



43rd ANNUAL REPORT

2015 - 16

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 : APIIC Towers, Mangalagiri,
Guntur Dist-522 503. Andhra Pradesh**

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GENERAL INFORMATION

BOARD OF DIRECTORS :

a) Chairman :

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

1. Sri V. Satyanarayana Kone, IAS (Andhra Division)	From 21-08-2014 to 26-08-2015
2. Sri Bandatmakur Sreedhar, IAS	From 01-09-2015 to 29-09-2016

c) Directors :

During the Financial Year 2015-16, the following are the Members of the Board.

1. Sri Shamsheer Singh Rawat, IAS Prl. Secretary to Govt. & CIP Industries. & Commerce Department	From 13-03-2015 to 28-07-2016
2. Sri Kartikeya Mishra, IAS Commissioner of Industries, A.P	From 13-03-2015 to 17-04-2017
3. Sri Premchandra Reddy.L, IAS Secretary to Govt., Finance (IF) Department.	From 03-02-2014 to 03-07-2015
4. Sri P.V. Ramesh, IAS Secretary to Govt., Finance (IF) Department.	From 05-11-2015 to 15-07-2016
5. Sri Ajay Jain, IAS Secretary to Govt., Infrastructure & Investment Department	From 13-03-15 to 25-06-2016
6. Sri Garikapaty Shanker Phanikishore Special secretary to Govt., IT, E & C Dept.,	From 20-12-2015 to 28-07-2016
7. Sri J.S.Venkata Prasad, IAS Managing Director, APSFC	From 21-08-2014 to 03-07-2015
8. Sri Ramanamurthy Venkata Walthi Managing Director, APSFC	From 03-07-2015 to 21-12-2017
9. Sri B.S.S. Prasad, IFS Member Secretary, APPCB	From 13-03-2015 to till date

COMPANY SECRETARY

Sri M. Siva S Reddy

BANKERS :

ICICI Bank

State Bank of India

Indian Overseas Bank

HDFC Bank

Kotak Mahindra Bank

Andhra Bank

AUDITORS :

M/s. Jawahar & Associates

Chartered Accountants

Hyderabad

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(An undertaking of the Government of Andhra Pradesh)
CIN : U99999TG1973SGC001630

Regd. Office : 6th Floor, Parisrama Bhavan, 5-9-58/B
Fatehmaidan Road, P.O.Bag.No. 5, Basheerbagh,
Hyderabad -500004.

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 43rd Annual General Meeting of the Members of Andhra Pradesh Industrial Infrastructure Corporation Limited will be held on Friday, the 17th day of August, 2018 at 3:00 P.M. at the Registered Office of the Company to transact the following business:

ORDINARY BUSINESS :

To receive, consider and adopt the Financial Statements including the Consolidated Financial Statements of the company for the Financial Year 2015-16 containing Balance Sheet, Profit & Loss Statement, Cash Flow Statement, Accounting Policies, Notes to Accounts, Consolidated Balance Sheet, Consolidated Profit and Loss Statement, Consolidated Cash Flow Statement, Consolidated Accounting Policies, Consolidated Notes to Accounts for the year ended 31st March 2016, Director's Report, Statutory Auditors Report, final comments of the Comptroller and Auditor General of India and remarks of the management thereon.

BY ORDER OF THE BOARD
FOR APIIC LIMITED
Sd/-
M. SIVA S. REDDY
COMPANY SECRETARY

Place : Hyderabad
Date : 09.08.2018

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.

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(An undertaking of the Government of Andhra Pradesh)
CIN : U99999TG1973SGC001630

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Corporate Office : 59A-20-3/2A, Sri Siva Complex Funtimes Club
Road, Teachers Colony, Vijayawada, AP-520008.

NOTICE

Notice is hereby given that the 43rd Annual General Meeting of the Members of Andhra Pradesh Industrial Infrastructure Corporation Limited will be held on Monday, the 19th day of September, 2016 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, 2016, Profit & Loss statement, Cash flow statement for the year ended 31st March, 2016, 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 Statutory Auditors, who are appointed by the Comptroller and Auditor General of India under section 139(5) of the Companies Act, 2013 for the audit of annual accounts for the financial year 2016-17.

SPECIAL BUSINESS :

1. To ratify the action taken by the VC & MD and Board of Directors for contribution of Rs. 25.00 Crores to Chief Minister Relief Fund during the financial year 2015-16.
2. To authorize the Board of Directors of APIIC to borrow money up to Rs. 5000/- Crores of land acquisition development works for Industrial Parks, Corridors and Govt. of India Projects to the Company up to Rs. 5000/- Crores notwithstanding that money so borrowed together with the monies already borrowed by the Company, if any (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital of the Company and its free reserves.

BY ORDER OF THE BOARD
FOR APIIC LIMITED
Sd/-
M. SIVA S. REDDY
COMPANY SECRETARY

Place : Hyderabad
Date : 18.08.2018

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.

DIRECTOR'S REPORT TO THE SHAREHOLDERS FOR THE YEAR 2015-16

Dear Members,

The Directors take pleasure in placing before you the 43rd Annual Report of your Company together with the audited accounts for the year ended 31st March, 2016 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. 16.10 Crores as against the net profit of Rs. 36.78 Crores previous year.

The profit of Rs. 16.10 Crores has been arrived at after providing for depreciation Rs. 4.07 Crores and Provision for Income Tax amounting to Rs. 11.70 Crores including previous years.

The difference between the sale price and cost price of the assets sold was taken to Profit & Loss A/c. In certain Industrial Parks where substantial developmental works are to be taken up, the cost of constructive obligation was kept under the head of account "Provision for Contractual Obligations".

During the year, Profit /Loss is recognized on sale 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 A/c. Further, the cancellation of sale agreements during the year is considered as Sales Returns.

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 under Fixed Assets and accounted on historical cost and the accumulated depreciation is shown separately.

The Government of Andhra Pradesh have 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 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.

In respect of Government Lands taken possession and where alienation orders are yet to be received the cost paid/cost payable is taken to books towards cost of land by creating provision.

3. LAND ACQUISITION :

Your Directors are happy to inform that your Company has taken possession of 1879.25 acres of patta land, 2996.30 acres of Assigned land and 19170.12 acres of Un-assigned land during the year. The aggregate extent of land taken over by your Company for the financial year 2015-16 is 24045.67 acres.

4. DEVELOPMENT AND ALLOTMENT OF PLOTS :

Your Directors are happy to inform that your Company allotted 3414.96 acres of land in our State during the year.

