS Prl. Secretary to Govt. I & I Department	From 21-08-2014 to 13-03-2015
6.	Sri Ajay Jain, IAS Prl. Secretary to Govt. E, I & I Department	From 13-03-2015 to 25-06-2016
7.	Dr. Rajat kumar, IAS Commissioner of Industries	From 20-04-2013 to 13-03-2015
8.	Sri Kartikeya Mishra, IAS Director of Industries, A.P	From 13-03-2015 to 17-04-2017

9.	Sri T. Satyanarayana Rao, IAS Managing Director, APSFC	From 20-04-2013 to 21-08-2014
10.	Sri J.S.Venkata Prasad, IAS Managing Director, APSFC	From 21-08-2014 to 03-07-2015
11.	Sri Ravi Chandra Muddada, IAS Member Secretary, APPCB	From 12-04-2012 to 20-04-2013
12.	Sri Sanjay Kumar, IAS Member Secretary, APPCB	From 20-04-2013 to 21-08-2014
13.	Sri Sandeep Kumar Sultania Member Secretary, APPCB	From 21-08-2014 to 13-03-2015
14.	Sri B.S.S. Prasad, IFS Member Secretary, APPCB	From 13-03-2015 to till date
15.	Sri J.S.V. Prasad, IAS Secretary to Govt., & CIP, I&C Dept.,	From 21-08-2014 to 13-03-2015
16.	Sri Shamsher Singh Rawat, IAS Secretary to Government & CIP, Industries & Commerce Department.	From 13-03-2015 to 28-07-2016

COMPANY SECRETARY

Sri M. Siva S. Reddy

BANKERS :

**State Bank of India
Indian Overseas Bank
HDFC Bank
Ing Vysya Bank Ltd.
ICICI Bank**

AUDITORS :

**M/s. Jawahar & Associates
C-5, Skylark Apartments
3-6-309, Basheer Bagh,
Hyderabad,
Telangana - 500029**

REGISTERED OFFICE :

**5-9-58/B, 6th Floor,
Fatehamaidan Road,
Parisrama Bhavan,
Basheerbagh,
Hyderabad - 500 004**

CORPORATE OFFICE :

**D.No. 59A-20-3/2A,
1st, 2nd and 3rd Floors,
Sri Siva Complex,
Fun Time Club Road,
Teachers Colony,
Vijayawada - 520008**

**ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE
CORPORATION LIMITED**

(An undertaking of the Government of Andhra Pradesh)

**Regd. Office : 6th Floor, Parisrama Bhavan, 5-9-58/B,
Fatehmaidan Road, P.O.Bag.No.5, Basheerbagh, Hyderabad-4**

NOTICE

Notice is hereby given that the 42nd Annual General Meeting of the Members of the Andhra Pradesh Industrial Infrastructure Corporation Limited will be held on Wednesday, the 30th day of September, 2015 at 3.00 P.M. at the Registered Office of the company to transact the following business :

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March, 2015, Profit & Loss statement, Cash flow statement for the year ended 31st March, 2015, Director's Report along with the Auditor's & Comptroller and Auditor General of India report.
2. To authorize the Board of Directors of the Corporation to fix the remuneration and out of pocket expenses to M/s Jawahar and Associates, Chartered Accountants, Hyderabad, who are appointed by the Comptroller and Auditor General of India under section 619 of the Companies Act, as Statutory Auditors for the audit of annual accounts for the financial year 2015-16.

**BY ORDER OF THE BOARD
FOR APIIC LIMITED**

Sd/-
**M.SIVA S.REDDY
COMPANY SECRETARY**

Place : Hyderabad

Date : 28-09-2015

Note : A Member entitled to attend and vote at the meeting is entitled to appoint a proxy in the form enclosed to attend and vote instead of himself and the proxy need not be a Member of the Company.

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

(An undertaking of the Government of Andhra Pradesh)

CIN: U99999TG1973SGC001630

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Fatehmaidan Road, P.O.Bag. No.5, Basheerbagh,

Hyderabad-4

Corporate Office: 59A-20-3/2A, Sri Siva Complex, Funtimes Club

Road, Teachers Colony, Vijayawada, AP- 520008.

NOTICE

Notice is hereby given that the Adjourned 42nd Annual General Meeting of the Members of Andhra Pradesh Industrial Infrastructure Corporation Limited will be held on Thursday, the 28th day of December, 2017 at 3.00 P.M. at the Registered Office of the Company to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet, Profit & Loss Statement, cash flow statement, Directors' Report, Auditor's Report, Accounting Policies and Notes to Accounts of the Company for the period from 01-04-2014 to 01-06-2014 and the observations of Statutory Auditors and the final comments of the Comptroller and Auditor General of India.
2. To receive and adopt the Balance Sheet, Profit & Loss Statement, cash flow statement, Directors' Report, Auditor's Report, Accounting Policies and Notes to Accounts of the Company for the period from 02-06-2014 to 31-03-2015 and the observations of Statutory Auditors and the final comments of the Comptroller and Auditor General of India.

**BY ORDER OF THE BOARD
FOR APIIC LIMITED**

**Sd/
M.SIVA S. REDDY
COMPANY SECRETARY**

Place: Vijayawada

Date : 21-12-2017

Note: A Member entitled to attend and vote at the meeting is entitled to appoint a proxy in the form enclosed to attend and vote instead of himself and the proxy need not be a Member of the Company.

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR 2014-15

Dear Members,

The Directors take pleasure in placing before you the 42nd Annual Report of your Company together with the audited accounts for the year ended 31 st March, 2015 and report of Statutory Auditors M/s. Jawahar and Associates, Chartered Accountants.

1. FINANCIAL RESULTS:

Your Directors have pleasure in reporting that the Company during the year earned a net profit of Rs. 36.78 Crores as against the net profit of Rs. 28.31 Crores previous year.

The profit of Rs. 36.78 Crores has been arrived at after providing for depreciation Rs. 30.72 Crores and Provision for Income Tax amounting to Rs. 14.70 Crores during the year.

Income from sale of land:

On audit of accounts for previous years, the statutory auditors M/s Jawahar and Associates, Hyderabad commented that the policy of recognizing the income when the sale deed is entered regardless of the agreement entered with the allottee is in contravention of AS 9. It is further mentioned that the adoption of recognition of income of receipt of full consideration will amount to recognition of income on cash basis.

In this regard, the accounting policy in respect of recognition of income from Out Right Sale is changed from recognition of income on execution of sale deeds to recognition of income on execution of sale agreements.

Accordingly, an amount of Rs. 612.77 crores was recognized as revenue towards accounting of sale agreements in the books of accounts.

Inventory:

To rectify negative balances in the inventory records, M/s CMT & Associates were appointed for reconciliation of inventory for the financial year 2014-15. Based on the report of the CMT & Associates, inventory records were reconciled and necessary entries were passed in the books of the account during the year.

Accounting of Govt. Lands:

In respect of Govt. Lands taken possession where alienation orders are not received the cost paid / cost payable is taken to books towards cost of inventory on provisional basis.

Provision for Income Tax:

The income of the Corporation was exempted under Section 12A till the Financial Year 2007- 08 and the same was withdrawn in Finance Act, 2008. The Corporation has made a provision for Incometax in the books of accounts for the financial year 2014-15 is an amount of Rs. 14.70 crores.

2. ACCOUNTING SYSTEM:

To comply with the Accounting Standards which are mandatory from 01.04.1999 the Land, Buildings, Sheds and other development works in the Industrial Parks, Industrial Development Areas, Autonagars, etc., of the Corporation are treated as Current Assets, till they are disposed off either on Outright Sale or allotment on Hire Purchase.

All lands and other assets relating to Special Economic Zones are treated as Fixed Assets and were shown as Fixed Assets and accounted on historical cost and the accumulated depreciation are shown separately.

The Government of Andhra Pradesh entrusted certain local authority powers to the Corporation like collection of Property Tax, maintenance of Common facilities in respect of certain Industrial Parks and Industrial Development Areas. The local authority powers are vested with Industrial Area Local Authority (IALA) for each industrial area and the income and expenditure in this regard is being accounted for in the books of accounts maintained by the respective IALAs and hence not accounted for in the accounts of the Company.

3. LAND ACQUISITION:

Your Directors are happy to inform that your Company has taken possession of 427.85 acres of patta land, 413.22 acres of Assigned land and 1156.28 acres of Un- assigned land during the year. The aggregate extent of land taken over by your Company for the financial year 2014-15 is 1997.35 acres.

4. DEVELOPMENT AND ALLOTMENT OF PLOTS:

Your Directors are happy to inform that your Company allotted 1321.43 acres of land in our State during the year.

5. DEVELOPMENT OF SEZ PROJECTS:

APIIC being a nodal agency for development of SEZs in Andhra Pradesh has developed 10 Nos. of SEZs on its own and 03 Nos. of SEZs are developed as joint ventures. Apart from the above, APIIC has developed 1) TRIP/ Start Up/ Sun Rise Building at Visakhapatnam. 2) Incubation centre at Kakinada, and Tirupati.

6. GOVERNMENT OF INDIA SCHEMES:

Your Directors are happy to inform that various Government of India schemes like Growth Centers, Apparel Parks were also taken up by your Company. By developing these projects, your Company is able to utilize various funds available under Government of India Schemes for development of Industries in the State.

7. CIVIL WORKS & DEPOSIT WORKS:

APIIC having full fledged Engineering wing supported with Engineers with vast experience and civil works to a tune of about Rs.63.555 Crores in the year 2014-15. Out of this, the capital infrastructure development is Rs. 42.718 Crores; IALA works is Rs. 3.907 Crores and deposit works for Rs. 16.93 Crores.

APIIC has been under taking deposit works for various departments of State Government, besides the works for the development of Industrial Parks.



THE FOLLOWING ARE SOME OF PROMINENT WORKS TAKEN UP BY APIIC.

SI No	Name of the Work	Estimate Amount	Status of Work
1	Construction of Temporary OPD Block in Tata Memorial site at Industrial park, Aganampudi, Visakhapatnam District. (Work completed)	(Rs. in Lakhs) 114.00	Work completed
2	Forming and metalling of the new roads and strengthening of the existing roads with WBM, OGPC and initial asphaltic treatment at I.P Palasa, Srikakulam Dist.	105.00	Work completed
3	Strengthening of 9 th LR (for a length of 425m), 7th CR (for a length of 180m) and balance drain in 3rd LR (s/s) at IP Kondapally, Krishna Dist- (Under-IALA).	43.50	Work completed
4	Operation & Maintenance of Water supply scheme for providing water to Pharmacity progress. and APSEZ by pumping from Yeleru canal at Parawada, Visakhapatnam District (For the year 2014-15, 2015-16 and 2016-17).	424.00	Work is in progress.
5	Formation of 1st, 2nd, 3rd, 4th, 5th Main roads and 1st, 2nd, 3rd, 4th, 5th, 6th, 7th Cross roads including balance Drains & Culverts at JRD Tata Industrial Estate, Kanuru, Krishna District.	625.00	Work is in progress.
6	Supplying, Laying, Jointing and testing of 500mm dia D.I pipe line for supplying 15 MLD water to BARC, Atchutapuram, Visakhapatnam District.	1068.00	Work is in progress.
7	Construction of Compound wall gaps in Eastern & Western sector (Maduturu to Lalamkoduru village) at APSEZ, Atchutapuram(M), Visakhapatnam Dist.	14.00	Work completed
8	Design, supply, installation, testing & commissioning of 30 KLD Sewage Treatment Plant with FAB technology including operation & maintenance of 24 months at IT Incubation Centre, Hill No.3, Madhurawada, Visakhapatnam District.	31.25	Work completed
9	Supply, installation, testing & commissioning of 1500KVA DG back up power on 6.6KV level to 1 No 750HP pump set including providing control room and ancillary items to DG set at JNPC Parwada beside pump house, Pharmacity Visakhapatnam. (3rd Call).	236.50	Work is in progress.
10	Repairs to the existing damaged street lights by replacing with new ones and supply and fixing of 150w, 250w lamps and 90w LED lamps to existing poles due to Hud Hud cyclone effect at APSEZ, Atchutapuram(M), Visakhapatnam Dist.	56.00	Work completed

11	Restoration of power supply and repairs to the existing damaged street lights by re- erecting the damaged foundation due to Hud Hud cyclone effect at IT Park, Madurawada, Visakhapatnam Dist.	29.00	Work completed
12	Repairs to internal roads damaged due to Hud Hud cyclone effect at APSEZ, Visakhapatnam Dist.	173.00	Work completed
13	Providing BT to existing WBM roads in R&R Colony, Dibbapalem at APSEZ, Visakhapatnam District.	294.00	Work completed
14	Repairs to storm water drains damaged due to Hud Hud cyclone effect at APSEZ, Visakhapatnam Dist.	32.00	Work completed
15	Strengthening and widening of Parawada to Askapalli road from ch 5/950 to 6/600 with Camber Correction for existing 7.00 mts Wide R & B road including providing BM & SDBC at Visakhapatnam (Under ASIDE Scheme).	200.00	Work completed
16	Reconstruction of the existing compound wall damaged due to Hud Hud cyclone effect at APSEZ, Atchutapuram(M), Visakhapatnam Dist. (2nd Call).	33.10	Work completed
17.	Strengthening by providing BT renewal layer over the existing BT main road leading to Autonagar & IT SEZ, Sarpavaram, Kakinada, E.G. District with IALA & IT funds.	43.31	Work completed
18.	Construction of C.C. Roads including cross drainage works at R&R colony, Dibbapalem at APSEZ, Visakhapatnam District.	680.00	Work is in progress
19.	Providing balance stormwater drains including cross drainage works at R&R colony, Dibbapalem, Visakhapatnam District.	120.00	Work completed
20.	Repairs and reconstruction of the internal roads, drains and compound wall damaged due to Hud Hud cyclone at R&R colony, Dibbapalem, Atchutapuram, Visakhapatnam Dist.	34.00	Work completed
21.	Forming internal roads to Parawada Industrial Park (Phase-II) lands including providing 50mm thick BM and 25mm thick SDBC (By Hot Mix Process), Parawada (M),	320.00	Work is in progress
22.	Providing BT renewal layer to the existing main road from NH-5 at administrative office to Godavari junction at Industrial park, Autonagar, Visakhapatnam District (Under IALA Funds).	56.86	Work is in progress.
23.	Construction of Two lane bridge on YLMC located in between Lankelapallem ROB to JN Pharmacy, Parawada (M), Visakhapatnam (Dist) (Under ASIDE Scheme).	200.00	Work is in progress.
24.	Construction of compound wall around open space at Industrial Park, Block-D Autonagar, Visakhapatnam District under IALA funds.	66.00	Work completed

25.	Construction of CC storm water drains 1.00m slab culvert and Raising drain walls at Industrial Park, Autonagar, Visakhapatnam under IALA funds.	58.54	Work completed
26.	Construction of Storm water Drains along the roads in IP Naidupeta, SPS Nellore Dist.	1006.00	Work is in progress.
27.	Improvements to Certain internal roads including C.D works at I.P, Tirupati (Adj to Mopeds) & I.P(APIE) Tirupati, Chittoor District under IALA Funds.	45.00	Work is in progress.
28.	Augmentation of water supply scheme in GC-Hindupur, Ananthapur Dist with IALA Funds.	77.51	Work is in progress.
29.	Raising of Existing drains along MR1,MR2,MCR1, MCR2 and smaller plots roads at Growth Centre, Ongole, Prakasam Dist.	170.00	Work is in progress.
	Total Amount	6355.57	

8. INDUSTRIAL AREA LOCAL AUTHORITY:

The local body functions within the Industrial Park/Industrial Estate/Special Economic Zones established by APIIC are being performed by IALAS. The IALAs are exercising the functions of a Municipal Corporation/ Municipality/Grampanchayat with a condition that 35% or 50% of the property tax collected is remitted to the parent local body.

Thus, APIIC has been exercising/performing the statutory powers /functions of the Local Bodies with effect from 01-10-1994 onwards in (180) Nos. Industrial Areas (phase wide)/ Housing complexes/Mini Industrial Estates/ Commercial Complexes falling under Municipalities, Municipal Corporations and Gram Panchayats in the state, through its officers nominated as Executive Authority under the relevant Acts.

To promote “local self – Governance” in the Industrial Areas, APIIC has evolved the concept of Industrial Areas in the Management/Maintenance of Industrial Areas. The Service Societies registered under the AP Societies Registration Act, 2001 have been nominated by APIIC as its Nodal Agencies to assist in collection of property taxes and maintenance of civic services in the Industrial Areas.

The total No. of IALAs are 180 The Service Society will elect Managing Committee comprising 5 office bears namely Chairman, Secretary, Joint Secretary, Treasurer and Members not exceeding 10% of the No. of units in that IALA.

The term of office of the Managing Committee will be for three years from the date approval of the election results by the Zonal Manager concerned.

The Service Society's main role is to promote the concept of selfgovernance, and to participate in all decisions, in order to co-ordinate in the functioning of the IALAs, to involve the constitute Industrial Units in different developmental activities within IALA area and also to bring transparency in the working of the IALAs. Further, the Service Societies were advised to form the Sub-Committees such as 1) Works Committee 2) Resource Committee 3) Human Resource Committee 4) Environment Committee to involve itself in the identification of civil works, collection of property Taxes, recruitment of Staff, environment improvement etc.

The Commissioners/Executive Officers are discharging their duties as per the powers delegated by the Govt. of AP in Industrial Areas.

The total No. of IALAs are 232 out of which (180) IALAs were declared by the Govt. and are discharging IALA functions, (59 Municipal Limits and 121 Panchayat Limits).

APIIC has submitted proposals for the balance 53 Industrial Parks (8 Municipal Limits plus 45 Panchayat Limits which are pending for declaration with MA & UD department and PR & RD department Govt. of Andhra Pradesh.

9. BOARD OF DIRECTORS:

a) Chairman :

1.	Dr. Krishnaiah Pirrala, IAS (Retired) Executive Chairman	21-08-2014 to till date
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b) Vice-Chairman & Managing Director :

1.	Sri. Jayesh Ranjan, IAS	From 20-04-2013 to 30-04-2015
2.	Sri. V.Satyanarayana Kone, IAS (Andhra Division)	From 21-08-2014 to 26-08-2015

c) Directors:

During the Financial Year 2014-15, the following are the Members of the Board.

1.	Sri. Pradeep Chandra Kathi, IAS Prl.Secretary to Govt. & CIP Inds. & Com. Department	From 20-04-2013 to 31-12-2014
2.	Sri. Premchandra Reddy. L,IAS, Secretary to Govt. Finance (IF) Department.	From 03-02-2014 to 03-07-2015
3.	Ms. Sunitha, IAS Secretary to Govt., Finance (IF) Department.	From 03-07-2015 to 05-11-2015
4.	Sri. M.Tirumala Krishna Babu, IAS Prl. Secretary to Govt. I& I Department	From 03-02-2014 to 21-08-2014
5.	Sri Sambasiva Rao Dondapati, IAS Prl. Secretary to Govt. I & I Department	From 21-08-2014 to 13-03-2015
6.	Sri Ajay Jain, IAS Prl. Secretary to Govt. E, I & I Department	From 13-03-2015 to 25-06-2016
7.	Dr. Rajat kumar, IAS Commissioner of Industries	From 20-04-2013 to 13-03-2015
8.	Sri Kartikeya Mishra, IAS Director of Industries, A.P	From 13-03-2015 to 17-04-2017
9.	Sri T. Satyanarayana Rao, IAS Managing Director, APSFC	From 20-04-2013 to 21-08-2014
10.	Sri J.S.Venkata Prasad, IAS Managing Director, APSFC	From 21-08-2014 to 03-07-2015

11.	Sri Ravi Chandra Muddada, IAS Member Secretary, APPCB	From 12-04-2012 to 20-04-2013
12.	Sri Sanjay Kumar, IAS Member Secretary, APPCB	From 20-04-2013 to 21-08-2014
13.	Sri Sandeep Kumar Sultania Member Secretary, APPCB	From 21-08-2014 to 13-03-2015
14.	Sri B.S.S. Prasad, IFS Member Secretary, APPCB	From 13-03-2015 to till date
15.	Sri J.S.V. Prasad, IAS Secretary to Govt., & CIP, I&C Dept.,	From 21-08-2014 to 13-03-2015
16.	Sri Shamsher Singh Rawat, IAS Secretary to Government & CIP, Industries & Commerce Department.	From 13-03-2015 to 28-07-2016

10. DIRECTOR'S MEETINGS:

During the year under review, four (4) meetings of the Board of Directors were held on the following dates.

1. 02-05-2014
2. 27-09-2014
3. 31-12-2014
4. 26-03-2015

11. CSR SUB-COMMITTEE:

The Company has constituted CSR Sub-Committee in its 202nd Board Meeting held on 26-03-2015 with the following Members;

1. **Dr. P.Krishnaiah, IAS (Retd.).**
Chairman, APIIC Ltd.
2. **Sri Kartikeya Mishra, IAS**
Director of Industries
3. **Sri B.S.S Prasad, IFS**
Member Secretary,
A.P. Pollution Control Board.

12. DIRECTORS RESPONSIBILITY STATEMENT:

As Required under Section 134 (5) of the Companies Act, 2013 Directors of your company hereby state and confirm that:

- i. The applicable accounting standards have been followed in preparation of annual accounts;
- ii. The accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2015 and of the profit for the year ended on that date;
- iii. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. The annual accounts for the year ended 31st March, 2015 have been prepared on a going concern basis.

13. STATUTORY AUDITORS:

The Comptroller and Auditor General of India, New Delhi appointed M/s Jawahar & Associates, Chartered Accountants, Hyderabad as Statutory Auditors of your Company for the financial year 2014-15, under the section 139 of the Companies Act, 1956.

14. REPLIES TO OBSERVATIONS IN THE STATUTORY AUDITORS REPORT AND COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA:

The explanations of the Board of Directors on the reservations / qualifications made by the Statutory Auditors and comments of the Comptroller and Auditor General of India are given at Annexure-A to F to this Report.

15. FIXED DEPOSITS FROM THE PUBLIC:

Your Company has not accepted any deposits from the public and as such no amount of principal or interest was outstanding as on March 31, 2015.

16. PARTICULARS OF EMPLOYEES:

There are no employees drawing Rs. 5, 00,000/- per month / Rs. 60, 00,000/- per annum either partly or fully during year respectively as required to be furnished under Section 134 of the Companies Act, 2013.

17. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars required to be furnished pursuant to Section 134 of the Companies Act, 2013 are not applicable to your Company.

18. HUMAN RESOURCE DEVELOPMENT:

Your Company's constant endeavor is to retain and keep the relations with the employees of your Company on sound and cordial line. The same was achieved during this year also. Your Directors place on record their appreciation of the dedicated services rendered by employees at all levels without which it would have not been possible to achieve the Company's objectives.

19. ACKNOWLEDGEMENTS:

Your Board of Directors place on record their deep sense of gratitude to the Government of Andhra Pradesh, Government of India, Financial Institutions, Banks and all other Agencies connected with the industrial development activities in the State for their continued guidance, interest and support.

The Board places on record its appreciation of the confidence reposed in your Company by the entrepreneurs who help in the industrial development of the State.

The Board thanks its Shareholders, who continue to extend their support.

For and on behalf of the Board of APIIC Ltd

Sd/-
Sri Babu.A, IAS
VC & MD
(DIN: 07298197)

Place: Vijayawada.
Date : 21-12-2017

Sd/-
Dr. P.Krishnaiah, IAS (Retd.)
Executive Chairman
(DIN: 06687109)

ANNEXURE - A

OBSERVATIONS OF THE STATUTORY AUDITOR AND REPLY OF THE COMPANY FOR THE PERIOD FROM 01.04.2014 TO 01.06.2014

Sl. No.	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT
1)	<p>Equity Share Capital (Please Refer Note 2 of Financial statements):</p> <p>The issued, subscribed and paid up capital of the company is Rs. 16,32,75,000 divided into 1,63,275 number of equity shares of Rs. 1000/-each fully paid up. As per information made available to us, the investment in the books of Government of Andhra Pradesh stands at Rs.27.41 Crores. This needs reconciliation in the light of bifurcation.</p>	<p>The paid up share capital account was reconciled with CAG and was requested to rectify the difference. The matter is under persuasion with the Government and CAG for rectification.</p>
2)	<p>Reserves and Surplus: Capital Reserve</p> <p>Receipt of Rs.13.00 Crores from Government of Andhra Pradesh as share capital vide GO. Numbers 107 dated 22.07.1995, 108 dated 26.07.1995, 284 dated 17.08.1998, 330 dated 16.09.1998, 171 dated 27.05.1999, 224 dated 28.05.2002 pending for many years classified as capital reserve. In our opinion, this needs to be classified as share application pending allotment.</p>	<p>The audit observation is noted. EPIP Grant pointed by Audit was sanctioned to the Company as Investment in APIIC by the Government. Later, the company was directed to treat it as a Grant in the Inter Ministerial Steering Committee meeting held on 4th & 5th of April, 2000. But, no orders were received so far converting Equity as a Grant. The matter is under persuasion. The treatment will be reviewed and necessary action will be taken after approval of Demerger Scheme.</p>
3)	<p>Income Recognition as per Accounting Standard 9(refer Accounting Policy No.3):</p> <p>As per Accounting Standard 9, the income needs to be recognized as and when the risks and rewards are passed on to the buyer. However, the Corporation is adopting a policy of recognizing the income when the sale deed is entered regardless of the agreement. entered with the allottee.</p> <p>This treatment is in contravention of AS 9. As on 01/06/2014 an amount of Rs.4,221.10 Crores is shown in the books as liability towards "Deposits received from Allottees". In addition to the above, an amount of Rs.289.87 Crores is towards initial deposit (EMD) pending issue of allotment letters to the applicants. We are not in a position to quantify the exact quantum of understatement of sales due to non furnishing of information. The adoption of recognition of income on receipt of full consideration will amount to recognition</p>	<p>The audit comment is self explanatory.</p> <p>Income is recognized as per policy of the company which is being followed consistently for many years. However, audit comment is noted and the policy was revised and accounting treatment given in the accounts for the period from 02.06.2014 to 31.03.2015.</p>

	<p>of income on cash basis. Further no entries are being passed on accrual basis immediately on issue/release of sanction letters by the corporation and consent by the applicants.</p>	
4)	<p>Treatment of transactions pertaining to Industrial Area Local Authority (Refer to Note 18.1 of the Financial Statements):</p> <p>In our opinion, the transactions of IALAs and the impact there of on Assets and Liabilities and Profit/Loss thereof should be brought to the books of accounts and by not clubbing/consolidating the impact of these transactions:</p> <ol style="list-style-type: none"> The Assets and Liabilities of the Corporation have been understated The impact of the profit/loss on account of these transactions has not been brought to books of accounts. Cash Flows are understated. We are not in a position to quantify the impact on Assets and Liabilities and Profit/Loss due to failure on the part of the management to provide the necessary information. 	<p>The audit comment is self explanatory. Treatment was disclosed in Notes to accounts vide note 18.1. The records of IALAs are being updated during the year 2014-15 with the help of the software developed by Centre for Good Governance. The same will be furnished to the Statutory Auditors for the ensuing year.</p>
5)	<p>Administrative Buildings:</p> <p>The administrative buildings situated in the zonal offices have not been treated as Fixed Assets and not calculated the depreciation as per Companies Act 1956. Further we were informed they were included in the Inventory. We are not in a position to quantify the impact of the same on the Profit and Loss Account and the understatement of Fixed assets - Buildings and overstatement of Inventory due to nonavailability of information by the management. Unless this has been corrected the bifurcation will not be equitable</p>	<p>Necessary rectification entries were passed in the accounts for the period from 02.06.2014 to 31.03.2015.</p>
6)	<p>Inventory (Refer Note 11.3)</p> <p>As per the information and explanation given to us there is no proper system in place with regard to reconciliation of closing stock as per physical verification and book stock. In the light of the above, we are not in a position to comment on the valuation of the inventory. Further it is observed that the closing stock of Rs 3,004.59 Crores consists of a negative stock of Rs. 154.91 crores. For the past few years the same note is being continued without any review and reconciliation</p>	<p>The system of recording of inventory is reviewed and reconciled. Necessary rectification entries were passed in the books of accounts during the period from 02.06.2014 to 31.03.2015.</p>

7)	<p>Provision for Contractual Obligations (Refer Note 7.5 and accounting policy 3.1)</p> <p>During the period, an amount of Rs.482.71 Crores provision was appearing in the books of accounts for the pending works proposed to be completed. It appears that no proper review has been made and we are not in a position to comment whether the provision existing is adequate or inadequate.</p>	<p>The provision for contractual obligations was made as per the past practice to complete the civil works committed in the estates to the extent required as per the Accounting Standard - 29 Provisions, contingent Assets and Liabilities. The existing provision was reviewed and revised by passing necessary entries during the period from 02.06.2014 to 31.03.2015.</p>
8)	<p>Conversion Charges (Refer Note 6.5)</p> <p>As per the information and explanation given to us, the corporation has an existing liability to the tune of Rs.298.51 crores in the Financial Year 2013-14 as conversion charges payable by various Industrial Estates. The said liability is included in the stock in trade - Land. The company has failed to identify the quantum of amount that is chargeable to sales pertaining to previous years and should disclose such amount as prior period expenditure</p>	<p>As per Accounting Standard - 5 Net Profit or Loss for the period, Prior period items and Changes in accounting policies, prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. Provision for conversion charges was made as per the decision taken in the SLIC meeting in the Financial Year 2013-14.</p> <p>Therefore, the relevant standard is not applicable in the present transaction and the treatment given is as per the Accounting Standard.</p>
9)	<p>Provision for Bad and Doubtful Debts:</p> <p>We are not in a position to comment upon the existing provision of Rs.11.12 Crores for bad and doubtful debts which was net of from the trade receivables. Further we are not in position to adequacy or inadequacy of the provision for bad and doubtful debts.</p>	<p>Provision for bad and doubtful debts made is adequate and a detailed note is given in the Notes to Accounts vide Note No.12 which is self explanatory.</p>
10)	<p>Non Disclosure in Notes to Accounts:</p> <p>As per Accounting Standard 24 (Discontinuing Operations) issued by ICAI shall apply to the accounts for the period from 01.04.2014 to 01.06.2014. There is no disclosure by the company in the Notes to accounts to the financial statements.</p>	<p>A note on the demerger scheme and discontinuing operations was given in the accounts for the period from 02.06.2014 to 31.03.2015.</p>

FOR AND ON BEHALF OF THE BOARD OF APIIC

Sd/-
Sri Babu. A, IAS
VC & MD
(DIN: 07298197)

Sd/-
Dr. P. Krishnaiah, IAS (Retd.),
Executive Chairman
(DIN: 07298197)

Place: Vijayawada
Date : 21-12-2017

ANNEXURE - B

REPLIES TO FINAL COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE REVIEW OF ACCOUNTS FOR THE PERIOD FROM 01.04.2014 TO 01.06.2014

Sl. No.	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT
1	<p>Balance Sheet Equity and Liabilities Non-current liabilities- Rs 1517.61 crore</p> <p>The above is understated by Rs 191.30 crore being the amount of Charge Equalization Fund payable to VIWSCO by Government of Andhra Pradesh through APIIC, for supply of water by VIWSCO at concessional rate to RINL, GVMC and NTPC due to non accountal of the same in the books of accounts of the Company. It has also resulted in understatement of Long term Loans and Advances (amount receivable from Government of Andhra Pradesh) by Rs 191.30 crore.</p>	<p>The amount pointed out by audit is commitment of Govt to Trustee Company (VIWSCO). APIIC is only nodal agency for formation of the trust and intimation of invoice details to the Govt and it does not have any liability. The accounts for the period from 01.04.2014 to 01.06.2014 are prepared only for the purpose of Demerger. The principle followed for the previous years is followed for the period from 01.04.2014 to 01.06.2014 also and there is no understatement of receivables from Government and understatement of payables to VIWSCO.</p>
2	<p>Long term Borrowings- Rs 345.92 crore</p> <p>The above is understated by Rs 1.49 crore due to non-accountal of interest for the period of 01-04- 2014 to 01-06-2014, on borrowings of Rs 120.77 crore from Oriental Bank of Commerce, Hyderabad for acquisition of land for Rajiv Gandhi International Airport, Shamshabad. This has also resulted in understatement of Long Term Loans and Advances by Rs 1.49 crore (as recoverable from Govt. of Andhra Pradesh) as both principal and interest on the loan is guaranteed to be serviced by the said Govt.</p>	<p>The corporation borrowed Rs. 120.77 crores from Oriental Bank of Commerce, Hyderabad on swapping the loan taken from HUDCO for acquisition of land for Rajiv Gandhi International Airport, Shamshabad on behalf of the Government. The principal and interest thereon is being serviced by the Government from time to time. APIIC is merely a nodal agency for the above loan. The loan was not taken into books of accounts from 2002-03 to 2012-13. Statutory auditors for the years 2012-13 and 2013-14 have objected the accounting treatment especially in view of the bifurcation. Hence, the loan and interest as on 31.03.2014 is shown as receivable from Government and payable to OBC on both sides of the Balance Sheet in addition to a note in the Notes to accounts. Since APIIC is an agency to the Govt for the transaction, the accountal and non accountal of loan and interest thereon do not have effect on the Balance Sheet.</p>

3	<p>Assets</p> <p>Non-current assets- 569.26 crore</p> <p>Capital WIP is understated by Rs 7.33 crore due to non-accountal of capital expenditure as on 01-06-2014 on construction of Corporate Office complex at Masab Tank, Hyderabad. This has also resulted in overstatement of Inventories- WIP by Rs 7.33 crore.</p>	<p>The CWIP in the books of the accounts in respect of Masab Tank Building is apportioned to TSIIC in the demerger scheme.</p>
4	<p>Profit and Loss Account</p> <p>Interest on Fixed Deposits: Rs 1.73 crore</p> <p>The above is understated by Rs 2.04 crore due to non-accountal of interest accrued on fixed deposit for the period from 01.04.2014 to 01.06.2014. This has resulted in understatement of interest income and profit for the period and understatement of Other Non-current assets under Long term Loans and Advances (Note-10) by Rs 2.04 crore.</p>	<p>Comment is self explanatory and necessary entry was passed in the books of the company while preparing accounts for the period from 02.06.2014 to 31.03.2015.</p>
5	<p>Accounting Policies</p> <p>Revenue recognition</p> <p>Change of Accounting Policy</p> <p>The accounting policy on Revenue Recognition of dividend income which was disclosed in the annual accounts of previous year was deleted from the current year's accounts and the impact, if any, of the same on financial statements was also not disclosed</p>	<p>The company has not changed any accounting policy with regard to recognition of dividend income. The policy is of consistently being followed for the previous years and in 2 months without any change. Changes were only made in the presentation of the policies to improve understanding, eliminate misunderstanding and to differentiate between material aspects from other non material aspects. Recognition of income is accounted as per the statute and separate policy is not mandatory.</p>
6	<p>Notes to Accounts</p> <p>Non-disclosure of demand raised by GoAP towards land conversion charges .</p> <p>As per Accounting Policy No. 11, Contingent liabilities not provided for are indicated by way of notes to accounts. There was no disclosure in respect of Land Conversion charges pertaining to Andhra region, including reasons for not providing for the entire amount of demand raised by revenue authorities of erstwhile GoAP in the books of accounts and status of persuasion with the State Government of AP for withdrawal of the balance demand. This was commented upon by CAG on the accounts for the year 2013-14. The Statutory Auditor has not commented on the non-disclosure of the contingent liability.</p>	<p>Conversion fee is not applicable to the Government lands and the Company is pursuing the Govt for orders. The demand made is not payable. The Govt of Telangana have issued orders for exemption of conversion charges in respect of Government lands and similar orders are expected from GoAP. In this regard, it is to state that as per the minutes of the SIPC meeting in this regard, it is to and comments of CAG on the accounts of the company, an amount of Rs.298.52 Crores was provided towards Provision for conversion charges in the books of accounts during the F.Y. 2013-14 based on the records of the company. Accordingly, a note was incorporated in the Notes to Accounts.</p> <p>Since the accounts for the period from</p>

		01.04.2014 to 01.06.2014 are prepared and approved by the Board alongwith accounts for the F.Y. 2013-14 i.e., prior to commencement of CAG audit for the year 2013-14, the comments of CAG on the accounts for FY 2013-14 could not be carried out.
7	Non Preparation of Consolidated Financial Statements <p>The Company has not prepared Consolidated Financial Statements for the period 01-04-2014 to 01-06-2014. Though, the accounts for the period 01.04.2014 to 01.06.2014 are final accounts and are prepared to give effect to the provisions of the Andhra Pradesh Reorganisation Act, 2014.</p>	The accounts for the period from 01.04.2014 to 01.06.2014 are prepared for the purpose of Demerger Scheme and Preparation of Consolidated Financial Statements is neither feasible nor required for the purpose of Demerger. Consolidated Financial Statements were prepared for the year ending 31.03.2015.
8	<u>Auditor's Report</u> <p>a) The Statutory Auditors in their report on the accounts of the Company for the year 2013-14 observed that the advance given to VIWSCO has not been grouped under Loans and advances to related parties resulting in understatement of Loans and Advances to related parties and overstatement of Other Loans and Advances. The observation was not repeated in the Audit Report for the two months though the same conditions existed as on 01-06-2014.</p> <p>b) Consequent upon bifurcation of erstwhile Andhra Pradesh on 02.06.2014, the company has prepared financial statements for the period from 01.04.2014 to 01.06.2014 to give effect to the provisions of Andhra Pradesh Reorganisation Act, 2014. However, the company has not included an appropriate note on demerger of the company as per AS-24. The statutory auditor has qualified stating that the company has not complied with AS - 24, the nature of bifurcation and the method of identifying the assets and liabilities to be bifurcated from the existing company were not brought out in Auditor's Report.</p>	<p>The accounts for the Financial Year 2013-14 and for the period from 01.04.2014 to 01.06.2014 were approved by the Board on the same day and the same were audited and certified by Statutory auditors and furnished to C&AG for conduct of audit. Hence, assurances given for the Financial Year 2013-14 were taken care while preparing annual accounts for the period from 02.06.2014 to 31.03.2015 relating to the F.Y. 2014-15.</p> <p>The Statutory Auditor has also commented on the same. A note on the demerger scheme was incorporated in the accounts for the period from 02.06.2014 to 31.03.2015.</p>

FOR AND BEHALF OF THE BOARD OF APIIC

Sd/-
Sri Babu. A, IAS
VC & MD
(DIN: 07298197)

Sd/-
Dr. P. Krishnaiah, IAS (Retd.,)
Executive Chairman
(DIN: 07298197)

Place: Vijayawada
Date : 21-12-2017

ANNEXURE-C

OBSERVATIONS OF STATUTORY AUDITOR AND REPLY OF THE COMPANY FOR THE PERIOD FROM 02.06.2014 to 31.03.2015

Sl. No.	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT
1)	<p>Violation of clause 34 of the Demerger Scheme</p> <p>Pending approval by the Central Government/ State Government authorities or its nominees for the <u>SCHEME OF APPORTIONMENT/DEMERGER ARRANGEMENT OF ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED AND TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED</u>, the profit and loss account is drawn for post bifurcation of ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) i.e., from 02.06.2014 to 31.03.2015 for 303 days and Balance sheet as at 31.03.2015 exclusive of Telangana Region is violative of clause 34 of the above said scheme.</p>	<p>The Demerger Scheme of the Company was reviewed and approved by the Expert Committee appointed by the Government. The approved Demerger Scheme was forwarded to both the Governments by the Expert Committee.</p> <p>The operations of Telangana region i.e., TSIIC Limited is being carried out by TSIIC itself w.e.f 02.06.2014 as per the Demerger Scheme. Hence, the Profit & Loss statement from 02.06.2014 to 31.03.2015 and Balance Sheet as at 31.03.2015 are drawn excluding the Telangana region pending approval of the Demerger Scheme by Government(s) and hence it is in agreement with the scheme.</p>
2)	<p>Comparability of previous figures. Non Compliance of AS - 24 "Discontinuing Operations".</p> <p>To facilitate the demerger on appointed date and as per the directions of Comptroller of Audit General vide. Lr. No. AG/(E & RSA)/ES-II/D3-II/2015-16/24 Dtd:08/12/2015, the accounts have been drawn for the ERSTWHILE COMBINED ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD.,(APIIC) and closed for the period from 01.04.2014 to 01.06.2014.</p> <p>The Profit and Loss account is drawn for the current period i.e., from 02/06/2014 to 31/03/2015, i.e., for 303days exclusive of Zones situated in Telangana Region. Hence, <u>the previous period figures of 62days of erstwhile combined ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD. (APIIC) are not comparable.</u></p> <p>In terms of AS 24 Discontinuing operations, comparative information for the prior period that is presented in the financial statements prepared after the initial disclosure should be restated to segregate Assets, Liabilities, Revenue and Expenses and Cash flows of the continuing and discontinuing operations. As seen from the financial</p>	<p>The comment is self explanatory. The accounts for the year ending 31.03.2015 are prepared after incorporating the demerger entry in the books of the company on 02.06.2014.</p> <p>A note to the effect that the previous are not comparable was presented in the notes to accounts.</p>

	statements and cash flows, there is no segregation of Andhra Region and Telangana Region in respect of revenues, expenses, Assets and Liabilities. In our opinion, this is a noncompliance of AS 24 Discontinuing Operations	
3)	<p>Equity Share Capital Rs. 952.22 lakhs (previous year Rs. 1632.75 lakhs)</p> <p>Pending reconciliation with the combined state of Govt. of AP and approval of Demerger scheme by the Government, the issued and paid up capital before Demerger was Rs. 1632.75 lakhs divided into 163275 Equity shares of Rs.1000 each fully paid up. Out of the above capital, Rs. 680.53 lakhs divided into 68,053 equity shares of Rs.1000 each fully paid up was transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) as per AP Reorganization Act, 2014 and the demerger scheme.leaving a balance of issued, subscribed and paid up capital of the company Rs.952.22 lakhs (Pr. Yr. 1632.75 lakhs) divided into 95,222 (Pr. Yr. 163275 shares) equity shares of Rs. 1000 each fully paid up.</p> <p>Please Refer Note 3 of Financial statements</p>	<p>The paid up capital of Rs. 1632.75 lakhs was apportioned between APIIC and TSIIC as per the population ratio in accordance with the Andhra Pradesh Reorganisation Act 2014 in the Demerger Scheme and the same was considered for preparation of the financial statements of the Company for the period ending 31" March 2015. The same is highlighted in the audit comment which is self explanatory.</p>
4)	<p>Reserves and Surplus : Capital Reserve Rs.758.16 lakhs</p> <p>An amount Rs. 1300 lakhs received from the Government of Andhra Pradesh as share capital vide GO. Nos 107 dated 22.07.1995, 108 dated 26.07.1995, 284 dated 17.08.1998, 330 dated 16.09.1998, 171 dated 27.05.1999, 224, dated 28.05.2002 pending for many years classified as capital reserve. Out of the above, Rs.1300 lakhs Rs.541.84lakhs has been transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance of Rs.758.16 lakhs to Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC). In our opinion, this needs to be classified as share application pending allotment.</p> <p>Refer Note No.4</p>	<p>The audit observation is noted. EPIP Grant pointed by Audit was sanctioned to the Company as Investment in APIIC by the Government. Later, the company was directed to treat it as a Grant in the Inter Ministerial Steering Committee meeting held on 4th & 5th of April, 2000. But, no orders were received so far converting Equity as a Grant. The matter is under persuasion. The treatment will be reviewed and necessary action will be taken after approval of Demerger Scheme by the Govt.</p>

	c. In the light of non-reconciliation of the deposits, we are not in a position to confirm the accuracy of Deposits Received from Allottees under Liabilities	
7)	<p>Long term provisions: Leave benefit expenses Rs.797.64 lakhs</p> <p>Pending approval of Employee Division, the management has provided Rs 797.64 lakhs towards Leave Benefit. Since, we are not sure of the outcome of the proposed Division by the Competent Authority we are not in a position to comment upon the adequacy of the provision.</p>	The provision of Rs.797.64 lakhs towards Leave Benefit expenses was made based on the final allocation of employees who were allotted to AP Division. The same will be reviewed once the final allocation of employees was approved by the Expert Committee and necessary action will be taken accordingly.
8)	<p>Provision for Contractual Obligations Rs.46895.15 lakhs (Refer Note 8.3 and accounting policy 3.1) a) Transfer to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC)</p> <p>On appointed date, there was a provision of Rs. 48271.71 lakhs under which Rs. 24131.53 lakhs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance of Rs.24140.18 Lakhs.</p> <p>b) Adequacy of Provision:</p> <p>As per the information and explanation given to us during this period provision of Rs.46895.15 lakhs has been made after review of the various pending contractual obligations. We are not clear, the Provision is pertaining to earlier year's sales or current year sales. In our opinion, we are not in a position to comment upon adequacy or inadequacy of the provision made.</p> <p>c) Disclosure:</p> <p>In view of the contractual works are extending beyond one year, we are of the opinion that this Provision should be disclosed under Long term Provisions</p>	<p>The Audit Comment is self explanatory.</p> <p>The provision for Contractual Obligations is being reviewed from time to time and necessary provision is being made accordingly. Hence, the provision shown in the Financial Statements is adequate.</p> <p>As the provision for Contractual Obligations is reviewed on yearly basis, the same was disclosed under Short Term provisions</p>
9)	<p>Treatment of transactions pertaining to Industrial Area Local Authority</p> <p>As per the information and explanation given to us, the assets and liabilities, profit or losses of IALAs have not been brought into the books of accounts and by not clubbing/consolidating these transactions:</p> <p>a) The Assets and Liabilities of the Corporation have been understated</p> <p>b) The profit or loss of the corporation have been understated</p>	The audit comment is self explanatory. Treatment was disclosed in Notes to accounts vide note 18.1. The records of IALAs are being updated during the year 2014-15 with the help of the software developed by Centre for Good Governance. The same will be furnished to the Statutory Auditors for the ensuing year.