5. 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. 96.94 Crores in the year 2015-16 were taken up. Out of this, the capital infrastructure development is Rs. 90.49 Crores; IALA works is Rs. 6.45 Crores, and deposit works Nil.

APIIC has been undertaking deposit works for various departments of State Government, besides the works for the development of Industrial Parks. During the year, 42 no. of deposit works to the tune of Rs. 9693.62 lakhs were completed.

6. 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/Gram Panchayat 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 169 No.s Industrial Areas (phase wise) / Housing Complexes / Mini Industrial Estates / Commercial Complexes falling under the 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 169. 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 self-governance, 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 to 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 169 out of which 116 IALAs were declared by the Govt. and 102 No's of IALAs are functioning 14 Nos of IALAs are not functioning for reason that some IALAs the assesses are paying Property Tax to local bodies but not to APIIC.

APIIC has submitted proposals for the balance Industrial Parks.

7. BOARD OF DIRECTORS :

a) Chairman :

- | | |
|--|------------------------------|
| 1. Dr. Krishnaiah Pirrala, IAS (Retd.)
Executive Chairman | From 21-08-2014 to till date |
|--|------------------------------|

b) Vice -Chairman & Managing Director :

- | | |
|--|-------------------------------|
| 1. Sri V. Satyanarayana Kone,
IAS (Andhra Division) | From 21-08-2014 to 26-08-2015 |
| 2. Sri Bandatmakur Sreedhar, IAS | From 01-09-2015 to 29-09-2016 |

c) Directors :

During the Financial Year 2015-16, the following are the Members of the Board.

- | | |
|---|-------------------------------|
| 1. Sri Shamsher Singh Rawat, IAS
Prl. Secretary to Govt. & CIPIInds. & Com. Department | From 13-03-2015 to 28-07-2016 |
| 2. Sri Kartikeya Mishra, IAS
Commissioner of Industries, A.P | From 13-03-2015 to 17-04-2017 |

3. Sri Premchandra Reddy. L, IAS, Secretary to Govt. Finance (IF) Department.	From 03-02-2014 to 03-07-2015
4. Sri P.V. Ramesh, IAS Secretary to Govt. Finance (IF) Department.	From 05-11-2015 to 15-07-2016
5. Sri Ajay Jain, IAS Secretary to Govt. I & I Department.	From 13-03-2015 to 25-06-2016
6. Sri Garikapaty Shanker Phani kishore special secretary to Govt., IT, E & C Dept.,	From 20-12-2015 to 28-07-2016
7. Sri J.S. Venkata Prasad, IAS Managing Director, APSFC	From 21-08-2014 to 03-07-2015
8. Sri Ramanamurthy Venkata Walthati Managing Director, APSFC	From 03-07-2015 to 21-12-2017
9. Sri B.S.S. Prasad, IFS, Member Secretary, APPCB	From 13-03-2015 to till date

8. DIRECTOR'S MEETINGS :

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

1. 29-06-2015
2. 28-09-2015
3. 19-12-2015
4. 27-02-2016

9. ANNUAL REPORT ON CSR ACTIVITIES

a) The composition of CSR Committee :

The Company has a CSR committee of directors comprising Dr. P. Krishnaiah, IAS (Retd.) Executive Chairman, APIIC Ltd.; Sri Kartikeya Mishra, IAS; Director of Industries and Sri B.S.S. Prasad, IFS, Member Secretary, A.P. Pollution Control Board.

b) Details of CSR spent during the financial year :

The Company spent approximately Rs. 1.45 Crores towards CSR activities and Contributed Rs. 25 crores to AP CM relief Fund in fiscal year 2015-16.

The details of the above amount of Rs. 1.45 Crores spent towards CSR activities are shown as follows:

S.No.	Particulars	Amount (Rs.)
1.	Providing furniture in 12 roomed up school building in 40'-8' and high school near Kalyanamandapam SEZ, R & R Colony, Dibbapalem.	6,51,500.00
2.	Construction of Rythu Bazar, Anganvadi School (5 No.s) and community halls (5 No.s) at Dibbapalem, SEZ, R & R Colony.	84,31,110.00
3.	Providing internal and external electrification to 12 Rooms up school building at Dibbapalem, SEZ, Atchutapuram Mandal, Visakhapatnam District.	2,05,156.00
4.	Construction of balance works at elementary school building and kalyanamandapam including Toilets & compound wall at SEZ, R & R Colony, Dibbapalem.	31,58,030.00
5.	Providing drinking water bore wells (7 No.s) with handsets and 7 No.s Sintex tanks at SEZ, R & R Colony, Veduruwada.	16,08,066.00
6.	Providing temporary accomodation for Primary school in existing in completed Panchayat building at R & R Colony, Veduruwada.	5,10,980.00
TOTAL		1,45,64,842.00

10. 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 2015-16, under section 139 of the Companies Act, 2013.

11. 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 at Annexure - A & B and comments of the Comptroller and Auditor General of India are given at Annexure - C & D to this Report.

12. 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, 2016.

13. DIVIDEND :

Section 123(1) of the Companies Act, 2013 shall not apply to this corporation as the entire paid up share capital of the company is held by the State Government of Andhra Pradesh.

14. EXTRACT OF ANNUAL RETURN :

The extract of the Annual Return of your Company as on March 31, 2016 as provided under sub-section (3) of Section 92 in the Form MGT 9 is enclosed as *Annexure-E* as a part of the Director's Report.

15. RELATED PARTY TRANSACTIONS :

The related party transactions are mentioned in the Note no. 11.1 of notes to accounts to the financial statements for the year.

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. SUBSIDIARIES /JOINT VENTURES /ASSOCIATE COMPANIES :

In terms of provisions of Section 129(3) of the Companies Act, 2013, where the Company has one or more subsidiaries, it shall, in addition to its financial statements, prepare a consolidated financial statement of the Company and of all the subsidiaries in the same form and manner as that of its own and also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiaries.

In accordance with the above, the consolidated financial statement of the Company and all its subsidiaries and joint ventures form part of the Annual Report.

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. 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.

20. 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 judgements 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, 2016 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, 2016 have been prepared on a going concern basis.
- v. Proper system is devised to ensure compliance with the provisions of all applicable laws and the systems are adequate and operating effectively.

21. 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.

On behalf of the Board of Directors of APIIC Limited

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

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

Place : Vijayawada

Date : 09.08.2018

ANNEXURE - A

OBSERVATIONS OF THE STATUTORY AUDITOR AND EXPLANATION / REMARKS OF THE COMPANY ON THE ACCOUNTS FOR THE YEAR ENDED 31.03.2016

Sl. No.	AUDIT ENQUIRY	REPLY TO THE MANAGEMENT
1	<p>Non-Compliance of AS-24 “Discontinuing Operations”.</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 statements and cash flows of the previous year, which are inclusive of the period before initial disclosure event i.e., from 01.04.2014 to 01.06. 2014. There is no segregation of Andhra Region and Telangana Region in respect of revenues, expenses, Assets and Liabilities. In our opinion, to this extent there is non - compliance of AS 24 Discontinuing Operations.</p>	<p>The demerger entry was incorporated in the books of accounts of the company in the previous year itself i.e., on 02.06. 2014. The accounts for the year ending 31.03.2015 were prepared and finalized accordingly.</p> <p>Further, a note to the effect that the previous figures are not comparable was presented in the notes to accounts. The balances of assets and liabilities transferred to Telangana Region were also presented in the notes to accounts.</p>
2	<p>Equity Share Capital Rs. 952.22 lakhs (previous year Rs. 952.22 lakhs)</p> <p>The Equity Share Capital of Rs. 952.22 lakhs (previous Year Rs. 952.22 lakhs) is subject to reconciliation with the Government of Andhra Pradesh (Refer Note 3)</p>	<p>The paid up share capital account is under reconciliation with the advances section of o/o Principal Accountant General. The matter is under persuasion with the Government O/o P & AG for rectification.</p>
3	<p>Reserves and Surplus : Capital Reserve Rs. 758.16 lakhs (Previous Year Rs. 758.16 lakhs)</p> <p>An amount Rs. 758.16 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. 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 finalization of Demerger Scheme.</p>

4	<p>Deposits received from Allottees Rs. 1, 89, 751.05 lakhs (Previous Year Rs. 1, 52, 390.93 lakhs)</p> <p>Though the Management has provided zone wise and party wise details, the following are the credits which are yet to be reconciled.</p> <table><tr><th>Zone</th><th>Amount (Rs.)</th></tr><tr><td>ANANTAPURAMU</td><td>2,14,83,280</td></tr><tr><td>NELLORE</td><td>10,39,915</td></tr><tr><td>TIRUPATI</td><td>2,48,07,372</td></tr><tr><td>VIJAYAWADA</td><td>2,61,52,914</td></tr><tr><td>VISAKHAPATNAM REGULAR</td><td>1,19,49,750</td></tr><tr><td>Total</td><td>8,54,33,231</td></tr></table> <p>In respect of Kakinada Zone there is unreconciled debit balance of Rs. 1,72,46,529.56</p> <p>In the light of non - availability of information of the deposits received from allottees, we are not in a position to confirm the accuracy of Deposits Received from Allottees under Liabilities. (Refer Note No. 7)</p>	Zone	Amount (Rs.)	ANANTAPURAMU	2,14,83,280	NELLORE	10,39,915	TIRUPATI	2,48,07,372	VIJAYAWADA	2,61,52,914	VISAKHAPATNAM REGULAR	1,19,49,750	Total	8,54,33,231	<p>The amounts deposited by the allottees were reviewed and the schedule showing party wise details of deposits was prepared. With respect to the un-reconciled deposits mentioned, the same is under further reconciliation.</p>
Zone	Amount (Rs.)															
ANANTAPURAMU	2,14,83,280															
NELLORE	10,39,915															
TIRUPATI	2,48,07,372															
VIJAYAWADA	2,61,52,914															
VISAKHAPATNAM REGULAR	1,19,49,750															
Total	8,54,33,231															
5	<p>Provisions for Leave Benefit expenses Rs. 1,162.03 lakhs (Previous Year Rs.797.64 lakhs)</p> <p>Pending approval of Employee Division by the expert committee and competent authority, the management has provided Rs. 1,106.61 lakhs towards Long Term Leave Benefits and Rs. 55.42 lakhs towards Short Term Leave benefits. 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. (Refer Note No. 5.4.1)</p>	<p>The provision of Rs. 1,162.03 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>														
6	<p>Provision for Contractual Obligations Rs. 43,158.38 lakhs (Previous Year Rs. 46,895.15 lakhs) (Refer Note No. 8.3 and accounting policy 3.1)</p> <p>a) Adequacy of Provision : As per the information and explanation given to us during this year a provision of Rs.43,158.38 lakhs (Previous Year Rs.46895.15 lakhs) has been made after review of the various pending contractual obligations. In view of the huge reversal of Rs. 9,318.72 lakhs of the previous years provision, we are not in a position to comment upon adequacy or inadequacy of the provision made.</p> <p>b)Disclosure : Since 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. 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. However, the same will be reviewed during the F.Y. 2016 - 17.</p>														
7)	<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> <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 non-compliance of AS - 9: Income Recognition.</u></p> <p>(Refer to Note No. 23)</p>	<p>The audit comment is self explanatory. Treatment was disclosed in Notes to accounts vide note 23. The records of IALAs are being updated from time to time with the help of the software developed by Centre for Good Governance.</p> <p>The Financial Statements of the IALAs are being Audited and certified by independent Chartered Accountants.</p>
8)	<p><u>Non conformity of Accounting Standard: 9 Revenue Recognition-Sale of Land, Sheds etc. Rs. 28,415.98 lakhs (P.Y. Rs. 66,972.47 lakhs):</u></p> <p>a) Non Compliance of Accounting Standard 9 - Revenue Recognition :</p> <p><u>1. Income to be recognized only on completion or substantial completion of Contractual Obligations :</u></p> <p>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></p> <p>The agreement of sale is entered with allottees on receipt of full consideration, though the substantial contractual obligations amounting to Rs.43,158.38 lakhs are yet to be fulfilled. In our opinion Para 4.2 of AS - 9 Revenue Recognition is not applicable.</p> <p><u>2. Income Recognition on Proportionate Completion method :</u></p> <p>As per para 4.3 of Accounting Standard 9 - Revenue Recognition“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><u>Guidance Note on Real State Transactions issued by the ICAI :</u></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, Revenue to be recognized under percentage completion method on fulfillment of all the following conditions:</p> <ol style="list-style-type: none"> Obtaining approvals for Commencement of Project. Incurring of minimum 25% of the Development Cost of the total estimated development cost. Sale agreements are entered at least 25% of saleable project area. Atleast 10% of the sale c onsideration of the agreement is realized. <p>As per the information and explanation given to us, In respect of certain projects corporation has failed to comply conditions “b” and “c” though the corporation has complied the conditions of ‘a’ and ‘d’.</p> <p>As against previous year’s provision towards contractual obligation of Rs. 46,895.15 Lakhs there is a reversal of Rs. 9,318.72 lakhs leaving the balance provision of Rs. 37, 576.43 lakhs. As per the information available to us, during the current financial year, the corporation has spent only Rs. 5860.84 lakhs as against Rs. 37, 576.43 lakhs which is a meagre amount.</p>	<p>Revenue for sale / lease of plot / land is accounted on execution of sale agreement / lease deed. Most of the sale / lease are undeveloped land (UDL) and there is no major development expenditure. The accounting treatment given is consistent with Accounting Standard - 9: Revenue Recognition read with guidance note on accounting for real estate transactions. In respect of sale / lease of plot in developed industrial parks, revenue is recognised on execution of sale agreement / lease deed after receipt of full consideration and necessary provision is made for constructive obligations assured to allottees. There is no under or over statement of revenue.</p> <p>The guidance note on real estate transactions is meant mainly for sale /lease of apartments or commercial complexes and developed industrial plots where risk and rewards of the flat / plot allotted is generally not transferred to the purchaser. In most of the transactions full consideration is also not received in advance. Hence, the guidance note is not relevant to the company.</p>