	<p>c) Cash Flows are understated.</p> <p>We are not in a position to quantify the impact on Assets and Liabilities and Profit/Loss due to failure on the part of the management to provide the necessary information. <u>Further, we are of the opinion that not clubbing the income of IALAs will tant amount to noncompliance of AS-9: Income Recognition.</u></p> <p>(Refer to Note 23 of the Financial Statements):</p>	
10)	<p>Income Recognition as per Accounting Standard 9 (Change in Accounting Policy) Rs.66972.47 lakhs(refer Accounting Policy No. 4):</p> <p>a) Change in Accounting Policy</p> <p>As per the sub para 4 of note No.1 of financial statements, the management has changed the income recognition policy of "recognizing the income when the sale deed is entered regardless of the agreement entered with the Allottees by passing off the Risk and Rewards" to a recognizing the income from sale of land, Sheds and Buildings on execution of sale agreement and handing over physical possession of the premises."</p> <p>b) Impact of change in Recognition of Income policy</p> <p>As a result of change in the Accounting Policy, Rs. 61236.06 lakhs have been recognized by treating sale agreements entered earlier i.e., before 02/06/2014 as Revenue during the year.</p> <p>c) Impact of non-reconciliation Deposits:As per the information and explanation given to us, the review/reconciliation of Deposits, agreement of sales and inventory with EDP/Asset Management has been conducted. Further informed that due to lack of information, the reconciliation could not be taken up. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.</p> <p>d) Non Compliance of Accounting Standard 9 Revenue Recognition:</p> <p>The agreement of sale is entered with Allottees on receipt of full consideration though the substantial contractual obligations are yet to be fulfilled. As seen from the Balance sheet, there is a provision of Rs.46895.15 lakhs towards provision for contractual obligation.</p> <p>As per para 4.2 of the AS9, the completed service contract method can be applied only when the project is completed or substantial part of the Contractual obligations are completed. As per the information and explantion given to us, the substantial portion of the contractual obligations are yet to be fulfilled. Hence, in our opinion, para 4.2 of AS 9 is not applicable.</p>	<p>The Audit comment is self explanatory</p> <p>The Audit comment is self explanatory</p> <p>The amounts deposited by the allottees are under review and the schedule allottees are under review and the scheduled showing party wise details of deposits is under preparation which will be furnished during next Audit.</p> <p>The para 4.2 of the Accounting Standard -9 Revenue Recognition is applied for recognition since substantial the revenue is from sale of undeveloped land parcels and the para 4.3 is not relevant for recognition of revenue from sale of such land parcels. Wherever the</p>

	<p>In our opinion, para 4.3 of Accounting Standard 9 - Revenue Recognition issued by Institute of Chartered Accountants, the method of accounting of income recognition shall be applicable and reproduced as under.</p> <p>"Proportionate completion method under which accounting for recognition of revenue in the statement of profit and loss is proportionately with the degree of completion of services under the contract."</p> <p>Further, Para 5.3 of the guidance note on Accounting for Real Estate Transactions (Revised 2012) issued by the Institute of Chartered Accountants of India, has laid down the methodology of application of Percentage of Completion Method.</p> <p>In the light of the above, we are not in a position to comment on accuracy of the income recognition and we are constrained to state that Accounting Standard 9- Revenue Recognition has not been complied.</p>	<p>development works are promised to allottees, the provision for contractual obligation is made in respect of the balance works. However in view of the audit comment, the accounting policy will be reviewed and necessary action required if any will be taken in the financial year 2016 - 17.</p>
11)	<p>Other operating income Rs.985.94 lakhs</p> <p>Other income include Rs.870.26 lakhs towards Processing Fee and Rs.0.50 lakhs towards Penal interest on receipt basis as per the Para 4.5 of Note 1 Accounting Policies to the financial statements. This is in contravention to sub section 1 of section 128 of Companies act, 2013</p>	<p>The company receives one time processing fee soon after allotment of the plot/ land to the entrepreneur. Hence, the same is accounted for on receipt basis.</p>
12)	<p>Inventory (Refer Note 12.1) Rs.172159.53 lakhs Transfer to TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (TSIIC)</p> <p>As on appointed date, the inventory value was Rs.300459.86 lakhs out of which Rs. 120395.35 lakhs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving balance of Rs.180064.54 lakhs to Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC).</p> <p>a. Though an attempt is made to reconcile financial records with zonal records with the help of a consultant, the management is neither in a position to produce any record of physical verification nor certify physical quantities appearing in the financial records.</p> <p>b. Due to non-reconciliation of the deposits as per Note No. 7.3, we are not in a position to quantify the impact on inventory and not in a position to confirm the value of the inventory</p>	<p>The system of recording of inventory is reviewed and reconciled and necessary action will be taken to introduce physical verification of inventory at periodic intervals.</p> <p>The amounts deposited by the allottees are under review and the schedule showing party wise details of deposits is under preparation which will be furnished during next Audit</p>

<p>13)</p>	<p>Cost of sales Rs.63093.23 lakhs</p> <p>The total cost of sales accounted for during the period is Rs. 63093.23 lakhs. However, the cost of sales pertaining to current period sales and amount due to change in Accounting Policy could not be ascertained by the management and we are not able to quantify the same. The cost of sales includes Rs. 22754.97 lakhs towards Contractual obligations on estimation basis. We are not clear whether this is pertaining to earlier year's cost of sales or current year's cost of sales.</p> <p>As stated earlier, the income should be on proportionate completion method and the cost of sales should not include any estimation.</p> <p>In view of the above, we are not in a position to confirm the cost of sales.</p>	<p>Provision for construction obligation is made on estimation basis in respect of balance developmental works. The methodology is consistently followed for many years. However in view of the audit comment, the accounting treatment will be reviewed and necessary action will be taken in the financial year 2016-17.</p>
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For and on behalf of the Board of APIIC Ltd.

Sd/-
Sri Babu .A, IAS
VC & MD
(DIN : 07298197)

Sd/-
Dr. P. Krishnaiah, IAS (Retd.,)
Executive Chairman
(DIN : 06687109)

Place: Vijayawada
Date : 21-12-2017

ANNEXURE-D

OBSERVATIONS OF STATUTORY AUDITOR ON CONSOLIDATED FINANCIAL STATEMENTS AND REPLY OF THE COMPANY FOR THE YEAR ENDING 31.03.2015

Sl. No.	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT
1)	<p>Violation of clause 34 of the Demerger Scheme</p> <p>Pending approval by the Central Government/ State Government authorities or its nominees for the <u>SCHEME OF APPORTIONMENT/ DEMERGER ARRANGEMENT OF ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED AND TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED</u>, the profit and loss account is drawn for post bifurcation of ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) i.e., from 02.06.2014 to 31.03.2015 for 303 days and Balance sheet as at 31.03.2015 exclusive of Telangana Region is violative of clause 34 of the above said scheme.</p>	<p>The Demerger Scheme approved by the Board of the Company was reviewed and approved by the Expert Committee appointed by the Government. The approved Demerger Scheme was forwarded to both the Governments by the Expert Committee.</p> <p>The operations of Telangana region i.e., TSIIC Limited is being carried out by TSIIC itself w.e.f 02.06.2014 as per the Demerger Scheme. Hence, the Profit & Loss statement from 02.06.2014 to 31.03.2015 and Balance Sheet as at 31.03.2015 are drawn excluding the Telangana region pending approval of the Demerger Scheme by Government(s).</p>
2)	<p>Comparability of previous figures. Non Compliance of AS - 24 "Discontinuing Operations."</p> <p>To facilitate the demerger on appointed date and as per the directions of Comptroller of Audit General vide. Lr. No. AG/(E & RSA)/ES-II/D3-II/2015-16/24 Dtd:08/12/2015, the accounts have been drawn for the ERSTWHILE COMBINED ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) and closed for the period from 01.04.2014 to 01.06.2014</p> <p>The Profit and Loss account is drawn for the current period i.e., from 02/06/2014 to 31/03/2015, i.e., for 303days exclusive of Zones situated in Telangana Region. Hence, <u>the previous period figures of 62days of erstwhile combined ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) are not comparable.</u></p> <p>In terms of AS 24 Discontinuing operations, comparative information for the prior period that is presented in the financial statements prepared after the initial disclosure should be restated to segregate Assets, Liabilities, Revenue and Expenses and Cash flows of the continuing</p>	<p>The accounts for the year ending 31.03.2015 are prepared after incorporating the demerger entry in the books of the company on 02.06.2014.</p> <p>A note to the effect that the previous figures are not comparable was presented in the notes to accounts.</p>

	and discontinuing operations. As seen from the financial statements and cash flows, there is no segregation of Andhra Region and Telangana Region in respect of revenues, expenses, Assets and Liabilities. In our opinion, this is a noncompliance of AS 24 Discontinuing Operations	
3)	<p>Equity Share Capital Rs. 952.22 lakhs(previous year Rs. 1632.75 lakhs)</p> <p>Pending reconciliation with the combined state of Govt. of AP and approval of Demerger scheme by the Government, the issued and paid up capital before Demerger was Rs.1632.75 lakhs divided into 163275 Equity shares of Rs.1000 each fully paid up. Out of the above capital, Rs. 680.53 lakhs divided into 68,053 equity shares of Rs.1000 each fully paid up was transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) as per AP Reorganization Act, 2014 and the demerger scheme leaving a balance of issued, subscribed and paid up capital of the company Rs.952.22 lakhs (Pr. Yr. 1632.75 lakhs) divided into 95,222 (Pr. Yr. 163275 shares) equity shares of Rs. 1000 each fully paid up. (Please Refer Note 3 of Financial statements)</p>	The paid up share capital account was reconciled with CAG and was requested to rectify the difference. The matter is under persuasion with the Government and CAG for rectification.
4)	<p>Reserves and Surplus : Capital Reserve Rs.758.16 lakhs</p> <p>An amount Rs. 1300 lakhs received from the Government of Andhra Pradesh as share capital vide GO. Nos 107 dated 22.07.1995, 108 dated 26.07.1995, 284 dated 17.08.1998, 330 dated 16.09.1998, 171 dated 27.05.1999, 224 dated 28.05.2002 pending for many years classified as capital reserve. Out of the above, Rs.1300 lakhs Rs.541.84lakhs has been transferred to Telangana State Industrial Infrastructure Corporation Ltd.,(TSIIC) leaving a balance of Rs.758.16 lakhs to Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC). In our opinion, this needs to be classified as share application pending allotment. (Refer Note No.4)</p>	The audit observation is noted. EPIP Grant pointed by Audit was sanctioned to the Company as Investment in APIIC by the Government. Later, the company was directed to treat it as a Grant in the Inter Ministerial Steering Committee meeting held on 4th & 5th of April, 2000. But, no orders were received so far converting Equity as a Grant. The matter is under persuasion. The treatment will be reviewed and necessary action will be taken after finalization of Demerger Scheme.
5)	<p>Long term loans and Advances Rs.104759.79 lakhs (AP Re-organization Account Rs.22562.10)</p> <p>Long term loans and advances include Rs.22562.10 lakhs AP Re organization Adjustment Account and Rs.596.54 lakhs Due from Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC). As per the Re organization scheme approved by the Board of Directors of combined Andhra Pradesh State Industrial Infrastructure</p>	The Demerger Scheme approved by the expert Committee was furnished to both the state Governments for approval during May-2015. Pending approval of the Demerger Scheme, the amount of Rs.22,562.10 lakhs receivable from TSIIC Limited was shown under Long Term Loans and Advances.

[illegible]

7)	<p>Long term provisions: Leave benefit expenses Rs.797.64 lakhs</p> <p>Pending approval of Employee Division, the management has provided Rs 797.64 lakhs towards Leave Benefit. Since, we are not sure of the outcome of the proposed Division by the Competent Authority we are not in a position to comment upon the adequacy of the provision.</p>	<p>The provision of Rs.797.64 lakhs towards Leave Benefit expenses was made based on the final allocation of employees who were allotted to AP Division. The same will be reviewed once the final allocation of employees was approved by the Expert Committee and necessary action will be taken accordingly.</p>
8)	<p>Provision for Contractual Obligations Rs.46895.15 lakhs (Refer Note 8.3 and accounting policy 3.1)</p> <p>a) Transfer to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) On appointed date, there was a provision of Rs. 48271.71 lakhs under which Rs. 24131.53 lakhs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance of 24140.18 Lakhs.</p> <p>b) Adequacy of Provision: As per the information and explanation given to us during this period provision of Rs.46895.15 lakhs has been made after review of the various pending contractual obligations. We are not clear, the Provision is pertaining to earlier year's sales or current year sales. In our opinion, we are not in a position to comment upon adequacy or inadequacy of the provision made.</p> <p>c) Disclosure: In view of the contractual works are extending beyond one year, we are of the opinion that this Provision should be disclosed under Long term provisions.</p>	<p>The Audit Comment is self explanatory.</p> <p>The provision for Contractual Obligations is being reviewed from time to time and necessary provision is being made accordingly. Hence, the provision shown in the Financial Statements is adequate.</p> <p>As the provision for Contractual Obligations is reviewed on year ly basis, the same was disclosed under Short Term Provisions.</p>
9)	<p>Treatment of transactions pertaining to Industrial Area Local Authority</p> <p>As per the information and explanation given to us, the assets and liabilities, profit or losses of IALAs have not been brought into the books of accounts and by not clubbing/ consolidating these transactions:</p> <ul style="list-style-type: none"> a) The Assets and Liabilities of the Corporation have been understated b) The profit or loss of the corporation have been understated c) Cash Flows are understated. <p>We are not in a position to quantify the impact on Assets and Liabilities and Profit/Loss due to failure on the part of</p>	<p>The audit comment is self explanatory. Treatment was disclosed in Notes to accounts vide note 18.1. The records of IALAs are being updated during the year 2014-15 with the help of the software developed by Centre for Good Governance. The same will be furnished to the Statutory Auditors for the ensuing year.</p>

	<p>the management to provide the necessary information. <u>Further, we are of the opinion that not clubbing the income of IALAs will tant amount to noncompliance of AS -9: Income Recognition.</u></p> <p>(Refer to Note 23 of the Financial Statements):</p>	
10)	<p>Income Recognition as per Accounting Standard 9 (Change in Accounting Policy) Rs.66972.47 lakhs(refer Accounting Policy No. 4):</p> <p>a) Change in Accounting Policy As per the sub para 4 of note No.1 of financial statements, the management has changed the income recognition policy of "recognizing the income when the sale deed is entered regardless of the agreement entered with the Allottees by passing off the Risk and Rewards" to "recognizing the income from sale of land, Sheds and Buildings on execution of sale agreement and handing over physical possession of the premises."</p> <p>b) Impact of change in Recognition of Income policy As a result of change in the Accounting Policy, Rs. 61236.06 lakhs have been recognized by treating sale agreements entered earlier i.e., before 02/06/2014 as Revenue during the year.</p> <p>c) Impact of non-reconciliation Deposits: As per the information and explanation given to us, the review/ reconciliation of Deposits, agreement of sales and inventory with EDP/Asset Management has been conducted. Further informed that due to lack of information, the reconciliation could not be taken up. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.</p> <p>d) Non Compliance of Accounting Standard 9 Revenue Recognition: The agreement of sale is entered with Allottees on receipt of full consideration though the substantial contractual obligations are yet to be fulfilled. As seen from the Balance sheet, there is a provision of Rs.46895.15lakhs towards provision for contractual obligation. As per para 4.2 of the AS 9, the completed service contract method can be applied only <u>when the project is completed or substantial part of the Contractual obligations are completed.</u> As per the information and explanation given to us, the substantial portion of the contractual obligations</p>	<p>The Audit comment is self explanatory</p> <p>The Audit comment is self explanatory</p> <p>The amounts deposited by the allottees are under review and the schedule showing party wise details of deposits is under preparation which will be furnished during next Audit.</p> <p>The para 4.2 of the Accounting Standard -9 Revenue Recognition is applied for recognition since substantial the revenue is from sale of undeveloped land parcels and the para 4.3 is not relevant for recognition of revenue from sale of such land parcels. Where ever the development works are promised to allottees, the provision for contractual obligation is made in respect of the balance works. However in view of the audit comment, the accounting policy will be reviewed and necessary action required if any will be taken in the financial year 2016 - 17.</p>

	<p>are yet to be fulfilled. Hence, in our opinion, para 4.2 of AS 9 is not applicable. In our opinion, para 4.3 of Accounting Standard 9 - Revenue Recognition issued by Institute of Chartered Accountants, the method of accounting of income recognition shall be applicable and reproduced as under.</p> <p>"Proportionate completion method under which accounting for recognition of revenue in the statement of profit and loss is proportionately with the degree of completion of services under the contract."</p> <p>Further, Para 5.3 of the guidance note on Accounting for Real Estate Transactions (Revised 2012) issued by the Institute of Chartered Accountants of India, has laid down the methodology of application of Percentage of Completion Method.</p> <p>In the light of the above, we are not in a position to comment on accuracy of the income recognition and we are constrained to state that Accounting Standard 9 - Revenue Recognition has not been complied</p>	
11)	<p>Other operating income Rs.985.94 lakhs</p> <p>Other income include Rs.870.26 lakhs towards Processing Fee and Rs.0.50 lakhs towards Penal interest on receipt basis as per the Para 4.5 of Note 1 Accounting Policies to the financial statements. This is in contravention to sub section 1 of section 128 of Companies act, 2013</p>	<p>The company receives one time processing fee soon after allotment of the plot/ land to the entrepreneur. Hence, the same is accounted for on receipt basis.</p>
12)	<p>Inventory (Refer Note 12.1) Rs.172159.53 lakhs</p> <p>Transfer to TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (TSIIC)</p> <p>As on appointed date, the inventory value was Rs.300459.86 lakhs out of which Rs.120395.35 lakhs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving balance of Rs.180064.54 lakhs to Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC).</p> <p>a. Though an attempt is made to reconcile financial records with zonal records with the help of a consultant, the management is neither in a position to produce any record of physical verification nor certify physical quantities appearing in the financial records.</p> <p>b. Due to non-reconciliation of the deposits as per Note No. 7.3, we are not in a position to quantify the impact on inventory and not in a position to confirm the value of the inventory</p>	<p>The system of recording of inventory is reviewed and reconciled. Necessary rectification entries were passed in the books of accounts during the period from 02.06.2014 to 31.03.2015.</p> <p>The amounts deposited by the allottees are under review and the schedule showing party wise details of deposits is under preparation which will be furnished during next Audit</p>

<p>13)</p>	<p>Cost of sales Rs.63093.23 lakhs</p> <p>The total cost of sales accounted for during the period is Rs. 63093.23 lakhs.</p> <p>However, the cost of sales pertaining to current period sales and amount due to change in Accounting Policy could not be ascertained by the management and we are not able to quantify the same. The cost of sales includes Rs. 22754.97 lakhs towards Contractual obligations on estimation basis. We are not clear whether this is pertaining to earlier year's cost of sales or current year's cost of sales.</p> <p>As stated earlier, the income should be on proportionate completion method and the cost of sales should not include any estimation.</p> <p>In view of the above, we are not in a position to confirm the cost of sales</p>	<p>Provision for construction obligation is made on estimation basis in respect of balance developmental works. The methodology is consistently followed for many years. However in view of the audit comment, the accounting treatment will be reviewed and necessary action will be taken in the financial year 2016-17</p>
<p>14)</p>	<p>Minority Interest Rs.893.84 lakhs</p> <p>a. i) In respect of Krishnapatnam International Leather Complex Private Limited, an amount of 1000 lakhs crore of Capital-Grant-in-aid has been clubbed under other long term liabilities without calculating the Minority interest. As a result, Minority interest of Krishnapatnam is understated by 490 lakhs and other long term liabilities overstated by the same amount.</p> <p>ii) The minority interest was calculated by taking current year loss of Rs. 54.74 lakhs only instead of considering total loss including opening loss of Rs.701.03 lakhs. As a result, the minority interest has been overstated by 343.50 lakhs.</p> <p>As a result of above two points the minority interest has been understated by 145.06 lakhs.</p> <p>b. In respect of Andhra Pradesh Gas Infrastructure Corporation Limited, Minority interest should be Rs.701.05 lakhs as against the Rs.915.77 lakhs due to non-consideration of opening loss of Rs.438.21 lakhs which resulted in understatement of reserves and surplus by Rs.214.72 and overstatement of Minority interest.</p>	<p>The Audit point is noted for future guidance.</p>
<p>15)</p>	<p>The inter group transactions in respect of Andhra Pradesh Gas Infrastructure Corporation Limited, Krishnapatnam International Leather Complex Private Limited and Visakhapatnam Industrial Water Supply Company has not been adjusted properly in view of non-reconciliation.</p>	<p>The Audit point is noted for future guidance.</p>

Sd/-

Sri Babu .A, IAS
VC & MD
(DIN : 07298197)

Place: Vijayawada
Date : 21-12-2017

FOR AND ON BEHALF OF THE BOARD OF APIIC LTD.

Sd/-

Dr. P. Krishnaiah, IAS (Retd.),
Executive Chairman
(DIN : 06687109)

ANNEXURE-E

**REPLIES TO FINAL COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF
INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE REVIEW
OF ACCOUNTS FOR THE PERIOD FROM 02.06.2014 TO 31.03.2015**

SI. No.	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT
1)	<p>Balance Sheet</p> <p>Assets</p> <p>Non-Current Assets</p> <p>Non-Current Investments (Note 10)</p> <p>-Rs.5573.62 lakh</p> <p>The above is overstated by Rs.1312.75 lakh due non provision for diminution of investment made in 'Andhra Pradesh Gas Infrastructure Corporation Pvt Ltd' (APGIC). The company had invested Rs.2040 lakh in APGIC towards 51% of the share holding in 2009-10 (and the balance 49% was held by APGENCO). The APGIC is incurring losses and the Net worth of the company was eroded to the extent of Rs.1422.98 lakh as against the paid up share capital of Rs.4000 lakh at the end of 31" March 2015. But no provision for diminution of investment was recognized in the accounts of APIIC and said investment was considered as good. (It is pertinent to mention that APGENCO had recognized provision for diminution for an amount of Rs.1261 lakh at the end of 31st March 2015 for its share of investment.)</p> <p>This has resulted in non compliance of AS 13Accounting for Investment and non provision has resulted in overstatement of Assets and profit by Rs.1312.75 lakh.</p>	<p>The comment is self explanatory. Performance of APGIC will be reviewed and necessary action will be taken on writing off of diminution in value of investment in APGIC on receipt of the report.</p>
2)	<p>Current Assets</p> <p>Trade Receivable (Note 13) Rs. 7521.93 lakh</p> <p>As per Accounting Policy No. 10, Provision for bad and doubtful debts is made @ 100% on Interest receivable on account of Rentals, Penal interest on Hire purchase, water charges etc and 100% of sundry debtors in respect of water, rentals, deposit works exceeding more than 3 years.</p> <p>However, no such provision was made in respect of balance amount recoverable, exceeding more than three years, from various State Government Department/PSUs</p>	<p>The company has a policy of creating the provision for bad and doubtful debts @ 100% on sundry debtors in respect of interest and penal interest for hire purchase, water charges, rentals, deposit works etc., Accordingly, the company has made provision during the period in respect of rentals, water charges, lease rentals etc., for debts lying for more than three years.</p> <p>In respect of deposit works, the balances shown under Sundry Debtors - Deposit Works are the amounts receivable from various Government departments, no provision was created during the year. The amount of Rs. 6620.79 lakhs was arrived</p>

	<p>for Rs. 6620.79 lakh.</p> <p>When similar comment was made by the CAG in 2008 - 09, it was replied that these dues are from Government/ PSUs, the same are not treated as doubtful debts and hence no provision for the same was made. The stand taken by the Company is not acceptable as the Company has not acted according to Accounting Policies. The Company either has to provide provision for Bad Debts or to amplify the Accounting Policies as per the stand taken by the Company.</p>	<p>at considering each work separately in respect of each department concerned.</p> <p>If the individual department is concerned instead of work, the amount comes to only Rs. 1729.12 lakhs. The amounts due by the company to the company to the departments are separately shown as liability under the head "Deposit works undertaken".</p> <p>The comment is noted and necessary action will be taken by amplifying the accounting policy or by creating provision for bad debts as suggested by the CAG while finalizing the accounts for the F.Y. 2015 - 16.</p>
3) (i)	<p>II Profit and Loss Statement Expenses</p> <p>Employee Benefits expense (Note 21) Rs. 1993.74 lakh</p> <p>Other expenses (Note 22) Rs. 2614.24 lakh</p> <p>The above account heads were understated by Rs. 41.25 lakh and 13.17 lakh respectively due to wrong entry for outstanding expenses.</p> <p>An entry for outstanding expenses at Vizag Zone for Rs. 27.21 lakh (Employee benefit expense Rs.20.63 lakh and other expenses Rs.6.59 lakh) was wrongly made by debiting Outstanding Expenses and crediting Expenses instead of debiting other expenses and crediting Outstanding Expenses. This has resulted in understatement of other Expenses and Outstanding Expenses by Rs. 54.42 (Rs. 41.25 + Rs. 13.17) lakh. Consequently profit of the Company is also overstated by the same extent.</p>	<p>The outstanding expense for the year ending 31.03.2015 for Rs. 27.21 lakhs in respect of Vizag Regular Zone was erroneously debited to the outstanding expenses account instead of debiting expenses by oversight. However, the same was rectified during the F.Y. 2015-16.</p>
(ii)	<p>The company, though an amount of Rs. 528.67 lakhs receivable from Government of Andhra Pradesh towards excess of expenditure incurred over deposit from IIIT - Deposit works (Works undertaken for 1999 - 2001) was considered as bad debt and charged to prior period expenditure. In other words, the company has written off the receivable amounts, i.e., excess of income over deposits. However, writing off of receivable amount was not authorized by the competent authority i.e., Board of Directors. But the fact was not disclosed in the Notes forming part of the Accounts for the year 2014-15.</p>	<p>The expenditure incurred in earlier years towards the works undertaken from 1999 to 2001 which is due from Government of Andhra Pradesh was shown under the "Due from GoAP - IIIT Deposit works". As the entire share capital of the company is owned by the Government of Andhra Pradesh, no provision is made in the books of accounts towards the amount receivable.</p> <p>An amount of Rs. 528.67 lakhs was transferred apportioned to APIIC Limited as a part of Demerger Scheme towards the expenditure incurred for IIIT Deposit Works in earlier years and due from Government of AP which is lying in the books of Head Office on population ratio. The same was recognized as prior period</p>

		<p>expenditure. As such, the amount charged to the prior period is expenditure but not a write off of the amount due. The expenditure incurred for carrying out the works in earlier years was already approved by the competent authority while sanctioning the works itself and incurring the expenditure. However, the same will be placed before the Board for ratification and the action taken on the same will be informed during next Audit.</p>
4)	<p>Earning per equity share (Basic / Diluted) - Rs. 3513</p> <p>As per Para 48 (i) of AS 20, where the statement of profit and loss includes extraordinary items (within the meaning of AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies), the enterprise should disclose basic and diluted earnings per share computed on the basis of earnings excluding extraordinary items (net of tax expense).</p> <p>However, it is observed that Earning per equity share was worked out including the Extra-ordinary items. Hence, the disclosure on Earning per Equity Share is deficient to this extent.</p>	<p>The Audit comment is noted for future guidance and necessary care will be taken while preparing the Financial Statements in the future years.</p>
5)	<p>Notes to Account</p> <p>Contingent liabilities and Commitment</p> <p>Contingent Liabilities - Rs. 39664.03 lakhs</p> <p>The above does not include Rs. 55241.40 being the contingent liabilities for land conversion charges payable to State Government as per AP Non Agricultural Land (conversion for non agricultural purpose) Act 2006.</p> <p>As per Note 5.3.4, the AP Non Agricultural Land (conversion for non agricultural purpose) Act, 2006, conversion charges are payable for conversion of agricultural land by the owner or occupier. The company sought exemption from the Government of Andhra Pradesh from levy of conversion charges for the lands acquired by the company. Pending receipt of decision of the Government, an amount of Rs. 26640.56 lakh was provided towards conversion charges to the end of the Financial Year (P.Y. Rs. 29,851.91 lakh) for the estates developed by the company.</p>	<p>As per the AP Non Agricultural Land (conversion for non agricultural purpose) Act, 2006, conversion charges are payable for conversion of agricultural land by the owner or occupier. An amount of Rs. 26,640.56 lakhs was provided towards conversion charges to the end of the Financial Year (P.Y. Rs. 29,851.91 lakhs) for the estates developed by the company. Where lands are allotted on as is where basis (UDL), the allottees are required to pay / seek exemption in respect of conversion charges. Hence the Company has not made provision for conversion charges in respect of UDL lands.</p> <p>As the company is expecting the exemption from Government of Andhra Pradesh on payment of land conversion charges, no further provision was made in the accounts for the period.</p> <p>Since the accounting treatment is in accordance with the Generally Accepted Accounting Principles and there is no understatement of the provision.</p>

	<p>The total liabilities for conversion charges as on 31.03.2015 works out to Rs. 81881.96 lakh. As against this the company had provided clear liability for Rs. 2664.56 lakh and for the difference of Rs. 55241.40 lakh Contingent Liabilities needs to be provided.</p>	
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FOR AND ON BEHALF OF THE BOARD OF APIIC LTD.

Sd/-
Sri Babu .A, IAS
VC & MD
(DIN : 07298197)

Sd/-
Dr. P. Krishnaiah, IAS (Retd.,)
Executive Chairman
(DIN : 06687109)

Place: Vijayawada

Date : 21-12-2017

ANNEXURE - F

REPLIES TO FINAL COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2015

1)	<p>Balance Sheet</p> <p>Assets</p> <p>Current Assets</p> <p>Inventories (Note 12) Rs. 191804.59 lakhs</p> <p>The above includes an amount of Rs. 3836.10 lakh being the explanatory work in progress (APGIC) in the account head of Inventories instead of Capital Work in Progress. This has resulted in overstatement of Current Assets-Inventories and understatement of Non Current Assets-Capital Work in Progress by an amount of Rs. 3836.10 lakh.</p>	<p>The activity of APGIC is in progress and is improving slowly. As per the Financial Statements of APGIC, an income of Rs. 1,72,87,565.00 and Rs.17,50,777.00 are reflected in the statement of profit and loss for the F.Ys 2013-14 and 2014-15 respectively. Further, the losses occurred due to writing off the exploratory cost during the above Financial Years. Hence, the diminution in the value of investments is temporary in nature.</p> <p>Considering the diminution in the value of investments in APGIC as temporary in nature, the company has not made any provision for the diminution in the books of accounts during the period under audit.</p> <p style="text-align: center;">The same will be reviewed while preparing the accounts for the F.Y. 2015-16 and necessary action required if any will be taken in the accounts for the F.Y. 2015-16.</p>
2)	<p>Trade Receivable (Note 13) Rs. 14968.76 lakhs</p> <p>As per Accounting Policy No. 10 Provision for bad and doubtful debts is made @100% on interest receivable on account of Rentals, Penal interest on Hire purchase, water charges etc and 100% of sundry debtors in respect of water, rentals, deposit works exceeding more than 3 years.</p> <p>However, no such provision for Bad Debt was made in respect of balance amount recoverable, exceeding more than three years, from various State Government Departments/PSUs for Rs. 6620.79 lakh.</p> <p>When similar comment was made by the CAG in 2008-09 and 2009-10, it was replied that these dues are from Government /PSUs, the same are not treated as doubtful debts and hence no provision for the same was made. The stand taken by the Company is not acceptable as the Company has not acted according to Accounting Policies. The Company either has to provide provision for Bad Debts or to amplify the Accounting policies as per the stand taken by the Company.</p>	<p>The company has a policy of creating the provision for bad and doubtful debts @ 100% on sundry debtors in respect of interest and penal interest for hire purchase, water charges, rentals, deposit works etc., Accordingly, the company has made provision during the period in respect of rentals, water charges, lease rentals etc., for debts lying for more than three years.</p> <p>In respect of deposit works, the balances shown under Sundry Debtors - Deposit Works are the amounts receivable from various Government departments, no provision was created during the year. The amount of Rs. 6620.79 lakhs was arrived at considering each work separately in respect of each department concerned.</p> <p>If the individual department is concerned instead of work, the amount comes to only Rs. 1729.12 lakhs. The amounts due by the company to the departments are separately shown as liability under the head "Deposit works undertaken".</p>

	Non-provision for Bad Debt as per Accounting Policies had resulted in overstatement of Trade Receivable and understatement of Provision for Bad debt by Rs. 6620.79 lakh.	The comment is noted for the future guidance and necessary action will be taken by amplifying the accounting policy or by creating provision for bad debts as suggested by the CAG while finalizing the accounts for the F.Y. 2015-16.
3)	Profit and Loss Statement as at 31st March 2015 Expenses Employee Benefits expense (Note 21) Rs. 3040.46 lakhs Other expenses (Note 22) Rs.7956.80 lakhs	The outstanding expense for the year ending 31.03.2015 for Rs.27.21 lakhs in respect of Vizag Regular Zone was erroneously debited to the outstanding expenses account instead of debiting expenses by oversight. However, the same was already rectified during the F.Y. 2015-16.
(i)	The above account heads were understated by Rs.41.25 lakh and 13.17 lakh respectively due to wrong entry for outstanding expenses. An entry for outstanding expenses at Vizag Zone for Rs. 27.21 lakh (Employee benefit expense Rs. 20.63 lakh and other expenses Rs.6.59 lakh) was wrongly made by debiting Outstanding Expenses and crediting other Expenses instead of debiting other Expenses and Outstanding Expenses. This has resulted in understatement of other Expenses and Outstanding Expenses by Rs. 54.42 lakh. Consequently profit of the Company is also overstated by the same extent.	
(ii)	The Company, though an amount of Rs.528.67 lakhs receivable from Government of Andhra Pradesh towards excess of expenditure incurred over deposit from IIIT - Deposit works (Works undertaken for 1999-2001) was considered as bad debt and charged to prior period expenditure APIIC works in other words, the company has written off the receivable amounts, i.e., excess of income over deposits. However, writing off of receivable amount was not authorized by the competent authority i.e., Board of Directors. But the fact was not disclosed in the Notes forming part of the Accounts for the year 2014-15.	The expenditure incurred in the earlier years towards the works undertaken from 1999 to 2001 which is due from Government of Andhra Pradesh was shown under the "Due from GoAP - IIIT Deposit works". As the entire share capital of the company is owned by the Government of Andhra Pradesh, no provision is made in the books of accounts towards the amount receivable. An amount of Rs. 528.67 lakhs was transferred apportioned to APIIC Limited as a part of Demerger Scheme towards the expenditure incurred for IIIT Deposit Works in earlier years and due from Government of AP which is lying in the books of Head Office on population ratio. The same was recognized as prior period expenditure. As such, the amount charged to the prior period is expenditure but not a write off of the amount due. The expenditure incurred for carrying out the works in earlier years was already approved by the competent authority while sanctioning the works itself and incurring the expenditure. However, the same will be placed before the Board for ratification and the action taken on the same will be informed during next Audit.

4)	<p>Earning per equity share (Basic/Diluted) - Rs.2929</p> <p>As per Para 48 (i) of AS 20, where the statement of profit and loss includes extraordinary items (within the meaning of AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies), the enterprise should disclose basic and diluted earnings per share computed on the basis of earnings excluding extraordinary items (net of tax expense).</p> <p>However, it is observed that Earning per equity share was worked out including the Extra-ordinary items. Hence, the disclosure on Earning per Equity Share is deficient to this extent.</p>	<p>The Audit comment is noted for future guidance and necessary care will be taken while preparing the Financial Statements in the future years.</p>
5)	<p>III Notes to Account</p> <p>Note No. 17-Contingent liabilities and Commitment Contingent Liabilities - Rs. 39,664.03 lakh</p> <p>The above does not include Rs.55241.40 lakh being the contingent liabilities for land conversion charges payable to State Government as per AP Non Agricultural Land (conversion for non agricultural purpose) Act 2006.</p> <p>As per Note 5.3.4, the AP Non Agricultural Land (conversion for non agricultural purpose), Act 2006, conversion charges are payable for conversion of agricultural land by the owner or occupier. The company sought exemption from the Government of Andhra Pradesh from levy of conversion charges for the lands acquired by the company. Pending receipt of decision of the Government, an amount of Rs. 26640.56 lakh was provided towards conversion charges to the end of the Financial Year (P.Y. Rs. 29,851.91 lakh) for the estates developed by the company.</p> <p>The total liabilities for conversion charges as on 31st March 2015 works out to Rs.81881.96 lakh as against this the Company had provided clear liability for Rs.26640.56 lakh and for the difference of Rs. 55241.40 Contingent liabilities needs to be provided.</p>	<p>As per the AP Non Agricultural Land (conversion for non agricultural purpose) Act, 2006, conversion charges are payable for conversion of agricultural land by the owner or occupier. An amount of Rs. 26,640.56 lakhs was provided towards conversion charges to the end of the Financial Year (P.Y. Rs. 29,851.91 lakhs) for the estates developed by the company. Where lands are allotted on as is where basis (UDL), the allottees are required to pay / seek exemption in respect of conversion charges. Hence the Company has not made provision for conversion charges in respect of UDL lands.</p> <p>As the company is expecting the exemption from Government of Andhra Pradesh on payment of land conversion charges, no further provision was made in the accounts for the period.</p> <p>Since the accounting treatment is in accordance with the Generally Accepted Accounting Principles and there is no understatement of the provision. However, the same will be shown under contingent liabilities while finalising the accounts 2015-16.</p>

For and on behalf of the Board of APIIC Ltd.