	<p>In the light of the above, the corporation is neither adhering to para 4.2 nor 4.3 of AS-9 Revenue recognition while adapting the income recognition policy (vide para No. 4 of Note No. 1 of the financial statements). Hence we are not in a position to comment on accuracy of the income recognition and its impact on Profit and loss account and Balance Sheet.</p> <p>(Refer Accounting Policy No. 4)</p> <p>b) Impact of non-reconciliation of Deposits received from Allottees (Rs. 681.86 Lakhs) :</p> <p>As stated in the para 5 of our report, the non-reconciliation of Deposits of Rs. 681.86 Lakhs. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.</p>	<p>The party wise schedules in respect of deposits Received from Allottees were prepared during the year. With respect to the unreconciled deposits mentioned the same under further reconciliation.</p>
9)	<p>Inventory Rs. 2,22,221.79 lakhs (Previous Year Rs. 1,72,159.53 lakhs) :</p> <p>Due to non-reconciliation of the deposits and its impact as per our comment No. 4, 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>(Refer Note No. 12.1)</p>	<p>The system of recording of inventory is reviewed and reconciled. Necessary rectification entries were passed in the books of accounts during the previous year.</p>
10)	<p>Cost of sales - Land Rs. 21,216. 67 lakhs (Previous Year Rs. 64,641.05 lakhs) :</p> <p>The Cost of Sales includes Land Cost, Land Development Cost, Civil works executed and provisions for contractual obligations.</p> <p>During the year, cost of sale includes Land Cost of Rs. 19,938.87 lakhs, Land Development Cost of Rs. 609.59 lakhs and Civil Work in Progress of Rs. 4, 781.84 lakhs provision for contractual obligations of Rs. 5,581.95 aggregating to Rs. 30, 912.25 lakhs. However due to reversal of provision for contractual obligation of Rs. 9,318.72 lakhs on account of provision created in the previous year in respect of SEZs, Land Acquisition for others and inter estate transfers which is not required to be created for and cancellation of agreements pertaining to previous years amounting to Rs. 376.91 lakhs, the net cost of sales shown as Rs. 21,216.62 lakhs.</p> <p>In our opinion the cost of sale for the current financial year is understated to the tune of Rs. 9,695.63 lakhs. Though the understatement does not affect the profit and loss account.</p>	<p>The audit comment is self explanatory and there is no under statement of cost of sales during the year. Hence, there is no impact on the statement of Profit & loss.</p>
<p style="text-align: center;">For and on behalf of the Board of APIIC Limited</p> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;"> <p>Sd/- Babu. A, IAS VC & MD (DIN : 07298197)</p> </div> <div style="text-align: center;"> <p>Sd/- Dr. P. Krishnaiah, IAS (Retd.), Executive Chairman (DIN : 06687109)</p> </div> </div> <p>Place : Vijayawada Date : 09.08.2018</p>		

ANNEXURE - B

OBSERVATIONS OF THE STATUTORY AUDITOR AND EXPLANATION / REMARKS OF THE COMPANY ON THE CONSOLIDATED ACCOUNTS THE YEAR ENDING 31.03.2016

Sl. NO.	AUDIT ENQUIRY	EXPLANATION / REMARKS OF THE MANAGEMENT
1)	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.	All the Inter Group transactions were adjusted during the year. Necessary action if any will be taken in the consolidated accounts for the F.Y. 2016-17.
2)	Non - Compliance of AS - 24 “Discontinuing Operations”. 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 of the previous year, which are inclusive of the period before initial disclosure event i.e., from 01.04.2014 to 01.06.2014. There is no segregation of Andhra Region and Telangana Region in respect of revenues, expenses, Assets and Liabilities. In our opinion, to this extent there is non - compliance of AS 24 Discontinuing Operations.	The demerger entry was incorporated in the books of accounts of the company in the previous year itself i.e., on 02.06.2014. The accounts for the year ending 31.03.2015 were prepared and finalized accordingly. Further, a note to the effect that the previous figures are not comparable was presented in the notes to accounts. The balances of assets and liabilities transferred to Telangana Region were also presented in the notes to accounts.
3)	Equity Share Capital Rs. 952.22 lakhs (previous year Rs. 952.22 lakhs) The Equity Share Capital of Rs. 952.22 lakhs (previous Year Rs. 952.22 lakhs) is subject to reconciliation with the Government of Andhra Pradesh (Refer Note 3)	The paid up share capital account is under reconciliation with the advances section of o/o Principal Accountant General. The matter is under persuasion with O/o P & AG for rectification.
4)	Reserves and Surplus : Capital Reserve Rs. 758.16 lakhs (Previous Year Rs. 758.16 lakhs) An amount Rs. 758.16 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 27-05-999, 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. (Refer Note No. 4)	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 4 th & 5 th of April, 2000. But, no orders were received so far converting Equity as a Grant. The treatment will be reviewed and necessary action will be taken after finalization of Demerger Scheme.

5)	<p>Deposits received from Allottees Rs. 1, 89, 751.05 lakhs (Previous Year Rs. 1, 52, 390.93 lakhs)</p> <p>Though the Management has provided zone wise and party wise details. The following are the credits which are yet to be reconciled.</p> <table><tr><th>Zone</th><th>Amount (Rs.)</th></tr><tr><td>ANANTAPURAMU</td><td>2,14,83,280</td></tr><tr><td>NELLORE</td><td>10,39,915</td></tr><tr><td>TIRUPATI</td><td>2,48,07,372</td></tr><tr><td>VIJAYAWADA</td><td>2,61,52,914</td></tr><tr><td>VISAKHAPATNAM</td><td>1,19,49,750</td></tr><tr><td>REGULAR</td><td></td></tr><tr><td>Total</td><td>8,54,33,231</td></tr></table> <p>In respect of Kakinada Zone there is unreconciled debit balance of Rs. 1,72,46,529.56</p> <p>In the light of non - availability of information of the deposits received from allottees, we are not in a position to confirm the accuracy of Deposits Received from Allottees under Liabilities. (Refer Note No. 7)</p>	Zone	Amount (Rs.)	ANANTAPURAMU	2,14,83,280	NELLORE	10,39,915	TIRUPATI	2,48,07,372	VIJAYAWADA	2,61,52,914	VISAKHAPATNAM	1,19,49,750	REGULAR		Total	8,54,33,231	<p>The amounts deposited by the allottees were reviewed and the schedule showing party wise details of deposits was prepared. With respect to the un-reconciled deposits mentioned, the same under further reconciliation.</p>
Zone	Amount (Rs.)																	
ANANTAPURAMU	2,14,83,280																	
NELLORE	10,39,915																	
TIRUPATI	2,48,07,372																	
VIJAYAWADA	2,61,52,914																	
VISAKHAPATNAM	1,19,49,750																	
REGULAR																		
Total	8,54,33,231																	
6)	<p>Provisions for Leave Benefit expenses Rs. 1,162.03 lakhs (Previous Year Rs.797.64 lakhs)</p> <p>Pending approval of Employee Division by the expert committee and competent authority, the management has provided Rs. 1,106.61 lakhs towards Long Term Leave Benefits and Rs. 55.42 lakhs towards Short Term Leave benefits. 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. (Refer Note No. 5.4.1)</p>	<p>The provision of Rs. 1,162.03 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>																
7)	<p>Provision for Contractual Obligations Rs. 43,158.38 lakhs (Previous Year Rs. 46,895.15 lakhs) (Refer Note No. 8.3 and accounting policy 3.1)</p> <p>a) Adequacy of Provision : As per the information and explanation given to us during this year a provision of Rs.43,158.38 lakhs (Previous Year Rs.46895.15 lakhs) has been made after review of the various pending contractual obligations. In view of the huge reversal of Rs. 9,318.72 lakhs of the previous years provision, we are not in a position to comment upon adequacy or inadequacy of the provision made.</p> <p>b) Disclosure : Since 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. However, the same will be reviewed during the F.Y. 2016 - 17.</p>																

8)	<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> <ol style="list-style-type: none"> The Assets and Liabilities of the Corporation have been understated. The profit or loss of the corporation have been understated. 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 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 No. 23)</p>	<p>The audit comment is self explanatory. Treatment was disclosed in Notes to accounts vide note 23. The records of IALAs are being updated from time to time with the help of the software developed by Centre for Good Governance.</p> <p>The Financial Statements of the IALAs are being Audited and certified by independent Chartered Accountants.</p>
9)	<p><u>Non conformity of Accounting Standard: 9 Revenue Recognition-Sale of Land, Sheds etc. Rs. 28,415.98 lakhs (P.Y. Rs. 66,972.47 lakhs):</u></p> <p>a) Non Compliance of Accounting Standard 9 - Revenue Recognition :</p> <p><u>1. Income to be recognized only on completion or substantial completion of Contractual Obligations :</u></p> <p>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></p> <p>The agreement of sale is entered with allottees on receipt of full consideration, though the substantial contractual obligations amounting to Rs.43,158.38 lakhs are yet to be fulfilled. In our opinion Para 4.2 of AS - 9 Revenue Recognition is not applicable.</p> <p><u>2. Income Recognition on Proportionate Completion method :</u></p> <p>As per para 4.3 of Accounting Standard 9 - Revenue Recognition "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><u>Guidance Note on Real State Transactions issued by the ICAI :</u></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, Revenue to berecognized under percentage completion method on fulfillment of all the following conditions:</p>	<p>Revenue for sale / lease of plot / land is accounted on execution of sale agreement / lease deed. Most of the sale / lease are undeveloped land (UDL) and there is no major development expenditure. The accounting treatment given is consistent with Accounting Standard - 9: Revenue Recognition read with guidance note on accounting for real estate transactions. In respect of sale / lease of plot in developed industrial parks, revenue is recognised on execution of sale agreement / lease deed after receipt of full consideration and necessary provision is made for constructive obligations assured to allottees. There is no under or overstatement of revenue.</p> <p>The guidance note on real estate transactions is meant mainly for sale / lease of apartments or commercial complexes and developed industrial plots where risk and rewards of the flat / plot allotted is generally not transferred to the purchaser. In most of the transactions full consideration is also not received in advance. Hence, the guidance note is not relevant to the company.</p>

	<p>a) Obtaining approvals for Commencement of Project.</p> <p>b) Incurring of minimum 25% of the Development Cost of the total estimated development cost.</p> <p>c) Sale agreements are entered at least 25% of saleable project area.</p> <p>d) Atleast 10% of the sale consideration of the agreement is realized.</p> <p>As per the information and explanation given to us, In respect of certain projects corporation has failed to comply conditions “b” and “c” though the corporation has complied the conditions of ‘a’ and ‘d’.</p> <p>As against previous year’s provision towards contractual obligation of Rs. 46,895.15 Lakhs there is a reversal of Rs. 9,318.72 lakhs leaving the balance provision of Rs. 37, 576.43 lakhs. As per the information available to us, during the current financial year, the corporation has spent only Rs. 5860.84 lakhs as against Rs. 37, 576.43 lakhs which is a meagre amount.</p> <p>In the light of the above, the corporation is neither adhering to para 4.2 nor 4.3 of AS-9 Revenue recognition while adapting the income recognition policy (vide para No. 4 of Note No. 1 of the financial statements). Hence we are not in a position to comment on accuracy of the income recognition and its impact on Profit and loss account and Balance Sheet.</p> <p>(Refer Accounting Policy No. 4)</p> <p>b) Impact of non - reconciliation of Deposits received from Allottees (Rs. 681.86 Lakhs) :</p> <p>As stated in the para 5 of our report, the non-reconciliation of Deposits of Rs. 681.86 Lakhs. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.</p>	<p>The party wise schedules in respect of deposits Received from Allottees were prepared during the year. With respect to the unreconciled deposits mentioned the same under further reconciliation.</p>
10)	<p>Inventory Rs. 2,22,221.79 lakhs (Previous Year Rs. 1,72,159.53 lakhs) :</p> <p>Due to non-reconciliation of the deposits and its impact as per our comment No. 4, 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>(Refer Note No. 12.1)</p>	<p>The system of recording of inventory is reviewed and reconciled. Necessary rectification entries were passed in the books of accounts during the previous year.</p>
11)	<p>Cost of sales - Land Rs. 21,216. 67 lakhs (Previous Year Rs. 64,641.05 lakhs) :</p> <p>The Cost of Sales includes Land Cost, Land Development Cost, Civil works executed and provisions for contractual obligations.</p> <p>During the year, cost of sale includes Land Cost of Rs. 19,938.87 lakhs, Land Development Cost of Rs. 609.59 lakhs and Civil Work in Progress of Rs. 4, 781.84 lakhs</p>	