Sd/-
Sri Babu .A, IAS
VC & MD
(DIN : 07298197)

Sd/-
Dr. P. Krishnaiah, IAS (Retd.,)
Executive Chairman
(DIN : 06687109)

Place: Vijayawada
Date : 21-12-2017

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Balance Sheet as at 1st June 2014

(Rupees in Lakhs)

	Particulars	Note No.	Figures as at the end of the period 01.06.2014	Figures as at the end of previous year 2013 - 14
I	EQUITY AND LIABILITIES			
(1)	Shareholder's funds			
a	Share Capital	2	1632.75	1632.75
b	Reserves and Surplus	3	48727.26	51325.94
	Shareholder's funds - Total		50360.01	52958.69
(2)	Non-Current liabilities			
a	Long term borrowings	4.1	34592.03	34197.95
b	Deferred Tax liabilities (Net)	4.2	847.86	847.86
c	Other Long term liabilities	4.3	115099.61	111125.73
d	Long-term provisions	4.4	1221.61	1221.61
	Non - Current liabilities - Total		151761.11	147393.15
(3)	Current Liabilities			
a	Trade payables	5	736.10	698.33
b	Other Current liabilities	6	486410.95	487237.59
c	Short-term provisions	7	50012.09	49900.83
	Current Liabilities - Total		537159.14	537836.75
	Total Equity and Liabilities		739280.26	738188.59
II	ASSETS			
(1)	Non - Current Assets			
a	Fixed Assets			
	(i) Tangible Assets	8.1.3	56926.60	61541.57
b	Non - Current investments	9	32324.39	32324.40
c	Long-Term loans and advances	10	247924.29	245846.25
	Non-Current Assets - Total		337175.28	339712.22
(2)	Current Assets			
a	Inventories	11	354522.82	351365.31
b	Trade receivables	12	4485.99	4188.00
c	Cash and Cash equivalents	13	19949.89	19375.90
d	Short-term loans and advances	14	869.51	1089.44
e	Other Current assets	15	22276.77	22457.72
	Current Assets - Total		402104.98	398476.37
(3)	Accounting Policies	1		
	Total Assets		739280.26	738188.59

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP
CHANDRA, IAS
DIRECTOR

Sd/-
P. KRISHNAIAH, IAS (Retd.),
CHAIRMAN

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Profit and Loss Statement for the year ended 1st June, 2014

(Rupees in Lakhs)

	Particulars	Note No.	From 01.04.2014 to 01.06.2014	Previous Year
I	Revenue from operations	17	4469.30	121374.75
II	Other Income	18	854.20	4309.92
III	Total Revenue (I + II)		5323.50	125684.67
IV	Expenses			
a	Cost of Sales	19	1547.82	115784.50
b	Employee Benefits expense	20	1025.24	2817.64
c	Depreciation and amortization expense		1697.02	378.36
d	Other expenses	21	630.21	1985.48
e	Total Expenses		4900.29	120965.98
V	Profit before Exceptional and Extra-ordinary items and tax (III - IV)		423.21	4718.69
VI	Exceptional items		0.00	0.00
VII	Profit before extraordinary items and tax (V - VI)		423.21	4718.69
VIII	Extraordinary items		0.00	0.00
IX	Profit before tax (VII - VIII)		423.21	4718.69
X	Tax expense:			
	(1) Current Tax - Current Year		89.87	988.99
	- Previous Years		0.00	565.01
	(2) Deferred Tax - Current Year		0.00	333.46
XV	Profit (Loss) for the period (XI + XIV)		333.34	2831.23
XVI	Earning per equity share (in Rupees): (Basic & Diluted) (Face value of Rs.1000 per share)		204	1734

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP CHANDRA, IAS
DIRECTOR

Sd/-
P. KRISHNAIAH, IAS (Retd.,)
CHAIRMAN

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Cash Flow Statement for the year ended 1st June, 2014

(Rupees in Lakhs)

Particulars	Ending 01.06.2014	Previous Year
Cash flows from operating activities		
Net Profit before taxation and exceptional and extraordinary items	423.21	4718.69
Adjustments for:		
Depreciation and amortisation	1697.02	378.36
Dividend Income	0.00	290.87
Profit/loss on sale of fixed assets	0.00	0.13
Operating Profit before working capital	2120.23	4806.31
Adjustments for:		
Inventories	(3157.51)	357255.99
Trade receivables	(297.99)	(1775.39)
Other current and non current assets	180.95	(6905.42)
Loans and advances	(1858.11)	(189974.39)
Payables, liabilities and provisions	3600.48	(160909.81)
Cash generated before prior period items	588.05	2497.29
Net Cash Flow from operating activity before Income Tax	588.05	2497.29
Income Tax paid	0.00	(805.73)
Net Cash from operating activities	588.05	1691.56
Cash flows from investing activities:		
Purchase of fixed assets	(14.07)	(191.58)
Purchase of investments	0.01	(2.00)
Dividend income	0.00	290.87
Sale of fixed assets	0.00	0.02
Net Cash from investing activities	(14.06)	97.31
Net increase in cash and cash equivalents	573.99	1788.87
Cash and Cash equivalents at the beginning of the year	19375.90	17587.03
Cash and cash equivalents at the end of the year	19949.89	19375.90

This is the Cash flow statement referred to in our report even date.

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP CHANDRA, IAS
DIRECTOR

FOR AND ON BEHALF OF THE BOARD

Sd/-
P. KRISHNAIAH, IAS (Retd.),
CHAIRMAN

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Notes forming part of Balance Sheet and Statement of Profit & Loss

1. **ACCOUNTING POLICIES :**

The financial statements have been prepared in accordance with the Revised Schedule III of the Companies Act 2013 to the extent applicable and the necessary details have been disclosed in the said statement as per Part I & II of the Schedule.

1. Basis of Accounting

1.1. The Financial Statements of the Company have been prepared based on Historical cost convention in accordance with Indian Generally Accepted Accounting Principles (GAAP) and provisions of the Companies Act 2013, as adopted consistently by the Company. The company follows the mercantile system of accounting.

2. Estimates

2.1 The preparation of Financial Statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of Financial Statements and reported amounts of income and expenses during the period. Examples of such estimates include provision for doubtful debts, employee retirement benefit plan, provision for gratuity etc.

3. Revenue Recognition

- 3.1 Profit /Loss is recognized on allotment and transfer of sheds, land, houses on outright sale or hire purchase and the difference between sale price and cost price of the assets sold is taken to Profit & Loss Account, where ever the developmental works are completed substantially.
- 3.2 The Lease Premium in respect of Special Economic Zones is being amortised over the lease term and revenue recognised accordingly considering the lease as operating lease.
- 3.3 In respect of deposit works undertaken, Centage Charges are recognised as income based on percent age of work completion.

4. VALUATION OF INVENTORIES

- 4.1 Inventories such as land, HP stock, construction material, stock in trade at IPs/IDAs, housing stock, and work in progress are valued at cost.

5. Fixed Assets

- 5.1 Fixed assets are accounted on historical cost and are shown net of accumulated depreciation, Historical cost includes purchase price and all attributable costs (freight and non - refundable duties and taxes) for bringing the asset to working condition for intended use.
- 5.2 All lands and other assets relating to Special Economic Zones which are fixed assets in nature are treated as Fixed Assets and accounted on historical cost and the accumulated depreciation are shown separately.
- 5.3 Any profit/loss on sale, discard/disposal of an asset is charged to profit & loss account in that year.

5.4 Self constructed assets / addition to assets are taken into account after receiving the certification from the competent authority.

5.5 In case of purchase / addition of assets whose value is less than Rs. 5000/- are charged to Profit & Loss Account.

6. DEPRECIATION

6.1 Depreciation on assets is charged on Straight Line method at the rates prescribed in schedule XIV of Companies Act, 2013.

6.2 In the case of any addition/transfer/deletion of an asset, depreciation is charged proportionately based on number of days, from the date when the asset is ready for intended use or till the date of disposal or transfer, as the case may be.

7. INVESTMENTS

7.1 All the long-term investments (unquoted) are stated at cost of acquisition. Cost of the investment includes all direct cost incurred for acquisition of investments such as purchase price (Land transferred or Cash), brokerage, commission, stamp duty etc.

8. EMPLOYEE BENEFITS

8.1 PROVIDENT FUND:

Company's contribution to the Provident Fund is deposited with the Trust formed by the Company under the Employee's Provident Fund & Miscellaneous Provisions Act, 1952 and which is recognized by the Income Tax authorities. Such contributions are charged to Profit & Loss account each year.

8.2 GRATUITY:

The Group Gratuity for the employees of the Company is covered under a policy taken from Life Insurance Corporation of India. The premium paid is charged off in the accounts. The amounts paid in certain cases in excess of amounts reimbursed by LIC are also charged off in the accounts.

8.3 PENSION SCHEME: The company has introduced Group superannuation scheme to the employees towards retirement benefit by way of pension. This scheme is taken up under a policy with Life Insurance Corporation of India.

8.4 LEAVE ENCASHMENT: In respect of Leave Salary payable to employees on retirement, provision is made in the accounts based on salary drawn at the end of the year. No provision of Leave Salary contribution, Pension contribution and Gratuity is made in respect of employees working on deputation. The amount paid for the year is charged off to revenue during the year of payment.

9. PROVISION FOR BAD AND DOUBTFUL DEBTS

Provision for bad and doubtful debts is made @100% on Interest receivable on account of Rentals, Penal Interest on Hire purchase, water charges etc. and 100% of sundry debtors in respect of water, rentals, deposit works exceeding more than 3 years.

10. PROJECT GRANTS

Grants received for execution /development of projects (Growth Centers etc.,) are adjusted against the expenditure incurred on projects concerned and the balance is shown under the Other Liabilities and grouped under the Other Long term liabilities.

11. CONTINGENT LIABILITIES:

Contingent liabilities not provided for are indicated by way of notes to accounts.

12. TREATMENT OF EXPENDITURE DURING CONSTRUCTION/ DEVELOPEMENT PERIOD :

The civil works expenditure during construction period is treated as Works in progress. The administrative expenditure on engineering personnel/officers of the Company engaged on civil works is charged to revenue. On completion of works and on receipt of completion reports, the works are capitalised or taken as current assets of the Company.

13. MISCELLANEOUS :

The liability on account of leave travel facilities available to the employees, liability towards electricity and water charges for which bills are not received and property tax etc., leviable on land and sheds for which assessments are not completed, will be provided on payment basis.

14. TAXES ON INCOME :

Provision for Current Tax is made on the basis of taxable profits computed for the current accounting period (reporting period) in accordance with the provisions of the Income Tax Act, 1961.

Provision is made for deferred tax for all timing differences arising between taxable income and accounting income at currently enacted or substantially enacted tax rates.

NOTES TO ACCOUNTS

BALANCE SHEET :

(Rs. in lakhs)
As at 01-06-2014

(Rs. in lakhs)
As at 31-03-2014

2. SHARE CAPITAL

2.1 Authorised Capital		
2,00,000 equity shares of Rs. 1000 each	<u>2,000.00</u>	<u>2,000.00</u>
2.2 Issued , Subscribed and Paid up Capital		
1,63,275 equity shares of Rs. 1000 each	<u>1,632.75</u>	<u>1,632.75</u>
TOTAL	<u>1,632.75</u>	<u>1,632.75</u>

2.3 Details of Shareholders holding more than 5% (percent) shares in the Company :

	As at 1st June 2014		As at 31st March 2014	
	No.of shares	% of holding	No.of shares	% of holding

Government of Andhra Pradesh including its nominees	163275	100%	163275	100%
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2.4 The Company has only one class of shares i.e. equity shares ranking parri passu with all respects including entitlement of dividend, voting and repayment of capital. Each equity share carries one vote.

3. RESERVES AND SURPLUS

(Rs. in lakhs)
As at 01-06-2014

(Rs. in lakhs)
As at 31-03-2014

Capital Reserve	<u>1300.00</u>	<u>1300.00</u>
Sub-total	<u>1300.00</u>	<u>1300.00</u>
Profit and Loss Account		
As per last Balance Sheet	50025.94	47194.71
Add Profit / Loss for the year	333.34	2831.23
Add Profit / Loss Adjustments during the year	2932.02	0.00
Subtotal	<u>47427.26</u>	<u>50025.94</u>
TOTAL	<u>48727.26</u>	<u>51325.94</u>

NON-CURRENT LIABILITIES :

(Rs. in lakhs)
As at 01-06-2014

(Rs. in lakhs)
As at 31-03-2014

4.1 LONG -TERM BORROWINGS

Loan from RINL	16,800.08	16,800.08
Loan from NTPC	3,500.00	3,500.00
Interest accrued & not due thereon (Payable from 2022-23)	11,862.62	11,468.54
Loan from Oriental Bank of Commerce	<u>2,429.33</u>	<u>2,429.33</u>
TOTAL	<u>34592.03</u>	<u>34197.95</u>

4(a) Loan from NTPC and RINL :

An amount of Rs. 35,000.00 lakhs was borrowed from RINL, NTPC and GVMC for Visakhapatnam Industrial Water Supply Company (VIWSCO - Joint venture of APIIC and GVMC) to implement Godavari Water supply project during the F.Y. 2003 - 04. The loan was utilised by VIWSCO for implementation of Godavari Water supply project. The company entered bipartite agreements with NTPC, RINL, GVMC and VIWSCO for drawal, disbursement and servicing of the loan and also entered tripartite agreements with RINL, NTPC, GVMC and VIWSCO and created first charge on the assets of the Godavari Water supply project of VIWSCO to RINL, NTPC and GVMC. The principal and interest (including penal interest) thereon is guaranteed by Government of Andhra Pradesh.

As per the terms and conditions of the agreement, the loan is repayable in seven equal annual instalments after moratorium period of 6 years from the year of 1st drawal which is 2003-04. The rate of interest is 10% per annum and the penal interest is 2% per annum in case of defaults. The 1st instalment was drawn during F.Y. 2003-04.

As per the minutes of VIWSCO Board meeting dated 19-11-2012, loans drawn from RINL, NTPC & GVMC were restructured by VIWSCO as per the restructuring plan (i) Rate of interest is 10% p.a. on principal outstanding, (ii) Loan is repayable in ten equal yearly instalments commencing from 2012 - 13, (iii) Outstanding interest and outstanding penal interest as on 31-03-2011 together called as "Funded Interest" payable in ten equal yearly instalments starting from 2012-13, (iv) Yearly interest payment commencing from 2012-13 is deferred till loan amount is fully paid by 2021-22 as "Deferred Yearly Interest", (v) Deferred yearly interest outstanding as on 31-03-2022 is payable in five equal yearly instalments commencing from 2022-23, (vi) Funded interest and deferred yearly interest will not carry any interest. The company is yet to consider restructuring plan.

VIWSCO is directly servicing the loan to RINL and NTPC from time to time and no entries are passed in the books of accounts for servicing of interest of interest as it has no impact on the Profit and Loss account. The figures adopted are from the annual accounts of VIWSCO for the F.Y. 2013-14. The loans from RINL and NTPC includes accrued interest repayable from 2022-23. Hence, the balances are subject to reconciliation.

4 (b) Loan from Oriental Bank of Commerce :

An amount of Rs. 12077.30 lakhs was borrowed from Oriental Bank of Commerce, Hyderabad for land acquisition of Rajiv Gandhi International Airport, Shamshabad, Hyderabad. The Government of Andhra Pradesh provided guarantee for servicing of the principal and interest thereon and took obligation to service the loan from time to time and is making necessary budgetary provisions. The loan payable is fifty quarterly instalments in ten years and carry 7.25% fixed rate of interest. Penal interest is 2% in case of default. Balance instalments payable are fourteen. The amount due from Government in this regard is shown under Other Long Term Loans and Advances.

4.1 DEFERRED TAX LIABILITIES (NET)	(Rs. in lakhs)	(Rs. in lakhs)
	As at 01-06-2014	As at 31-03-2014
4.1.1 As per Accounting Standard (AS - 22) on accounting for Taxes on income of the Companies (Accounting Standards) Rules 2006, the deferred tax liability as on 31st March comprises of the following:		
Deferred Tax Liability related to fixed assets	1014.24	1014.24
Deferred Tax Asset relating to Payments u/s 43B of IT Act	166.38	166.38
Net Deferred Tax Liability (Asset)	847.86	847.86
4.2 OTHER LONG TERM LIABILITIES	(Rs. in lakhs)	(Rs. in lakhs)
	As at 01-06-2014	As at 31-03-2014
Funds for incubation centers etc.	11561.27	9979.70
Other liabilities	103538.34	101146.03
TOTAL	115099.61	111125.73

4.3 Long Term Provisions :

	(Rs. in lakhs) As at 01-06-2014	(Rs. in lakhs) As at 31-03-2014
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Provision for leave Benefits

As per the last balance sheet	1221.61	1269.91
Add : Additions during the year	0.00	1221.61
Less : Payments/adjustments during year	0.00	1269.91
	<u>1221.61</u>	<u>1221.61</u>

5. TRADE PAYABLES

Trade Payables	736.10	698.33
TOTAL	<u>736.10</u>	<u>698.33</u>

6. OTHER CURRENT LIABILITIES

	(Rs. in lakhs) As at 01-06-2014	(Rs. in lakhs) As at 31-03-2014
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Deposits received from allottees	453465.91	454305.70
Other Current Liabilities	28310.47	28297.32
Current maturities of long term Debt	3879.92	3879.92
Interest accrued and due on borrowings	754.65	754.65
TOTAL	<u>486410.95</u>	<u>487237.59</u>

6.1 Assistance to States For Developing Export Infrastructure & Allied Activities (ASIDE) :

The Government of India formulated a scheme namely “Assistance to States For Developing Export Infrastructure & Allied Activities (ASIDE)” for involvement of States in export efforts. Under this scheme, funds to the State are directly disbursed to State Level Nodal Agency by Government of India. In this process, an amount of Rs. NIL (Previous year Rs.1727.84 lakhs) was released by Government of India during the period.

6.2 Industrial Infrastructure Development Fund (IIDF) :

Government of Andhra Pradesh created a fund called IIDF for taking up infrastructure works wherever there is no provision to take up such works under regular budget. Under this Scheme, an amount of Rs. NIL (Previous year Rs.250.00 lakhs) was received during the period.

6.3 Construction of Incubation Centres :

Government of Andhra Pradesh released an amount of Rs. 1580.58 Lakhs (Previous year 4753.74 lakhs) during the year towards construction of IT incubation centres in Tirupati, Warangal, Visakhapatnam and Kakinada during the period.

6.4 Deposit Works :

The Company has been executing civil works on behalf of various departments of State and Central Governments. These works which are in various stages of completion are in possession of the Company and they are to be handed over to the respective Departments after their completion. The amount excess spent / balance advance outstanding are shown in Sundry Debtors / Deposits - Other Liabilities depending on their nature.

6.5 Sundry Creditors and other deposits are subject to confirmation.

7 SHORT -TERM PROVISIONS	(Rs. in lakhs) As at 01-06-2014	(Rs. in lakhs) As at 31-03-2014
7.1 (a) PROVISION FOR EMPLOYEE BENEFITS (Ref. Note No. 4.3 and 20)		
Provision for Gratuity		
As per the last balance sheet	0.00	391.28
Add : Additions during the year	0.00	0.00
Less : Payments / adjustments during year	<u>0.00</u>	<u>391.28</u>
	<u>0.00</u>	<u>0.00</u>
7.2 Provision for leave Benefits		
As per the last balance sheet	222.45	190.49
Add : Additions during the year	0.00	222.45
Less : Payments / adjustments during year	<u>0.00</u>	<u>190.49</u>
	<u>222.45</u>	<u>222.45</u>
(b) OTHERS		
7.3 Provision for PS charges		
As per the last balance sheet	416.26	193.84
Add : Additions during the year	518.11	678.50
Less : Payments / adjustments during year	<u>496.72</u>	<u>456.08</u>
	<u>437.65</u>	<u>416.26</u>
7.4 Provision for Contractual Obligations		
As per the last balance sheet	48271.71	42260.42
Add : Additions during the year	0.00	6011.29
Less : Payments / adjustments during year	<u>0.00</u>	<u>0.00</u>
	<u>48271.71</u>	<u>48271.71</u>
7.5 Provision for Taxation		
As per the last balance sheet	990.41	2840.44
Add : Additions during the year	89.87	1554.00
Less : Payments / adjustments during year	<u>0.00</u>	<u>3404.03</u>
	<u>1080.28</u>	<u>990.41</u>
TOTAL	<u>50012.09</u>	<u>49900.83</u>

8. NON - CURRENT ASSETS

8.1 TANGIBLE ASSETS

8.1.1 GROSS BLOCK AT COST

PARTICULARS	Cost as at 31st March, 2014	Additions during the period	(Rs. in Lakhs) Deductions during the period	Upto 1st June,2014
LAND including Land Development	998.91	0.00	0.00	998.91
BUILDINGS	338.96	0.00	0.00	338.96
REFRIGERATORS,A.Cs & AIR COOLERS	19.55	0.00	0.00	19.55
FURNITURE & FIXTURES	108.68	0.07	0.00	108.75
OFFICE EQUIPMENT	151.89	0.30	0.00	152.19

VEHICLES	245.71	0.00	0.00	245.71
ELECTRICAL EQUIPMENT	34.72	2.41	0.00	37.13
DRAWING EQUIPMENT	2.14	0.00	0.00	2.14
COMPUTER	295.76	11.31	0.00	307.07
QUALITY CONTROL EQUIPMENT	5.42	0.00	0.00	5.42
LAND - SEZ	47040.67	0.00	0.00	47040.67
LAND DEVELOPMENT - SEZ	4091.79	0.00	0.00	4091.79
BUILDING - SEZ	6.12	0.00	0.00	6.12
WATER SUPPLY - SEZ	767.09	0.00	0.00	767.09
SEWERAGE - SEZ	1137.16	0.00	0.00	1137.16
EXTERNAL ELECTRIFICATION - SEZ	257.17	0.00	0.00	257.17
ROADS & BRIDGES - SEZ	6295.85	0.00	0.00	6295.85
SOLAR POWER PLANT	1263.53	0.00	0.00	1263.53
CURRENT YEAR	63061.12	14.09	0.00	63075.21
PREVIOUS YEAR	58049.82	5208.26	196.96	63061.12

8.1.2 DEPRECIATION BLOCK

PARTICULARS	(Rs. in lakhs)			
	Upto 31st March, 2014	For the period	Deductions Adjustments	Upto 1st June, 2014
BUILDINGS	86.09	0.70	0.00	86.79
REFRIGERATORS,A.Cs &				
AIR COOLERS	9.44	0.52	(3.99)	13.95
FURNITURE & FIXTURES	57.73	1.33	0.00	59.06
OFFICE EQUIPMENT	86.17	4.11	(16.97)	107.25
VEHICLES	54.48	4.70	0.00	59.18
ELECTRICAL EQUIPMENT	8.82	0.65	(0.23)	9.70
DRAWING EQUIPMENT	1.87	0.00	(0.02)	1.89
COMPUTER	220.08	4.99	(39.12)	264.19
QUALITY CONTROL EQUIPMENT	5.42	0.00	0.00	5.42
LAND DEVELOPMENT - SEZ	0.00	0.00	0.00	0.00
BUILDING - SEZ	0.58	0.02	0.00	0.60
WATER SUPPLY - SEZ	193.61	9.42	0.00	203.03
SEWERAGE - SEZ	121.97	6.21	0.00	128.18
EXTERNAL ELECTRIFICATION - SEZ	46.09	5.70	0.00	51.79
ROADS AND BRIDGES - SEZ	507.16	1650.70	(2871.71)	5029.57
SOLAR POWER PLANT	120.04	7.97	0.00	128.01
CURRENT YEAR	1519.55	1697.02	(2932.04)	6148.61
PREVIOUS YEAR	1232.01	466.05	178.51	1519.55

8.1.3 NET BLOCK

PARTICULARS	(Rs. in lakhs)			
	Asset		Impairment to	
	As at 31st March 2014	impairment loss (reversal)	end of 1st June for the 2014	As at 1st June 2014
LAND including Land Development	998.91	0.00	0.00	998.91
BUILDINGS	252.87	0.00	0.00	252.17
REFRIGERATORS,A.Cs & AIR COOLERS	10.11	0.00	0.00	5.60
FURNITURE & FIXTURES	50.95	0.00	0.00	49.69
OFFICE EQUIPMENT	65.72	0.00	0.00	44.94
VEHICLES	191.23	0.00	0.00	186.53
ELECTRICAL EQUIPMENT	25.90	0.00	0.00	27.43
DRAWING EQUIPMENT	0.27	0.00	0.00	0.25
COMPUTER	75.68	0.00	0.00	42.88
QUALITY CONTROL EQUIPMENT	0.00	0.00	0.00	0.00
LAND - SEZ	47040.67	0.00	0.00	47040.67
LAND DEVELOPMENT - SEZ	4091.79	0.00	0.00	4091.79
BUILDING - SEZ	5.54	0.00	0.00	5.52
WATER SUPPLY - SEZ	573.48	0.00	0.00	564.06
SEWERAGE - SEZ	1015.19	0.00	0.00	1008.98
EXTERNAL ELECTRIFICATION - SEZ	211.08	0.00	0.00	205.38
ROADS & BRIDGES - SEZ	5788.69	0.00	0.00	1266.28
SOLAR POWER PLANT	1143.49	0.00	0.00	1135.52
CURRENT YEAR	61541.57	0.00	0.00	56926.60
PREVIOUS YEAR	56817.80	0.00	0.00	61541.57

8.1.4 Buildings :

The company purchased 6th floor (11840 sq.ft.) from APIDC on outright purchase basis for a consideration of Rs.13.20 lakhs in the year 1979 and 4th floor (11867 sq.ft.) from APSSIDC for a consideration of Rs. 150.00 lakhs in the year 1998. The same was shown under the head Buildings in Fixed Assets pending execution of sale deed by the respective parties.

8.1.5 Depreciation :

Based on the Companies Act, 2013, the useful life of assets in respect of Fixed Assets including roads and bridges are redetermined. The additional depreciation due to the determination of the useful life of the Fixed assets whose life is zero at the beginning of the year amounting to Rs. 2932.04 lakhs was charged to Opening Balance of the profit and loss account in accordance with Schedule II of the Companies Act, 2013.

8.1.6 SPECIAL ECONOMIC ZONES (SEZ) :

The company was appointed as Nodal Agency for the development of Special Economic Zones (SEZs) in Andhra Pradesh. 17 No.s of SEZs were notified by Govt. of India as at the end of the year which are being developed by the company as Developer. In respect of the allotments made under lease basis during the year and lease deeds executed,

the income on lease premium is taken proportionately depending upon the lease period and lease rentals are accounted for as revenue.

The assets relating to Special Economic Zones amounting Rs. 59595.85 lakhs (Previous Year Rs. 59595.85 lakhs) are shown under the head Fixed Assets and depreciation amounting Rs. 5413.17 lakhs (Previous Year Rs. 869.41 lakhs) was charged to Profit and Loss Account upto the Financial Year.

9 .NON-CURRENT INVESTMENTS

9.1 Trade Investments - Unquoted (Companies incorporated in India)

		(Rs. in lakhs) As at 01-06-2014	(Rs. in lakhs) As at 31-03-2014
	% of Holding		
<u>INVESTMENTS IN SUBSIDIARY COMPANIES</u>			
I	10,000 equity shares of Rs.10/- each fully paid-up in E-city manufacturing cluster Ltd.	100	1.00
II.	10,000 equity shares of Rs.10/- each fully paid-up in Maheswaram Science Park Ltd.	100	1.00
III	8,900 equity shares of Rs.10/- each fully paid-up in Fab City SPV (India) P.Ltd.	89	0.89
IV	2,04,00,000 equity shares of Rs.10/- each fully paid-up in AP Gas Infrastructure Corporation P.Ltd	51	2040.00
V.	51,000 equity shares of Rs.10/- each fully paid-up in Krishnapatnam International Leather Complex Pvt.Ltd.	51	5.10
<u>INVESTMENTS IN JOINT VENTURE</u>			
VI	2,20,27,064 equity shares of Rs.10/- each fully paid-up in Visakhapatnam Industrial Water Supply Company Ltd.	49	2202.71
<u>INVESTMENTS IN ASSOCIATE COMPANIES</u>			
VII	3,84,80,000 equity shares of Rs.10/- each fully paid-up in Cyberabad Convention Center (P) Ltd.	26	3848.00
VIII	1,97,49,698 equity shares of Rs.10/- each fully paid-up in Boulder Hills Leisure (P) Ltd.	26	1974.97
IX	2,50,32,202 equity shares of Rs.10/- each fully paid-up in Emmar Hills Township (P) Ltd.	26	2503.22
X.	52,00,000 equity shares of Rs.10/- each fully paid up in L&T Hitech City Ltd.	26	520.00
XI.	15,00,000 equity shares of Rs.10/- each fully paid up in Bharatiya International SEZ Ltd.	11.05	150.00

		(Rs. in lakhs)	(Rs. in lakhs)
% of Holding		As at 01-06-2014	As at 31-03-2014
<u>INVESTMENTS IN RELATED PARTY COMPANIES</u>			
XII	22,00,000 equity shares of Rs.10/- each fully paid up in K. Raheja IT Park Ltd.	11	220.00
XIII	1,42,640 equity shares of Rs.10/- each fully paid up in Intime Properties Pvt. Ltd.	11	14.26
XIV	1,17,901 equity shares of Rs.10/- each fully paid up in Sundew Properties Pvt. Ltd.	11	11.79
XV	2,09,49,200 equity shares of Rs.10/- each fully paid up in CBD Tower (P) Ltd.	11	2093.72
XVI.	29,70,000 equity shares of Rs. 10/- each fully paid up in L&T Infocity Ltd. (includes 9,90,000 Bonus shares issued on May 12, 2003)	11	198.00
XVII	19,80,000 equity shares of Rs.10/- each fully paid up in Ramky Pharma City (India) Ltd.	11	198.00
XVIII	2,50,000 equity shares of Rs.10/- each fully paid up in Patancheru Envirotech Ltd.	10	25.00
XIX	20,825 equity shares of Rs.10/- each fully paid-up in Hyderabad Information Technology Venture Enterprises Ltd.	8	2.08
XX	4,165 equity shares of Rs.10/- each fully paid-up in Cyberabad Trustee Company (P)	8	0.42
XXI	500 equity shares of Rs.10/- each fully paid-up in Hyderabad Pharma Infrastructure & Technologies	1	0.05
XXII.	44,000 equity shares of Rs.10/- each fully paid-up in Vizag IT Park Ltd.	0.49	4.40
XXIII	770 Units of Rs.25,000/- each fully paid-up in Cyberabad Trustee Company(P)Ltd. (HIVE FUND)		192.50
XXIV	15,90,50,800 Fully Secured Convertible Debentures of Rs.10/- each in CBD Tower (P) Ltd.		15906.27
XXV	4,70,800 equity shares of Rs.10/- each fully paid-up in Nano Tech Silicon India Ltd.		47.08

XXVI Deposit towards share application money

Bhagyanagar Gas Ltd	239.07	<u>239.07</u>	239.07	<u>239.07</u>
TOTAL		<u>32399.53</u>		<u>32399.54</u>

Less : Provision for dimunition of investments

NanoTech Silicon	<u>47.08</u>		<u>47.08</u>	
CTCPL - HIVE Fund	28.06	<u>75.14</u>	28.06	<u>75.14</u>
		<u>75.14</u>		<u>75.14</u>
		<u>32324.39</u>		<u>32324.40</u>

9.2 Investment in Fab City SPV (India) P.Ltd :

As per the directions of Government of AP in G.O. Ms. No. 94 of Inds & Commerce (INF) Department dated 28.04.2007, the Corporation acquired 89% of equity (Rs. 89,000/-) in Fab city SPV (India) P.Ltd. Consequently the Fab city SPV (India) P. Ltd. become a subsidiary company of the Corporation. The amounts due from the subsidiary company towards land cost and infrastructure and the amounts received for on behalf of the subsidiary company are shown “Due from Fab City SPV (India) Pvt. Ltd. “ and grouped under Other Current Assets in the books of accounts.

9.3 Investment in M/s Emaar Hills Township Private Limited :

The shares allotted to the Corporation for the investments made against the allotment of land at the time of incorporation is being continued in the above company. The corporation filed Civil suite stating that, the development agreement entered into with EMAAR MGF Limited (Co-Developer) is illegal and void. Further, CBI had conducted an enquiry and file charge sheet on the above company alleging irregularities in execution of development agreement cum GPA with Co-Developer. The matter is under investigation.

9.4 Investments in CBD Towers (P) Ltd :

The Company has allotted land admeasuring 80.27 acres in Sy. Nos. 283 and 311 of Manchirevula village, Rajendranagar Mandal, R.R. District to M/S C.B.D. Towers (P) Ltd. In consideration of allotment of land for construction of trade towers, the investee company has issued 15,97,67,891 (12%) fully convertible Debentures of Rs.10/- each. 7,05,125 No. of debentures were converted into equity shares out of the total convertible debentures of 15,97,67,891 upto 31.03.2013.Also the coupon rate was reduced to 2% from 12% w.e.f. 01.04.2010 upto 31.03.2014.

9.5 Investment in APGICP Limited :

As per the directions of Government of AP in G.O. Ms. No. 222 of Industries & Commerce (INF) Department dated 09.10.2009, the Corporation has acquired 51% of equity (Rs. 20.40 crores) in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd.

9.6 Investment in E - City Manufacturing Cluster Limited :

As per the directions of Government of AP vide the IT & C Department’s letter No. 2097/IT&C/Prom 2/2011 dated 08-08-2013, the Corporation promoted E - City Manufacturing Cluster Limited and acquired 100% of equity (Rs. 1.00 lakh) of the Company .

9.7 Investment in Maheshwaram Science Park Limited :

As per the directions of Government of AP vide the IT & C Department's letter No. 2097/IT&C/Prom 2/2011 dated 08-08-2013, the Corporation promoted Maheshwaram Science Park Limited and acquired 100% of equity (Rs.1.00 lakh) of the Company.

9.8 No Provision for diminution in the value of investments is created during the period.

10. LONG - TERM LOANS AND ADVANCES	(Rs. in lakhs)	(Rs. in lakhs)
(Unsecured and Considered Good)	As at 01-06-2014	As at 31-3-2014
Security Deposits	43.58	25.58
Loans & Advances to related parties	19760.49	19024.60
Advances to Staff	435.87	461.47
Other Loans & Advances	71953.04	70603.29
Amount paid under Resource Mobilisation due from GoAP	147201.33	147201.33
TOTAL	239394.31	237316.27
Other non - current assets :		
Fixed Deposits	8529.98	7726.85
Accrued interest on Fixed Deposits	0.00	803.13
Sub total	8529.98	8529.98
TOTAL	247924.29	245846.25

The above Fixed Deposit and accrued Interest thereon represents deposit made with Syndicate Bank, NS road, Hyderabad as per the interim orders of Supreme Court to auction of land allotted to United Tractors - a sick company. Realisation of deposit is subject to final judgement of the honourable Supreme Court.

11. CURRENT ASSETS

	(Rs. in lakhs)	(Rs. in lakhs)
11.1 INVENTORIES (As certified by the Management)	As at 01-06-2014	As at 31-03-2014
Construction Materials	45.09	45.09
Stock in trade - Land	2,67,362.13	2,67,389.70
Stock in trade - Land Development	4,804.93	4,755.99
Stock in trade - Buildings	982.98	835.85
Stock in trade - Sheds	940.86	943.50
Stock in trade - Water Supply	4,107.79	4,118.25
Stock in trade - Sewerage	719.65	719.79
Stock in trade - External Electrification	3,507.14	3,530.54
Stock in trade - Roads and Bridges	17,901.60	17,956.27
Houses - Stock	26.61	26.61
Hire Purchase Stock - Sheds	61.08	61.08
Subtotal	300459.86	300382.67
Work - in -progress	54062.96	50982.64
Sub Total	54062.96	50982.64
TOTAL	354522.82	351365.31

11.2 Government Lands :

a) In respect of Government Lands taken possession and where alienation orders are not received the cost paid / cost payable is taken to books towards cost of inventory by creating provision.

11.3 Inventories

The minus balances in certain estates reflected in the books is due to elimination of cost on execution of sale deeds, revision of layouts at a later date, refund of excess amounts deposited with land acquisition officers on finalisation of court cases. The same is under review and reconciliation. Necessary rectification will be made after review and reconciliation.

Lands :	
Name of the Area	Details
AIE Bondhan	Current Assets include land, sheds, buildings etc. amounting to Rs.16.01 lakhs acquired by Company for which sale deed is yet to be executed.
IDA Jeedimetla, Phase.v	86.725 acres of land was taken possession from Government on lease for 99 years for which no liability was created pending fixation of lease rentals.
IE Gudur	10 acres of land was taken possession along with super structures as per G.O. Ms. No.703,Health, dt. 29.6.1977 which was not included in the assets of the Company pending finalization of the cost and other formalities by Government.
Izzatnagar (v), Serilingampalli mandal, R R District	An exten of 15.139 acres of Government land in survey No 5/9(p), 5/10(p) and 5/11(p) at Izzatnagar (v), Serilingampalli mandal of R R District was taken possession by the Corporation on 10.10.2005 as per G.O. Ms. No. 133, TR & B (R III) Department dated 22.06.2005. The same was not taken to books of account pending finalisation of land cost and other formalities by Government.
Krishnapatanam (v), Nellore District	An extent of 1021.67 acres of ceiling surplus land was leased out to the Company by Go AP vide G.O. Ms. No. 241 dated 28.02.2005 for a period of 25 years. This land was not taken to books of accounts as the lease terms and conditions are not finalised by GoAP.
Raidurg (v), Serilingampalli mandal, R R District	Government of Andhra Pradesh transferred an extent of 470. 63 acres of surplus land in survey No. 83 of Raidurg(v), Serilingampalli mandal, R R District vide G.O. Ms. No. 161 dated 13.02.2006 and G.O. Ms.No. 1077 dated 02.09.2008 of Revenue (UC. II).Department for resource mobilisation.Pending sale/Auction of Raidurg Lands, an amount of Rs.4,89,227lakhs was remitted to Government of Andhra Pradesh towards resource mobilisation. An amount of Rs. 2,03,215 lakhs was realised on auction of 120.00 Acres of the above lands which was capitalised in the books of accounts. An amount of Rs. 1,46,920 lakhs payable to Go AP was adjusted against the advance payment towards cost of other Govt. Lands. Balance amount of Rs. 1,47,201 lakhs is receivable / due from Government on account of resource mobilisation. Raidurg Lands to the extent of 359.00 acres was not taken in the books of accounts pending finalisation of extent of land for resource mobilisation and the cost of the land and no profit/loss is considered on sale of lands.

12. TRADE RECEIVABLES

(Unsecured and Considered Good)

(Rs. in lakhs)

As at 01-06-2014

(Rs. in lakhs)

As at 31-03-2014

(a) Debts exceeding 6 months

5247.80

4949.81

(b) Other debts

349.83

349.83

Subtotal

Less : Provision for doubtful debts

1111.64

1111.64

Subtotal

4485.99

4188.00

TOTAL

4485.99

4188.00

The age wise analysis for the sundry debtors was done based on the date of invoice instead of due date for payment. Allowance for doubtful debts is created at 100% on principal amount for debtors outstanding more than 3 years as on 31.03.2014. Agewise analysis for sundry debtors was made upto the period ending 31.03.2014.

13. CASH AND CASH EQUIVALENTS

(Rs. in lakhs)

As at 01-06-2014

(Rs. in lakhs)

As at 31-03-2014

Cash on Hand -Estates

0.07

0.00

Cheques / DDs on hand - Estates

0.00

8.85

Balance in Bank Accounts

4801.48

5106.74

Balance with Banks - Estates

220.90

124.29

Bank Deposits less than 3 months :

Fixed Deposits	3561.75	5538.47
Accrued interest on Fixed Deposits less than 3 months	597.45	312.00

Earmarked Balances with Banks :

Public Deposit Account - Funds from PD Account can be drawn only against the bills of sanctioned works	10768.24	8285.55
TOTAL	19949.89	19375.90

14. SHORT - TERM LOANS AND ADVANCES**Advances Recoverable in Cash or in Kind for the value to be received**

Interest free Loans & Advances to Staff etc.	869.51	1089.44
TOTAL	869.51	1089.44

15. OTHER CURRENT ASSETS

(Rs. in lakhs) (Rs. in lakhs)
As at 01-06-2014 As at 31-03-2014

15.1 Accrued interest on Fixed Deposits more than 3 months		
Interest / Income Accrued	0.00	285.45
Bank Deposits for more than 3 months	1007.19	1007.19
Other advances	20229.59	20202.85
IT deducted at Source	292.76	214.15
Capital Expenditure to the extent not written off	0.85	1.70
MAT Credit		
	746.38	746.38
TOTAL	22276.77	22457.72

Fixed Deposits include an amount of Rs.1007.19 Lakhs in ING Vysya Bank Limited, Abids Branch towards collateral Security in respect of Bank Guarantee given on behalf of Andhra Pradesh Gas Infrastructure Corporation Pvt. Limited.