	<p>provision for contractual obligations of Rs. 5,581.95 aggregating to rs. 30, 912.25 lakhs. However due to reversal of provision for contractual obligation of Rs. 9,318.72 lakhs on account of provision created in the previous year in respect of SEZs, Land Acquisition for others and inter estate transfers which is not required to be created for and cancellation of agreements pertaining to previous years amounting to Rs. 376.91 lakhs, the net cost of sales shown as Rs. 21,216.62 lakhs.</p> <p>In our opinion the cost of sale for the current financial year is understated to the tune of Rs. 9,695.63 lakhs. Though the understatement does not affect the profit and loss account.</p>	<p>The audit comment is self explanatory and there is no understatement of cost of sales during the year. Hence, there is no impact on the statement of Profit & loss.</p>
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For and on behalf of the Board of APIIC Limited

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

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

Place : Vijayawada
Date : 09.08.2018

**EXPLANATION / REPLY TO THE FINAL COMMENTS OF THE COMPTROLLER AND
AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT,
2013 ON THE REVIEW OF ACCOUNTS FOR THE PERIOD ENDED 31.03.2016**

Sl. NO.	AUDIT ENQUIRY	EXPLANATION / REMARKS OF THE MANAGEMENT
1)	<p>Balance Sheet I. Equity and Liabilities (2) Non Current Liabilities c. Other Long Term Liabilities (Note No.5.3) Due to GoAP - Land - Rs. 483.47 Crore</p> <p>The above includes Rs. 46.43 crore representing towards 15% overheads (Administrative expenditure) of land development cost which was capitalized pertaining to Government land. This has resulted in overstatement of "Other Long Term Liabilities-Due to GoAP-Land (Note - 5.3)" and "Current Assets- Inventories- Stock in trade-Land (Note-12.1)" by Rs. 46.43 crores.</p>	<p>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 capitalized in the Books of Accounts on provisional basis. Excess or short fall in the provisional capitalization will be revised on receipt of alienation orders and the amount due to Government of AP land and the inventory value will be revised.</p> <p>Excess amount provided if any can be adjusted against short provision in respect of other Government lands for which the alienation orders are yet to be received by the company. However, the same will be reviewed while finalizing the accounts for the F.Y. 2016-17 and necessary entries will be passed.</p>
2)	<p>Balance Sheet I. Equity and Liabilities (2) Non Current Liabilities c. Other Long Term Liabilities (Note No.5.3) Deposits towards works undertaken - Rs. 249.95 crore</p> <p>The above includes Rs. 3.28 crore being the balance of deposit available (deposited more than 10 years back from 1992 - 03 onwards) after netting off the expenditure incurred in execution of deposit works by various Government Departments for executing deposit works of construction / renovation of Hospital Buildings /Area Hospitals, Arrack Bottling Complex, Shadikhana Buildings, Urdu Ghar Community Centres etc., by the Company. Similarly, an amount of Rs. 4.89 crores was receivable from various Government Departments due to excess expenditure incurred over and above the deposit available. The works were said to be completed since long and for which no records were made available. In the absence of the same the correctness of the Deposits received, expenditure incurred and balance to be received / refunded and its impact on the accounts could not be vouchsafed. Hence, the same needs to be reconciled and the account updated.</p>	<p>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 will be handed over to the respective Departments after their completion.</p> <p>Since the old records prior to 2005 are available in the record room at Hyderabad, the same could not be furnished during the course of audit.</p> <p>The amounts of unspent balance outstanding are shown under Deposit towards works undertaken as liability and the amounts receivable from various departments are shown under Sundry Debtors - Deposit Works under note no. 13 trade receivables. The work wise amounts received, expenditure incurred, balance payable or receivable is reviewed and reconciled from time to time and there are no differences to be reconciled.</p>

3)	<p>Balance Sheet I. Equity and Liabilities (2) Non Current Liabilities c.Other Long Term Liabilities (Note No.5.3) Deposits towards works undertaken - Rs. 249.95 crore</p> <p>The above includes debit balance of Rs. 1.61 crore being the excess expenditure incurred over and above the "Grant in Aid" amount received from Government of Andhra Pradesh and JRD Tata Service Society.</p> <p>The Company received grant in aid amounting to Rs. 3.45 crore upto 2015-16 from Government of AP and JRD Tata Service Society (Rs. 200.00 lakh from GoAP and matching grant of Rs. 1.45 crore from JRD Tata Service Society) for creation of Capital Assets in JRD Tata Industrial Estate, Vijayawada. Against the grant of Rs. 3.45 crore, the Company incurred excess expenditure of Rs. 1.61 crore upto 2015-16.</p> <p>This has resulted in understatement of "Other Long Term Liabilities (Note - 5.3) and Trade Receivables (Note - 13)" by Rs. 1.61 crore.</p>	<p>The audit comment is self explanatory. The amount was received from the Government of India during the F.Y. 2016-17. Hence, there is no outstanding amount to the end of 31.03.2017.</p>
4)	<p>Profit and Loss Statement IV Expenses b.Employees Benefits Expenses (Note No.21) - Rs. 32.60 crore</p> <p>The above does not include Rs. 40.87 lakh towards DA Arrears payable to the employees for the year 2015-16 (from July 2015 and January 2016) for which no provision was made in the accounts. Non provision of the DA arrears resulted in understatement of Employees Benefits Expenses (Note - 21) and overstatement of profit for the year by Rs.40.87 lakh.</p>	<p>The Audit Comment is self explanatory and noted for future guidance.</p>
5)	<p>Comment on Auditor's Report</p> <p>In the Independent Auditor's Report on the financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended March 2016 under Auditor's responsibility the statutory auditor has stated that in making risk assessment, the auditor considers internal financial control relevant to the company preparations of the 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 company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls.</p> <p>This is contradiction of section 143(3)(i) Companies Act, 2013, read with rule 10(A) of Companies (Audit & Auditor) rules, 2014 which require the report of the auditors to state about existence of adequate internal financial control system and its operating effectiveness.</p>	<p>The Audit comment is on the Statutory Auditor's report which is self explanatory.</p>