15.2 Sundry debtors, Loans and advances are subject to confirmation

15.3 Land allotted under IT Policy of Government of A.P. :

As per G.O. Ms. No. 114 dated 25.05.1999 of Finance and Planning (Plg. IT&C) Department, the cost of rebate/incentives granted to IT Companies will be adjusted against cost of Government lands alienated to APIIC. In pursuance of the above G.O., the amount of Rs.46,41,24,873/- (Previous year Rs. 46,41,24,873/-) receivable from Government of Andhra Pradesh is exhibited under Other Current Assets of Balance Sheet as alienation orders for various Government lands are awaited.

16. CONTINGENT LIABILITY :**16.1 CIVIL WORKS :**

S.No	Particulars	As on 01.06.2014 (Rs. in lakhs)	2013-14 (Rs. in lakhs)
(i)	Estimated amount of contracts remaining to be executed on capital account not provided for	5021.83	5021.83
(ii)	Claims against the company not acknowledged as debts	49.47	49.47
(iii)	Arbitration & Court Cases Contingent liabilities : Work Contracts Etc.	823.36	823.36

16.2 LAND ACQUISITION :

S.No.	Particulars	As on 01.06.2014 (Rs. in lakhs)	2013-14 (Rs. in lakhs)
(i)	Claims made by pattadars but being contested in lower Courts	13,809.00	13,809.00
(ii)	Claims decreed by lower courts, but being contested in higher Courts	3,071.00	3,071.00
(iii)	Other Legal Cases	1,06,737.00	1,06,737.00

Note : The amounts indicated at 16.2 above are excluding Solatium, Additional Market Value and Interest.

16.3 A total amount of Rs. 7,303.21 lakhs demanded by the Income Tax Department for A.Y. 2006-07 (Rs. 5,865.96 lakhs) and 2011-12 (Rs. 1,437.25 Lakhs) towards Income Tax and Fringe Benefit Tax was not taken into books of accounts and accordingly no provision was made as the cases are pending with the authorities of Income Tax Department.

16.4 A total amount of Rs. 247.05 lakhs was demanded by the Central Excise and customs Department for various financial years towards Service Tax payable. The same not taken into books of accounts and accordingly no provision was made as the cases are pending.

16.5 Land Conversion Charges :

The State Investment Promotion Committee (SPIC) in its meeting held on 26.04.2013, decided not to provide exemption to the corporation from payment of land conversion fee for non-agricultural purposes foregoing state revenues since APIIC would pass on any costs to the end client. Accordingly, an amount of Rs. NIL (Previous Year Rs. 29,851.91 Lakhs) towards conversion fee was provided in the books of accounts during the period.

16.6 Bank Guarantee :

The Corporation has given guarantee for an amount of Rs. 929.00 lakhs on behalf of Andhra Pradesh Gas Infrastructure Corporation Ltd., (Previous year Rs. 949.00 lakhs) for which collateral security as Fixed deposit for the same amount is held.

17. REVENUE FROM OPERATIONS	(Rs. in lakhs)	(Rs. in lakhs)
	As at 01-06-2014	As at 31-03-2014
Sale of Land, Houses, etc.	3644.28	117512.76
Interest on Hire Purchase and ORS	52.29	169.01
Retnal Demands	266.28	1583.73
Water Demands	416.56	1878.61
Other Operating Revenue	89.89	230.64
TOTAL	4469.30	121374.75

18. OTHER INCOME	(Rs. in lakhs)	(Rs. in lakhs)
	As at 01-06-2014	As at 31-03-2014
Interest on Advances to Staff	3.44	8.65
Interest on Other Loans and Advances	41.36	243.46
Interest on Fixed Deposits	173.48	1030.78
Interest on Debentures	324.19	314.62
Interest on Rental & Water charges Arrears	32.71	103.40
Dividend Receipt	0.00	290.87
Penalty and Surcharges	163.97	1507.23
Miscellaneous Receipts	45.86	384.10

Local Authority Income	22.17	181.38
Sale of Solar Power	47.02	245.35
Provisions written back	0.00	0.08
TOTAL	<u>854.20</u>	<u>4309.92</u>

**IALA :
EXPENDITURE**

19. COST OF SALES	(Rs. in lakhs)	(Rs. in lakhs)
	As at 01-06-2014	As at 31-03-2014
Cost of Sales - Land	1547.71	115783.67
Cost of Sales - Houses	0.11	0.62
Cost of Sales - Sheds	0.00	0.21
TOTAL	<u>1547.82</u>	<u>115784.50</u>

20. EMPLOYEE BENEFITS EXPENSE :	(Rs. in lakhs)	(Rs. in lakhs)
	As at 01-06-2014	As at 31-03-2014
Salaries and Allowances	891.69	3330.40
Contribution towards Provident and Other Funds	58.79	293.07
Contribution to Group Gratuity Premium	2.13	116.56
Staff Welfare Expenses	72.63	138.50
Sub total	<u>1025.24</u>	<u>3878.53</u>
Less: Expenditure Capitalised / transferred to other heads	0.00	1060.89
Sub - Total	<u>0.00</u>	<u>1060.89</u>
TOTAL	<u>1025.24</u>	<u>2817.64</u>

20.1 Managerial Remuneration

	For the period	For the year
	01.04.2014 to 01.06.2014	2013-14
	(Rs. in lakhs)	(Rs. in lakhs)
Vice Chairman & Managing Director		
Salaries and Allowances	3.11	19.88
Rent	0.00	0.01

21. OTHER EXPENSES

(a) REPAIRS & MAINTENANCE EXPENSES

	(Rs. in lakhs)	(Rs. in lakhs)
	As at 01-06-2014	As at 31-03-2014
Computers	1.62	4.18
Pumpsets	0.02	1.17
Electrification	0.09	0.82
Office Equipment	1.98	7.25
Refrigerators, A.Cs and Air Coolers	0.30	0.87
Vehicles	2.41	3.49
Furniture and Fixtures	0.01	0.14
Others	2.79	0.96
Electric Equipment	0.09	0.48
Sub - Total	<u>9.31</u>	<u>19.36</u>

Less : Expenditure Capitalised	0.00	6.57
Sub -Total	<u>9.31</u>	<u>12.79</u>

(b) ADMINISTRATION & GENERAL EXPENSES

	(Rs. in lakhs) As at 01-06-2014	(Rs. in lakhs) As at 31-03-2014
Travelling Expenses	20.61	157.61
Rent	3.91	17.22
Rates and Taxes	0.74	7.57
Vehicle Maintenance	47.01	301.87
Electricity Charges	8.32	72.89
Water Charges	162.05	1040.79
Repairs and Maintenance - Estates	6.76	150.52
Insurance	1.82	0.64
Other Expenses	338.09	694.67
Corporate Social Responsibility	0.00	200.00
Total Expenditure before Capitalisation	<u>589.31</u>	<u>2643.78</u>
Less : Expenditure Capitalised	0.00	318.59
Sub - Total	<u>589.31</u>	<u>2325.19</u>
(c) Administration charges on Deposit works		
Administration charges on Deposit works	0.00	451.02
Sub - Total	<u>0.00</u>	<u>451.02</u>
(d) Expenditure on ERP and others		
ERP Expenditure and others	31.59	69.74
Sub - Total	<u>31.59</u>	<u>69.74</u>

	(Rs. in lakhs) As at 01-06-2014	(Rs. in lakhs) As at 31-03-2014
(e) PRIOR PERIOD ITEMS (Net)		
Revenue from operations	0.00	(545.36)
Other Income	0.00	(137.85)
Employee benefit expenses	0.00	(296.54)
Administrative & General Expenses	0.00	106.02
Others	0.00	0.47
Sub - Total	<u>0.00</u>	<u>(873.26)</u>
TOTAL	<u>630.21</u>	<u>1985.48</u>

The policy of capitalisation of administrative expenditure on engineering personnel / officers of the company engaged on civil works is charged during the period. The expenditure is charged to revenue instead of capitalising the same. The impact of the charge is Rs. 183.68 lakhs for the period.

Other Administrative expenses includes the following auditor's remuneration :

Statutory Audit Fee	0.00	3.00
Out of pocket expenses	0.00	0.50
Fee for Audit of Consolidation of Accounts	0.00	1.50
Service Tax Thereon	0.00	0.57
TOTAL	<u>0.00</u>	<u>5.57</u>

22. The Government of Andhra Pradesh has entrusted certain Local Authority powers to the Company like collection of Property tax, maintenance of Common facilities in respect of certain Industrial Parks and Industrial Development Areas. The local authority powers are vested with APIIC Industrial Areal Local Authority (IALA) for each industrial area and the income and expenditure in this regard is being accounted for in the books of accounts maintained by the respective IALAs and hence not accounted for in the accounts of the Company.
23. The company proposed for levy of penal charges of Rs.1.82 Crores before 2013-14 for non payment of debenture interest for which the CBD Towers has requested for waiver of the same as part of the restructuring proposal. The restructuring proposal submitted by CBD Towers is under consideration of the company. The same was not recognised in the accounts for the year as per AS - 9 Revenue Recognition in view of the uncertainty in the ultimate collection.
24. Long term borrowings are in substance guarantee by the company to RINL, NTPC and OBC on behalf of VIWSCO and Govt. of AP there are not net cash flows in this regard and accordingly the cash flows from the financing activities in the cash flow statement are considered as NIL.
25. Provisions are created during the period to the extent required. Wherever, provisions are not reviewed and created for the period, the closing balances as on 31.03.2014 are adopted as the closing balances as on 01.06.2014.
26. Previous year's figures have been regrouped / rearranged wherever necessary and have been rounded off to lakhs.

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
V. UMAPATHI
PARTNER

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP
CHANDRA, IAS
DIRECTOR

M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
P. KRISHNAIAH, IAS (Retd.,)
CHAIRMAN

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

Independent Auditor's Report

To
The Members of
Andhra Pradesh Industrial Infrastructure
Corporation Limited. Hyderabad

Report on the Financial Statements :

We have audited the accompanying financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited, which comprise the Balance Sheet for a period of two months and one day i.e., from 01/04/2014 to 01/06/2014 and the Statement of Profit and loss and cash flow statement for the period 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 Corporation in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation of 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 mis-statement, 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 mis-statement.

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 judgement, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Corporation'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 qualified opinion.

Basis for Qualified Opinion :

1) Equity Share Capital (Please Refer Note 2 of Financial Statements) :

The issued subscribed and paid up capital of the company is Rs. 16,32,75,000 divided into 1,63,275 number of equity shares of Rs. 1000 each fully paid up. As per information made available to us, the investment in the books of Government of Andhra Pradesh stands at Rs.27.41 Crores. This needs reconciliation in the light of bifurcation.

2) Reserves and Surplus : Capital Reserve

Receipt of Rs.13 Crores from Government of Andhra Pradesh as share capital vide GO. Numbers 107 dated 22.07.1995, 108 dated 26.07.1995, 330 dated 16.09.1998, 171 dated 27.05.1999, 224 dated 28.05.2002 pending for many years classified as capital reserve. In our opinion, this needs to be classified as share application pending allotment.

3) Income Recognition as per Accounting Standard 9 (refer Accounting Policy No.3) :

As per Accounting Standard 9, the income needs to be recognized as and when the risks and rewards are passed on to the buyer. However, the Corporation is adopting a policy of recognizing the income when the sale deed is entered regardless of the agreement entered with the allottee.

This treatment is in contravention of AS 9. As on 01/06/2014 an amount of Rs.4,221.10 Crores is shown in the books as liability towards "Deposits received from Allottees". In addition to the above, an amount of Rs.289.87 Crores is towards initial deposit (EMD) pending issue of allotment letters to the applicants.

We are not in a position to quantify the exact quantum of under-statement of sales due to non-furnishing of information.

The adoption of recognition of income on receipt of full consideration will amount to recognition of income on cash basis. Further no entries are being passed on accrual basis immediately on issue/release of sanction letters by the corporation and consent by the applicants.

4) Treatment of transactions pertaining to Industrial Area Local Authority (Refer to Note 18.1 of the Financial Statements) :

In our opinion, the transactions of IALAs and the impact thereof on Assets and Liabilities and Profit / Loss thereof should be brought to the books of accounts and by not clubbing / consolidating the impact of these transactions:

- a) The Assets and Liabilities of the Corporation have been understated.
- b) The impact of the profit/loss on account of these transactions has not been brought to books of accounts.
- c) Cash Flows are understated.

We are not in a position to quantify the impact on Assets and Liabilities and Profit/Loss due to failure on the part of the management to provide the necessary information.

5) Administrative Buildings :

The administrative buildings situated in and zonal offices have not been treated as Fixed Assets and not calculated the depreciation as per Companies Act, 1956. Further we were informed they were included in the Inventory. We are not in a position to quantify the impact of the same on the Profit and Loss Account and the under-statement of Fixed assets - Buildings and over-statement of Inventory due to non-availability of information by the management. Unless this has been corrected the bifurcation will not be equitable.

6) Inventory (Refer Note 11.3) :

As per the information and explanation given to us there is no proper system in place with regard to reconciliation of closing stock as per physical verification and book stock. In the light of the above, we are not in a position to comment on the valuation of the inventory. Further it is observed that the closing stock of Rs. 3,004.59 Crores consists of a negative stock of Rs.154.91 crores. For the past few years the same note is being continued without any review and reconciliation.

7) Provision for Contractual Obligations (Refer Note 7.5 and accounting policy 3.1) :

During the period, an amount of Rs.482.71 Crores provision was appearing in the books of accounts for the pending

works proposed to be completed. It appears that no proper review has been made and we are not in a position to comment whether the provision existing is adequate or inadequate.

8) Conversion Charges (Refer Note 6.5) :

As per the information and explanation given to us, the corporation has an existing liability to the tune of Rs. 298.51 crores in the Financial Year 2013-14 as conversion charges payable by various Industrial estates. The said liability is included in the stock in trade - Land. The company has failed to identify the quantum of amount that is chargeable to sales pertaining to previous years and should disclose such amount as Prior period expenditure.

9) Provision for Bad and Doubtful Debts :

We are not in a position to comment upon the existing provision of Rs. 11.12 Crores for bad and doubtful debts which was net of from the trade receivables. Further we are not in position to adequacy or inadequacy of the provision for bad and doubtful debts.

10) Non Disclosure in Notes to Accounts :

As per Accounting Standard 24 (Discounting Operations) issued by ICAI shall apply to the accounts for the period from 01.04.2014 to 01.06.2014. There is no disclosure by the company in the Notes to accounts to the financial statements.

Qualified Opinion :

In our opinion and to the best of our information and according to the explanation given to us, the financial statements give the information required by the Act in the manner so required subject to above comments mentioned under qualified opinion 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 Corporation as at 1st June, 2014;
- b) In the case of the Profit and Loss Account, of the profit for the period ended on that date;
- c) In the case of the Cash Flow Statement, of the Cash Flows for the period ended on that date.

Emphasis of Matter :

Non Confirmation (Refer Note 15.2 and 6.5) :

(1) Attention is drawn to the Note No 15.2 wherein the corporation has confirmed the balances of sundry debtors, Loans and Advances and are yet to be reconciled with respective parties. Similarly Trade payables, Loans and Advances shown under Note 6.5 are yet to be confirmed and reconciled.

(2) Attention is drawn to the Note 8.1.5 wherein the depreciation of Rs.29.32 crores is set off against the Credit balance in the Profit and Loss A/c.

Report on Other Legal and Regulatory Requirements :

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 Corporation so far as appears from our examination of those books.
- c) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement, with by this Report are in agreement with the books of account.

(d) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement comply with the Accounting Standards notified under the ACT read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013 (except AS-2: Valuation of inventories, AS 9 Revenue Recognition and AS 24 Discontinuing Operation).

e) On the basis of written representations received from the directors as on 1st June, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 1st June, 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) This report is issued in supersession of our earlier report dated. 27/09/2014 consequent upon the Letter No. : AG / (E & RSA) / ES-II / D3/II / 2015-16 / 24 dated 08/12/2015 of DAG / ES - II and Letter dated 11/01/2016 of C & AG.

Place : Hyderabad

Dt:20-02-2016

For Jawahar and Associates

Chartered Accountants

FRN. No.: 001281S

Sd/

V.Umapathi

Partner,

M.No. 21887

Annexure to the Auditor's Report

The Annexure referred to in our report to the members of M/s **Andhra Pradesh Industrial Infrastructure Corporation Limited** for the period ended 01/06/2014

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:

- (1)
 - a) The Corporation has not maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) There is no document evidencing that the assets have been physically verified by the management during the year and in our opinion there is no regular programme of verification which is reasonable having regard to the size of the Corporation and the nature of its assets. Since there is no verification, we are not in a position to comment upon the treatment of material discrepancies, if any. So as to affect its going concern status.
- (2)
 - a) There is no document evidencing that the physical verification of Inventories was carried out periodically by the management during the period.
 - b) As per the information and explanations given to us there is no physical verification procedure in place and hence we are not in a position to comment upon the adequacy or inadequacy of procedures in relation to the size of the Corporation and nature of business.
 - c) As per the information and explanations given to us, the Corporation's Asset Management is maintaining records pertaining to quantitative data and Finance Department is also maintaining records of inventory with valuation and no reconciliation is appeared to have been done on a periodical basis. Since there is no physical verification of inventory being carried out, we are not in a position to comment upon the treatment of discrepancies, if any.
- (3)
 - a) The Corporation has given unsecured advances to the following Subsidiaries, who are covered in the Register to be maintained Under Section 189 of the Companies Act, 2013 for the period and outstanding balances are as under.

(Amount in Lakhs)			
S.No.	Party and Relation	Maximum Amount Involved (Rs.)	Balance as at 01/06/2014 (Rs.)
	LONG TERM LOANS and ADVANCES		
1.	Visakhapatnam Water Supply Company - Loan to Joint Venture	2,32,00,00,000	2,32,00,00,000
2.	Fab City SPV (India) Pvt. Limited - Advance to 89% Subsidiary Company	14,73,68,409	14,09,94,280
3.	Visakhapatnam Water Supply Company - Funded Interest Loan to Joint Venture	1,22,23,19,000	1,22,23,19,000
4.	Krishnapatnam International Leather Corporation - Advance to 51% Subsidiary Company	22,14,390	22,14,390
5.	CBD Towers Private Limited - Advance to Associate Company	48,16,06,914	48,16,06,914

6	Visakhapatnam Industrial Water Supply Company - Interest	8,95,06,777	8,95,06,777
	SHORT TERM LOANS and ADVANCES		
7	Visakhapatnam Industrial Water Supply Company - Unsecured Advance to Joint Venture	24,34,64,380	24,34,64,380
8	Maheshwaram Science Park Limited - Advance to wholly owned Subsidiary	15,00,25,820	15,00,25,820
9	E - City manufacturing Cluster Limited - Advance to wholly owned Subsidiary	15,00,26,820	15,00,25,820

- b) As per the information and explanation given to us all the above advances except 6 and 7 are interest free advances are to either subsidiary companies or Joint ventures or Associates companies and there is no repayment schedule. As per the information and explanations given to us, pending approval of the restructuring plan submitted by VIWSCO, in our opinion the repayment of installments is overdue.
- c) As per the information and explanations given to us, the terms of arrangement do not stipulate any repayment schedule. With regard to serial no. 1 to 6. In respect of VIWSCO loan as per the books of accounts, the repayment of installment for the year 2012-13, 2013-14 and for the period from 01/04/2014 to 01/06/2014 were due and due to non-reconciliation no entries were passed hence We are not in a position to comment on overdue amount.
- (4) 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 Corporation and the nature of its business with regard to purchases of inventory, fixed assets and sales. During the course of our audit, we observe that there is no continuous failure to correct major weakness in the interest control system.
- (5) According to the information and explanations given to us, the company has not accepted any deposits in terms of directions issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions under the Companies Act and the rules framed there under.
- (6) As per Section 148(1) of the Companies Act, 2013 read with companies (cost accounting records) Rules, 2013, the maintenance of cost records compulsory. No cost audit is conducted for the period.
- (7) a) The Corporation is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, Cess and other statutory dues applicable to it, though there are certain delays in respect of certain zones in respect of VAT amounting to Rs.24 Lakhs and conversion charges amounting to Rs. 298.51 Crores for a period of Six months from the date they become payable.

b) (i) According to the information and explanation given to us, the following are the dues of income tax, customs duty, which have not been deposited on account of dispute.

Name of the Statute	Nature of the Dues	Amount (Rs. in Crores)	Assessment Year	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	58.43	2006-07	Commissioner (Appeals)
Income Tax Act, 1961	Fringe Benefit Tax	0.23	2006-07	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax	14.38	2011-12	Commissioner (Appeals)
Finance Act, 1994	Service Tax	2.47	Different periods	Commissioner Appeals) / CESTAT

(ii) According to the information and explanation given to us, there are no dues on respect of Wealth tax, excise duty and cess.

c) In our opinion and according to the information and explanations given to us, amounts required to be transferred to the Investor Education and Protection Fund in accordance with the relevant provisions of Companies Act 1956 and rules thereunder have been transferred to such fund within time.

(8) In our opinion the net worth of the company is Positive. The Company has not incurred any cash loss during the period covered under audit and there is no cash loss in the immediately preceding financial year.

(9) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.

(10) As per the information and explanations given by the management the corporation has given a Guarantee of Rs. 9.29 Cr (Previous Year Rs. 9.29 Cr) to its subsidiary. In our opinion the terms and conditions of the guarantees are not prejudicial to the interests of the Corporation.

(11) According to the information and explanations given to us, the company has not availed any term loans during the period under our audit.

(12) Based upon the audit procedures performed and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : Hyderabad
Date : 20/02/2016

For Jawahar and Associates
Chartered Accountants
FRN .001281S
Sd/-
V. Umapathi
Partner,
M.No.: 21887

Date: 13-05-2016

Lr.No. PAG(Audit)/AP/ES/D2-I/APIIC/2017-18/

To

The Vice Chairman and Managing Director,
Andhra Pradesh Industrial Infrastructure Corporation Limited
6th Floor, Parisrama Bhavan Basheerbagh,
HYDERABAD - 500 004.

Sir,

Sub : Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the Financial statements of the Andhra Pradesh Industrial Infrastructure Corporation Limited for the period ended 01 June 2014.

1. I am to forward herewith comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of your Company for the period ended 01 June 2014 for necessary action.
2. The date of placing of Comments along with along with annual accounts and Auditor's Report before the shareholders of the Company may please be intimated and a copy of the proceedings of the meetings furnished.
3. The date of forwarding the annual report and annual accounts of the Company together with the Auditors Report and Comments of the Comptroller and Auditor General of India to the State Government of both Telangana and Andhra Pradesh for being placed before the Legislature may also be intimated.
4. Ten copies of the annual report for the period from 01 April 2014 to 01 June 2014 may be furnished in due course.
5. The receipt of this letter along with enclosures may please be acknowledged.

Yours faithfully

Sd/-

Sr. Deputy Accountant General/ES-II

Encl : As Above

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED FOR THE PERIOD ENDED 01 JUNE 2014.

The Andhra Pradesh Industrial Infrastructure Corporation Limited included in schedule IX of the Andhra Pradesh Re-organisation Act, 2014 prepared the accounts for the period 1 April 2014 to 1 June 2014 to give effect to the provisions of the Andhra Pradesh Re-organisation Act, 2014.

The preparation of financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the period ended 1 June 2014 in accordance with financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act, are responsible for expressing opinion on these financial statements under Section 143 of the Act based on independent audit in accordance with the Standards on auditing prescribed under section 143(10) of the Companies Act, 2013. This is stated to have been done by them vide their Revised Audit Report dated 20.02.2016.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6) (a) of the Companies Act, 2013 of the financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the period ended 1 June 2014. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(a) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

Balance Sheet

Equity and Liabilities

1. Non - Current Liabilities - Rs. 1517.61 crore

The above is understated by Rs. 191.30 crore is being the amount of , Charge Equalization Fund payable to VIWSCO by Government of Andhra Pradesh through APIIC, for supply of water by VIWSCO at concessional rate to RINL, GVMC and NTPC due to non accountal of the same in the books of accounts of the Company. It has also resulted in understatement of Long term Loans and Advances (amount receivable from Government of Andhra Pradesh) by Rs. 191.30 crore.

2. Long term Borrowings - Rs. 345.92 crore

The above is understated by Rs. 1.49 crore due to non-accountal of interest for the period of 01-04-2014 to 01-06-2014, on borrowings of Rs. 120.77 crore from Oriental Bank of Commerce, Hyderabad for acquisition of land for Rajiv Gandhi International Airport, Shamshabad. This has also resulted in understatement of Long term Loans and Advances by Rs. 1.49 crore (as recoverable from Govt. of Andhra Pradesh) as both principal and interest on the loan is guaranteed to be serviced by the said Govt.

Assets

3. Non-Current Assets - Rs. 569.26 crore

Capital WIP is understated by Rs. 7.33 crore due to non-accountal of capital expenditure as on 01-06-2014 on construction of Corporate Office complex at Masab Tank, Hyderabad. This has also resulted in overstatement of Inventories - WIP by Rs. 7.33 crore.

Profit and Loss Account

4. Interest on Fixed Deposits - Rs.1.73 crore

The above is understated by Rs. 2.04 crore due to non-accountal of interest accrued on fixed deposit for the period from 01.04.2014 to 01.06.2014. This has resulted in understatement of interest income and profit for the period and understatement of Other Non-current assets under Long term Loans and Advances (Note - 10) by Rs. 2.04 crore.

Accounting Policies

Revenue Recognition

5. Change of Accounting Policy

The accounting policy on Revenue Recognition of dividend income which was disclosed in the annual accounts of previous year was deleted from the current year's accounts and the impact, if any, of the same on financial statements was also not disclosed.

6. Notes to Accounts

Non - disclosure of demand raised by Go AP towards land conversion charges

As per Accounting Policy No. 11, Contingent liabilities not provided for are indicated by way of notes to accounts. There was no disclosure in respect of land conversion charges pertaining to Andhra region, including reasons for not providing for the amount of demand raised by Revenue Authorities of erstwhile GoAP in the books of accounts and status of persuasion with the State Government of AP for withdrawal of the balance demand. This was commented upon by CAG on the accounts for the year 2013-14. The Statutory Auditor has not commented on the non-disclosure of the contingent liability.

7. Non Preparation of Consolidated Financial Statements

The Company has not prepared Consolidated Financial Statements for the period 01-04-2014 to 01-06-2014. Though, the Accounts for the period 01-04-2014 to 01-06-2014 are final accounts and are prepared to give effect to the provisions of the Andhra Pradesh Reorganisation Act, 2014.

8. Auditor's Report

a) The Statutory Auditors in their report on the accounts of the Company for the year 2013-14 observed that the advance given to VIWSCO has not been grouped under Loans and Advances to related parties resulting in understatement of Loans and Advances to related parties and overstatement of Other Loans and Advances. The observation was not repeated in the Audit Report for the two months period though the same conditions existed as on 01-06-2014.

b) Consequent upon bifurcation of erstwhile Andhra Pradesh on 02.06.2014, the Company has prepared financial statements for the period from 01-04-2014 to 01-06-2014 to give effect to the provision of Andhra Pradesh Reorganisation Act, 2014. However, the Company has not included an appropriate note on demerger of the Company as per AS - 24.

The statutory auditor has qualified stating that the Company has not complied with AS - 24. The nature of bifurcation and the method of identifying the assets and liabilities to be bifurcated from the existing company were not brought out in Auditor's report.

Place : Hyderabad

Date : 13-05-2016

For and on behalf of the
Comptroller and Auditor General of India
Sd/-
(LATA MALLIKARJUNA)
ACCOUNTANT GENERAL (E & RSA)

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Balance Sheet as at 31st March 2015

	Particulars	Note No.	31.03.2015 (10 Months ending)	01.06.2014 (2 Months ending)	As at 31.03.2015	As at 31.03.2014
I	EQUITY AND LIABILITIES					
(1)	Shareholder's funds :					
a.	Share Capital	3	952.22	1632.75	952.22	1632.75
b.	Reserves and Surplus	4	31762.46	48727.26	31762.46	51325.94
	Share holder's Funds - Total		32714.68	50360.01	32714.68	52958.69
(2)	Non - Current Liabilities :					
a.	Long term borrowings	5.1	30264.87	34592.03	30264.87	34197.95
b.	Deferred tax liability (Net)	5.2	40.40	847.86	40.40	847.86
c.	Other Long term Liabilities	5.3	115466.98	87308.72	115466.98	85307.72
d.	Long term provisions	5.4	763.99	1221.61	763.99	1221.61
	Non-Current Liabilities - Total		146536.24	123970.22	146536.24	121575.14
(3)	Current Liabilities :					
a.	Trade payables	6	149.39	736.10	149.39	698.33
b.	Other Current Liabilities	7	179586.05	514201.82	179586.05	513055.60
c.	Short-term provisions	8	49222.40	50012.09	49222.40	49900.83
	Current Liabilities - Total		228957.84	564950.01	228957.84	563654.76
	Total Equity and Liabilities		408208.76	739280.24	408208.76	738188.59
II	ASSETS					
(1)	Non - Current Assets :					
a.	Fixed Assets					
(i)	Tangible Assets	9.1.3	33969.30	56926.60	33969.30	61541.57
(ii)	Capital Work in Progress	9.2.1	3335.55	2888.99	3335.55	2334.31
b.	Non - Current Investments	10	5573.62	32324.40	5573.62	32324.40
c.	Long-Term Loans and Advances	11	104759.79	256279.69	104759.79	254201.65
	Non-Current Assets - Total		147638.26	348419.68	147638.26	350401.93
(2)	Current Assets :					
a.	Inventories	12	187968.49	351633.83	187968.49	349031.01
b.	Trade Receivables	13	7521.93	4485.99	7521.93	4188.00
c.	Cash and cash equivalents	14	33531.27	19949.89	33531.27	19375.90
d.	Short term loans and advances	15	4253.56	5549.22	4253.56	5732.89
e.	Other current assets	16	27295.25	9241.63	27295.25	9458.86
	Current Assets - Total		260570.50	390860.56	260570.50	387786.66
(3)	Accounting Policies	1				
	Total Assets		408208.76	739280.24	408208.76	738188.59

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP
CHANDRA, IAS
DIRECTOR

Sd/-
P. KRISHNAIAH, IAS (Retd.),
CHAIRMAN
Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Profit and Loss statement for the period ended 31st March 2015

(₹ in Lakhs)

	Particulars	Note No.	02.06.2014.to 31.03.2015	01.04.2014 to 01.06.2014	2014 - 2015	2013 - 2014
I.	Revenue from operations	18	70492.68	4470.83	74963.51	121383.66
II.	Other Income	19	2647.06	852.67	3499.73	5378.05
III.	Total Revenue (1+2)		73139.74	5323.50	78463.24	126761.71
IV.	Expenses :					
a.	Cost of Sales	20	63093.23	1547.82	64641.05	115784.50
b.	Employee Benefits expense	21	1993.74	1034.04	3027.78	2875.47
c.	Depreciation and amortization expense		1375.09	1697.02	3072.11	378.36
d.	Other expenses	22	2614.24	621.41	3235.65	3004.69
	Total Expenses		69076.30	4900.29	73976.59	122043.02
V.	Profit before Exceptional and Extraordinary items & tax (III - IV)		4063.44	423.21	4486.65	4718.69
VI.	Exceptional Items		0.00	0.00	0.00	0.00
VII.	Profit before extraordinary items and tax (V - VI)		4063.44	423.21	4486.65	4718.69
VIII.	Extraordinary Items		146.17	0.00	146.17	0.00
IX.	Profit before tax (VII - VIII)		3917.27	423.21	4340.48	4718.69
X.	Tax expense :					
	(1) Current Tax - Current Year		799.23	89.87	889.10	988.99
	- Previous Year		580.76	0.00	580.76	565.01
	(2) Deferred Tax - Current Year		(807.43)	0.00	(807.43)	333.46
	(3) MAT Credit		0.00	0.00	0.00	0.00
	Total Tax expense		572.56	89.87	662.43	1887.46
XI.	Profit / (Loss) for the period (IX - X)		3344.71	333.34	3678.05	2831.23
XII.	Earning per equity share (in Rupees) : (Basic & Diluted) (Face value of Rs. 1000/- per share)		3513	204	3863	1734

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEPP
CHANDRA, IAS
DIRECTOR

Sd/-
P. KRISHNAIAH, IAS (Retd.),
CHAIRMAN

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

(ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED)

Cash Flow Statement for the year ended 31st March, 2015

(₹ in Lakhs)

Particulars	02.06.2014 to 31.03.2015	01.04.2014 to 01.06.2014	Current Year	Previous Year
Cash Flows from Operating Activities				
Net profit before taxation, exceptional and extraordinary items	4063.44	423.21	4486.65	4718.69
<u>Adjustments for :</u>				
Depreciation and amortisation	1375.09	1697.02	3072.11	378.36
Dividend Income	(1.32)	0.00	(1.32)	(290.87)
Profit /loss on sale of fixed assets	0.29	0.00	0.29	0.13
Operating profit before working capital	5437.50	2120.23	7557.73	4806.31
<u>Adjustments for :</u>				
Inventories	28440.43	(3157.51)	25282.92	357255.99
Trade receivables	(4887.24)	(297.99)	(5185.23)	(1775.39)
Other current and non-current assets	(26715.14)	180.95	(26534.19)	(6905.42)
Loans and Advances	(8621.80)	(1858.11)	(10479.91)	(189974.39)
Payables, liabilities and provisions	21568.92	3600.48	25169.40	(160909.81)
Net Cash Flow from Operating Activity before Income Tax	15222.67	588.05	15810.72	2497.29
Income tax paid	(984.56)	0.00	(984.56)	(805.73)
Net Cash Flow from Operating Activities before extraordinary items	14238.11	588.05	14826.16	1691.56
Extraordinary items	146.17	0.00	146.17	0.00
Net Cash Flow from Operating Activities after extraordinary items	14091.94	588.05	14679.99	1691.56
Cash flows from Investing Activities :				
Acquisition of fixed assets	(512.23)	(14.06)	(526.29)	(191.58)
Purchase of investments	0.00	0.00	0.00	(2.00)
Dividend income	1.32	0.00	1.32	290.87
Sale of fixed assets	0.35	0.00	0.35	0.02
Net Cash flow from Investing Activities	(510.56)	(14.06)	(524.62)	97.31
Cash Flow from Financing Activities :				
Proceeds from issuance of share capital	0.00	0.00	0.00	0.00
Net Cash flow from financing activities	0.00	0.00	0.00	0.00
Net increase in Cash and Cash Equivalents	13581.38	573.99	14155.37	1788.87
Cash and cash equivalents at the beginning of the year	19949.89	19375.90	19375.90	17587.03
Cash and cash equivalents at the end of the year	33531.27	19949.89	33531.27	19375.90

This is the Cash flow statement referred to in our report

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP
CHANDRA, IAS
DIRECTOR

Sd/-
P. KRISHNAIAH, IAS (Retd.),
CHAIRMAN

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Notes forming part of Balance Sheet and Statement of Profit & Loss

1. ACCOUNTING POLICIES :

(1) **Company Information**

Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC Ltd.), the company was incorporated in the year 1973 under the Companies Act, 1956 to formulate, promote, finance, aid, assist, establish, manage and control schemes, projects or programmes, to provide and develop infrastructure facilities and other services of any description in order to promote and assist the rapid and orderly establishment, growth and development of industries and commerce in the State of Andhra Pradesh.

The financial statements have been prepared in accordance with the Schedule III of the Companies Act, 2013 to the extent applicable and necessary details have been disclosed in the said statement as per the schedule.

(2) **Basis of preparation of Financial Statements**

- 2.1** The Financial Statements of the Company have been prepared based on Historical cost convention in accordance with Indian Generally Accepted Accounting Principles (GAAP) and provisions of the Companies Act 2013, as adopted consistently by the Company. The company follows the mercantile system of accounting.
- 2.2** Based on the nature of its activities, the company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.
- 2.3** Amounts in the Financial Statements are presented in Rs. Lakhs except for per share data and as otherwise stated. All exact amounts are stated with suffix “/-”.

(3) **Estimates**

- 3.1** The preparation of Financial Statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of Financial Statements and reported amounts of income and expenses during the period. Examples of such estimates include provision for doubtful debts, employee retirement benefit plan, provision for gratuity etc.

(4) **Revenue Recognition**

- 4.1** Income from sale of land, sheds and buildings is recognised on execution of sale agreement and handing over physical possession of the premises.
- 4.2** Lease income is recognised in the statement of Profit and Loss on straight line basis over the lease term unless there is another systematic basis which is more representative of the time pattern of the lease. Revenue from lease rental is disclosed net of indirect taxes if any.
- 4.3** Lease premium in respect of Special Economic Zones is being amortised over the lease term and revenue recognised accordingly considering the lease as operating lease.
- 4.4** In respect of deposit works undertaken, Centage Charges are recognised as income based on percentage of work completion.

- 4.5** Processing fee and penal interest income on delayed payments towards land cost are recognised on receipt basis.

(5) VALUATION OF INVENTORIES

- 5.1** Inventories such as land, HP stock, construction material, stock in trade at IPs/IDAs, housing stock, and work in progress are valued at cost.

(6) Fixed Assets

- 6.1** Fixed assets are accounted on historical cost and are shown net of accumulated depreciation. Historical cost includes purchase price and all attributable costs (freight and non-refundable duties and taxes) for bringing the asset to working condition for intended use.
- 6.2** All lands and other assets relating to Special Economic Zones which are fixed in nature are treated as Fixed Assets and accounted on historical cost and the accumulated depreciation are shown separately.
- 6.3** Any profit / loss on sale, discard / disposal of an asset is charged to profit & loss account in that year.
- 6.4** Self constructed assets / addition to assets are taken into account after receiving the information from the competent authority.
- 6.5** In case of purchase / addition of assets whose value \leq Rs.5000/- are charged to Profit & Loss Account.

(7) Depreciation

- 7.1** Depreciation on assets is charged on Straight Line method at the rates prescribed in schedule II of Companies Act, 2013.
- 7.2** In case of any addition/transfer/deletion of an asset, depreciation is charged proportionately based on number of days, from the date when the asset is ready for intended use or till the date of disposal or transfer, as the case may be.

(8) Investments

- 8.1** All the long-term investments (unquoted) are stated at cost of acquisition. Cost of the investment includes all direct cost incurred for acquisition of investments such as purchase price (Land transferred or Cash), brokerage, commission, stamp duty etc.
- 8.2** Long term investments are carried at cost less provision for diminuation other than temporary, in the value of investments.

(9) Employee Benefits

9.1 Provident Fund :

Company's contribution to the Provident Fund is deposited with the Trust formed by the Company under the Employee's Provident Fund & Miscellaneous Provisions Act, 1952 and which is recognized by the Income Tax authorities. Such contributions are charged to Profit & Loss account each year.

- 9.2 Gratuity :** The Group Gratuity for the employees of the Company is covered under a policy taken from Life Insurance Corporation of India. The premium paid is charged off in the accounts. The amounts paid in certain cases in excess of amounts reimbursed by LIC are also charged off in the accounts.

9.3 **Leave Encashment :** In respect of Leave Salary payable to employees, provision is made in the accounts under projected unit credit method based on actuarial valuation report.

No provision of Leave Salary contribution, Pension contribution and Gratuity is made in respect of employees working on deputation. The amount paid for the year is charged off to revenue during the year of payment. Provision for probable leave salary payable for next twelve months is shown under short term provisions and the balance provision is shown under long term provisions.

(10) Provision for Bad and Doubtful Debts

Provision for bad and doubtful debts is made @100% on Interest receivable on account of Rentals, Penal interest on Hire purchase, water charges etc and 100% of sundry debtors in respect of water, rentals, deposit works exceeding more than 3 years.

(11) Project Grants

Grants received for execution / development of projects (Growth Centers etc.,) are adjusted against the expenditure incurred on projects concerned and the balance is shown under the deposits and grouped under other liabilities.

(12) Contingent Liabilities

Contingent liabilities not provided for are indicated by way of notes to accounts.

(13) Cash and Cash Equivalents

Cash and Cash equivalents for the purpose of cash flow statement comprises cash at bank and in hand and short term investments with an original maturity of 3 months or less. Cash flow statement is prepared using the indirect method.

(14) Miscellaneous

The liability on account of leave travel facilities available to the employees, liability towards electricity and water charges for which bills are not received and property tax etc., leviable on land and sheds for which assessments are not completed, will be provided on payment basis.

(15) Taxes on Income

Provision for Current Tax is made on the basis of taxable profits computed for the current accounting period (reporting period) in accordance with the provisions of the Income Tax Act, 1961.

Provision is made for deferred tax for all timing differences arising between taxable income and accounting income at currently enacted or substantially enacted tax rates.

NOTES TO ACCOUNTS

BALANCE SHEET:

2. The business of the company was reorganised and segregated into Andhra region and Telangana region as per the provisions of the AP Reorganisation Act, 2014, w.e.f 02.06.2014 consequent to bifurcation of the erstwhile state of Andhra Pradesh. A new company namely TSIIC Limited was incorporated on 04.09.2014 under the Companies Act, 2013 and took over the Telangana Division of APIIC w.e.f 02.06.2014.

The company prepared demerger scheme as per the provisions of AP Reorganisation Act, 2014 and the same was approved by the joint Board represented by the Govt. of Andhra Pradesh and Telangana in its 199th meeting held on 02.05.2014 and 202nd meeting held on 26.03.2015 duly authorising the Vice Chairman and Managing Directors of both AP and TS Divisions to make necessary modifications. The same was reviewed and approved by the expert committee constituted by the Government for the purpose., vide its letter dated 16.05.2015 and was sent to both the Governments for approval.

The Board of APIIC further authorised the Vice Chairman and Managing Director of both the divisions to finalise the modalities and allocation of employees in its 202nd meeting held on 26.03.2015. Accordingly, final allocation of employees to APIIC Limited and TSIIC Limited was made which is subject to scrutiny and approval of the committee appointed / guidelines issued if any by the Central Government for a llocation of employees of PSUs. The assignment of division of employees was entrusted to the expert committee vide G.O. Rt. No. 2066, Dt: 26.09.2016.

The orders on approval of the Demerger Scheme is yet to be issued by the Government (s). Pending issue of orders from both the Governments, the assets, liabilities, employees and proceedings of Telangana were transferred and vested with TSIIC Limited. The Accounts were prepared considering the demerger scheme approved by the expert committee and necessary entries were made in the books of accounts accordingly. The entries made are subject to review, Reconciliation and modification.

The Assets and Liabilities pertaining to operational units are apportioned on location basis and pertaining to Head Quarters are apportioned on population basis. Investments are apportioned on location basis where the projects are located in a specific region and in case of projects having multiple units falling within the territories of states of Andhra Pradesh and Telangana on population basis.

Book value of total assets of Rs. 3,73,490.23 lakhs and liabilities of Rs. 3,50,930.67 lakhs as on 01.06.2014 were transferred and vested with telangana region i.e., TSIIC Limited as a part of bifurcation of the state. As per the Demerger Scheme, an amount of Rs. 22,559.56 lakhs is receivable from TSIIC Limited which is shown under AP Reorganisation adjustment Alc. The details of which are as follows:

EQUITY AND LIABILITIES A/c		(Rs. In lakhs)	ASSETS	(Rs. In lakhs)
1. Share Capital	680.53		1. TangibleAssets	12,812.70
2. Reserves and Surplus	20,309.52		2. Non-current investments	26,735.91
3. Longterm borrowings	2,429.33		3. Long term loans and advances	1,74,428.72
4. Other Long term liabilities	24,641.93		4. Inventories	1,44,059.45
5. Long term provisions	509.17		5. Tradereceivables	1,851.30
6. Trade Payables	57.91		6. Cash and cashequivalents	5,129.78
7. Other current liabilities	2,77,895.51		7. Short term loans and advances	111.26
8. Short term Provisions	24,406.77		8. Other current assets	8,361.11
9. Reorganisationadj.account	22,559.56			
TOTAL EQUITY AND LIABILITIES	3,73,490.23		TOTALASSETS	3,73,490.23

During the period from 01.04.2014 to 01.06.2014 the share of revenue and expenditure pertaining to Telangana Zones is Rs. 2,736.68 lakhs and Rs. 1,875.23 lakhs respectively. An amount of Rs. 423.21 lakhs is the pre tax profit during the above period and the income tax expense is Rs. 89.87 lakhs. The share of profits in respect of Telangana Region could not be ascertained.

The financial statements are prepared for the period from 01.04.2014 to 01.06.2014 for the APIIC Limited (including telangana division) and for the period from 02.06.2014 to 31.03.2015 pertaining to zones and Head Office carrying out operations in the state of Andhra Pradesh only as the remaining zones and Head Office carrying out operations in the state of Telangana with effect from 02.06.2014 were transferred to and vested with the newly formed company TSIIC Limited as per the letter no. 27/CA-V/31-74, Dt:11.01.2016 of Comptroller and Auditor General of India, New Delhi. Hence, the previous figures are not comparable.

3. SHARE CAPITAL

3.1 Authorised Capital
2,00,000 equity shares of Rs.1000 each

3.2 Issued,Subscribed and Paidup Capital
163275 equity shares of Rs.1000/-each
Add:Subscriptions during the year
Less:Adjustment as per AP regorganisation Act,2014
and Demerger Scheme thereunder

Total 95,222 equity shares of Rs.1000/- each

	(Rs.inlakhs) Asat31-3-2015 (10months)	(Rs.inlakhs) Asat31-3-2014 (02months)	(Rs.inlakhs) Asat31-3-2015 (12months)	(Rs.inlakhs) Asat01-06-2014 (12months)
2,00,000 equity shares of Rs.1000 each	2,000.00	2,000.00	2,000.00	2,000.00
163275 equity shares of Rs.1000/-each	1,632.75	1,632.75	1,632.75	1,632.75
Add:Subscriptions during the year	0.00	0.00	0.00	0.00
Less:Adjustment as per AP regorganisation Act,2014 and Demerger Scheme thereunder	680.53	0.00	680.53	0.00
	<u>952.22</u>	<u>1,632.75</u>	<u>952.22</u>	<u>1,632.75</u>

3.3 Details of Share holder's holding more than 5% (percent) shares in the Company:

Government of Andhra Pradesh including its nominees 95222 100% 163275 100% 163275 100%
The Company has only one class of share si.e. equity shares ranking paripassu with all respects including entitlement of dividend, voting and repayment of capital. Each equity share carries one vote.

4. RESERVES AND SURPLUS

Capital Reserve

As per last Balance Sheet
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder

S ub-total

As per last Balance Sheet	1300.00	1300.00	1300.00	1300.00
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder	541.84	0.00	541.84	0.00
	<u>758.16</u>	<u>1,300.00</u>	<u>758.16</u>	<u>1,300.00</u>

Profit and Loss Account				
As per last Balance Sheet	47,427.26	50,025.94	50,025.94	47,194.71
Add: Profit / Loss for the year	3,344.71	333.34	3,678.05	2,831.23
Less: Adjustments made during the period	0.00	2,932.02	2,932.02	0.00
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder	19,767.67	0.00	19,767.67	0.00
Sub-Total	<u>31,004.30</u>	<u>47,427.26</u>	<u>31,004.30</u>	<u>50,025.94</u>
TOTAL	<u>31,762.46</u>	<u>48,727.26</u>	<u>31,762.46</u>	<u>51,325.94</u>

NON-CURRENT LIABILITIES:

5.1 LONG TERM BORROWINGS

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
Loan from RINL	14,400.00	16,800.08	14,400.00	16,800.08
Loan from NTPC	3,000.00	3,500.00	3,000.00	3,500.00
Interest accrued & not due thereon (Payable from 2022-23)	12,864.87	11,862.62	12,864.87	11,468.54
Sub-total	<u>30,264.87</u>	<u>32,162.70</u>	<u>30,264.87</u>	<u>31,768.62</u>
Loan from Oriental Bank of Commerce	2,429.33	2,429.33	2,429.33	2,429.33
Less: Adjustment as per AP Regorganisation Act, 2014	2,429.33	0.00	2,429.33	0.00
and Demerger Scheme thereunder	0.00	2,429.33	0.00	2,429.33
Sub-total	<u>0.00</u>	<u>2,429.33</u>	<u>0.00</u>	<u>2,429.33</u>
TOTAL	<u>30,264.87</u>	<u>34,592.03</u>	<u>30,264.87</u>	<u>34,197.95</u>

5.1 (a) Loan from NTPC and RINL:

As per the minutes of the Board meeting dated 19.11.2012 VIWSCO, loans drawn from RINL, NTPC & VMC were restructured by VIWSCO. As per the restructuring plan i rate of interest is 10% p.a. on principal outstanding, ii) Loan is repayable in ten equal yearly instalments commencing from 2012-13, iii) Outstanding interest and outstanding penal interest as on 31.03.2011 together called as "Funded Interest" payable in ten equal yearly instalments starting from 2012-13, iv) Yearly interest payment commencing from 2012-13 is deferred till loan amount is fully paid by 2021-22 as "Deferred yearly interest", v) Deferred yearly interest out standing as on 31.03.2022 is payable in five equal yearly instalments commencing from 2022 - 23, vi) Funded interest and deferred early interest will not carry any interest. The company is yet to consider restructuring plan. VIWSCO is directly servicing the loan to RINL and NTPC from time to time and no entries are passed in the books of accounts for servicing of interest as it has no impact on the Profit and Loss account. The figures adopted are from the annual accounts of VIWSCO by making necessary entries in the books of accounts during the year. Hence, the balances are subject to review and reconciliation.

5.1(b) Loan from Oriental Bank of Commerce: An amount of Rs. 12077.30 Lakhs was borrowed from Oriental Bank of Commerce, Hyderabad for land acquisition of Rajiv Gandhi International Airport, Shamshabad, Hyderabad.

The Government of Andhra Pradesh provided guarantee for servicing of the principal and interest thereon and took obligation to service the loan from time to time and is making necessary budgetary provisions. The loan payable is fifty quarterly instalments in ten years and carry 7.25% fixed rate interest. Penal interest is 2% in case of default. Balance instalments payable are fourteen. The amount due from Government in this regard is shown under Other Long Term Loans and Advances. The balance as on 01.06.2014 was transferred to TSIIC Limited on location basis as per AP Reorganisation Act, 2014 and the Demerger Scheme made there under.

5.2 DEFERRED TAX LIABILITIES (NET)

As per Accounting Standard (AS-22) on accounting for Taxes on income of the Companies (Accounting Standards) Rules 2006, the deferred tax liability as on 31st March comprises of the following:

Deferred Tax Liability	311.52	1,014.24	311.52	1,014.24
Less:Deferred Tax Asset	271.12	166.38	271.12	166.38
Net Deferred Tax Liability	40.40	847.86	40.40	847.86

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
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OTHER LONG TERM LIABILITIES

Funds for incubation centers etc.	8,662.83	11,561.27	8,662.83	9,979.70
Due to GoAP - Land	13,430.66	0.00	13,430.66	0.00
Sub-Total	22,093.49	11,561.27	22,093.49	9,979.70
Other liabilities	93,373.49	75,747.45	93,373.49	75,328.02
TOTAL	115,466.98	87,308.72	115,466.98	85,307.72

5.3.1 Assistance to States For Developing Export Infrastructure & Allied Activities (ASIDE):

The Government of India formulated a scheme namely "Assistance to States For Developing Export Infrastructure & Allied Activities (ASIDE)" for involvement of States in export efforts. Under this scheme, funds to the State are directly disbursed to State Level Nodal Agency by Government of India. In this process, an amount of Rs.463.00 lakhs was released by Government of India during the year (Rs. 463.00 lakhs during the period from 02.06.2014 to 31.03.2015 and Previous year Rs.1727.84 lakhs) as a grant.

5.3.2 Construction of Incubation Centres:

Government of Andhra Pradesh released an amount of Rs. 3927.98 lakhs during the year (Rs.2343.40 lakhs during the period from 02.06.2014 to 31.03.2015 and Previous Year Rs.4753.74 lakhs) towards construction of IT incubation centres. An amount of Rs. 5.235.27 lakhs was transferred to TSIIC Limited as a result of demerger of the company.

5.3.3 Deposits Works:

The Company has been executing civil works on behalf of various departments of State and Central Governments. These works which are in various stages of completion are in possession of the Company and they are to be handed over to the respective Departments after their completion. The amount excess spent/balance advance outstanding are shown in Sundry debtors/Deposits - Other Liabilities depending on their nature,

5.3.4 Land Conversion Charges:

As per the AP Non Agricultural Land (conversion for non agricultural purpose) Act. 2006, conversion charges are payable for conversion of agricultural land by the owner or occupier. The company sought exemption from the Government of Andhra Pradesh from levy of conversion charges for the lands acquired by the

company. Pending receipt of decision of the Government, an amount of Rs.26,640.56 lakhs is provided towards conversion charges to the end of the Financial Year (P.Y. Rs.29,851.91 lakhs) for the estates developed by the company. However the company has not made provision for conversion charges where lands are allotted on as is where is basis (UDL) as the allottees are required to pay/seek exemption in respect of conversion charges.

5.4. Long Term Provisions:

Provision for leave Benefits			
As per the last balance sheet	1,221.61	1,221.61	1,269.91
Add: Additions during the year	763.99	763.99	1,221.61
Less: Payments/adjustments during year	1,221.61	1,221.61	1,269.91
	<u>763.99</u>	<u>763.99</u>	<u>1,221.61</u>

6. TRADE PAYABLES

Trade Payables	149.39	149.39	698.33
Total :	<u>149.39</u>	<u>149.39</u>	<u>698.33</u>

7. OTHER CURRENT LIABILITIES

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakh) As at 31-3-2014
Deposits received from allottees	1,52,390.93	4,83,928.54	1,52,390.93	4,82,794.34
Other Current Liabilities /	23,455.96	25,638.71	23,455.96	25,626.69
Current maturities of long term Debt /	2,900.00	3,879.92	2,900.00	3,879.92
Interest accrued and due on borrowings	839.16	754.65	839.16	754.65
TOTAL	<u>1,79,586.05</u>	<u>5,14,201.82</u>	<u>1,79,586.05</u>	<u>5,13,055.60</u>

7.1 Sundry Creditors and other deposits are subject to confirmation.

7.2 Out of the total deposits received from allottees, an amount of Rs.2,78,808.62 lakhs was transferred to TSIIC Limited as a result of demerger of the company.

7.3 The preparation of party wise schedules for deposits received from allottees is under progress. Deposits received from allottees includes EMD of Rs. 13,131.15 lakhs

8 SHORT-TERM PROVISIONS

(a) PROVISION FOR EMPLOYEE BENEFITS

(Ref. Note No. 5.4 and 21)

8.1 Provision for leave Benefits

As per the last balance sheet	222.45	222.45	109.49
Add: Additions during the year	33.65	0.00	222.45
Less: Payments/adjustments during year	222.45	0.00	190.49
Sub-Total	<u>33.65</u>	<u>222.45</u>	<u>222.45</u>

b) OTHERS

8.2 Provision for PS charges

As per the last balance sheet	416.26	193.84
Add: Additions during the year	175.85	678.50
Less: Payments/adjustments during year	416.26	456.08
Sub-Total	175.85	416.26

8.3 Provision for Contractual Obligations

As per the last balance sheet	48,271.71	42,260.42
Add: Additions during the year	0.00	6,011.29
Less: Payments/adjustments during year	0.00	0.00
Sub-Total	48,271.71	48,271.71

8.4 Provision for taxation

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
As per the last balance sheet	1,080.28	990.41	990.41	2,840.44
Add: Additions during the year	990.42	89.87	1,080.29	1,554.00
Less: Payments/adjustments during year	0.00	0.00	0.00	3,404.03
Sub-Total	2,070.70	1,080.28	2,070.70	990.41

8.5 Other Provisions

As per the last balance sheet	0.00	0.00	0.00	0.00
Add: Additions during the year	47.05	0.00	47.05	0.00
Less: Payments/adjustments during year	0.00	0.00	0.00	0.00
Sub-Total	47.05	0.00	47.05	0.00
TOTAL	49,222.40	50,012.09	49,222.40	49,900.83

* As per the AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder, the balances as on 01.06.2014 are apportioned on population basis except in case of provision for contractual obligations which is apportioned on location basis.

9 NON-CURRENT ASSETS

9.1 TANGIBLE ASSETS

9.1.1 GROSS BLOCK AT COST

PARTICULARS	As at 31st March, 2014	Rs. In Lakhs			
		Additions during the period		Deductions during the period	
		01.04.2014 to 01.06.2014	02.06.2014 to 31.03.2015	01.04.2014 to 01.06.2014	02.06.2014 to 31.03.2015
LAND INCLUDING LAND DEVELOPMENT	998.91	0.00	60.68	0.00	938.22
BUILDINGS	338.96	0.00	1,164.08	0.00	113.36
REFRIGERATORS, ACs AND AIRCOLERS	19.55	0.00	1.18	0.00	9.00
FURNITURES & FIXTURES	108.68	0.07	7.40	0.00	58.05
OFFICE EQUIPMENT	151.89	0.30	9.91	0.00	67.36
VEHICLES	245.71	0.00	29.75	0.00	123.38
ELECTRICAL EQUIPMENT	34.72	2.41	4.67	0.00	15.03
DRAWING EQUIPMENT	2.14	0.00	0.19	0.00	0.74
COMPUTER	295.76	11.31	25.11	0.00	130.76
QUALITY CONTROL EQUIPMENT	5.42	0.00	0.00	0.00	2.26
LAND-SEZ	47040.67	0.00	0.00	0.00	11,450.81
LAND DEVELOPMENT - SEZ	4091.79	0.00	0.03	0.00	0.00
BUILDING - SEZ	6.12	0.00	0.00	0.00	0.00
WATER SUPPLY - SEZ	767.09	0.00	0.00	0.00	3.19
SEWERAGE - SEZ	1137.16	0.00	0.00	0.00	108.39
EXTERNAL ELECTRIFICATION - SEZ	257.17	0.00	245.84	0.00	0.00
ROADS AND BRIDGES - SEZ	6295.85	0.00	203.97	0.00	73.30
SOLAR POWER PLANT	1263.53	0.00	0.00	0.00	0.00
CURRENT YEAR	63,061.12	14.09	1,752.81	0.00	13,093.85
PREVIOUS YEAR	58,049.82	5,208.26		196.96	63,061.12

9.1.2 DEPRECIATION BLOCK

PARTICULARS	As at 31st March, 2014	Rs. In Lakhs			
		for the period		Deductions	
		01.04.2014 to 01.06.2014	02.06.2014 to 31.03.2015	01.04.2014 to 01.06.2014	02.06.2014 to 31.03.2015
BUILDINGS	86.09	0.70	16.80	0.00	29.03
REFRIGERATORS, ACs AND AIRCOOLERS	9.44	0.52	0.96	(3.99)	6.48
FURNITURE AND FIXTURES	57.72	1.33	3.45	0.00	26.61
OFFICE EQUIPMENT	86.17	4.11	8.87	(16.97)	43.69
VEHICLES	54.48	4.70	12.03	0.00	32.07
ELECTRICAL EQUIPMENT	8.83	0.65	2.08	(0.23)	59.18
DRAWING EQUIPMENT	1.87	0.00	0.21	(0.02)	9.71
				(0.09)	1.89
					1.46
					74.56
					7.91
					26.36
					32.07
					39.14
					6.24
					1.46

COMPUTER	220.09	4.99	8.70	(39.12)	99.16	110.83	264.20	62.91
QUALITY CONTROL EQUIPMENT	5.42	0.00	0.00	0.00	3.16	2.26	5.42	0.00
BUILDING - SEZ	0.58	0.02	0.08	0.00	0.00	0.00	0.60	0.68
WATER SUPPLY - SEZ	193.61	9.42	45.87	0.00	0.00	0.97	203.03	247.93
SEWERAGE - SEZ	121.97	6.21	27.47	0.00	0.00	15.58	128.18	140.07
EXTERNAL ELECTRIFICATION - SEZ	46.08	5.70	156.49	0.00	0.00	0.00	51.78	208.27
ROAD SAND BRIDGES - SEZ	507.16	1,650.70	1,281.86	(2,871.71)	0.00	9.56	5029.57	6,301.87
SOLAR POWER PLANT	120.04	7.97	38.96	0.00	0.00	0.00	128.01	166.97
CURRENT YEAR	1,519.55	1,697.02	1,603.83	(2,932.04)	155.12	280.88	6,148.61	7,316.44
PREVIOUS YEAR	1,232.01	378.36			90.82		1,519.55	

9.1.3 NET BLACK

PARTICULARS	As at 31st March, 2014	for the period				Deductions		As at 1st June, 2014	As at 31st March, 2015
		01.04.2014 to 01.06.2014		02.06.2014 to 31.03.2015		01.04.2014 to 01.06.2014	02.06.2014 to 31.03.2015 TSIIC Limited		
LAND INCLUDING LAND DEVELOPMENT	998.91	0.00	0.00	0.00	0.00	938.22	998.91	60.68	
BUILDINGS	252.87	0.00	0.00	0.00	0.00	84.33	252.17	1239.52	
REFRIGERATORS, A/Cs AND AIR COOLERS	10.11	0.00	0.00	0.00	0.00	2.52	5.60	3.05	
FURNITURE AND FIXTURES	50.96	0.00	0.00	0.00	0.00	31.44	49.70	21.71	
OFFICE EQUIPMENT	65.72	0.00	0.00	0.00	0.00	23.67	44.94	13.88	
VEHICLES	191.23	0.00	0.00	0.00	0.00	91.31	186.53	112.94	
ELECTRICAL EQUIPMENT	25.89	0.00	0.00	0.00	0.00	11.96	27.42	17.19	
DRAWING EQUIPMENT	0.27	0.00	0.00	0.00	0.00	0.01	0.25	0.03	
COMPUTER	75.67	0.00	0.00	0.00	0.00	19.93	42.87	28.35	
QUALITY CONTROL EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
LAND-SEZ	47,040.67	0.00	0.00	0.00	0.00	11,450.81	47,040.67	25,454.07	
LAND DEVELOPMENT - SEZ	4,091.79	0.00	0.00	0.00	0.00	0.00	4,091.79	4,091.82	
BUILDING - SEZ	5.54	0.00	0.00	0.00	0.00	0.00	5.52	5.44	
WATER SUPPLY - SEZ	573.48	0.00	0.00	0.00	0.00	0.00	564.06	515.97	
SEWERAGE - SEZ	1,015.19	0.00	0.00	0.00	0.00	92.81	1,008.98	888.70	
EXTERNAL ELECTRIFICATION - SEZ	211.09	0.00	0.00	0.00	0.00	0.00	205.39	294.74	
ROADS AND BRIDGES - SEZ	5,788.69	0.00	0.00	0.00	0.00	63.74	1,266.28	124.65	
SOLAR POWER PLANT	1,143.49	0.00	0.00	0.00	0.00	0.00	1,135.52	1,096.56	
CURRENT YEAR	61,541.57	0.00	0.00	0.00	0.00	12,812.97	56,926.60	33,969.30	
PREVIOUS YEAR	56,817.80	0.00			0.00			61,541.57	

9.1.4 Buildings:

The company purchased 6th floor (11840 sft) from APIDC on outright purchase basis for a consideration of Rs. 13.20 lakhs in the year 1979 and 4th floor (11867 sft) from APSSIDC for a consideration of Rs. 150.00 lakhs in the year 1998 in Parisrama Bhavan, Basheerbagh, Hyderabad. Pending execution of sale deed by the respective parties, the same was shown under the head Buildings in Fixed Assets. As per the AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder, out of the total extent of 23,707 sft, an area of 9,881.08 sft (i.e., 41.68% of total area) in 6th floor was transferred to TSIIC Limited.

9.1.5 Depreciation:

As per the Companies Act, 2013, the useful life of assets in respect of fixed assets including roads and bridges are revised. The additional depreciation due to revision of the useful life of the fixed assets whose value is zero at the beginning of the year amounting to Rs.2932.02 lakhs was charged to the opening balance of the Profit & Loss account in accordance with the provisions of the Companies Act, 2013.

9.1.6 SPECIAL ECONOMIC ZONES (SEZ):

The company was appointed as Nodal Agency for development of Special Economic Zones (SEZs) in Andhra Pradesh as a developer. In respect of the allotments made under lease basis during the year and lease deeds executed, the income on lease premium is taken proportionately depending upon the lease period and lease rentals are accounted for as revenue.

The assets relating to Special Economic Zones amounting to Rs.38274.21 lakhs (Previous Year Rs.59595.85 Lakhs) are shown under the head Fixed Assets and depreciation amounting Rs.4053.22 lakhs (Previous Year Rs.869.4 Lakhs) was charged to Profit and Loss Account upto the Financial Year. **The** gross value of assets for an amount of Rs.11635.69 lakhs and Provision for Depreciation of Rs.26.11 lakhs was transferred to TSIIC as per AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder. Further, an amount of Rs. 2,871.71 lakhs was charged during the year to the accumulated profits.

9.2 CAPITAL WORK IN PROGRESS

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
9.2.1 Construction of Incubation Centres Etc...				
As per last Balance Sheet	2,888.99	2,334.31	2,334.31	0.00
Add: Additions during the period	714.41	554.68	1,269.09	2,334.31
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder	267.85	0.00	267.85	0.00
TOTAL	3,335.55	2,888.99	3,335.55	2,334.31

10 NON-CURRENT INVESTMENTS

10.1 Trade Investments - Unquoted (Companies Incorporated In India) % of Holding

INVESTMENTS IN SUBSIDIARY COMPANIES

I.	10,000 equity shares of Rs.10/- each fully paid-up in ECity Manufacturing Cluster Limited	100	0.00	1.00	1.00
II	10,000 equity shares of Rs.10/- each fully paid-up in Maheswaram Science Park Ltd	100	0.00	1.00	100

		% of Holding	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
III	8,900 equity shares of Rs.10/- each fully paid-up in Fab City SPV (India) P Ltd	89	0.00	0.89	0.00	0.89
IV	2,04,00,000 equity shares of Rs.10/- each fully paid up in A P Gas Infrastructure Corporation P Ltd	51	2,040.00	2,040.00	2,040.00	2,040.00
V	51,000 equity shares of Rs. 10/- each fully paid-up in Krishnapatnam International Leather Complex Pvt.Ltd.,	51	5.10	5.10	5.10	5.10
<u>INVESTMENTS IN JOINT VENTURE</u>						
VI	2,20,27,064 equity shares of Rs.10/- each fully paid-up in Visakhapatnam Industrial Water Supply Company Ltd	49	2,202.71	2,202.71	2,202.71	2,202.71
<u>INVESTMENTS IN ASSOCIATE COMPANIES</u>						
VII	3,84,80,000 equity shares of Rs.10/- each fully paid-up in Cyberabad Convention Center (P) Ltd	26	0.00	3,848.00	0.00	3,848.00
VIII	1,97,49,698 equity shares of Rs.10/- each fully paid-up in Boulder Hills Leisure (P) Ltd	26	0.00	1,974.97	0.00	1,974.97
IX	2,50,32,202 equity shares of Rs.10/- each fully paid-up in Emmar Hills Township (P) Ltd	26	0.00	2,503.22	0.00	2,503.22
X	52,00,000 equity shares of Rs.10/- each fully paid up in L&T Hitech City Ltd	26	520.00	520.00	520.00	520.00
<u>INVESTMENTS IN RELATED PARTY COMPANIES</u>						
XI	15,00,000 equity shares of Rs.10/- each full paid-up in Bharatiya International SEZ Ltd	11.05	150.00	150.00	150.00	150.00
XII	22,00,000 equity shares of Rs.10/- each fully paid-up in K Raheja IT Park Ltd	11	0.00	220.00	0.00	220.00
XIII	1,42,640 equity shares of Rs. 10/- each fully paid-up in Intime Properties Pvt. Ltd.,	11	0.00	14.26	0.00	14.26
XIV	1,17,901 equity shares of Rs. 10/- each fully paid-up in Sundew Properties Pvt. Ltd.,	11	0.00	11.79	0.00	11.79
XV	2,09,49,200 equity shares of Rs.10/- each full paid up in CBD Tower (P) Ltd	11	0.00	2,093.72	0.00	2,093.72
XVI	29,70,000 equity shares of Rs.10/- each fully paid-up in L&T Infocity Ltd (includes 9,90,000 Bonus shares issued on May 12, 2003)	11	115.47	198.00	115.47	198.00

	% of Holding		(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
XVII 19,80,000 equity shares of Rs.10/- each fully paid-up in Ramky Pharma City (India) Ltd	11		198.00	198.00	198.00	198.00
XVIII 2,50,000 equity shares of Rs.10/- each fully paid-up in Patancheru Envirotech Ltd	10		0.00	25.00	0.00	25.00
XIX 20,825 equity shares of Rs.10/- each fully paid-up in Hyderabad Information Technology Venture Enterprises Ltd	8		1.21	2.08	1.21	2.08
XX 4,165 equity shares of Rs.10/- each fully paid-up in Cyberabad Trustee Company (P) Ltd	8		0.24	0.42	0.24	0.42
XXI 500 equity shares of Rs.10/- each fully paid-up in Hyderabad Pharma Infrastructure & Technologies Ltd	1		0.00	0.05	0.00	0.05
XXII 44,000 equity shares of Rs.10/- each fully paid-up in Vizag IT Park Ltd	0.49		4.40	4.40	4.40	4.40
XXIII 770 Units of Rs.25,000/- each fullypaid-up in Cyberabad Trustee Company (P) Ltd (HIVE FUND)			112.27	192.50	112.27	192.50
XXIV 15,90,62,800 Fully Secured Convertible Debentures of Rs.10/- each in CBD Tower (P) Ltd			0.00	15,906.28	0.00	15,906.28
XXV 4,70,800 equity shares of Rs.10/- each fully paid-up in Nano Tech Silican India Ltd	20		0.00	47.08	0.00	47.08
XXVI Deposit towards share application money UoH Knowledge and Innovation Park (P) ltd	0.00 0.00		0.00	0.00	0.00	0.
Bhagyanagar Gas Ltd	239.07		239.07	239.07	239.07	239.07
Sub-Total			5,588.47	32,399.54	5,588.47	32,399.54
Less : Provision for diminution of investments						
Nano tech silicon	0.00		47.08	0.00	47.08	
CTCPL - HIVE Fund	14.85		14.85	14.85	14.85	75.14
Sub-Total			14.85	75.14	14.85	75.14
TOTAL			5,573.62	32,324.40	5,573.62	32,324.40

10.2 Investment in AP Gas Infrastructure Corporation Pvt Limited :

As per the directions of Government of AP in G.O. Ms. No. 222 of Industries & Commerce (INF) Department dated 09.10.2009, the Corporation has acquired 51% of equity (Rs.20.40 crores) in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd.

10.3 Investment in Krishnapatnam International Leather Complex :

The Company invested an amount of Rs.5.10 lakhs in Krishnapatnam International Leather Complex Limited towards 51% of Equity.

10.4 Investment in Visakhapatnam Industrial Water Supply Company Limited :

The Company has allotted land for an extent of 120.305 Acres on Lease basis for a period of 32 Years for which an amount of Rs. 15.50 Crores was received in the form of Equity Shares. The Company invested an amount of Rs.6.53 crores in cash in the JV Company.

10.5 Investments transferred to TSIIC Limited :

The Investments held by the company in the following Subsidiary/ Joint Venture/ Associate Companies were transferred to TSIIC Limited on location/ population basis mentioned against each including the provision for dimunition of investments as a part of AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder:

Name of the Company	% of Holding	Amount (Rs. in lakhs)	Basis of allocation
1. Fab City SPV India Pvt Limited	89	0.89	Location basis
2. E City manufacturing Cluster Limited	100	1.00	Location basis
3. Maheswaram Science Park Limited	100	1.00	Location basis
4. Cyberabad Convention Centre Pvt Limited	26	3,848.00	Location basis
5. Boulderhills Leisure Pvt Limited	26	1,974.97	Location basis
6. Emmar Hills Township Pvt Limited	26.00	2,503.22	Location basis
7. K. Raheja IT Park Limited	11	220.00	Location basis
8. Intime Properties Pvt Limited	11	14.26	Location basis
9. Sundew Properties Pvt Limited	11	11.79	Location basis
10. CBD Towers Pvt Limited	11	2,093.72	Location basis
11. Patancheru Enviro Tech Pvt Limited	10	25.00	Location basis
12. Hyderabad Pharma Infrastructure & Technologies Limited	1	0.05	Location basis
13. Nano Tech Silicon India Limited	20	47.08	Location basis
14. Debentures in CBD Towers Pvt Limited	-	15,906.27	Location basis
15. L& T Infocity Limited	4.58	48.13	Population Basis
16. Hyderabad Information Technology Venture Enterprises Ltd	3.33	0.50	Population Basis
17. Cyberabad Trustee Company Pvt Limited	3.33	0.18	Population Basis
18. Cyberabad Trustee Company Pvt Limited (HIVE Fund)	-	80.23	Population Basis

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
11. LONG-TERM LOANS AND ADVANCES				
(Unsecured and Considered Good)				
Security Deposits	2.74	43.58	2.74	25.58
Loans & Advances to related Parties	33,463.25	41,347.09	33,463.25	40,611.20
Advances to Staff	159.75	505.77	159.75	531.37
Other Loans & Advances	46,630.72	58,651.94	46,630.72	57,302.19
AP Reorganisation Adjustment Account	22,562.10	0.00	22,562.10	0.00
Due from TSIC	596.54	0.00	596.54	0.00
Due from GoAP - Resource Mobilisation	0.00	1,47,201.33	0.00	1,47,201.33
Sub-Total	1,03,415.10	2,47,749.71	1,03,415.10	2,45,671.67
Other Non-Current Assets				
Fixed Deposits	1,344.69	8,529.98	1,344.69	7,726.85
Accrued interest on Fixed Deposits	0.00	0.00	0.00	803.13
Sub-Total	1,344.69	8,529.98	1,344.69	8,529.98
TOTAL	1,04,759.79	2,56,279.69	1,04,759.79	2,54,201.65

The Fixed Deposit and accrued interest thereon as on 31.03.2014 represents deposit made with Syndicate Bank, NS road, Hyderabad as per the interim orders of Supreme court to auction of land allotted to United Tractors - a sick company. Realisation of deposit is subject to final judgement of the Honourable Supreme Court. The fixed deposit and interest thereon is transferred to and vested with TSIC Limited as per the AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder.

An amount of Rs.22,559.56 lakhs is receivable from TSIC Limited which is shown under AP Reorganisation adjustment Account. Further, an amount of Rs. 596.54 lakhs is due from TSIC Limited towards adjustments/ payments made after 02.06.2014 on behalf of TSIC.

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
12. CURRENT ASSETS				
12.1 INVENTORIES				
Construction materials	45.09	45.09	45.09	45.09
Stock in trade - Land	1,57,577.56	2,67,362.13	1,57,577.56	2,67,389.70
Stock in Trade - Development	14,536.88	33,052.64	14,536.88	32,947.88
Sub-Total	1,72,159.53	3,00,459.86	1,72,159.53	3,00,382.67

Work - in progress	15,808.96	51,173.97	15,808.96	48,648.34
Sub-Total	<u>15,808.96</u>	<u>51,173.97</u>	<u>15,808.96</u>	<u>48,648.34</u>
TOTAL	<u>1,87,968.49</u>	<u>3,51,633.83</u>	<u>1,87,968.49</u>	<u>3,49,031.01</u>

12.2 Government Lands: The company is taking possession of Government Lands in various places in the state pending alienation orders from the Government of Andhra Pradesh. Pending alienation orders, the land taken possession is being capitalised in the Books of Accounts on provisional basis.

12.3 Inventories:

The inventory records of the company were reconciled as on 31.03.2015 and necessary rectification entries were passed in the Books of Accounts.

13. TRADE RECEIVABLES

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
(Unsecured and Considered Good)				
(a) Debts exceeding 6 months	8,037.15	5,247.80	8,037.15	4,949.81
(b) Other debts	<u>169.72</u>	<u>349.83</u>	<u>169.72</u>	<u>349.83</u>
Sub-Total	<u>8,206.87</u>	<u>5,597.63</u>	<u>8,206.87</u>	<u>5,299.64</u>
Less: Provision for bad & doubtful debts	684.94	1,111.64	684.94	1,111.64
TOTAL	<u>7,521.93</u>	<u>4,485.99</u>	<u>7,521.93</u>	<u>4,188.00</u>

13.1 The age wise analysis for the sundry debtors was done based on the date of invoice instead of due date for payment. Provision for bad & doubtful debts is created at 100% on principal amount for debtors outstanding more than 3 years.

13.2 Out of the trade receivables as on 01.06.2014, an amount of Rs.2,351.53 lakhs was transferred to TSILC Limited during the period as a result of demerger of the company.

14. CASH AND CASH EQUIVALENTS

Cash on Hand - Estates	0.00	0.07	0.00	0.00
Cheques / DDs on hand - Estates	0.00	0.00	0.00	8.85
Cash in Transit	55.16	0.00	55.16	0.00
Balance in Bank Accounts	13,840.64	4,801.48	13,840.64	5,106.74
Balance with Banks - Estates	146.10	220.90	146.10	124.29
Sub-Total	<u>14,041.90</u>	<u>5,022.45</u>	<u>14,041.90</u>	<u>5,239.88</u>

Bank Deposits less than 3 months			
Fixed Deposits	12,000.00	3,561.75	12,000.00
Accrued interest on Fixed Deposits less than 3 months	3.00	597.45	3.00
Sub-Total	12,003.00	4,159.20	12,003.00
Earmarked Balances with Banks			
Public Deposit Account - Funds from PD Account can be drawn only against the bills of sanctioned works	7,486.37	10,768.24	7,486.37
Sub-Total	7,486.37	10,768.24	7,486.37
TOTAL	33,531.27	19,949.89	33,531.27

15. SHORT - TERM LOANS AND ADVANCES

Advances Recoverable in Cash or in Kind for the value to be received

Interest free Loans & Advances to Staff etc.	514.40	914.65	514.40
Loans & Advances to related Parties	3,739.16	4,634.57	3,739.16
TOTAL	4,253.56	5,549.22	4,253.56

15.1 Sundry debtors, Loans and advances are subject to confirmation.

	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 01-06-2014	(Rs.in lakhs) As at 31-3-2015	(Rs.in lakhs) As at 31-3-2014
16. OTHER CURRENT ASSETS				
16.1 Accrued interest on Fixed Deposits for more than 3 months	86.18	0.00	86.18	285.45
Bank Deposits for more than 3 months	21,099.00	1,007.19	21,099.00	1,007.19
Other advances	4,475.09	7,194.45	4,475.09	7,203.99
Tax Deducted at Source	888.60	292.76	888.60	214.15
Capital Expenditure to the extent not written off	0.00	0.85	0.00	1.70
MAT Credit	746.38	746.38	746.38	746.38
TOTAL	27,295.25	9,241.63	27,295.25	9,458.86

16.2 Fixed Deposits include an amount of Rs. 1,412.95 Lakhs in ING Vysya-Bank Limited, Abids Branch towards collateral Security in respect of Bank Guaratee given on behalf of Andhra Pradesh Gas Infrastructure Corporation Pvt Limited of which permanent hold is for Rs. 981.39 Lakhs and the available balance for withdrawal is Rs.431.55 Lakhs.

16.3 MAT Credit as on 31.03.2015 of Rs. 746.38 lakhs comprises amounts relating to F.Y 2011-12 Rs.266.43 lakhs and F.Y 2012-13 Rs.479.95 lakhs.

17. CONTINGENT LIABILITIES AND COMMITMENTS

17.1 Contingent Liabilities

S.No.	PARTICULARS	31.03.2015 (Rs.in Lakhs)	31.03.2014 (Rs. in Lakhs)
a.	Claims against the company not acknowledged as debts	49.47	49.47
b.	Other money for which the company is contingently liable :		
	i) Income Tax Demands	7,404.37	7,303.21
	ii) Service Tax Demands	29.74	247.05
	iii) Legal cases	32,180.45	123,631.56
	TOTAL	39,614.56	131,181.82
	GRAND TOTAL	39,664.03	131,231.29

17.2 Commitments

S.No.	PARTICULARS	31.03.2015 (Rs.in Lakhs)	31.03.2014 (Rs. in Lakhs)
a.	Estimated amount of contracts remaining to be executed on capital account not provided for	8,667.02	5,021.83
b.	Other Commitments	106.55	155.98
	TOTAL	8,773.57	5,177.81

18. REVENUE FROM OPERATIONS	(Rs.in lakhs) 02-06-2014 to 31-3-2015	(Rs.in lakhs) 01-04-2014 to 01-06-2014	(Rs.in lakhs) 2014 - 15	(Rs.in lakhs) 2013 - 14
Sale of Land, Sheds, etc...	66,972.47	3,644.28	70,616.75	117,512.76
Lease and other rental income	1,149.70	266.28	1,415.98	1,583.73
Other Operating Revenue	985.94	91.42	1,077.36	239.55
Water Demands	1,306.09	416.56	1,722.65	1,878.61
Interest on Hire Purchase and ORS	78.48	52.29	130.77	169.01
TOTAL	70,492.68	4,470.83	74,963.51	121,383.66

During the year, the company changed the accounting policy of revenue recognition in respect of sale of land/ premises to reflect true and fair view and to comply AS-9: Revenue Recognition. The revenue on sale agreements is recognised instead of sale deeds. The impact due to change in accounting policy on revenue is Rs. 61,236.06 lakhs.

The possession has been handed over on receipt of full consideration on execution of agreement. The company is obligated to transfer the title on fulfilment of the conditions which is obligatory on the allottees as per the allotment terms and conditions. In case of non fulfilment of allotment conditions, the corporation reserves the right to cancel the allotment and resume the land.

19.

OTHER INCOME

Interest on Advances to Staff	19.54	3.44	22.98	8.65
Interest on Other Loans and Advances	202.11	41.36	243.47	243.46
Interest on Fixed Deposits	228.28	173.48	401.76	1,030.78
Interest on Debentures	0.00	324.19	324.19	314.62
Interest on Rental & Water charges Arrears	39.91	32.71	72.62	103.40
Dividend Receipt	1.32	0.00	1.32	290.87
Penalty and Surcharges	496.98	163.97	660.95	1,507.23
Miscellaneous Receipts	560.85	44.33	605.18	375.19
Local Authority income	66.11	22.17	88.28	181.38
Sale of Solar Power	267.53	47.02	314.55	245.35
Prior Period Items	764.43	0.00	764.43	1,077.12
TOTAL	2,647.06	852.67	3,499.73	5,378.05

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EXPENDITURE

20.