For and on behalf of the Board of APIIC Limited

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

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

Place : Vijayawada

Date : 09.08.2018

EXPLANATION / REPLY TO THE FINAL COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016

Sl. NO.	AUDIT ENQUIRY	EXPLANATION / REPLY OF THE MANAGEMENT
1)	<p>Consolidated Balance Sheet I. Equity and Liabilities (3) Non Current Liabilities c. Other Long Term Liabilities (Note No.5.3) - Rs. 1450.35 crore Due to GoAP - Land - Rs. 483.47 Crore</p> <p>The above includes Rs. 46.43 crore representing towards 15% overheads (Administrative expenditure) of land development cost which was capitalized pertaining to Government land. This has resulted in overstatement of "Other Long Term Liabilities-Due to GoAP-Land (Note - 5.3)" and "Current Assets-Inventories-Stock in trade-Land (Note-12.1)" by Rs. 46.43 crores.</p>	<p>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 capitalized in the Books of Accounts on provisional basis. Excess or short fall in the provisional capitalization will be revised on receipt of alienation orders and the amount due to Government of AP land and the inventory value will be revised.</p> <p>Excess amount provided if any can be adjusted against short provision in respect of other Government lands for which the alienation orders are yet to be received by the company. However, the same will be reviewed while finalizing the accounts for the F.Y. 2016-17 and necessary entries will be passed.</p>
2)	<p>Consolidated Balance Sheet I. Equity and Liabilities (3) Non Current Liabilities c. Other Long Term Liabilities (Note No.5.3) - Rs. 1450.35 crore Deposits towards works undertaken - Rs. 249.95 crore</p> <p>The above includes Rs. 3.28 crore being the balance of deposit available (deposited more than 10 years back from 1992-03 onwards) after netting off the expenditure incurred in execution of deposit works by various Government Departments for executing deposit works of construction/renovation of Hospital Buildings / Area Hospitals, Arrack Bottling Complex, Shadikhana Buildings, Urdu Ghar Community Centres etc., by the Company. Similarly, an amount of Rs. 4.89 crores was receivable from various Government Departments due to excess expenditure incurred over and above the deposit available. The works were said to be completed since long and for which no records were made available. In the absence of the same the correctness of the Deposits received, expenditure incurred and balance to be received / refunded and its impact on the accounts could not be vouchsafed. Hence, the same needs to be reconciled and the account updated.</p>	<p>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 will be handed over to the respective Departments after their completion. Since the old records prior to 2005 are available in the record room at Hyderabad, the same could not be furnished during the course of audit.</p> <p>The amounts of unspent balance outstanding are shown under Deposits towards works undertaken as liability and the amounts receivable from various departments are shown under Sundry Debtors - Deposit Works under note no. 13 trade receivables. The work wise amounts received, expenditure incurred, balance payable or receivable is reviewed and reconciled from time to time and there are no differences to be reconciled.</p>

3)	<p>Consolidated Balance Sheet</p> <p>I. Equity and Liabilities</p> <p>(3) Non Current Liabilities</p> <p>c.Other Long Term Liabilities (Note No.5.3) -</p> <p>Rs. 1450.35 crore</p> <p>Deposits towards works undertaken -</p> <p>Rs. 249.95 crore</p> <p>The above includes debit balance of Rs. 1.61 crore being the excess expenditure incurred over and above the "Grant in Aid" amount received from Government of Andhra Pradesh and JRD Tata Service Society.</p> <p>The Company received grant in aid amounting to Rs.3.45 crore upto 2015-16 from Government of AP and JRD Tata Service Society (Rs.200.00 lakh from GoAP and matching grant of Rs. 1.45 crore from JRD Tata Service Society) for creation of Capital Assets in JRD Tata Industrial Estate, Vijayawada. Against the grant of Rs. 3.45 crore, the Company incurred excess expenditure of Rs. 1.61 crore upto 2015-16.</p> <p>This has resulted in understatement of "Other Long Term Liabilities (Note - 5.3) and Trade Receivables (Note - 13)" by Rs. 1.61 crore.</p>	<p>The audit comment is self explanatory. The amount was received from the Government of India during the F.Y. 2016-17. Hence, there is no outstanding amount to the end of 31.03.2017.</p>
4)	<p>Consolidated Profit and Loss Statement</p> <p>IV Expenses</p> <p>b. Employees Benefits Expenses</p> <p>(Note No.21) - Rs. 32.76 crore</p> <p>The above does not include Rs. 40.87 lakh towards DA Arrears payable to the employees for the year 2015-16 (from July 2015 and January 2016) for which no provision was made in the accounts. Non provision of the DA arrears resulted in understatement of Employees Benefits Expenses (Note - 21) and overstatement of profit for the year by Rs.40.87 lakh.</p>	<p>The Audit Comment is self explanatory and noted for future guidance.</p>

5)	<p>Comment on Auditor's Report</p> <p>In the Independent Auditor's Report on the financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended March 2016 under Auditor's responsibility the statutory auditor has stated that in making risk assessment, the auditor considers internal financial control relevant to the company preparations of the 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 company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls.</p> <p>This is contradiction of section 143(3)(i) Companies Act, 2013, read with rule 10(A) of Companies (Audit & Auditor) rules, 2014 which require the report of the auditors to state about existence of adequate internal financial control system and its operating effectiveness.</p>	<p>The Audit comment is on the Statutory Auditor's report which is self explanatory.</p>
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For and on behalf of the Board of APIIC Limited

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

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

Place : Vijayawada

Date : 09.08.2018

FORM NO. MGT - 9
EXTRACT OF ANNUAL RETURN
AS ON THE FINANCIAL YEAR ENDED ON 31.03.2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the
Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS :

i.	CIN	U99999TG1973SGC001630
ii.	Registration Date	26.09.1973
iii.	Name of the Company	Andhra Pradesh Industrial Infrastructure Corporation Limited
iv.	Category / Sub-Category of the Company	Company limited by Shares / State Government Company
v.	Address of the Registered Office and contact details	5-9-58/B, 6th Floor, Parisrama Bhavanam, Fateh Maidan Road, Hyderabad - 500 004
vi.	Whether listed company	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated :-

Sr. No.	Name and Description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1	Support service to Organizations (development of industrial infrastructure in the state of AP)	N7	100