COST OF SALES

Cost of sales - Land	63,093.23	1,547.71	64,640.94	1,15,783.67
Cost of sales - Houses/ Buildings	0.00	0.11	0.11	0.62
Cost of sales - Sheds	0.00	0.00	0.00	0.21
TOTAL	63,093.23	1,547.82	64,641.05	1,15,784.50

21.

EMPLOYEE BENEFITS EXPENSE

Salaries and Allowances	1,731.40	890.12	2,621.52	3,219.27
Contribution towards Provident and other Funds	117.52	60.36	177.88	278.40
Contribution to Group Gratuity Premium	15.46	2.13	17.59	116.56
Staff Welfare Expenses	129.36	81.43	210.79	212.40
Sub-Total	1,993.74	1,034.04	3,027.78	3,826.63
Less: Expenditure Capitalised / transferred to other heads	0.00	0.00	0.00	951.16
Sub-Total	0.00	0.00	0.00	951.16
TOTAL	1,993.74	1,034.04	3,027.78	2,875.47

Salaries and other Administrative expenses pertaining to engineering division which were capitalised upto F.Y 2013-14 are charged to profit and loss account during the year as per the Generally Accepted Accounting Principles. The impact on profit and Loss Account is Rs.1,330.46 lakhs including Rs. 450.46 lakhs during the period 01.04.2014 to 01.06.2014.

21.1 Managerial Remuneration to Directors	02.06.2014 to 31.3.2015 (Rs.in lakhs)	01.04.2014 to 01.06.2014 (Rs.in lakhs)	For the year 2014 - 15 (Rs.in lakhs)	For the year 2013 - 14 (Rs.in lakhs)
Salaries and Allowances	15.87	3.11	18.98	19.88
Medical Expenses	0.00	0.00	0.00	0.00
Rent	0.00	0.00	0.00	0.01
TOTAL	15.87	3.11	18.98	19.89
22. OTHER EXPENSES	(Rs.in lakhs) 02.06.2014 to 31.3.2015	(Rs.in lakhs) 01.04.2014 to 01.06.2014	(Rs.in lakhs) 2014 - 15	(Rs.in lakhs) 2013 - 14
(a) OPERATING EXPENSES				
Operating Expenses	28.91	10.00	38.91	25.11
Sub-Total	28.91	10.00	38.91	25.11
b) REPAIRS AND MAINTENANCE EXPENSES				
Computers	2.78	1.62	4.40	4.18
Pumpsets	0.15	0.02	0.17	1.17
Electrification	4.17	0.09	4.26	0.82
Office Equipment	9.65	1.98	11.63	7.25
Refrigerators, ACs and Air Coolers	0.42	0.30	0.72	0.87
Vehicles	1.62	2.41	4.03	3.49
Furniture and Fixtures and others	0.20	2.80	3.00	1.10
Electric Equipment	0.74	0.09	0.83	0.48
Total Expenditure before Capitalisation	19.73	9.31	29.04	19.36
Less: Expenditure Capitalised	0.00	0.00	0.00	6.57
Sub-Total	19.73	9.31	29.04	12.79
(c) ADMINISTRATION & GENERAL EXPENSES				
Travelling Expenses	37.56	11.87	49.43	108.76
Rent	6.29	3.91	10.20	17.22

Rates and taxes	2.17	0.74	2.91	10.08
Vehicle maintenance	118.95	47.01	165.96	300.11
Electricity charges	127.81	8.32	136.13	68.84
Water charges	599.10	162.05	761.15	1,040.81
Repairs and maintenance - Estates	112.36	6.76	119.12	150.52
Insurance	1.73	1.82	3.55	0.64
Other expenses	1,262.37	328.03	1,590.40	1,186.86
Expenditure on Social Welfare	0.00	0.00	0.00	200.00
Provision for diminution of investments	14.85	0.00	14.85	0.00
Total Expenditure before Capitalisation	2,283.19	570.51	2,853.70	3,083.84
Less: Expenditure Capitalised	0.00	0.00	0.00	390.65
Sub-Total	2,283.19	570.51	2,853.70	2,693.19
	(Rs.in lakhs)	(Rs.in lakhs)	(Rs.in lakhs)	(Rs.in lakhs)
	02-06-2014 to 31-3-2015	01-04-2014 to 01-06-2014	2014 - 15	2013 - 14
(d) EXPENDITURE ON ERP & OTHERS				
ERP Expenditure and others	33.94	31.59	65.53	69.74
Sub-Total	33.94	31.59	65.53	69.74
(e) PRIOR PERIOD ITEMS				
Employee benefit expenses	0.78	0.00	0.78	0.00
Depreciation	237.68	0.00	237.68	0.00
Administrative and General Expenses	10.01	0.00	10.01	203.39
Others	0.00	0.00	0.00	0.47
Sub-total	248.47	0.00	248.47	203.86
TOTAL	2,614.24	621.41	3,235.65	3,004.69
Other Administrative expenses includes:				
Statutory Audit fee	3.00	1.50	4.50	3.00
Out of pocket expenses	0.50	0.00	0.50	0.50
Fee for Consolidation of Accounts	1.50	0.00	1.50	1.50
Others	8.00	0.00	8.00	0.00
Service Tax thereon	1.65	0.18	1.83	0.57
TOTAL	14.65	1.68	16.33	5.57

23. The Government of Andhra Pradesh have entrusted certain Local Authority powers to the Company like collection of Property Tax, maintenance of Common facilities in respect of certain Industrial Parks and Industrial Development Areas. The local authority powers are vested with Industrial Area Local Authority (IALA) for each industrial area and the income and expenditure in this regard is being accounted for in the books of accounts maintained by the respective IALAs and hence not accounted for in the accounts of the Company.

24. Long term borrowings are in substance guarantee by the company to **RINL**, NTPC and OBC on behalf of VIWSCO and Government of Andhra Pradesh. There are no net cash flows in this regard and accordingly the cash flows from the financing activities in the cash flow statement are considered as NIL.

25. Previous year's figures have been regrouped / rearranged wherever necessary and have been rounded off to Lakhs.

AS PER OUR REPORT DATED 23.03.2017

FOR JAWAHAR AND ASSOCIATES

CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-	Sd/-	Sd/-	Sd/-
K.PRABHAKAR	J. NIVAS, IAS	Dr. P. Krishnaiah, IAS (Retd.,)	SATHIRAJU
PARTNER, M.NO : 026041	VICE CHAIRMAN &	CHAIRMAN	CHIEF GENERAL
FIRM REG.NO. : 001281S	MANAGING DIRECTOR		MANAGER
			Finance
			M. SIVA S. REDDY
			COMPANY SECRETARY

DATE : 27.02.2017

PLACE : VIJAYAWADA

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Consolidated Balance Sheet as at 31st March 2015

(Rs. In lakhs)

	Particulars	Note No.	As at 31.03.2015	As at 31.03.2014
I	EQUITY and LIABILITIES			
(1)	Shareholder's Funds :			
a.	Share Capital	3	952.22	1632.75
b.	Reserves and Surplus	4	29530.73	50033.54
	Shareholder's funds - Total		30482.95	51666.29
(2)	Minority Interest	4.1	893.84	1756.49
(3)	Non - Current Liabilities :			
a.	Long term borrowings	5.1	30264.87	34197.95
b.	Deferred tax liability (Net)	5.2	40.40	717.33
c.	Other Long Term Liabilities	5.3	117035.01	92003.92
d.	Long-term provisions	5.4	763.99	1221.61
	Non-Current Liabilities - Total		148104.27	128140.81
(4)	Current Liabilities :			
a.	Trade payables	6	4057.40	5616.74
b.	Other Current Liabilities	7	183755.32	514073.62
c.	Short-term provisions	8	49312.80	50090.72
	Current Liabilities - Total		237125.52	569781.08
	Total Equity and Liabilities		416606.58	751344.67
II	ASSETS			
(1)	Non - Current Assets :			
a.	Fixed Assets :			
	(i) Tangible Assets	9.1.3	43277.82	74784.62
	(ii) Capital Work in Progress	9.2.1	3786.63	5707.93
b.	Non - Current Investments	10	1805.81	27972.84
c.	Long-term Loans and Advances	11	92901.79	243949.82
	Non-Current Assets - Total		141772.05	352415.21
(2)	Current Assets :			
a.	Inventories	12	191804.59	350626.45
b.	Trade Receivables	13	14968.76	9116.56
c.	Cash and cash equivalents	14	37912.93	28056.14
d.	Short-term Loans and Advances	15	2251.02	3730.16
e.	Other Current Assets	16	27897.23	7400.15
	Current Assets - Total		274834.53	398929.46
(3)	Accounting Policies	1		
	Total Assets		416606.58	751344.67

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP
CHANDRA, IAS
DIRECTOR

Sd/-
P. KRISHNAIAH, IAS (Retd.,)
CHAIRMAN
Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Consolidated Profit and Loss statement for the period ended 31st March 2015

(Rs. In lakhs)

	Particulars	Note No.	As at 2014-2015	As at 2013 - 14
(I)	Revenue from operations	18	81726.86	126502.43
(II)	Other income	19	3853.53	6077.53
(III)	Total Revenue (I + II)		85580.39	132579.96
(IV)	Expenses :			
a.	Cost of sales	20	65117.66	116070.01
b.	Employee Benefits expense	21	3040.46	2887.05
c.	Depreciation and amortization expense		4775.42	1470.39
d.	Other expenses	22	7956.80	6888.02
	Total Expenses		80890.34	127315.47
(V)	Profit before Exceptional and Extraordinary items and tax (III - IV)		4690.05	5264.49
(VI)	Exceptional Items		0.00	(16.87)
VII)	Profit before extraordinary items and tax (V - VI)		4690.05	5281.36
VIII)	Extraordinary items		1985.79	772.38
(IX)	Profit before tax (VII - VIII)		2704.26	4508.98
(X)	Tax Expense :			
	(1) Current Tax - Current Year		956.09	1042.11
	- Previous Years		639.73	565.01
	(2) Deffered Tax - Current Year		(609.94)	143.54
	(3) MAT Credit		0.00	0.00
	Total Tax Expense		985.88	1750.66
(XI)	Profit / Loss for the period before Minority Interest (IX - X)		1718.38	2758.32
(XII)	Minority Interest		(1071.06)	-222.70
(XIII)	Profit for the year		2789.44	2981.02
(XIV)	Earning per equity share (in Rupees) :			
	(Basic & Diluted)		2929	1826
	(Face value of ₹.1000/- per Share)			

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRM REG.NO.: 001281S

FOR AND ON BEHALF OF THE BOARD

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP
CHANDRA, IAS
DIRECTOR

Sd/-
P. KRISHNAIAH, IAS (Retd.),
CHAIRMAN
Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Consolidated Cash Flow Statement for the period ended 31st March, 2015

(Rs. In lakhs)

Particulars	Current Year	Previous Year
Cash Flows from Operating Activities		
Net Profit before taxation and exceptional and extraordinary items	4690.05	5264.49
Adjustments for :		
Depreciation and amortisation	4775.42	1470.39
Dividend Income	(1.32)	(290.87)
Profit /Loss on sale of fixed assets	0.29	0.13
Operating profit before working capital changes	9464.44	6444.14
Adjustments for :		
Inventories	23596.42	357255.46
Trade receivables	(8078.56)	(3712.98)
Other Current and Non-Current Assets	(26198.41)	(12204.06)
Loans and Advances	(11937.96)	(159898.82)
Payables, Liabilities and Provisions	26743.01	(178379.61)
Net Cash flow from operating activity before income tax	13588.94	9504.13
Income Tax paid	(1267.38)	(1596.01)
Net Cash flow from operating activities before extraordinary items	12321.56	7908.12
Extraordinary items	1985.79	755.51
Net Cash flow from operating activities after extraordinary items	10335.77	7152.61
Cash flows from investing activities :		
Acquisition of fixed assets	1571.67	3981.86
Purchase of investments	(6987.29)	(8091.46)
Dividend Income	1.32	290.87
Sale of Fixed assets	0.35	0.02
Net Cash flow from investing activities	(5413.95)	(3818.71)
Cash flows from financing activities		
Proceeds from issuance of share capital	4934.97	0.00
Net cash flow from financing activities	4934.97	0.00
Net increase in cash and cash equivalents	9856.79	3333.90
Cash and cash equivalents at the beginning of the year	28056.14	24722.24
Cash and cash equivalents at the end of the year	37912.93	28056.14
This is the Cash flow statement referred to in our report		

AS PER OUR REPORT OF EVEN DATE
for JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
V. UMAPATHI
PARTNER
M.No. 21887
FIRMREG.NO.: 001281S

Sd/-
K.V. SATYANARAYANA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR
ANDHRA DIVISION

Sd/-
K.PRADEEP
CHANDRA, IAS
DIRECTOR

Sd/-
P. KRISHNAIAH, IAS (Retd..)
CHAIRMAN

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Date : 27.09.2014
Place : Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Notes forming part of Balance Sheet and Statement of Profit & Loss

(1) ACCOUNTING POLICIES FOR CONSOLIDATION OF FINANCIAL STATEMENTS :

1. Company Information

Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC Ltd.), the company was incorporated in the year 1973 under the Companies Act, 1956 to formulate, promote, finance, aid, assist, establish, manage and control schemes, projects or programmes, to provide and develop infrastructure facilities and other services of any description in order to promote and assist the rapid and orderly establishment, growth and development of industries and commerce in the State of Andhra Pradesh.

The financial statements have been prepared in accordance with the Schedule III of the Companies Act, 2013 to the extent applicable and necessary details have been disclosed in the said statement as per the schedule.

(2) Basis of preparation of Financial Statements

- 2.1** The Financial Statements of the Company have been prepared based on Historical cost convention in accordance with Indian Generally Accepted Accounting Principles (GAAP) and provisions of the Companies Act 2013, as adopted consistently by the Company. The company follows the mercantile system of accounting.
- 2.2** Based on the nature of its activities, the company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.
- 2.3** Amounts in the Financial Statements are presented in Rs. Lakhs except for per share data and as otherwise stated. All exact amounts are stated with suffix “/-”.

(3) Estimates

- 3.1** The preparation of Financial Statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of Financial Statements and reported amounts of income and expenses during the period. Examples of such estimates include provision for doubtful debts, employee retirement benefit plan, provision for gratuity etc.

(4) Revenue Recognition

- 4.1** Income from sale of land, sheds and buildings is recognised on execution of sale agreement and handing over physical possession of the premises.
- 4.2** Lease income is recognised in the statement of Profit and Loss on straight line basis over the lease term unless there is another systematic basis which is more representative of the time pattern of the lease. Revenue from lease rental is disclosed net of indirect taxes if any.
- 4.3** Lease premium in respect of Special Economic Zones is being amortised over the lease term and revenue recognised accordingly considering the lease as operating lease.
- 4.4** In respect of deposit works undertaken, Centage Charges are recognised as income based on percentage of work completion.
- 4.5** Processing fee and penal interest income on delayed payments towards land cost are recognised on receipt basis.

(5) VALUATION OF INVENTORIES

5.1 Inventories such as land, HP stock, construction material, stock in trade at IPs/IDAs, housing stock, and work in progress are valued at cost.

(6) Fixed Assets

6.1 Fixed assets are accounted on historical cost and are shown net of accumulated depreciation. Historical cost includes purchase price and all attributable costs (freight and non-refundable duties and taxes) for bringing the asset to working condition for intended use.

6.2 All lands and other assets relating to Special Economic Zones which are fixed in nature are treated as Fixed Assets and accounted on historical cost and the accumulated depreciation are shown separately.

6.3 Any profit / loss on sale, discard / disposal of an asset is charged to profit & loss account in that year.

6.4 Self constructed assets / addition to assets are taken into account after receiving the information from the competent authority.

6.5 In case of purchase / addition of assets whose value \leq Rs.5000/- are charged to Profit & Loss Account.

(7) Depreciation

7.1 Depreciation on assets is charged on Straight Line method at the rates prescribed in schedule II of Companies Act, 2013.

7.2 In case of any addition/transfer/deletion of an asset, depreciation is charged proportionately based on number of days, from the date when the asset is ready for intended use or till the date of disposal or transfer, as the case may be.

(8) Investments

8.1 All the long-term investments (unquoted) are stated at cost of acquisition. Cost of the investment includes all direct cost incurred for acquisition of investments such as purchase price (Land transferred or Cash), brokerage, commission, stamp duty etc.

8.2 Long term investments are carried at cost less provision for diminuation other than temporary, in the value of investments.

(9) Employee Benefits

9.1 Provident Fund :

Company's contribution to the Provident Fund is deposited with the Trust formed by the Company under the Employee's Provident Fund & Miscellaneous Provisions Act, 1952 and which is recognized by the Income Tax authorities. Such contributions are charged to Profit & Loss account each year.

9.2 Gratuity :

The Group Gratuity for the employees of the Company is covered under a policy taken from Life Insurance Corporation of India. The premium paid is charged off in the accounts. The amount paid in certain cases in excess of amounts reimbursed by LIC are also charged off in the accounts.

9.3 Leave Encashment :

In respect of Leave Salary payable to employees, provision is made in the accounts under projected unit credit method based on actuarial valuation report.

No provision of Leave Salary contribution, Pension contribution and Gratuity is made in respect of employees working on deputation. The amount paid for the year is charged off to revenue during the year of payment. Provision for probable leave salary payable for next twelve months is shown under short term provisions and the balance provision is shown under long term provisions.

(10) Provision for Bad and Doubtful Debts

Provision for bad and doubtful debts is made @100% on Interest receivable on account of Rentals, Penal interest on Hire purchase, water charges etc and 100% of sundry debtors in respect of water, rentals, deposit works exceeding more than 3 years.

(11) Project Grants

Grants received for execution / development of projects (Growth Centers etc.,) are adjusted against the expenditure incurred on projects concerned and the balance is shown under the deposits and grouped under other liabilities.

(12) Contingent Liabilities

Contingent liabilities not provided for are indicated by way of notes to accounts.

(13) Cash and Cash Equivalents

Cash and Cash equivalents for the purpose of cash flow statement comprises cash at bank and in hand and short term investments with and original maturity of 3 months or less. Cash flow statement is prepared using the indirect method.

(14) Miscellaneous

The liability on account of leave travel facilities available to the employees, liability towards electricity and water charges for which bills are not received and property tax etc., leviable on land and sheds for which assessments are not completed, will be provided on payment basis.

(15) Taxes on Income

Provision for Current Tax is made on the basis of taxable profits computed for the current accounting period (reporting period) in accordance with the provisions of the Income Tax Act, 1961.

Provision is made for deferred tax for all timing differences arising between taxable income and accounting income at currently enacted or substantially enacted tax rates.

NOTES TO ACCOUNTS

BALANCE SHEET :

- (2) The business of the company was reorganised and segregated into Andhra region and Telangana region as per the provisions of the AP Reorganisation Act, 2014, w.e.f., 02.06.2014 consequent to bifurcation of the erstwhile state of Andhra Pradesh. A new company namely TSIIC Limited was incorporated on 04.09.2014 under the Companies Act, 2013 and took over the Telangana Division of APIIC w.e.f. 02.06.2014.

The company prepared demerger scheme as per the provisions of AP Reorganisation Act, 2014 and the same was approved by the joint Board represented by the Govt. of Andhra Pradesh and Telangana in its 199th meeting held on 02.05.2014 and 202nd meeting held on 26.03.2015 duly authorising the Vice Chairman and Managing Directors of both AP and TS Divisions to make necessary modifications. The same was reviewed and approved by the expert committee constituted by the Government for the purpose, vide its letter dated 16.05.2015 and was sent to both the Governments for approval.

The Board of APIIC further authorised the Vice Chairman and Managing Director of both the divisions to finalise the modalities and allocation of employees in its 202nd meeting held on 26.03.2015. According, final allocation of employees to APIIC Limited and TSIIC Limited was made which is subject to scrutiny and approval of the committee appointed/guidelines issued if any by the Central Government for allocation of employees of PSUs. The assignment of division of employees was entrusted to the expert committee vide G.O. Rt. No. 2066, Dt. 26.09.2016.

The orders on approval of the Demerger Scheme is yet to be issued by the Government(s). Pending issue of orders from both the Governments, the assets, liabilities, employees and proceedings of Telangana were transferred and vested with TSIIC Limited. The Accounts were prepared considering the demerger scheme approved by the expert committee and necessary entries were made in the books of accounts accordingly. The entries made are subject to review, reconciliation and modification.

The Assets and Liabilities pertaining to operational units are apportioned on location basis and pertaining to Head Quarters are apportioned on population basis. Investments are apportioned on location basis where the projects are located in a specific region and in case of projects having multiple units falling within the territories of states of Andhra Pradesh and Telangana on population basis.

Book value of total assets of Rs. 3,73,490.23 lakhs and liabilities of Rs. 3,50,930.67 lakhs as on 01.06.2014 were transferred and vested with Telangana region i.e., TSIIC Limited as a part of bifurcation of the state. As per the Demerger Scheme, an amount of Rs. 22,559.56 lakhs is receivable from TSIIC Limited which is shown under AP Reorganisation adjustment A/c. The details of which are as follows:

EQUITY AND LIABILITIES	(Rs. in lakhs)	ASSETS	(Rs. in lakhs)
1. Share Capital	680.53	1. Tangible Assets	12,812.70
2. Reserves and Surplus	20,309.52	2. Non-current Investments	26,735.91
3. Long term Borrowings	2,429.33	3. Long term Loans and Advances	1,74,428.72
4. Other Long term Liabilities	24,641.93	4. Inventories	1,44,059.45
5. Long term Provisions	509.17	5. Trade Receivables	1,851.30
6. Trade Payables	57.91	6. Cash and Cash Equivalents	5,129.78
7. Other Current Liabilities	2,77,895.51	7. Short term Loans & Advances	111.26
8. Short term Provisions	24,406.77	8. Other Current Assets	8,361.11
9. Reorganisation adj. account	22,559.56		
TOTAL EQUITY & LIABILITIES	<u>3,73,490.23</u>	TOTAL ASSETS	<u>3,73,490.23</u>

During the period from 01.04.2014 to 01.06.2014 the share of revenue and expenditure pertaining to Telangana Zones is Rs. 2,736.68 lakhs and Rs.1,875.23 lakhs respectively. An amount of Rs. 423.21 lakhs is the pre-tax profit during the above period and the income tax expense is Rs. 89.87 lakhs. The share of profits in respect of Telangana Region could not be ascertained.

The financial statements are prepared for the period from 01.04.2014 to 01.06.2014 for the APIIC Limited (including Telangana Division) and for the period from 02.06.2014 to 31.03.2015 pertaining to zones and Head Office carrying out operations in the state of Andhra Pradesh as the remaining zones and Head Office carrying out operations in the state of Telangana with effect from 02.06.2014 were transferred to and vested with the newly formed company TSIIC Limited as per the letter no.27/CA-V/31-74, Dt: 11.01.2016 of Comptroller and Auditor General of India, New Delhi, India. Hence, the previous figures are not comparable.

	(Rs. in lakhs)	(Rs. in lakhs)
	As at 31.03.2015	As at 31.03.2014
(3) SHARE CAPITAL		
3.1 Authorised Capital		
2,00,000 equity shares of Rs.1000/- each	<u>2,000.00</u>	<u>2,000.00</u>
3.2 Issued, Subscribed and Paid-up Capital 163275		

equity shares of Rs. 1000/- each	1,632.75	1,632.75
Add : Subscriptions during the year	0.00	0.00
Less: Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder	<u>680.53</u>	<u>0.00</u>
Total 95,222 equity shares of Rs. 1000/- each	<u>952.22</u>	<u>1632.75</u>

3.3 Details of Shareholders holding more than 5% (percent) shares in the Company:

	As at 31st March 2015		As at 31st March 2014	
	No. of shares	% of holding	No. of shares	% of holding
Government of Andhra Pradesh including its nominees	95222	100%	163275	100%

3.4 The Company has only one class of shares i.e., equity shares ranking pari passu with all respects including entitlement of dividend, voting and repayment of capital. Each equity share carries one vote.

		(Rs. in lakhs) As at 31.03.2015	(Rs. in lakhs) As at 31.03.2014
(4) RESERVES AND SURPLUS			
Capital Reserve :			
As per last Balance Sheet		1,300.00	1,300.00
Less : Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder		541.84	0.00
Sub - Total		<u>758.16</u>	<u>1,300.00</u>
Profit and Loss Account :			
As per last Balance Sheet		48,510.84	45,872.99
Add : Profit / Loss for the year		1,718.38	2,757.36
Less : Adjustments made during the period		2,933.05	6.06
Less : Prior Period Adjustments		0.00	113.45
Less : Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder		19,594.66	0.00
Sub - Total		<u>27,701.51</u>	<u>48,510.84</u>
Less: Minority interest share of Current Year Profit		-1,071.06	- 222.70
Total - 4(i) + 4(ii)		<u>29,530.73</u>	<u>50,033.54</u>
4.1 MINORITY INTEREST			
A) APGIC		915.77	1,745.32
B) KPILC		-21.93	-9.18
C) FAB CITY		0.00	20.35
TOTAL		<u>893.84</u>	<u>1,756.49</u>
NON-CURRENT LIABILITIES :			
5.1 Long Term Borrowings			
Loan from RINL		14,400.00	16,800.08
Loan from NTPC		3,000.00	3,500.00
Interest accrued & not due thereon (Payable from 2022 - 23)		12,864.87	11,468.54
Sub - Total		<u>30,264.87</u>	<u>31,768.62</u>
Loan from Oriental Bank of Commerce		2,429.33	2,429.33
Less: Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder		2,429.33	0.00
Sub - Total		<u>0.00</u>	<u>2,429.33</u>
TOTAL		<u>30,264.87</u>	<u>34,197.95</u>

5.1(a) **Loan from NTPC and RINL :**

As per the minutes of the Board meeting dated 19.11.2012 of VIWSCO, loans drawn from RINL, NTPC & VMC were restructured by VIWSCO. As per the restructuring plan (i) rate of interest is 10% p.a. on principal outstanding, (ii) Loan is repayable in ten equal yearly installments commencing from 2012-13, (iii) Outstanding interest and outstanding penal interest as on 31.03.2011 together called as “Funded Interest” payable in ten equal yearly installments starting from 2012-13, (iv) Yearly interest payment commencing from 2012-13 is deferred till loan amount is fully paid by 2021-22 as “Deferred yearly interest”, (v) Deferred yearly interest outstanding as on 31.03.2022 is payable in five equal yearly installments commencing from 2022-23, (vi) Funded interest and deferred yearly interest will not carry any interest. The company is yet to consider restructuring plan. VIWSCO is directly servicing the loan to RINL and NTPC from time to time and no entries are passed in the books of accounts for servicing of interest as it has no impact on the Profit & Loss account. The figures adopted are from the annual accounts of VIWSCO by making necessary entries in the books of accounts during the year. Hence, the balances are subject to review and reconciliation.

5.1 (b) **Loan from Oriental Bank of Commerce :**

An amount of Rs. 12077.30 lakhs was borrowed from Oriental Bank of Commerce, Hyderabad for land acquisition of Rajiv Gandhi International Airport, Shamshabad, Hyderabad. The Government of Andhra Pradesh provided guarantee for servicing of the principal and interest thereon and took obligation to service from time to time and is making necessary budgetary provisions. The loan payable is fifty quarterly installments in ten years and carry 7.25% fixed rate of interest. Penal interest is 2% in case of default. Balance installments payable are fourteen. The amount due from Government in this regard is shown under Other Long Term Loans and Advances. The balance as on 01.06.2014 was transferred to TSIIC Limited on location basis as per AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder.

5.2 DEFERRED TAX LIABILITIES (NET)

As per Accounting Standard (AS-22) on accounting for Taxes on income of the Companies (Accounting Standards) Rules 2006, the deferred tax liability as on 31st March comprises of the following:

	(Rs. in lakhs) As at 31-03-2015	(Rs. in lakhs) As at 31-03-2014
Deferred Tax Liability related to fixed assets	311.52	1,081.20
Less : Deferred Tax Asset relating to Payments u/s 43B of IT Act	271.12	363.87
Net Deferred Tax Liability	<u>40.40</u>	<u>717.33</u>
5.3 OTHER LONG TERM LIABILITIES		
Funds for incubation centers etc.	9,662.83	10,979.70
Due to GoAP - Land	13,430.66	0.00
Sub- Total	<u>23,093.49</u>	<u>10,979.70</u>
Other Liabilities	93,941.52	81,024.22
TOTAL	<u>1,17,035.01</u>	<u>92,003.92</u>

5.3.1 Assistance to States For Developing Export Infrastructure & Allied Activities (ASIDE) :

The Government of India formulated a scheme namely “Assistance to States for Developing Export Infrastructure & Allied Activities (ASIDE)” for involvement of States in export efforts. Under this scheme, funds to the State are directly disbursed to State Level Nodal Agency by Government of India. In this process, an amount of Rs. 463.00 lakhs was released by Government of India during the year (Rs. 463.00 lakhs during the period from 02.06.2014 to 31.03.2015 and Previous year Rs.1727.84 lakhs).

5.3.2 Construction of Incubation Centres :

Government of Andhra Pradesh released an amount of Rs. 3927.98 lakhs during the year (Rs. 2343.40 lakhs during the period from 02.06.2014 to 31.03.2015 and Previous year Rs. 4753.74 lakhs) towards construction of IT incubation centres.

5.3.3 Deposit Works :

The Company has been executing civil works on behalf of various departments of State and Central Governments. These works which are in various stages of completion are in possession of the Company and they are to be handed over to the respective Departments after their completion. The amount excess spent/balance advance outstanding are shown in Sundry Debtors/Deposits - Other Liabilities depending on their nature.

5.3.4 Land Conversion Charges :

As per the AP Non-Agricultural Land (conversion for non-agricultural purposes) Act, 2006, conversion charges are payable for conversion of agricultural land by the owner or occupier. The company sought exemption from the Government of Andhra Pradesh from levy of conversion charges for the lands acquired by the company. Pending receipt of decision of the Government, an amount of Rs. 26,640.56 lakhs is provided towards conversion charges to the end of the Financial Year (P.Y. Rs. 29,851.91 lakhs) for the estates developed by the company. However, the company has not made provision for conversion charges where lands are allotted on as is where is basis (UDL) as the allottees are required to pay/seek exemption in respect of conversion charges.

5.4 Long Term Provisions :

(Rs. in lakhs) (Rs. in lakhs)

Provision for leave Benefits

As per the last balance sheet

1,221.61 1,269.91

Add : Additions during the year

763.99 1,221.61

Less: Payments/adjustments during year

1,221.61 1,269.91

763.99 1,221.61

6. TRADE PAYABLES

Trade Payables

4,057.40 5,616.74

TOTAL

4,057.40 5,616.74

7. OTHER CURRENT LIABILITIES

Deposits received from allottees

1,52,390.93 4,82,794.34

Other Current Liabilities

27,625.23 26,644.71

Current maturities of long term Debt

2,900.00 3,879.92

Interest accrued and due on borrowings

839.16 754.65

TOTAL

1,83,755.32 5,14,073.62

7.1 Sundry Creditors and other deposits are subject to confirmation.

7.2 Out of the total deposits received from allottees, an amount of Rs. 2,78, 808.62 lakhs was transferred to TSIIC Limited as a result of demerger of the company.

7.3 The preparation of partywise schedules for deposits received from allottees is under progress. Deposits received from allottees include EMD of Rs. 13,131.15 lakhs.

(Rs. in lakhs) (Rs. in lakhs)
As at 31-03-2015 As at 31-03-2014

8. SHORT - TERM PROVISIONS

(a) PROVISION FOR EMPLOYEE BENEFITS

(Ref. Note No 5.4 and 21)

8.1 Provision for leave Benefits

As per the last balance sheet

222.45* 190.49*

Add : Additions during the year

33.65 222.45

Less: Payments/adjustments during year

222.45 190.49

Sub-Total

33.65 222.45

(b) OTHERS

8.2 Provision for PS charges

As per the last balance sheet

416.26* 193.84*

Add : Additions during the year

175.85 678.50

Less: Payments/adjustments during year

416.26 456.08

SUBTOTAL

175.85 416.26

8.5 Other Provisions

As per the last balance sheet	2.94	0.00
Add : Additions during the year	48.90	140.77
Less: Payments/adjustments during year	2.94	0.00
Sub - Total	<u>48.90</u>	<u>140.77</u>
TOTAL	<u>49,312.80</u>	<u>50,090.72</u>

* As per the AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder, the balances as on 01.06.2014 are apportioned on population basis except incase of provision for contractual obligations which is apportioned on location basis.

9. NON-CURRENT ASSETS

9.1 TANGIBLE ASSETS :

LAND (including Land Development)	60.68	998.91
BUILDINGS	1,239.52	252.87
REFRIGERATORS, A.Cs AND AIR COOLERS	3.05	10.11
FURNITURE AND FIXTURES	27.63	57.99
OFFICE EQUIPMENT	18.36	71.45
VEHICLES	130.41	212.25
ELECTRICAL EQUIPMENT	17.19	25.89
DRAWING EQUIPMENT	0.03	0.27
COMPUTER	30.08	78.85
QUALITY CONTROL EQUIPMENT	0.00	0.00
LAND - SEZ	25,454.07	52,913.77
LAND DEVELOPMENT - SEZ	4,091.82	202.65
BUILDING - SEZ	5.44	5.54
WATER SUPPLY - SEZ	515.97	573.48
SEWERAGE - SEZ	888.70	1,015.19
EXTERNAL ELECTRIFICATION - SEZ	294.74	211.09
ROADS AND BRIDGES -SEZ	124.65	6,037.23
SOLAR POWER PLANT	1,096.56	1,143.49
Assets on leased land :		
Land on lease	507.99	532.67
Buildings	484.73	507.80
Plant and Machinery	8,279.64	9,925.59
Others	6.55	7.52
TOTAL	<u>43,277.82</u>	<u>74,784.62</u>

9.1.4 Buildings :

The company purchased 6th floor (11840 sft.) from APIDC on outright purchase basis for a consideration of Rs. 13.20 lakhs in the year 1979 and 4th floor (11867 sft.) from APSSIDC for a consideration of Rs. 150.00 lakhs in the year 1998 in Parisrama Bhavan, Basheerbagh, Hyderabad. Pending execution of sale deed by the respective parties, the same was shown under the head Buildings in Fixed Assets. As per the AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder, out of the total extent of 23,707 sft. an area of 9,881.08 sft. (i.e., 41.68% of total area) in the 6th floor was transferred to TSIIC Limited.

9.1.5 Depreciation :

As per the Companies Act, 2013, the useful life of assets in respect of fixed assets including roads and bridges are redetermined. The additional depreciation due to revision of the useful life of the fixed assets whose value is zero at the beginning of the year amounting to Rs.2932.02 lakhs was charged to the opening balance of the Profit & Loss account in accordance with the provisions of the Companies Act, 2013.

9.1.6 SPECIAL ECONOMIC ZONES (SEZ) :

The company was appointed as Nodal Agency for development of Special Economic Zones (SEZs) as a developer. In respect of the allotments made under lease basis during the year and lease deeds executed, the income on lease premium is taken proportionately depending upon the lease period and lease rentals are accounted for as revenue.

The assets relating to Special Economic Zones amounting to Rs. 38274.21 lakhs (Previous Year Rs.59595.85 Lakhs) are shown under the head Fixed Assets and depreciation amounting to Rs. 4053.22 lakhs (Previous Year Rs.869.4 Lakhs) was charged to Profit and Loss Account upto the Financial Year. The gross value of assets for an amount of Rs. 11635.69 lakhs and Provision for Depreciation of Rs.26.11 lakhs was transferred to TSIIC as per AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder. Further, an amount of Rs.2,871.71 lakhs was charged during the year to the accumulated profits.

	(Rs. in lakhs) As at 31.03.2015	(Rs. in lakhs) As at 31.03.2014
9.2 CAPITAL WORK IN PROGRESS		
9.2.1 Construction of Incubation Centres Etc...		
As per last Balance Sheet	2,785.39	3,373.62
Add : Additions during the period	1,269.09	2,334.31
Less : Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder	267.85	0.00
TOTAL	3,786.63	5,707.93

10. NON - CURRENT INVESTMENTS

10.1 Trade Investments - Unquoted (Companies incorporated in India)

INVESTMENTS IN ASSOCIATE COMPANIES

	% of Holding	As at 31.03.2015	As at 31.03.2014
I. 3,84,80,000 equity shares of Rs.10/- each fully paid-up in Cyberabad Convention Center (P) Ltd.	26	0.00	3,711.73
II. 1,97,49,698 equity shares of Rs.10/- each fully paid-up in Boulder Hills Leisure (P) Ltd.	26	0.00	1,409.29
III 2,50,32,202 equity shares of Rs.10/- each fully paid-up in Emmar Hills Township (P) Ltd.	26	0.00	2,592.00
IV. 52,00,000 equity shares of Rs.10/- each fully paid-up in L & T Hitech City Ltd.	26	0.00	32.31

INVESTMENTS IN RELATED PARTY COMPANIES

V	15,00,000 equity shares of Rs.10/- each fully paid-up in Bharatiya International SEZ Ltd.	11.05	150.00	150.00
VI.	22,00,000 equity shares of R.10/ each fully paid-up in K. Raheja IT Park Ltd.	11	0.00	220.00
VII.	1,42,640 equity shares of Rs.10/- each fully paid-up in Intime Properties Pvt. Ltd	11	0.00	14.26
VIII	1,17,901 equity shares of Rs.10/- each fully paid-up in Sundew Properties Pvt. Ltd.,	11	0.00	11.79
IX	2,09,49,200 equity shares of Rs.10/- each fully paid-up in CBD Tower (P) Ltd.	11	0.00	2,093.72
X	29,70,00 equity shares of Rs.10/- each fully paid-up in L & T Infocity Ltd. (includes 9,90,000 Bonus shares issued on May12,2003)	11	115.47	198.00
XI.	19,80,000 equity shares of Rs.10/- each fully paid-up in Ramky Pharma City (India) Ltd.	11	198.00	198.00
XII.	2,50, 000 equity shares of Rs.10/- each fully paid-up in Patancheru Envirotech Ltd.	10	0.00	25.00
XIII	20,825 equity shares of Rs.10/- each fully paid-up in Hyderabad Information Technology Venture Enterprises Ltd.	8	1.21	2.08
XIV	4,165 equity shares of Rs.10/- each fully paid-up in Cyberabad Trustee Company (P) Ltd.	8	0.24	0.42
XV	500 equity shares of Rs.10/- each fully paid-up in Hyderabad Pharma Infrastructure & Technologies Ltd.	1	0.00	0.05
XVI	44,000 equity shares of Rs.10/- each fully paid-up in Vizag IT Park Ltd.	0.49	4.40	4.40
XVII	770 Units of Rs. 25,000/- each fully paid-up in Cyberabad Trustee Company (P) Ltd. (HIVE FUND)		112.27	192.50
XVIII	15,90.62,800 Fully Secured Convertible Debentures of Rs.10/- each in CBD Tower (P) Ltd.		0.00	15,906.28
XIX	4,70,800 equity shares of Rs.10/- each fully paid-up in Nano Tech Silican India Ltd.	20	0.00	47.08
XX	1,00,00,000 equity shares of Rs.10/- each fully paid-up in APGDC	20	1,000.00	1,000.00
XXI	Deposit towards share application money UoH Knowledge and Innovation Park (P) Ltd.	0.00		0.00
	Bhagyanagar Gas Ltd	239.07	239.07	239.07
	Sub-Total		1,820.66	28,047.98
	Less : Provision or dimunition of investments			
	Nano Tech Silicon	0.00		47.08
	CTCPL - HIVE Fund			14.85
		14.85	28.06	75.14
	Sub-Total		14.85	75.14
	TOTAL		1,805.81	27,972.84

10.2 Investment in AP Gas Infrastructure Corporation Pvt. Limited :

As per the directions of Government of AP in G.O. Ms. No. 222 of Industries & Commerce (INF) Department dated 09.10.2009, the Corporation has acquired 51% of equity (Rs. 20.40 crores) in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd.

10.3 Investment in Krishnapatnam International Leather Complex :

The Company invested an amount of Rs. 5.10 lakhs in Krishnapatnam International Leather Complex Limited towards 51% of Equity.

10.4 Investment in Visakhapatnam Industrial Water Supply Company Limited :

The Company has allotted land, for an extent of 120.305 acres on lease basis for a period of 32 years for which an amount of Rs.15.50crores was received in the form of equity shares. The company invested an amount of Rs.6.53 crores in cash in the JV Company.

10.5 Investments transferred to TSIIC Limited :

The investments held by the company in the following subsidiary / joint venture / associate companies were transferred to TSIIC Limited on location/population basis mentioned against each including the provision for dimunition of investments as a part of APReorganisation Act, 2014 and the Demerger Scheme made there under:

Name of the Company	% of Holding	Amount (Rs. In Lakhs)	Basis of allocation
1. Fab City SPV India Pvt. Limited	89	0.89	Location basis
2. E City manufacturing Cluster Limited	100	1.00	Location basis
3. Maheswaram Science Park Limited	100	1.00	Location basis
4. Cyberabad Convention Centre Pvt. Limited	26	3,848.00	Location basis
5. Boulderhills Leisure Pvt. Limited	26	1,974.97	Location basis
6. Emmar Hills Township Pvt. Limited	26	2,503.22	Location basis
7. K Raheja IT Park Limited	11	220.00	Location basis
8. Intime Properties Pvt. Limited	11	14.26	Location basis
9. Sundew Properties Pvt. Limited	11	11.79	Location basis
10. CBD Towers Pvt. Limited	11	2,093.72	Location basis
11. Patancheru Enviro Tech Pvt. Limited	10	25.00	Location basis
12. Hyderabad Pharma Infrastructure & Technologies Limited	1	0.05	Location basis
13. Nano Tech Silicon India Limited	20	47.08	Location basis
14. Debentures in CBD Towers Pvt. Limited	-	15,906.27	Location basis
15. L & T Infocity Limited	4.58	48.13	Populaton Basis
16. Hyderabad Information Technology Venture Enterprises Ltd.	3.33	0.50	Populaton Basis
17. Cyberabad Trustee Company Pvt. Limited	3.33	0.18	Populaton Basis
18. Cyberabad Trustee Company Pvt. Limited (HIVE Fund)	-	80.23	Populaton Basis

	(Rs. in lakhs) As at 31-03-2015	(Rs. in lakhs) As at 31-03-2014
11. LONG TERM LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Security Deposits	308.41	284.10
Loans & Advances to related Parties	17,288.18	23,665.61
Advances to Staff	159.75	531.37
Other Loans & Advances	50,638.60	63,732.21
AP Reorganisation Adjustment Account	22,562.10	0.00
Due from TSIIC	596.54	0.00
Due from GoAP - Resource Mobilisation	0.00	147,201.33
Sub-Total	91,553.58	235,414.62
Other Non-Current Assets		
Fixed Deposits	1,348.21	7,732.07
Accrued Interest on Fixed Deposits	0.00	803.13
Sub-Total	1,348.21	8,535.20
TOTAL	92,901.79	243,949.82

The Fixed Deposit and accrued interest thereon as on 31.03.2014 represents deposit made with Syndicate Bank, NS road, Hyderabad as per of the interim orders of Supreme Court to auction of land allotted to United Tractors - a sick company. Realisation of deposit is subject to final judgement of the Honourable Supreme Court. The fixed deposit and interest thereon is transferred to and vested with TSIIC Limited as per the AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder.

An amount of Rs. 22,559.56 lakhs is receivable from TSIIC Limited which is shown under AP Reorganisation Adjustment Account. Further, an amount of Rs. 596.54 lakhs is due from TSIIC Limited towards adjustments/payments made after 02.06.2014 on behalf of TSIIC.

12. CURRENT ASSETS

	(Rs. in lakhs) As at 31-03-2015	(Rs. in lakhs) As at 31-03-2014
12.1 INVENTORIES		
Construction Materials	45.09	45.09
Stock in trade - Land	157,577.56	267,389.70
Stock in trade - Development	14,536.88	32,947.88
Sub-total	172,159.53	300,382.67
Work - in - progress	19,645.06	50,243.78
Sub-total	19,645.06	50,243.78
TOTAL	191,804.59	350,626.45

12.2 Government Lands :

The company is taking possession of Government Lands in various places in the state pending alienation orders from the Government of Andhra Pradesh. Pending alienation orders, the land taken possession is being capitalised in the Books of Accounts on provisional basis.

12.3 Inventories : The inventory records of the company were reconciled as on 31.03.2015 and necessary rectification were passed in the Books of Accounts.

	(Rs. in lakhs) As at 31-03-2015	(Rs. in lakhs) As at 31-03-2014
13. TRADE RECEIVABLES		
(Unsecured and Considered Good)		
(a) Debts exceeding 6 months	12,177.99	8,108.79
(b) Other debts	3,475.71	2,119.41
Sub-total	15,653.70	10,228.20
Less : Provision for bad & doubtful debts	684.94	1,111.64
TOTAL	14,968.76	9,116.56

13.1 The age wise analysis for the sundry debtors was done based on the date of invoice instead of due date for payment. Provision for bad & doubtful debts is created at 100% on principal amount for debtors outstanding more than 3 years.

13.2 Out of the trade receivables as on 01.06.2014, an amount of Rs. 2,351.53 lakhs was transferred to TSIIC Limited during the profit as a result of demerger of the company.

	(Rs. in lakhs) As at 31-03-2015	(Rs. in lakhs) As at 31-03-2014
14. CASH and CASH EQUIVALENTS		
Cash on Hand - Estates	0.00	0.00
Cheques/DDs on hand - Estates	0.00	8.85
Cash in Transit	55.16	0.00
Balance in Bank Accounts	13,963.17	6,325.49
Balance in Banks - Estates	146.10	124.29
Sub-total	14,164.43	6,458.63
Bank Deposits less than 3 months		
Fixed Deposits	16,259.13	12,999.96
Accrued Interest on Fixed Deposits less than 3 months	3.00	312.00
Sub-total	16,262.13	13,311.96
Earmarked Balances with Banks		
Public Deposit Account - Funds from PD Account can be drawn only against the bills of sanctioned works	7,486.37	8,285.55
Sub-total	7,486.37	8,285.55
TOTAL	37,912.93	28,056.14

	(Rs. in lakhs) As at 31-03-2015	(Rs. in lakhs) As at 31-03-2014
15. SHORT - TERM LOANS and ADVANCES		
Advances Recoverable in Cash or in Kind for the value to be received		
Interest free Loans & Advances to Staff etc.	514.40	1,098.32
Loans & Advances to related Parties	1,736.62	2,631.84
TOTAL	2,251.02	3,730.16

15.1 Sundry debtors, Loans & Advances are subject to confirmation.

16. OTHER CURRENT ASSETS

16.1 Accrued interest on Fixed Deposits more than 3 months	86.18	298.96
Bank Deposits for more than 3 months	21,099.00	1,007.19
Other advances	5,044.75	5,098.45

IT deducted at source	917.93	243.48
Capital Expenditure to the extent not written off	2.99	5.69
MAT Credit	746.38	746.38
TOTAL	27,897.23	7,400.15

16.2 Fixed Deposits include an amount of Rs. 1,412.95 lakhs in ING Vysya Bank Limited, Abids Branch towards collateral Security in respect of Bank Guarantee given on behalf of Andhra Pradesh Gas Infrastructure Corporation Pvt. Limited of which permanent hold is for Rs. 981.39 Lakhs and the available balance for withdrawal of Rs. 431.55 Lakhs.

16.3 MAT Credit as on 31.03.2015 of Rs. 746.38 lakhs comprises amounts relating to F.Y. 2011-12 Rs. 266.43 lakhs and F.Y. 2012-13 Rs. 479.95 lakhs.

17. CONTINGENT LIABILITIES AND COMMITMENTS

17.1 Contingent Liabilities

S.No	PARTICULARS \	31.03.2015 (Rs. in lakhs)	31.03.2014 (Rs. in lakhs)
a.	Claims against the company not acknowledged as debts	49.47	49.47
b.	Other money for which the company is contingently liable :		
	(i) Income Tax Demands	13,957.76	13,856.60
	(ii) Service Tax Demands	29.74	247.05
	(iii) Legal Cases	32,180.45	1,23,631.56
	TOTAL	39,614.56	131,181.82

17.2 Commitments

S.No	PARTICULARS \	31.03.2015 (Rs. in lakhs)	31.03.2014 (Rs. in lakhs)
a.	Estimated amount of contracts remaining to be executed on capital account not provided for	8,667.02	5,021.83
b.	Other Commitments	106.55	155.98
	TOTAL	8,773.57	5,177.81

(Rs. in lakhs) (Rs. in lakhs)
2014-2015 2013-2014

18. REVENUE FROM OPERATIONS

Sale of Land, Houses etc.	70,616.75	117,512.76
Lease and other rental income	1,419.90	1,678.77
Other Operating Revenue	1,077.36	288.55
Water Demands	8,482.08	6,853.34
Interest on Hire Purchase and ORS	130.77	169.01
TOTAL	81,726.86	126,502.43

During the year, the company changed the accounting policy of revenue recognition in respect of sale of land/ premises to reflect true and fair view and to comply AS-9: Revenue Recognition. The revenue on sale agreements is recognised instead of sale deeds. The impact due to change in accounting policy on revenue is Rs.61,236.06 Lakhs.

The possession has been handed over on receipt of full consideration on execution of agreement. The company is obligated to transfer the title on fulfilment of the conditions which is obligatory on the allottees as per the allotment terms and conditions. In case of non fulfillment of allotment conditions, the corporation reserves the right to cancel the allotment and resume the land.

	(Rs. in lakhs) 2014-2015	(Rs. in lakhs) 2013-2014
19. OTHER INCOME		
Interest on Advances to Staff	22.98	8.65
Interest on Other Loans and Advances	268.58	266.42
Interest on Fixed Deposits	729.62	1,501.62
Interest on Debentures	324.19	314.62
Interest on Rental & Water Charges Arrears	72.62	104.22
Dividend Receipt	1.32	290.87
Penalty and Surcharges	660.95	1,507.23
Miscellaneous Receipts	638.35	381.64
Local Authority Income	88.28	181.38
Income from Joint Ventures/Associates	-32.34	198.41
Sale of Solar Power	314.55	245.35
Prior Period Items	764.43	1,077.12
TOTAL	3,853.53	6,077.53
EXPENDITURE		
20. COST OF SALES		
Cost of sales - Land	64,640.94	115,783.67
Cost of sales - Houses/Buildings	0.11	0.62
Cost of sales - Sheds	0.00	0.21
Cost of sales -Water Supply	476.61	285.51
TOTAL	65,117.66	116,070.01
21. EMPLOYEE BENEFITS EXPENDITURE		
Salaries and Allowances	2,634.20	3,230.85
Contribution towards Provident & other Funds	177.88	278.40
Contribution to Group Gratuity Premium	17.59	116.56
Staff Welfare Expenses	210.79	212.40
Sub-Total	3,040.46	3,838.21
Less: Expenditure Capitalised/transferred to other heads	0.00	951.16
Sub-Total	0.00	951.16
TOTAL	3,040.46	2,887.05

Salaries and other Administrative expenses pertaining to engineering division which were capitalised upto F.Y. 2013-14 are charged to profit and loss account during the year as per the Generally Accepted Accounting Principles. The impact on Profit & Loss Account is Rs. 1,330.46 lakhs including Rs. 450.46 lakhs during the period 01.04.2014 to 01.06.2014.

21.1 Managerial Remuneration to Directors

	For the year 2014-15 Rs. in lakhs	For the year 2013-14 Rs. in lakhs
Salaries and Allowances	15.87	3.11
Medical Expenses	0.00	0.00
Rent	0.00	0.00
TOTAL	15.87	3.11

	(Rs. in lakhs) 2014-2015	(Rs. in lakhs) 2013-14
22. OTHER EXPENSES		
(a) Operating Expenses		
Operating Expenses	932.93	539.68
Sub-total	<u>932.93</u>	<u>539.68</u>
	(Rs. in lakhs) 2014-2015	(Rs. in lakhs) 2013-14
(b) Repairs & Maintenance Expenses:		
Computers	4.40	4.18
Pumpsets	0.17	1.17
Electrification	4.26	0.82
Office Equipment	11.63	7.25
Refrigerators, A.Cs and Air Coolers	0.72	0.87
Vehicles	4.03	3.49
Furnitures, Fixtures and others	3.05	0.14
Electric Equipment	0.83	0.48
Total Expenditure before Capitalisation	29.09	18.40
Less : Expenditure Capitalised	0.00	6.57
Sub-Total	29.09	11.83
(c) Administration & General Expenses:		
Travelling Expenses	55.25	111.02
Rent	15.45	27.42
Rates and taxes	4.14	12.09
Vehicle maintenance	165.96	300.11
Electricity charges	137.16	69.61
Water charges	761.24	1,040.81
Repairs & maintenance - Estates	119.12	150.52
Insurance	16.31	14.91
Other expenses	5,391.30	4,527.07
Expenditure on Social Welfare	0.00	200.00
Provision for dimunition of investments	14.85	0.00
Total Expenditure before Capitalisation	6,680.78	6,453.56
Less: Expenditure Capitalised	0.00	390.65
Sub - Total	6,680.78	6,062.91
(d) Expenditure on ERP & Others		
ERP Expenditure and others	65.53	69.74
Sub - Total	65.53	69.74
(e) Prior Period Items (Net)		
Employee benefit expenses	0.78	0.00
Depreciation	237.68	0.00
Administrative and General Expenses	10.01	203.39
Others	0.00	0.47
Sub-Total	248.47	203.86
TOTAL	7,956.80	6,888.02
Other Administration expenses includes	For the year 2014-15	For the year 2013-14
	Rs. in lakhs	Rs. in lakhs
Statutory Audit Fee	3.00	1.50
Out of pocket Expenses	0.50	0.00
Fee for Audit of Consolidation of Accounts	1.50	0.00
Others	3.38	0.00
Service Tax thereon	0.99	0.18
TOTAL	9.37	1.68

23. The Government of Andhra Pradesh have entrusted certain Local Authority powers to the Company like collection of Property Tax, maintenance of Common facilities in respect of certain Industrial Parks and Industrial Development Areas. The Local authority powers are vested with Industrial Area Local Authority (IALA) for each industrial area and the income and expenditure in this regard is being accounted for in the books of accounts maintained by the respective IALAs and hence not accounted for in the accounts of the Company.

24. Long term borrowings are in substance guarantee by the company to RINL, NTPC and OBC on behalf of VIWSCO and Government of Andhra Pradesh there are no net cash flows in this regard and accordingly the cash flows from the financing activities in the cash flow statement are considered as NIL.

25. Previous year's figures have been regrouped /rearranged wherever necessary and have been rounded off to lakhs.

26. Basis of Consolidation

The Consolidated financial statements are prepared related to the Company, its subsidiaries and interest in Joint Ventures, together referred to as Group.

26.1 Basis of Accounting :

26.1.1 The financial statements of subsidiary Companies and Joint Ventures in the Consolidation are drawn upto the same reporting date as that of the Company for the purpose of Consolidation.

26.1.2 The Consolidated Financial Statements have been prepared in accordance with Accounting Standards (AS) 21 - 'Consolidated Financial Statements'; Accounting Standards (AS) 23 - 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standards (AS) 27 - 'Financial Reporting of Interest in Joint Ventures' of Companies (Accounting Standards) Rules 2006 and Generally Accepted Accounting Principles (GAAP).

26.2 The Consolidated Financial Statements have been prepared as per the following principles:

26.2.1 The Financial Statements of the Company and its subsidiaries are combined on a line by line basis by adding together of the like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions, unrealised profits or losses. Minority interest have been separately disclosed.

26.2.2 The consolidated financial statements include the interest of the Company in VIWSCO a Joint Venture, which has been accounted for using the proportionate consolidation method of accounting where the Company has joint control over the entity and reporting whereby the Company's share of each asset, liability, income and expense of a jointly controlled entity is considered as a separate line item. The investment in other joint ventures where the Company does not have joint control but has only significant influence over the joint ventures, has been accounted for under equity method whereby the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee.

26.2.3 The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's standalone financial statements except as otherwise stated in the notes to the accounts.

26.3 The difference between the cost of investment and the share of net assets at the time of acquisition of the shares in the subsidiaries and joint ventures is identified in the financial statements as goodwill or capital reserve, as the case may be.

26.4 The Subsidiaries and Joint Venture Companies considered in the financial statements are as follows:

Name of the Company	Proportion (%) of Shareholding as on		
Subsidiary Companies: Incorporated in India	Full Consolidation	31.03.2015	31.03.2014
1. Andhra Pradesh Gas Infrastructure Corporation Pvt.Ltd.		51%	51%
2. Krishnapatnam International Leather Company Pvt.Ltd.		89%	89%
3. FAB City SPV (India) Pvt. Limited		-	89%
4. E-City Manufacturing Cluster Ltd.,		-	100%
5. Maheswaram Science Park Ltd.,		-	100%

Joint Ventures: Incorporated in India	Proportionate Consolidation	Proportion (%) of Shareholding as on	
		31.03.2015	31.03.2014
1. Visakhapatnam Industrial Water Supply Company Limited		49%	49%

Joint Ventures: Incorporated in India	Equity Method	
1. L & T Hi-tech Limited	26%	26%
2. Emmar Hills Township Private Limited	-	26%
3. Boulder Hills Leisure Private Limited	-	26%
4. Cyberabad Trustee Company Private Limited	-	26%
5. Nano Tech Silican India Ltd.,	-	20.04%

Note : The figures in the Consolidated Financial Statements in respect of the previous year are regrouped as per the audited Balance Sheets of subsidiaries.

26.5 The difference between the cost of investment and share of net asset is zero on the date of acquisition of shares in the subsidiary and joint venture companies, hence no goodwill or capital reserve is identified in the consolidated financial statements.

26.6 Financial Information of Subsidiary Companies :

26.6.1 Andhra Pradesh Gas Infrastructure Corporation Pvt. Limited (APGIC)

Particulars	Rupees in Lakhs	
	31.03.2015	31.03.2014
Authorised Share Capital (10,00,00,000 Equity Shares of Rs.10/- each)	10,000.00	10,000.00
Issued, Subscribed and paid-up capital: (4,00,00,000 Equity Shares of Rs.10/- each fully paid)	4000.00	4000.00
Total Assets	4885.44	3836.44
Reserves and Surplus	-2574.03	- 441.64
Total Liabilities	3459.46	278.08
Total Assets of APGIC include investments in Equity of shares of Rs.10/- each fully paid in Andhra Pradesh Gas Distribution Company Limited, a 50:50 Joint Venture company between APGIC and GAIL		
	1000	1000

26.6.2 Krishnapatnam International Leather Complex Private Limited (KILC)

Particulars	Rupees in Lakhs	
	31.03.2015	31.03.2014
Authorised Share Capital (5,00,000 Equity Shares of Rs.10/- each)	50	50
Issued, Subscribed and paid up capital: (1,00,000 Equity Shares of Rs.10/- each fully paid)	10	10
Reserves and Surplus (Grants in Aid)	243.19	298.97
Total Assets	1189.36	2705.42
Total Liabilities	936.16	2396.45

26.6.3 FAB City SPV India Private Limited

Particulars	Rupees in Lakhs	
	31.03.2015	31.03.2014
Authorised Share Capital (50,000 Equity Shares of Rs.10/- each)	<u>0</u>	<u>5</u>
Issued, Subscribed and paid up capital: (10,000 Equity Shares of Rs.10/- each fully paid)	0	1
Reserves and Surplus	0	439.47
Total Assets	0	501.27
Total Liabilities	0.00	60.80

26.6.4 E-City Manufacturing Cluster Limited

Particulars	Rupees in Lakhs	
	31.03.2015	31.03.2014
Authorised Share Capital (10,000 Equity Shares of Rs.10/- each)	<u>0</u>	<u>1</u>
Issued, Subscribed and paid up capital: (10,000 Equity Shares of Rs.10/- each fully paid)	0.00	1.00
Reserves and Surplus	0	0
Total Assets	0	1501.27
Total Liabilities	0.00	1500.27

26.6.5 Maheswaram Science Park Limited

Particulars	Rupees in Lakhs	
	31.03.2015	31.03.2014
Authorised Share Capital (10,000 Equity Shares of Rs.10/- each)	0	1
Issued, Subscribed and paid up capital: (10,000 Equity Shares of Rs.10/- each fully paid)	<u>0</u>	<u>1</u>
Reserves and Surplus	0	0
Total Assets	0	1501.26
Total Liabilities	0.00	1500.26

26.6.6 Investment in APGIC P. Ltd:

As per the directions of Government of AP in G.O. Ms. No. 222 of Industries & Commerce (INF) Department dated 09.10.2009, the Corporation has acquired 51% of equity (Rs. 20.40 crores) in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd.

26.6.7 Investment in Krishnapatnam International Leather Complex (P) Ltd.

As per the directions of Government of Andhra Pradesh, an amount of Rs. 5,10,000/- was invested in Krishnapatnam International Leather Complex Pvt. Ltd. towards 51% of equity contribution.

27. Additional Information :

Name of the entity in the Group Incorporated in India	% of voting power	Net Assets i.e., total assets minus total liabilities		Share in Profit or Loss	
		As % of Consolidated net assets	Amount	As % of Consolidated profit or loss	Amount
Subsidiaries					
Krishnapatnam International Leather Complex Private Limited	51%	(2.39)	(729.98)	(1.00)	(27.92)
Andhra Pradesh Gas Infrastructure Corporation Ltd.,	51%	(5.00)	(1524.98)	(38.96)	(1086.85)
Joint Venture (Proportionate Consolidation)					
Visakhapatnam Industrial Water Supply Company	49%	1.78	543.23	9.27	258.50
Associates (Equity method)					
L & T Hitech City Limited	26%	(1.71)	(520.00)	(1.16)	(32.34)

28. Previous year's errors in preparation of previous years consolidated financial statements were rectified in comparatives and figures have been regrouped / rearranged wherever necessary and have been rounded off to akhs.

AS PER OUR REPORT DATED 23.03.2017
FOR JAWAHAR AND ASSOCIATES
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
K.PRABHAKAR
PARTNER
M.NO : 026041
FIRM REG.NO. : 001281S

Sd/-
J. NIVAS, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

Sd/-
Dr. P. Krishnaiah, IAS (Retd.),
CHAIRMAN

DATE : 27.02.2017
PLACE : VIJAYAWADA

Sd/-
G. SATHIRAJU
CHIEF GENERAL MANAGER (Finance)

Sd/-
M. SIVA S. REDDY
COMPANY SECRETARY

Revised Independent Auditor's Report

To The Members

Andhra Pradesh Industrial Infrastructure Corporation Limited

Vijayawada.

Report on the Financial Statements

We have audited the accompanying financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited ("the company"), which comprise the Balance Sheet as at March 31, 2015, and the Statement of Profit and Loss and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for matters stated in section 134(5) of the Companies Act, 2013 ("the act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the Accounting Principles generally accepted in India, including the Accounting Standards referred specified under Section 133 of the Act, read with rule 7 of Companies (Accounts) Rules, 2014. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the company and for the prevention and detection of the frauds and other irregularities; selection and application of appropriate accounting policies; making judgement and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control that were operating effectively for ensuring the adequacy and completeness of accounting records 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 have taken into account the provisions of the Act, the accounting and Auditing standards and matters which are required to be included in the audit report under the provisions of the Act and rules made there under.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the act. 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 judgement, 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 controls relevant to the Corporation's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether company has in place an adequate internal financial control system over financial reporting and operating effectiveness of such controls. 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 qualified opinion.

Basis for Qualified Opinion:

1. Violation of clause 34 of the Demerger Scheme.

Pending approval by the Central Government / State Government authorities or its nominees for the **SCHEME OF APPORTIONMENT/DEMERGER/ARRANGEMENT OF ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED AND TELANGANA STATE INDUSTRIAL INFRASTRUC-**

TURE CORPORATION LIMITED, the profit and loss account is drawn for post bifurcation of ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) i.e., from 02-06-2014 to 31.03.2015 for 303 days and Balance Sheet as at 31.03.2015 exclusive of Telangana Region is violative of clause 34 of the above said scheme.

2. Comparability of previous figures. Non Compliance of AS - 24 “Discontinuing Operations”.

To facilitate the demerger on appointed date and as per the directions of Comptroller of Audit General vide. Lr. No. AG/(E & RSA) / ES-II/D3-II/2015-16/24 Dtd: 08/12/2015, the accounts have been drawn for the ERST WHILE COMBINED ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) and closed for the period from 01.04.2014 to 01.06.2014.

The Profit and Loss account is drawn for the current period i.e., from 02/06/2014 to 31/03/2015 i.e., for 303 days exclusive of Zones situated in Telangana Region. Hence, the previous period figures of 62 days of erstwhile combined ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) are not comparable.

In terms of AS 24 Discontinuing Operations, comparative information for the prior period that is presented in the financial statements prepared after the initial disclosure should be restated to segregate Assets, Liabilities, Revenue & Expenses and cash flows of the continuing and discontinuing operations. As seen from the financial statements and cash flows, there is no segregation of Andhra Region and Telangana Region in respect of revenues, expenses, Assets and Liabilities. In our opinion, this is a non-compliance of AS 24 Discontinuing Operations.

3. Equity Share Capital Rs. 952.22 lakhs (previous year Rs. 1632.75 lakhs)

Pending reconciliation with the combined state of Govt. of AP and approval of Demerger scheme by the Government, the issued and paid up capital before Demerger was Rs.1632.75 lakhs divided into 163275 Equity shares of Rs. 1000/- each fully paid-up. Out of the above capital, Rs. 680.53 lakhs divided into 68,053 equity shares of Rs. 1000 each fully paid up was transferred to Telangana State Industrial Infrastructure Corporation (TSIIC) as per AP Reorganisation Act, 2014 and the demerger scheme leaving the balance of issued, subscribed and paid up capital of the company Rs.952.22 lakhs (Pr.Yr 1632.75 lakhs) divided into 95,222 (Pr.Yr. 163275 shares) equity shares of Rs.1000 each fully paid up.

(Please Refer Note 3 of Financial Statements)

4. Reserves and Surplus : Capital Reserve Rs.758.16 lakhs

An amount of Rs. 1300 lakhs received from the Government of Andhra Pradesh as share capital vide G.O. No.s 107 dated 22.07.1995, 108 dated 26.07. 1995, 284 dated 17.08.1998, 330 dated 16.09.1998, 171 dated 27.05.1999, 224 dated 28.05.2002 pending for many years classified as capital reserve. Out of the above Rs. 1300 lakhs, Rs.541.84 lakhs has been transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance of Rs.758.16 lakhs to Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC). In our opinion, this needs to be classified as share application pending allotment.

(Refer Note No. 4)

5. Long Term Loans and Advances Rs.104759.79 lakhs

(AP Re-Organization Account Rs. 22562.10)

Long Term loans and advances include Rs. 22,562.10 lakhs AP Re-organization Adjustment Account and Rs. 596.54 lakhs. Due from Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC)

As per the Re-organization scheme approved by the Board of Directors of combined Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC), Rs.22562.10 lakhs is due from Telangana State Industrial Infrastructure Corporation Ltd.(TSIIC) Ltd., towards reorganization adjustment account and Rs. 596.54 lakhs due to certain other adjustments made subsequently . This is shown under the group Long Term Loans and Advances. In our opinion, this should be disclosed under Short Term loans and Advances.

6. Deposits received from Allottees Rs. 152390.93 lakhs (Refer Note No. 7)

This amount is inclusive of Deposits of Rs.139259.42 lakhs and EMDs of Rs.13131.51 lakhs.

a) Transfer of Rs.273642.13 lakhs to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC)

On appointed date, there was a balance of Rs. 453465.91 lakhs out of which Rs. 256871.22 lakhs of deposits towards land and others and Rs. 16770.91 lakhs towards EMDs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance Rs. 179823.78 lakhs to Andhra Pradesh State Industrial Infrastructure Corporation Ltd.,(APIIC).

b) Appointment of CMT & Associates, Chartered Accountants, as consultants to reconcile Balances in Allottees Account such as EMD's, Deposits from Allottees

Ms. CMT & Associates, Chartered Accountants appointed as consultants for all the Zones excluding Ananthapuram and Kadapa to reconcile EMD and Deposits. They have carried out a reconciliation exercises and submitted their reports on various dates. Inspite of a complete exercise carried out by the consultants with the corporation officials, **the management is not in a position to provide the details of party wise deposits for the audit.**

(Refer Note No.7.3)

c) In the light of non-reconciliation of the deposits, we are not in a position to confirm the accuracy of Deposits Received from Allottees under Liabilities.

7. Long term provisions : Leave Benefit expenses Rs.797.64 lakhs

Pending approval of Employee Division, the management has provided Rs.797.64 lakhs towards Leave Benefit. Since, we are not sure of the outcome of the proposed Division by the Competent Authority we are not in a position to comment upon the adequacy of the provision.

8. Provision for Contractual Obligations Rs. 46895.15 lakhs

(Refer Note 8.3 and accounting policy 3.1)

a) Transfer to Telangana State Industrial Infrastructure Corporation Ltd.,(TSIIC) :

On appointed date, there was a provision of Rs 48271.71 lakhs under which Rs.24131.53 lakhs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance of Rs.24140.18 Lakhs.

b) Adequacy of Provision :

As per the information and explanation given to us during this period provision of Rs. 46895.15 lakhs has been made after review of the various pending contractual obligations. We are not clear, the Provision is pertaining to earlier year's sales or current year sales.

In our opinion, we are not in a position to comment upon adequacy or inadequacy of the provision made.

c) Disclosure :

In view of the contractual works are extending beyond one year, we are of the opinion that this Provision should disclosed under Long term provisions.

9. Treatment of transactions pertaining to Industrial Area Local Authority

As per the information and explanation given to us, the assets and liabilities, profit or losses of IALAs have not been brought into the books of accounts and by not clubbing/consolidating these transactions:

- a) The Assets and Liabilities of the Corporation have been understated.
- b) The profit or loss of the corporation have been understated.
- c) Cash Flows are understated.

We are not in a position to quantify the impact on Assets and Liabilities and Profit/Loss due to failure on the part of the management to provide the necessary information. Further, we are of the opinion that not clubbing the income of IALAs will tant amount to non-compliance of AS-9: Income Recognition.

(Refer to Note 23 of the Financial Statements):

10. Income Recognition as per Accounting Standard 9 (Change in Accounting Policy) Rs. 66972.47 lakhs (refer Accounting Policy No. 4):

a) Change in Accounting Policy :

As per the sub para 4 of note No.1 of financial statements, the management has changed the income recognition policy of "recognizing the income when the sale deed is entered regardless of the agreement entered with the Allottees by passing off the Risks and Rewards" to "recognizing the income from the sale of land, Sheds and Buildings on execution of sale agreement and handing over physical possession of the premises".

b) Impact of change in Recognition of income policy :

As a result of change in Accounting Policy, Rs. 61236.06 lakhs have been recognized by treating sale agreements entered earlier i.e., before 02/06/2014 as Revenue during the year.

c) Impact of non-reconciliation Deposits :

As per the information and explanation given to us, the review /reconciliation of Deposits, agreement of sales and inventory with EDP/Asset Management has been conducted. Further informed that due to lack of information, the reconciliation could not be taken up. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.

d) Non Compliance of Accounting Standard 9 Revenue Recognition :

The agreement of sale is entered with Allottees on receipt of full consideration though the substantial contractual obligations are yet to be fulfilled. As seen from the Balance Sheet, there is a provision of Rs.46895.15 lakhs towards provision for contractual obligation.

As per para 4.2 of the AS 9, the completed service contract method can be applied only when the project is completed or substantial part of the Contractual obligations are completed. As per the information and explanation given to us, the substantial portion of the contractual obligations are yet to be fulfilled. Hence, in our opinion, para 4.2 of AS 9 is not applicable.

In our opinion, para 4.3 of Accounting Standard 9 - Revenue Recognition issued by Institute of Chartered Accountants, the method of accounting of income recognition shall be applicable and reproduced as under. "Proportionate completion method under which accounting for recognition of revenue in the statement of profit and loss is proportionately with the degree of completion of services under the contract".

Further, Para 5.3 of the guidance note on Accounting for Real Estate Transactions (Revised 2012) issued by the Institute of Chartered Accountants of India, has laid down the methodology of application of Percentage of Completion Method.

In the light of the above, we are not in a position to comment on accuracy of the income recognition and we are constrained to state that Accounting Standard 9 - Revenue Recognition has not been complied.

11. Other operating income Rs.985.94 lakhs

Other income include Rs. 870.26 lakhs towards Processing Fee and Rs. 0.50 lakhs towards Penal interest on receipt basis as per the Para 4.5 of Note 1 Accounting Policies to the Financial Statements. This is in contravention to sub section 1 of section 128 of Companies Act, 2013.

12. Inventory (Refer Note 12.1) Rs. 172159.53 lakhs

e) Transfer to TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (TSIIC)

As on appointed date, the inventory value was Rs.300459.86 lakhs out of which Rs.120395.35 lakhs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving balance of Rs. 180064.54 lakhs to Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC).

- a. Though an attempt is made to reconcile financial records with zonal records with the help of a consultant, the management is neither in a position to produce any record of physical verification nor certify physical quantities appearing in the financial records.
- b. Due to non-reconciliation of the deposits as per Note No. 7.3, we are not in a position to quantify the impact on inventory and not in a position to confirm the value of the inventory.

13. Cost of sales Rs. 63093.23 lakhs

The total cost of sales accounted for during the period is Rs. 63093.23 lakhs. However, the cost of sales pertaining to current period sales and amount due to change in Accounting Policy could not be ascertained by the management and we are not able to quantify the same. The cost of sales includes Rs. 22754.97 lakhs towards Contractual obligations on estimation basis. We are not clear whether this is pertaining to earlier year's cost of sales or current year's cost of sales.

As stated earlier, the income should be on proportionate completion method and the cost of sales should not include any estimation.

In view of the above, we are not in a position to confirm the cost of sales.

Qualified 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 subject to above comments mentioned under qualified opinion 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 Corporation as at March 31, 2015;
- b) In the case of the Profit & Loss Account, of the profit for the year ended on that date;
- c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Emphasis of Matter :**(1) Non Confirmation (Refer Note 7.1 and Note 15.1) :**

Attention is drawn to the Note No. 15.1 wherein the corporation has confirmed the balances of sundry debtors, Loans and Advances and are yet to be reconciled with respective parties. Similarly, Trade payables, Loans and Advances shown under Note 7.1 are yet to be confirmed and reconciled.

(2) Demand for Conversion Charges raised by the Combined AP**(Refer Note No. 5.3.4)**

During the financial year 2013-14, the management has made a provision of Rs.29851.91 lakhs as against the demand of Rs. 129461 lakhs. As to the query by C&AG regarding not providing the total demand, the management in its reply stated that “the Audit Para is noted”.

(3) Fixed Assets - Buildings Additions to Gross Block 1314.08 lakhs :

A Gross Block of Rs.113.36 lakhs was transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) as per the Demerger Scheme leaving a balance of Rs. 1314.08 lakhs to the Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC). The additions of Rs. 1164.08 lakhs include rectification entry of Rs. 1088.47 lakhs worth Buildings at Zones to the existing gross block.

(4) Fixed Assets - deletion to SEZ Land Rs.10135.79 lakhs**Report on Other Legal and Regulatory Requirements:**

1. As required by the Companies (Auditor's Report) Order, 2015 issued by the Central Government of India in terms of sub-section 11 of section 143 of the Act, we give in the Annexure - 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. We are enclosing our report in terms of Section 143(5) of the Act, on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanation given to us, in the Annexure - 2 on the directions issued by the Comptroller and Auditor General of India.
3. As required by section 143(3) of the Act, we report that:
 - a. We have sought and, except for the matters described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion proper books of account as required by the law have been kept by the Company

so far as appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from branches not visited by us];

- c. The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account [and with the returns received from branches not visited by us];
- d. Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2013;
- e. The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
- f. On the basis of written representations recieved from the directors as on March 31, 2015, and taken on record by the Board of Directors, one of the Directors is disqualified as on March 31,2015, from being appointed as a Director in terms of section 164(2) of the Act.

Place : Hyderabad

Date : 21.07.2017

For Jawahar and Associates

Chartered Accountants

FRN : 001281S

Sd/

K.Prabhakar

Partner

M.No.026041

Annexure - 1 to the Auditor's Report

The Annexure referred to in our report to the members of Andhra Pradesh Industrial Infrastructure Corporation Limited
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)

- (a) The corporation is maintaining proper records showing full particulars including quantitative details and situation of the Fixed Assets.
- (b) As per the information and explanation given to us, Corporation has appointed an external authority by name CMT & Associates, Chartered Accountants Hyderabad, to verify the Fixed Assets. As per the information and explanation given to us, the discrepancies noticed by the external authority are properly dealt in the books of accounts.

(ii)

- (a) There is no document evidencing the physical verification of inventory conducted by the management.
- (b) Since the physical verification has not been conducted by the management, the question of adequacy or inadequacy does not arise
- (c) The company is maintaining the records of inventory and since the physical verification has not been conducted any material discrepancies noticed by us doesnot arise.

- (iii)** The Corporation has given unsecured advances to the following Subsidiaries, who are covered in the Register to be maintained Under Section 189 of the Companies Act, 2013 for the year and outstanding balances are as under:

Sl. No.	Party and Relation	Maximum Amount Involved (Rs.)	Balance as at 31.03.2015 (Rs.)
	Long Term Loans and Advances		
1.	Visakhapatnam Industrial Water Supply Company - Loan to Joint Venture	2,32,00,00,000	2,03,00,00,000
2.	Visakhapatnam Industrial Water Supply Company - Accrued Interest Loan to Joint Venture	1,37,04,03,000	1,37,04,03,000
3.	AP Gas Infrastructure Corporation Limited	13,92,836	13,92,836
4.	Krishnapatnam International Leather Complex Pvt. Ltd.,	22,14,390	22,14,390
5.	Visakhapatnam Industrial Water Supply Company - Interest	7,27,67,000	7,27,67,000
	Short Term Loans and Advances		
6.	Visakhapatnam Industrial Water Supply Company - Unsecured Loan	24,34,64,380	24,34,64,380

- a.** As per the information and explanations given to us all the above advances except 1 and 6 are interest free advances either to subsidiary companies or Joint Ventures or Associates companies and there is no repayment schedule. As per the information and explanations given to us, pending approval of the restructuring plan submitted by VIWSCO, in our opinion the repayment of installments is overdue.
- b.** As per the information and explanations given to us, the terms of arrangement do not stipulate any repayment schedule with regard to serial no. 1 to 6. In respect of VIWSCO loan as per the books of accounts, the repayment of installment for the year 2012-13 and 2013-14 were due and due to non-reconciliation no entries were passed. Hence, we are not in a position to comment on overdue amount.
- (iv)** According to information and explanations given to us, there is an adequate internal control system commensurate with the size of its company and nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of audit, we observe that there is not continuous failure to correct major weakness in the internal control system.
- (v)** According to information and explanations given to us, the Corporation has not accepted deposits from public as per provisions of section 73 to 76 or any other relevant provisions of the Companies Act, 2013.
- (vi)** As per section 148 of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014, the maintenance of cost records for the financial year 2014-15 is mandatory. The company is yet to initiate preparation of cost records as prescribed under the rules.
- (vii)**
- a.** The Corporation is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, Cess and other statutory dues applicable to it, though there are certain delays in respect of certain zones in respect of VAT and conversion charges.
- b.** According to the information and explanation given to us, the following are the dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of dispute.

Name of the statute	Nature of the Dues	Amount (Rs. in Crore)	Assessment Year	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	58.43	2006 - 07	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax	8.65	2010 - 11	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax	6.95	2012 - 13	Commissioner (Appeals)
Income Tax Act, 1961	Fringe Benefit Tax	0.01	2009 - 10	Commissioner (Appeals)
Finance Act, 1994	Service Tax	29.74	Different Periods	Commissioner (Appeals/CESTAT)

- c. According to information and explanations given to us, the Corporation is not required to transfer any amount to the investor education and protection fund in accordance with the relevant provisions of Companies Act, 2013.
- (viii) According to information and explanations given to us, the corporation is continuously making profit and hence, the clause (viii) of CARO, 2015 is not applicable.
- (ix) According to information and explanations given to us, the corporation has not borrowed any money from the financial institution or banks. Hence, the clause is not applicable.
- (x) As per the information and explanations given by the management, the corporation has given a guarantee of Rs. 9.29 cr (Previous Year Rs.9.29 cr) to its subsidiary. In our opinion, the terms and conditions of the guarantees are not prejudicial to the interests of the Corporation.
- (xi) According to the information and explanations given to us, the Corporation has not availed any term loans during the period.
- (xii) According to the information and explanations given to us, no fraud on or by the Corporation has been noticed or reported during the course of our audit.

Place : Hyderabad
Date : 21.07.2017

For Jawahar and Associates
Chartered Accountants
FRN : 001281S
Sd/
K.Prabhakar
Partner
M.No.026041

**Annexure 2 to the Auditor's Report
(Andhra Pradesh Industrial Infrastructure Company Limited)**

(Annexure refer to point 2 of Report on Other Legal and Regulatory Requirements
of the Report of the Auditors)

S.No.	Directions / Sub-Directions	Action Taken	Impact on Financial Statement
Directions			
1.	If the company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible Assets and land) and Liabilities (including Committed and General Reserves) may be examined including the mode and present stage of disinvestment process.	As per the information and explanation given to us the company has not been selected for disinvestment during this period.	Not Applicable
2.	Please report whether there are any cases of waiver /write off of debts/loans/interest etc. If yes, the reason therefore and the amount involved.	According to the information and explanation given to us, there are no cases of waiver/write off of debts/loans/interest etc. except pending approval an amount of Rs.528.67 lakhs charged to prior period expenditure by crediting other advances.	NIL
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	(a) According to the information and explanation given to us, there are no inventories lying with third parties. There are no such assets received as gift from the Govt. or other authorities.	NIL
4.	A report on age-wise analysis of pending legal / arbitration cases including the reason of pendency and existence/effectiveness mechanism for expenditure on all legal cases (foreign and local) may be given.	(a) Details of age-wise analysis of the pending statutory legal cases and amounts involved are reported under clause vii (b) of Annexure 1 of the Audit Report and	NIL

	<p>other legal cases are enclosed as annexure to these Directions.</p> <p>(b) As per the information and explanation given to us, the age wise analysis of other legal cases is enclosed as Annexure to this report.</p> <p>(c) The legal department headed by General Manager with a skeleton staff. In our opinion, the legal department needs to be strengthened. During the year, the legal expenses of Rs.78.35lakhs for the period of 12 months as against Rs. 69.58 lakhs for the year 2013-14.</p> <p>In our opinion, the existence / effectiveness mechanism for expenditure on all legal cases is reasonable.</p>	
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For Jawahar and Associates
Chartered Accountants
FRN : 001281S
Sd/-
K.Prabhakar
Partner
Membership No.026041

Place : Hyderabad
Date : 21.07.2017

Annexure to the Report on Directions given by the C&AG under 143(5) of Companies Act, 2013

Details of Legal Cases other than Statutory as on 31.03.2015			
S.No.	Particulars	Remarks	Amount (Rs. in lakhs)
1.	Land Acquisition and Original Petition	All the cases are more than 5 years (12 cases)	4112.00
2.	Land Acquisition Appeals before High Court:	a. More than 5 years (38 cases) b. More than one year and less than 5 years (13cases) c. Less than one year	1958.45 117.00 ---
3.	Land Acquisition and Executive Petitions	All the cases are of more than five years (151 cases)	493.00
4.	Unitech Vizag Projects Limited	Case filed during the year 2011	25500.00
		TOTAL	32180.45

REVISED INDEPENDENT AUDITOR'S REPORT

TO

The Members

Andhra Pradesh Industrial Infrastructure Corporation Limited

Hyderabad

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited (herein after referred to as “the Holding Company”) and its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”), its associates and jointly controlled entities, comprising of the Consolidated Balance Sheet as at 31st March, 2015, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (herein after referred to as “the consolidated financial statements”).

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (herein after referred to as “the Act”) that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are

appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating and appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

Basis for Qualified Opinion

1. Violation of clause 34 of the Demerger Scheme:

Pending approval by the Central Government / State Government authorities or its nominees for the **SCHEME OF APPORTIONMENT / DEMERGER / ARRANGEMENT OF ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED AND TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED**, the profit and loss account is drawn for post bifurcation of ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) i.e., from 02.06.2014 to 31.3.2015 for 303 days and Balance Sheet as at 31.03.2015 exclusive of Telangana Region is violative of clause 34 of the above said scheme.

2. Comparability of previous figures, Non compliance of AS - 24 "Discontinuing Operations" :

To facilitate the demerger on appointed date and as per the directions of Comptroller of Audit General vide Lr. No. AG/(E & RSA)/ES-II/D3-II/2015-16/24 Dtd: 08/12/2015, the accounts have been drawn for the ERSTWHILE COMBINED ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) and closed for the period from 01.04.2014 to 01.06.2014.

The Profit and Loss account is drawn for the current period i.e., from 02/06/2014 to 31/03/2015, i.e., for 303 days exclusive of Zones situated in Telangana Region. Hence, the previous period figures of 62 days of erstwhile combined ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LTD., (APIIC) are not comparable.

In terms of AS 24 Discontinuing operations, comparative information for the prior period that is presented in the financial statements prepared after the initial disclosure should be restated to segregate Assets, Liabilities, Revenue and Expenses and Cash flows of the continuing and discontinuing operations. As seen from the financial statements and cash flows, there is no segregation of Andhra Region and Telangana Region in respect of revenues, expenses, Assets and Liabilities. In our opinion, this is a non-compliance of AS 24 Discontinuing Operations.

3. Equity Share Capital Rs. 952.22 lakhs (previous year Rs. 1632.75 lakhs)

Pending reconciliation with the combined state of Govt. of AP and approval of Demerger scheme by the Government, the issued and paid up capital before Demerger was Rs. 1632.75 lakhs divided into 163275 Equity shares of Rs.1000 each fully paid up. Out of the above capital, Rs. 680.53 lakhs divided into 68,053 equity shares of Rs. 1000 each fully paid up was transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) as per AP Reorganisation Act, 2014 and the demerger scheme leaving a balance of issued, subscribed and paid up capital of the company Rs. 952.22 lakhs (Pr. Yr. 1632.75 lakhs) divided into 95,222 (Pr. Yr. 163275 shares) equity shares of Rs. 1000 each fully paid up.

(Please Refer Note 3 of Financial statements)

4. Reserves and Surplus : Capital Reserve Rs. 758.16 lakhs

An amount of Rs. 1300 lakhs received from the Government of Andhra Pradesh as share capital vide G.O.

No.s 107 dated 22.07.1995, 108 dated 26.07.1995, 284 dated 17.08.1998, 330 dated 16.09.1998, 171 dated 28.05.2002 pending for many years classified as capital reserve. Out of the above, Rs. 1300 lakhs, Rs. 541.84 lakhs has been transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance of Rs. 758.16 lakhs to Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC). In our opinion, this needs to be classified as share application pending allotment.

(Refer Note No. 4)

5. Long term Loans and advances Rs. 104759.79 lakhs

(AP Re-organization Account Rs. 22562.10 lakhs)

Long term loans and advances include Rs. 22562.10 lakhs AP Re-organization Adjustment Account and Rs. 596.54 lakhs due from Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC).

As per the Re-organization scheme approved by the Board of Directors of combined Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC), Rs. 22562.10 lakhs is due from Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) towards reorganization adjustment account and Rs. 596.54 lakhs due to certain other adjustments made subsequently. This is shown under the group Long Term Loans and Advances. In our opinion, this should be disclosed under the Short term loans and advances.

6. Deposits received from Allottees Rs.152390.93 lakhs (Refer Note No.7)

This amount is inclusive of Deposits of Rs.139259.42 lakhs and EMDs of Rs.13131.51 lakhs.

(a) Transfer of Rs. 273642.13 lakhs to Telangana State Industrial Infrastructure Corporataion Ltd., (TSIIC)

On appointed date, there was a balance of 453465.91 lakhs out of which Rs. 256871.22 lakhs of deposits towards Land and others and Rs. 16770.91 lakhs towards EMDs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance Rs. 179823.78 lakhs to Andhra Pradesh Industrial Infrastructure Corporation Ltd., (APIIC).

(b) Appointment of CMT & Associates, Chartered Accountants, as consultants to reconcile Balances in Allottees Account such as EMD's, Deposits from Allottees :

Ms. CMT & Associates, Chartered Accountants appointed as consultants for all the Zones excluding Anathapuram and Kadapa to reconcile EMD and Deposits. They have carried out a reconciliation exercises and submitted their reports on various dates. Inspite of a complete exercise carried out by the consultants with the corporation officials, **the management is not in a position to provide the details of party wise deposits for the audit.**

(Refer Note No. 7.3)

(c) In the light of non-reconciliation of the deposits, we are not in a position to confirm the accuracy of Deposits Received from Allottees under Liabilities.

7. Long term provisions : Leave benefit expenses Rs. 797.64 lakhs

Pending approval of Employee Division, the management has provided Rs. 797.64 lakhs towards Leave Benefit. Since, we are not sure of the outcome of the proposed Division by the Competent Authority we are not in a position to comment upon the adequacy of the provision.

8. Provision for Contractual Obligations Rs. 46895.15 lakhs

(Refer Note 8.3 and accounting policy 3.1)

(a) Transfer to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) :

On appointed date, there was a provision of Rs. 48271.71 lakhs under which Rs. 24131.53 lakhs transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving a balance of Rs. 24140.18 Lakhs.

(b) Adequacy of Provision :

As per the information and explanation given to us during this period provision of Rs. 46895.15 lakhs has been made after review of the various pending contractual obligations. We are not clear, the Provision is pertaining to earlier year's sales or current year sales. In our opinion, we are not in a position to comment upon adequacy or inadequacy of the provision made.

(c) Disclosure :

In view of the contractual works are extending beyond one year, we are of the opinion that this Provision should disclosed under Long term provisions.

9. Treatment of transactions pertaining to Industrial Area Local Authority

As per the information and explanation given to us, the assets and liabilities, profit or losses of IALAs have not been brought into the books of accounts and by not clubbing/consolidating these transactions:

- a) The Assets and Liabilities of the Corporation have been understated
- b) The profit or loss of the corporation have been understated
- c) Cash Flows are understated

We are not in a position to quantify the impact on Assets and Liabilities and Profit /Loss due to failure on the part of the management to provide the necessary information. Further, we are of the opinion that not clubbing the income of IALAs will tant amount to non-compliance of AS - 9 : Income Recognition.

(Refer to Note 23 of the Financial Statements) :

10. Income Recognition as per Accounting Standard 9 (Change in Accounting Policy) Rs. 66972.47 lakhs

(Refer Accounting Policy No. 4)

a) Change in Accounting Policy

As per the sub para 4 of note No. 1 of financial statements, the management has changed the income recognition policy of "recognizing the income when the sale deed is entered regardless of the agreement entered with the Allottees by passing off the Risk and Rewards" to "recognizing the income from sale of Land, Sheds and Buildings on execution if sale agreement and handing over physical possession of the premises".

(b) Impact of change in Recognition of income policy

As a result of change in the Accounting Policy, Rs.61236.06 lakhs have been recognized by treating sale agreements entered earlier i.e., before 02/06/2014 as Revenue during the year.

(c) Impact of Non-reconciliation Deposits :

As per the information and explanation given to us, the review/reconciliation of Deposits, agreement of sales and inventory with EDP/Asset Management has been conducted. Further informed that due to lack of information, the reconciliation could not be taken up. We are not in a position to comment and quantify the impact of the non - reconciliation on Revenue.

(d) Non-compliance of Accounting Standard 9 Revenue Recognition :

The agreement of sale is entered with Allottees on receipt of full consideration though the substantial contractual obligations are yet to be fulfilled. As seen from the Balance Sheet, there is a provision of Rs.46895.15 lakhs towards provision for contractual obligation.

As per para 4.2 of the AS 9, the completed service contract method can be applied only when the project is completed or substantial part of the Contractual obligations are completed. As per the information and explanation given to us, the substantial portion of the contractual obligations are yet to be fulfilled. Hence, in our opinion, para 4.2 of AS 9 is not applicable.

In our opinion, para 4.3 of Accounting Standard 9 - Revenue Recognition issued by Institute of Chartered Accountants, the method of accounting of income recognition shall be applicable and reproduced as under.

“Proportionate completion method under which accounting for recognition of revenue in the statement of profit and loss is proportionately with the degree of completion of services under the contract”.

Further, Para 5.3 of the guidance note on Accounting for Real Estate Transactions (Revised 2012) issued by the Institute of Chartered Accountants of India, has laid down the methodology of application of Percentage of Completion Method.

In the light of the above, we are not in a position to comment on accuracy of the income recognition and we are constrained to state that Accounting Standard 9 - Revenue Recognition has not been compiled.

11. Other operating income Rs. 985.94 lakhs

Other income include Rs. 870.26 lakhs towards Processing Fee and Rs. 0.50 lakhs towards Penal interest on receipt basis as per the para 4.5 of Note 1 Accounting Policies to the financial statements. This is in contra vention to sub section 1 of section 128 of Companies Act, 2013.

12. Inventory (Refer Note 12.1) Rs. 172159.53

e) Transfer to TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPROATION LTD., (TSIIC)

As on appointed date, the inventory value was Rs. 300459.86 lakhs out of which Rs. 120395.35 lakhs trans ferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) leaving balance of Rs. 180064.54 lakhs to Andhra Pradesh Industrial Infrastructue Corporation Ltd., (APIIC)

- a.** Though an attempt is made a reconcile financial records with zonal records with the help of a consultant, the management is neither in a position to produce any record of physical verification nor certify physical quantities appearing in the financial records.
- b.** Due to non-reconciliation of the deposits as per Note No. 7.3, we are not in a position to quantify the impact on inventory and not in a position to confirm the value of inventory.

13. Cost of Sales Rs.63093.23 lakhs

The total cost of sales accounted for during the period is Rs. 63093.23 lakhs. However, the cost of sales pertaining to current period sales and amount due to change in Accounting Policy could not be ascertained by the management and we are not able to quantify the same. The cost of sales includes Rs. 22754.97 lakhs towards Contractual obligations on estimation basis. We are not clear whether this is pertaining to earlier year's cost of sales or current year's cost of sales.

As stated earlier, the income should be on proportionate completion method and the cost of sales should not include any estimation.

In view of the above, we are not in a position to confirm the cost of sales.

14. Minority Interest Rs. 893.84 lakhs

- a. i)** In respect of Krishnapatnam International Leather Comples Private Limited, an amount of 1000 lakhs Crore of Capital - Grant- in-aid has been clubbed under other long term liabilities without calculating the minority interest. As a result, Minority Interest of Krishnapatnam is under stated by 490 lakhs and other long term liabilities overstated by the same amount.

(ii) The minority interest was calculated by taking current year loss of Rs. 54.74 lakhs only instead of considering total loss including opening loss of Rs. 701.03 lakhs. As a result, the minority interest has been overstated by Rs. 343.50 lakhs.

As a result of above two points, the minority interest has been understated by Rs. 145.06 lakhs.

b. In respect of Andhra Pradesh Gas Infrastructure Corporation Limited, Minority interest should be Rs. 701.05 lakhs as against the Rs. 915.77 lakhs due to non-consideration of opening loss of Rs. 438.21 lakhs which resulted in understatement of Reserves and Surplus by Rs. 214.72 and overstatement of Minority Interest.

15. The inter group transactions in respect of Andhra Pradesh Gas Infrastructure Corporation Limited, Krishnapatnam International Leather Complex Private Limited and Visakhapatnam Industrial Water Supply Company has not been adjusted properly in view of non-reconciliation.

Qualified 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 subjected to above comments mentioned under basis for qualified opinion and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of consolidated Balance Sheet, of the state of affairs of the APIIC Group as at March 31, 2015;
- b) in the case of consolidated Profit and Loss Account, Profit of the APIIC Group for the year ended on that date; and
- c) in the case of consolidated cash flow statement, of the cash flow of the APIIC for the year ended on that date.

Emphasis of Matter

1. Non - Confirmation (Refer Note 7.1 and Note 15.1) :

Attention is drawn to the Note No. 15.1 wherein the corporation has confirmed the balances of sundry debtors, Loans and Advances and are yet to be reconciled with respective parties. Similarly Trade payables, Loans and advances shown under Note 7.1 are yet to be confirmed and reconciled.

2. Demand for Conversion Charges raised by the Combined AP (Refer Note No.5.3.4)

During the financial year 2013-14, the management has made a provision of Rs.29851.91 lakhs as against the demand of Rs.129461 lakhs. As to the query by C&AG regarding not providing the total demand, the management in its reply stated that "the Audit Para is noted"

3. Fixed Assets - Buildings Additions to Gross Block 1314.08 lakhs:

A Gross block of Rs.113.36 lakhs was transferred to Telangana State Industrial Infrastructure Corporation Ltd., (TSIIC) as per the Demerger Scheme leaving a balance of Rs. 1314.08lakhs to the Andhra Pradesh State Industrial Infrastructure Corporation Ltd., (APIIC). The additions of Rs. 1164.08 lakhs include rectification entry of Rs. 1088.47 lakhs worth Buildings at Zones to the existing gross block.

4. Fixed Assets - deletion to SEZ Land Rs.10135.79 lakhs

5. In respect of Andhra Pradesh Gas Infrastructure Corporation Limited

- a. the statutory auditors have not been able to obtain appropriate evidence to provide a basis for audit opinion with regard to interest claims & Service Tax claims raised by the Oil & Natural Gas Corporation Limited, accordingly they did not express an opinion on the same.

- b. the statutory auditors have not been able to obtain appropriate evidence to provide a basis for audit opinion with regard carrying amount of Company's investments in Andhra Pradesh Gas Distribution Corporation Limited, accordingly they did not express an opinion on the same.
- c. Company is required to prepare consolidation of financial statements as per section 129 of the companies act, 2013
- d. As per the Joint agreement with Oil & Natural Gas Corporations Limited, on default the share of the company is to be forfeited. The capital work-in-progress is still carried at its book value. The statutory auditors were unable to express an opinion, in this matter.

6. In respect of the Visakhapatnam Industrial Water Supply Company Limited

The company has borrowed from APIIC vide a Tripartite agreement. However, it has registered the charge on the Fixed Assets in favor of NTPC, RINL and GVMC for the amount advanced by them to APIIC under the terms of tripartite agreement. Accordingly, the same amount has been shown as secured loans in the VIWSCO books. But, APIIC shown under unsecured loan to VIWSCO. During the process of Consolidation, proportionate joint control of APIIC in the secured loan has been adjusted to the unsecured loan to VIWSCO.

(Refer Note No.11)

Other Matters

- (a) In respect of subsidiaries, Joint Ventures and Associate companies, we did not carry out the audit. These financials have been audited by other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amount included in respect of the subsidiary companies is based solely on the report of the other auditors. The details of assets, revenues and net cash flows in respect of subsidiaries to the extent which it is included in the consolidated financial statements are given below. The following details of Assets, Revenues in respect of subsidiaries, Joint Ventures and Associates included in the consolidated financial statements are given below.

(Rs. in Lakhs)

S.No.	Type of the Company	Audited/ Provisional	Total Assets	Revenues
1.	Subsidiaries	Audited	4034.51	66.92
2.	Joint Ventures	Audited	4883.32	7082.57

Our opinion is not qualified in respect of other matters.

Report on Other Legal and Regulatory Requirements

- 1.** As required by the Companies (Auditor's Report) Order, 2015 issued by the Central Government of India in terms of sub-section 11 of section 143 of the Act, we give in the Annexure - 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
- 2.** We are enclosing our report in terms of Section 143(5) of the Act, on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanation given, in the Annexure - 2 on the directions issued by the Comptroller and Auditor General of India.
- 3.** As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - (a)** We have sought and, except for the possible effect of the matter described in the Basis for Qualified Opinion above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b)** In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c)** The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (d)** In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e)** The matters stated in the basis for qualified opinion paragraph above, in our opinion, may have an adverse effect on functioning of the Group.
 - (f)** On the basis of the written representation received from the directors of the Holding Company as on 31st March, 2015 taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its subsidiary companies, associate companies and jointly controlled companies incorporated in India, none of the other directors of the Group's companies, its associate companies and jointly controlled companies incorporated in India is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164(2) of the Act.

For Jawahar and Associates

Chartered Accountants

Firm Reg. : 001281S

Sd/-

K.Prabhakar

(Partner)

Membership No.:026041

Place : Hyderabad

Date : 21.07.2017

Annexure 1 to the Auditor's Report

The Annexure referred to in our report to the members of Andhra Pradesh Industrial Infrastructure Corporation Limited.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us and based on the statutory auditors report on Group including Joint controlled entities, we report that:

- (i)
 - (a) The Group including its joint controlled entities are maintaining proper records showing full particulars including quantitative details and situation of the Fixed Assets except by Andhra Pradesh Gas Infrastructure Corporation Limited.
 - (b) As per the information and explanation given to us and based on the statutory auditor's reports on subsidiaries and Joint Ventures, the physical verification of fixed assets is conducted by the management. The material discrepancies noticed are properly dealt in the books of accounts. However, in respect of Andhra Pradesh Gas Infrastructure Corporation Limited, fixed assets have not been verified by the management.
- (ii) Based on statutory auditor's reports on subsidiaries and Joint Controlled entities they does not carry any inventory hence reporting under this clause is not applicable. However,
 - (a) There is no document evidencing the physical verification of inventory conducted by the management in respect of APIIC.
 - (b) Since the physical verification has not been conducted by the management, the question of adequacy or inadequacy does not arise in respect of APIIC.
 - (c) The company is maintaining the records of inventory and since the physical verification has not been conducted any material discrepancies noticed by us does not arise in respect of APIIC.
- (iii) According to the information and explanations given to us and based on the statutory auditor's reports of subsidiaries and Joint Ventures & Associates, the holding company has given unsecured advances to 5 parties who are covered in the Register to be maintained Under Section 189 of the Companies Act, 2013.
 - (a) As per the information and explanations given to us all the advances except one party namely VIWSCO are interest free advances and there is no repayment schedule.
 - (b) In view of the above, we are not in a position to comment upon the regularity of the repayment of principle amount. In respect of the loan granted to VIWSCO, repayment of installment is overdue and we were informed that the restructuring plan is under consideration.
- (iv) According to the information and explanations given to us and based on the statutory auditor's reports of Group including its joint controlled entities, there is an adequate internal control system commensurate with the size of its company and nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services.

During the course of audit of, we observed that there is no continuous failure to correct major weakness in the internal control system of Group.
- (v) According to the information and explanation given to us and based on the statutory auditor's reports of the Group, not accepted deposits from public during the year within the meaning of section 73 to 76 of Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 or any other relevant provisions of the Companies Act, 2013.

- (vi) The Maintenance of cost records for the financial year 2014 - 2015 is mandatory for the holding company and is yet to initiate preparation of cost records as prescribed under the rules. The maintenance of cost records for other group companies is not mandatory in view of the threshold limit prescribed under Companies (cost records and Audit) Rules, 2014.
- (vii) (a) According to the information and explanations given to us and based on the statutory auditor's reports of Group, is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other statutory dues applicable to it, though there are certain delays in respect of Holding Co.
- (b) According to the information and explanations given to us and based on the statutory auditor's reports of the Group, the following are the dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of dispute in respect of Group.

Name of Group Companies	Name of the Statue	Name of the Dues	Amount (Rs. in Crore)	Assessment Year	Forum where the dispute is pending
APIIC	Income Tax Act, 1961	Income Tax	58.43	2006 - 07	Commissioner (Appeals)
	Income Tax Act, 1961	Income Tax	8.65	2010 - 11	Commissioner (Appeals)
	Income Tax Act, 1961	Income Tax	6.95	2012 - 13	Commissioner (Appeals)
	Income Tax Act, 1961	Fringe Benefit Tax	0.01	2009 - 10	Commissioner (Appeals)
	Finance Act, 1994	Service Tax	29.74	Different Periods	Commissioner (Appeals)/CESTAT
VIWSCO	Income Tax Act, 1961	TDS & Interest	47.55	2007 - 08	Income Tax Appellate Tribunal, Hyderabad
	Income Tax Act, 1961	Income Tax	8.47	2011 - 12	ACIT Circle 5(1) Range-5, Visakhapatnam
	Income Tax Act, 1961	Income Tax	8.92	2013 - 14	CIT Appeals, Visakhapatnam
APGIC	Income Tax Act, 1961	Income Tax	0.57	2012 - 13	Commissioner (Appeal)

- c) According to the information and explanations given to us and based on the statutory auditors reports of the Group, are not required to transfer any amount to the investor education and protection fund in accordance with the relevant provisions of Companies Act, 2013.
- (viii) According to the information and explanation given to us and based on the statutory auditor's reports of the Group, none of the Group companies have incurred accumulated losses more than their net worth except subsidiaries i.e., Andhra Pradesh Gas Infrastructure Corporation Pvt. Ltd. and Krishnapatnam International Leather Complex Private Limited which has incurred accumulated losses of Rs. 2574.02 lakhs and Rs. 756.8 lakhs respectively. During the year, they have incurred a cash loss of Rs.1931.28 lakhs (Pr. Yr. 241.91 lakhs) and Rs. 51.07 lakhs (Pr. Yr. Rs. 27.19 lakhs) respectively.
- (ix) According to information and explanations given to us based on the statutory auditor's report of the Group, has not borrowed any money from the financial institution or banks. Hence, the clause is not applicable.
- (x) According to the information and explanations given to us based on the statutory auditor's reports of the Group, none of the subsidiaries, Joint Ventures and Associates have not given guarantee for the loans taken by the others from banks or any other financial institution except Holding company which has given a guarantee of Rs. 929 lakhs (Previous year Rs.929 lakhs) to its subsidiary. In our opinion the terms and conditions of the guarantees are not prejudicial to the interests of the Company.
- (xi) According to the information and explanations given to us and based on the statutory auditor's reports of the Group, have not availed any term loans during the year except in the case of joint controlled entity i.e., VIWSCO which has applied termloan for the purpose for which they have been raised.
- (xii) According to the information and explanations given to us and based on the statutory auditor's reports of the Group, no fraud on or by the Group including its joint controlled entities companies has been noticed or reported during the course of our audit.

For Jawahar and Associates

Chartered Accountants

FRN : 001281S

Sd/-

K.Prabhakar

Partner

Membership No.026041

Place : Hyderabad

Date : 21.07.2017

Annexure 2 to the Auditor's Report

(Refer to point 2 of Report on Other Legal and Regulatory Requirements of the Report of the Auditors)

As per the information available in the statutory audit reports of the subsidiaries including Associates and Joint Ventures, we have not observed any Report on directions as per section 143(5) of the Companies Act, 2013. However, we are submitting the report submitted in respect of the holding company i.e., Andhra Pradesh Industrial Infrastructure Corporation Limited.

S.No.	Directions / Sub-Directions	Action Taken	Impact on Financial Statement
Directions			
1.	If the company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible Assets and land) and Liabilities (including Committed and General Reserves) may be examined including the mode and present stage of disinvestment process.	As per the information and explanation given to us the company has not been selected for this investment during the period	Not Applicable
2.	Please report whether there are any cases of waiver/write off of debts/loans/interest etc. If yes, If yes, the reason therefore and the amount involved.	According to the information and explanation given to us, there are no cases of waiver/write off of debts/loans/interest, etc. except pending approval an amount of Rs.528.67 lakhs charged to prior period expenditure by crediting other advances.	Nil
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities	(a) According to the information and explanation given to us, there are no inventories lying with third parties. (b) There are no such assets received as gift from the Govt. or other authorities.	Nil

4.	A report on age-wise analysis of pending legal /arbitration cases including the reason of pendency and existence/effectiveness mechanism for expenditure on all legal cases (foreign and local) may be given.	<p>(a) Details of age-wise analysis of the pending statutory legal cases and amounts involved are reported under clause vii (b) of Annexure 1 of the Audit Report and other legal cases are enclosed as annexure to these Directions.</p> <p>(b) As per the information and explanation given to us, the age wise analysis of other legal cases is enclosed as Annexure to this report.</p> <p>(c) The legal department headed by General Manager with a skeleton staff. In our opinion, the legal department needs to be strengthened. During the year, the legal expenses of Rs.78.35lakhs for the period of 12months as against Rs. 69.58 lakhs for the year 2013-14.</p> <p>In our opinion, the existence / effectiveness mechanism for expenditure on all legal cases is reasonable.</p>	
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For Jawahar and Associates
Chartered Accountants
FRN : 001281S

Sd/-

K.Prabhakar

Partner

Membership No.026041

Place : Hyderabad
Date : 21.07.2017

**Annexure to the Report on Directions given by the C&AG under 143(5)
of Companies Act, 2013**

Details of Legal Cases other than Statutory as on 31.03.2015			
S.No.	Particulars	Remarks	Amount (Rs. in lakhs)
1.	Land Acquisition and Original Petition (12 cases)	All the cases are more than 5 years	4112.00
2.	Land Acquisition Appeals before High Court:	a. More than 5 years (38 cases) b. More than one year and less than 5 years (13 cases) c. Less than one year	1958.45 117.00 -
3.	Land Acquisition and Executive Petitions (151 cases)	All the cases are of more than five years	493.00
4.	Unitech Vizag Projects Limited	Case filed during the year 2011	25500.00
	TOTAL		32180.45

Lr. No. PAG (Audit)/AP/ES/D2-I/APIIC/2017-18/306

Date : 08 - 09 - 2017

To

The Managing Director,

Andhra Pradesh Industrial Infrastructure Corporation Limited

D.No. 59A-20-2/3A, 1st, 2nd & 3rd Floors, Sri Siva Complex,

Fun Times Club Road, Teachers Colony,

Vijayawada - 520008, Andhra Pradesh.

Sir,

Sub: Comments of the Comptroller and Auditor General of India under Section 143(6) b of the Companies Act, 2013 on the Standalone and Consolidated financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the period from 2nd June 2014 to 31st March 2015.

1. I am to forward herewith comments of the Comptroller and Auditor General of India under Section 143(6) b of the Companies Act, 2013 on the Standalone and Consolidated financial statements of your Company for the period from 2nd June 2014 to 31st March 2015 for necessary action.
2. The date of placing of Comments along with Financial Statements and Auditor's Report before the shareholders of the Company may please be intimated and a copy of the proceedings of the meetings furnished.
3. The date of forwarding the annual report and financial statements of the Company together with the Auditor's Report and Comments of the Comptroller and Auditor General of India to the State Government of AP for the year 2014-15 for being placed before the Legislature may also be intimated. The date on which Annual Report is tabled in the Legislatures may also be intimated.
4. Ten copies of the annual report for the year 2014-15 are to be furnished to this office without fail.

Yours Truly

Sd/-

Sr. Deputy Accountant General/ES

Encl: As above

Annexure - 1

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) b OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF THE ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2015.

The preparation of the financial statements of the Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2015 in accordance with financial reporting framework prescribed under Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the Standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their revised audit report dated 21-07-2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6)(a) of the Act of the financial statements of the Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2015. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related revised audit report.

I Balance Sheet

Assets

1. Non-Current Assets

Non-Current Investments (Note 10)- ₹ 5573.62Lakh.

The above is overstated by ₹ 1312.75 lakh due to non-provision for diminution of investment made in 'Andhra Pradesh Gas Infrastructure Corporation Pvt. Ltd.' (APGIC).

The company has invested Rs. 2040 lakh in APGIC towards 51% of the shareholding in 2009-10 (and the balance 49% was held by APGENCO). The APGIC is incurring losses and the Net worth of the Company has eroded to the extent of Rs. 1422.98 lakh as against the paid up share capital of 4000 lakh at the end of 31st March 2015. But no provision for diminution of investment was recognized in the accounts of APIIC and said investment was considered as good. (It is pertinent to mention that APGENCO had recognized provision for diminution for an amount of Rs. 1261 lakh at the end of 31st March 2015 for its share of investment). This has resulted in the non-compliance of AS 13 - Accounting for Investment and non-provision has resulted in overstatement of Assets and profit by Rs.1312.75 lakh.

2. Current Assets

Trade Receivable (Note 13) Rs.7521.93 lakh

As per Accounting Policy No. 10, Provision for bad and doubtful debts is made @ 100% on Interest receivable on account of Rentals, Penal Interest on Hire purchase, water charges etc. and 100% of sundry debtors in respect of water, rentals, deposit works exceeding more than 3 years.

However, no such provision for Bad Debt was made in respect of balance amount recoverable, exceeding more than three years, from various State Government Department /PSUs for ₹ 6620.79 lakh.

When similar comment was made by the CAG in 2008-09, it was replied that these dues are from Government / PSUs, the same are not treated as doubtful debts and hence no provision for the same was made. The stand taken by the Company is not acceptable as the Company has not acted according to Accounting Policies. The Company either has to make provisions for Bad Debts or to amplify the Accounting Policies as per the stand taken by the Company.

II Profit and Loss Statement

Expenses

3. Employee Benefit Expense (Note 21) ₹ 1993.74 lakh

Other Expenses (Note 22) ₹ 2614.24 lakh

(i) The above account heads were understated by ₹ 41.25 lakh and ₹ 13.17 lakh respectively due to wrong entry for outstanding expenses.

An entry for outstanding expenses at Vizag Zone for ₹ 27.21 lakh (Employee benefit expense ₹ 20.63 lakh and other expenses ₹ 6.59 lakh) was wrongly made by debiting Outstanding Expenses and crediting Other Expenses instead of debiting Other Expenses and crediting Outstanding Expenses. This has resulted in understatement of Other Expenses and Outstanding Expenses by ₹ 54.42 (₹ 41.25 + ₹ 13.17) lakh. Consequently profit of the Company is also overstated by the same extent.

(ii) The Company, though an amount of Rs. 528.67 lakh receivable from Government of Andhra Pradesh towards excess of expenditure incurred over Deposit from IIIT - Deposit Works (Works undertaken for 1999 - 2001) was

considered as bad debt and charged to Prior Period Expenditure. In other words, the company has written off the receivable amount, i.e. excess of income over deposits. However, writing off of receivable amount was not authorized by the Competent Authority i.e., Board of Directors. But the fact was not disclosed in the Notes forming part of the Accounts for the year 2014-15.

4. Earnings per equity share (Basic/Diluted) - ₹ 3513

As per Para 48(i) of AS 20, where the statement of profit and loss includes extraordinary items (within the meaning of AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies), the enterprise should disclose basic and diluted earnings per share computed on the basis of earnings excluding extra ordinary items (net of tax expense).

However, it is observed that Earnings per equity share was worked out including the Extraordinary items. Hence, the disclosure on Earnings per Equity Share is deficient to this extent.

III Notes to Account

5. Contingent Liabilities and Commitment

Contingent Liabilities - ₹ 39664.03 lakh

The above does not include ₹. 55241.40 lakh being the contingent liabilities for land conversion charges payable to State Government as per AP Non-Agricultural Land (conversion for non-agricultural purpose) Act 2006.

As per Note 5.3.4, the AP Non-Agricultural Land (conversion for non-agricultural purpose) Act, 2006, conversion charges are payable for conversion of agricultural land by the owner or occupier. The company sought exemption from the Government of Andhra Pradesh from levy of conversion charges for lands acquired by the company. Pending receipt of decision of the Government, an amount of ₹ 26640.56 lakh was provided towards conversion charges to the end of the Financial Year (Pr. Yr. ₹ 29,851.91 lakh) for the estates developed by the company.

The total liabilities for conversion charges as on 31st March 2015 works out to ₹ 81881.96 lakh. As against this, the Company had provided clear liability for ₹ 26640.56 lakh and for the difference of ₹ 55241.40 lakh Contingent liabilities needs to be provided,

For and on behalf of the
Comptroller and Auditor General of India

Sd/-

(L.V. SUDHIR KUMAR)

(Hindi)

Principal Accountant General (AUDIT)

Place : Hyderabad

Date : 08-09-2017

Annexure - VI

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) b READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2015.

The preparation of the Consolidated financial statements of the Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2015 in accordance with financial reporting framework prescribed under Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory auditors appointed by the Comptroller and Auditor General of India under Section 139(5) read with section 129(4) of the Act are responsible for expressing opinion on the financial statements under Section 143 read with section 129(4) of the Act based on independent audit in accordance with the Standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their revised audit report dated 21-07-2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6)(a) read with section 129(4) of the Act of the consolidated financial statements of the Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2015. We conducted a supplementary audit of the financial statements of the Andhra Pradesh Gas Infrastructure Corporation Pvt. Ltd., subsidiary, the Krishnapatnam International Leather Complex Pvt. Limited, subsidiary, but did not conduct supplementary audit of the financial statements of Visakhapatnam Industrial Water Supply Company Limited, Joint Venture, the L & T Hi-Tech Limited, Joint Venture for the year ended on that date. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143(6)(b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

I Balance Sheet

Assets

1. Current Assets

Inventories (Note 12) ₹ 191804.59 lakhs

The above includes an amount of ₹ 3836.10 lakh being the exploratory Work in progress (APGIC) in the account head of Inventories instead of Capital Work in Progress. This has resulted in overstatement of Current Assets - Inventories and understatement of Non-Current Assets-Capital Work in Progress by an amount of ₹ 3836.10 lakh.

2. Trade Receivables (Note 13) ₹ 14968.76 lakhs

As per Accounting Policy No. 10, Provision for bad and doubtful debts is made @100% on Interest receivable on account of Rentals, Penal Interest on Hire purchase, water charges etc. and 100% of sundry debtors in respect of water, rentals, deposit works exceeding more than 3 years. However, no such provision for Bad Debt was made in respect of balance amount recoverable, exceeding more than three years, from various State Government Department /PSUs for ₹ 6620.79 lakh.

When similar comment was made by the CAG in 2008-09, it was replied that these dues are from Government /PSUs, the same are not treated as doubtful debts and hence no provision for the same was made. The stand taken by the Company is not acceptable as the Company has not acted according to Accounting Policies. The Company either has to make provisions for Bad Debts or to amplify the Accounting Policies as per the stand taken by the Company.

Non-provision for Bad Debt as per Accounting Policies had resulted in the overstatement of Trade Receivable and understatement of Provision for Bad Debt by ₹ 6620.79 lakh.

II Profit and Loss Statement as at 31st March 2015

Expenses

3. Employee Benefit Expense (Note 21) ₹ 3040.46 lakhs

Other Expenses (Note 22) ₹ 7956.80 lakh

(i) The above account heads were understated by ₹ 41.25 lakh and ₹ 13.17 lakh respectively due to wrong entry for outstanding expenses.

An entry for outstanding expenses at Vizag Zone for ₹ 27.21 lakh (Employee benefit expense ₹ 20.63 lakh and other expenses ₹ 6.59 lakh) was wrongly made by debiting Outstanding Expenses and crediting Other Expenses instead of debiting Other Expenses and crediting Outstanding Expenses. This has resulted in understatement of Other Expenses and Outstanding Expenses by ₹ 54.42 (₹ 41.25 + ₹ 13.17) lakh. Consequently profit of the Company is also overstated by the same extent.

(ii) The Company, though an amount of ₹ 528.67 lakh receivable from Government of Andhra Pradesh towards excess of expenditure incurred over Deposit from IIIT - Deposit Works undertaken for 1999 - 2001) was considered as bad debt and charged to Prior Period Expenditure. In other words, the company has written off of the receivable amount, i.e., excess of income over deposits. However, writing off of receivable amount was not authorized by the Competent Authority i.e., Board of Directors. But the fact, was not disclosed in the Notes forming part of the Accounts for the year 2014-15.

4. Earnings per equity share (Basic/Diluted) - ₹ 2929

As per Para 48(i) of AS 20, *where the statement of profit and loss includes extraordinary items (within the meaning of AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies)*, the enterprise should disclose basic and diluted earnings per share computed on the basis of earnings excluding extra ordinary items (net of tax expense).

However, it is observed that Earnings per equity share was worked out including the Extraordinary items. Hence, the disclosure on Earnings per Equity Share is deficient to this extent.

III Notes to Account

5. Note No. 17 - Contingent Liabilities and Commitment

Contingent Liabilities - ₹ 39664.03 lakh

The above does not include ₹ 55241.40 lakh being the contingent liabilities for land conversion charges payable to State Government as per AP Non-Agricultural Land (conversion for non-agricultural purpose) Act 2006.

As per Note 5.3.4, the AP Non-Agricultural Land (conversion for non-agricultural purpose) Act, 2006, conversion charges are payable for conversion of agricultural land by the owner or occupier. The company sought exemption from the Government of Andhra Pradesh from levy of conversion charges for lands acquired by the company. Pending receipt of decision of the Government, an amount of ₹ 26640.56 lakh was provided towards conversion charges to the end of the Financial Year (Pr. Yr. ₹ 29,851.91 lakh) for the estates developed by the company.

The total liabilities for conversion charges as on 31st March 2015 works out to ₹ 81881.96 lakh. As against this, the Company had provided clear liability for ₹ 26640.56 lakh and for the difference of ₹ 55241.40 lakh Contingent liabilities needs to be provided,

For and on behalf of the
Comptroller and Auditor General of India
Sd/-
(L.V. SUDHIR KUMAR)
Principal Accountant General (AUDIT)

Place : Hyderabad
Date : 08-09-2017

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR 2014-15

Dear Members,

The Directors take pleasure in placing before you the 42nd Annual Report of your Company together with the audited accounts for the year ended 31 st March, 2015 and report of Statutory Auditors M/s. Jawahar and Associates, Chartered Accountants.

1.FINANCIAL RESULTS:

Your Directors have pleasure in reporting that the Company during the year earned a net profit of Rs. 36.78 Crores as against the net profit of Rs. 28.31 Crores previous year.

The profit of Rs. 36.78 Crores has been arrived at after providing for depreciation Rs. 30.72 Crores and Provision for Income Tax amounting to Rs. 14.70 Crores during the year.

Income from sale of land:

On audit of accounts for previous years, the statutory auditors M/s Jawahar and Associates, Hyderabad commented that the policy of recognizing the income when the sale deed is entered regardless of the agreement entered with the allottee is in contravention of AS 9. It is further mentioned that the adoption of recognition of income of receipt of full consideration will amount to recognition of income on cash basis.

In this regard, the accounting policy in respect of recognition of income from Out Right Sale is changed from recognition of income on execution of sale deeds to recognition of income on execution of sale agreements.

Accordingly, an amount of Rs. 612.77 crores was recognized as revenue towards accounting of sale agreements in the books of accounts.

Inventory:

To rectify negative balances in the inventory records, M/s CMT & Associates were appointed for reconciliation of inventory for the financial year 2014-15. Based on the report of the CMT & Associates, inventory records were reconciled and necessary entries were passed in the books of the account during the year.

Accounting of Govt. Lands:

In respect of Govt. Lands taken possession where alienation orders are not received the cost paid / cost payable is taken to books towards cost of inventory on provisional basis.

Provision for Income Tax:

The income of the Corporation was exempted under Section 12A till the Financial Year 2007- 08 and the same was withdrawn in Finance Act, 2008. The Corporation has made a provision for Incometax in the books of accounts for the financial year 2014-15 is an amount of Rs. 14.70 crores.

2. ACCOUNTING SYSTEM:

To comply with the Accounting Standards which are mandatory from 01.04.1999 the Land, Buildings, Sheds and other development works in the Industrial Parks, Industrial Development Areas, Autonagars, etc., of the Corporation are treated as Current Assets, till they are disposed off either on Outright Sale or allotment on Hire Purchase.

All lands and other assets relating to Special Economic Zones are treated as Fixed Assets and were shown as Fixed Assets and accounted on historical cost and the accumulated depreciation are shown separately.

The Government of Andhra Pradesh entrusted certain local authority powers to the Corporation like collection of Property Tax, maintenance of Common facilities in respect of certain Industrial Parks and Industrial Development Areas. The local authority powers are vested with Industrial Area Local Authority (IALA) for each industrial area and the income and expenditure in this regard is being accounted for in the books of accounts maintained by the respective IALAs and hence not accounted for in the accounts of the Company.