III.PARTICULARS OF HOLDING , SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN	Holding / Subsidiary / Associate	% of shares held
1.	Andhra Pradesh Gas Infrastructure Corporation Private Limited	U11100AP2009SGC107233	Associate	51
2.	Krishnapatnam International Leather Complex Private Limited	U19115TG2008SGC060643	Associate	51
3.	Visakhapatnam Industrial Water Supply Company Limited	U90009AP1999PLC032051	Associate	49
4.	L & T Hitech City Limited	U70102TG2007PLC053938	Associate	26
5.	Bharatiya International SEZ	U74999DL2007PLC159827	Associate Limited	11.05
6.	L & T Infocity Limited	U72200TG1997PLC026885	Associate	11
7.	Ramky Pharma City (India) Limited	U24239TG2004PLC042855	Associate	11
8.	Hyderabad Information Technology Venture Enterprises Limited	U72200TG1998PLC029282	Associate	8
9.	Cyberabad Trustee Company (P)	U72200TG1999PTC033128 Limited	Associate	8
10.	Vizag IT Park Limited	U45200AP2003PLC041374	Associate	0.49
11.	Andhra Pradesh Aerospace & Defence Electronics Park Private Limited	U45206AP2015PTC097806	Associate	26

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. *Category - wise Share Holding*

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoter									
1) Indian									
a) Individual / HUF									
b) Central Govt									
c) State Govt(s)			95,219	99,996			95,219	99,996	Nil
d) Bodies Corp									
e) Banks / FI									
f) Any Other									
Sub-total(A)(1):-			95,219	99,996			95,219	99,996	Nil
2) Foreign									
g) NRIs-Individuals									
h) Other-Individuals									
i) Bodies Corp.									
j) Banks / FI									
k) Any Other...									
Sub-total(A)(2):-									
B. Public Shareholding									
1. Institutions									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									

f) Insurance Companies									
g) Fills									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total(B)(1)									
2. Non Institutions									
a) Bodies Corp. (i) Indian (ii) Overseas									
b) Individuals (i) Individual shareholders holding nominal share capital up to Rs. 1 lakh (ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh									
c) Others (3 Individuals holding on behalf of AP Govt.)			3	0.0031			3	0.0031	Nil
Sub-total(B)(2)									
Total Public Shareholding									
(B) = (B)(1) + (B)(2)									
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A + B + C)			95,222	100			95,222	100	Nil

ii. Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total Shares of the company	No. of shares	% of total shares of the company
1.	Governor of Andhra Pradesh	95,219	99.997	95,219	99.997
2.	A. Janardhana Babu	1	0.001	1	0.001
3.	S. Mustafa Sab	1	0.001	1	0.001
4.	R. Suresh	1	0.001	1	0.001
	Total	95,222	100	9522	100

iii. Change in Promoter's Share holding (please specify, if there is no change)

There is no change in the Promoter's Share Holding during the financial year 2015 - 16.

V. INDEBTEDNESS

There are no secured loans during the financial year 2015 - 16.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

As Andhra Pradesh Industrial Infrastructure Corporation Limited is a Government Company, remuneration to Managing Director, Whole-time Directors and / or Manager / Key Managerial Personnel not applicable.

VII. PENALTIES /PUNISHMENT/COMPOUNDING OF OFFENCES:

There are no penalties / punishments / compounding of offences under the Companies Act during the year.

For and behalf of the Board of APIIC Limited.

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

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

Place : Vijayawada
Date : 09.08.2018

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Balance Sheet as at 31st March 2016

(₹ in lakhs)

	Particulars	Note No.	31.03.2016	31.03.2015
I	EQUITY AND LIABILITIES			
(1)	Shareholder's funds:			
a	Share Capital	3	952.22	952.22
b	Reserves and Surplus	4	33372.39	31762.46
	Shareholder's funds - Total		34324.61	32714.68
(2)	Non - Current liabilities:			
a	Long term borrowings	5.1	28086.24	30264.87
b	Deferred tax liabilities (Net)	5.2	172.29	40.40
c	Other Long term liabilities	5.3	144474.79	114657.37
d	Long - term provisions	5.4	1106.61	763.99
	Non - Current liabilities - Total		173839.93	145726.63
(3)	Current liabilities:			
a	Trade payables	6	165.06	149.39
b	Other Current liabilities	7	218139.46	180395.66
c	Short - term provisions	8	44580.10	49222.40
	Current liabilities - Total		262884.62	229767.45
	Total Equity and Liabilities		471049.16	408208.76
II	ASSETS			
(1)	Non - Current Assets:			
a	Fixed Assets:			
	(i) Tangible Assets	9.1.3	33813.61	33969.30
	(ii) Capital Work in Progress	9.2.1	0.00	3335.55
b	Non - current investments	10	3547.62	5573.62
c	Long - term loans and advances	11	119306.73	104827.95
	Non-Current Assets - Total		156667.96	147706.42
(2)	Current Assets:			
a	Inventories	12	237552.03	187968.49
b	Trade receivables	13	10728.37	7521.93
c	Cash and cash equivalents	14	46768.25	33528.27
d	Short - term loans and advances	15	4420.65	4306.50
e	Other Current Assets	16	14911.90	27177.15
	Current Assets - Total		314381.20	260502.34
(3)	Accounting Policies	1		
	Total Assets		471049.16	408208.76

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

Sd/-
BABU. A, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

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

FIRM REGD. No.: 0012815

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Sd/-
P. I. PRAKASH KUMAR
CHIEF GENERAL MANAGER(F)/c

DATE : 10.04.2018
PLACE : VIJAYAWADA

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Profit and Loss Statement for the period ended 31st March 2016

(₹ in lakhs)

	Particulars	Note No.	Current Year	Previous Year
I	Revenue from Operations	18	33253.74	74963.51
II	Other Income	19	4267.32	2734.72
III	Total Revenue (I +II)		37521.06	77698.23
IV	Expenses :			
a	Cost of Sales	20	21217.91	64641.05
b	Employee Benefits expense	21	3260.71	3027.78
c	Depreciation and amortization expense		406.88	3072.11
d	Other expenses	22	7971.43	2616.81
	Total Expenses		32856.93	73357.75
V	Profit before Exceptional and Extraordinary items and tax(III-IV)		4664.13	4340.48
VI	Exceptional items		2500.00	0.00
VII	Profit before extraordinary items and tax (V - VI)		2164.13	4340.48
VIII	Extraordinary items		0.00	0.00
IX	Profit before tax (VII - VIII)		2164.13	4340.48
X	Tax expense :			
	(1) Current Tax - Current Year		1170.22	889.10
	- Previous Years		(463.30)	580.76
	(2) Deferred Tax - Current Year		131.89	(807.43)
	(3) MAT Credit		284.61	0.00
	Total Tax expense (1 + 2 - 3)		554.20	662.43
XI	Profit (Loss) for the period (IX - X)		1609.93	3678.05
XII	Earning per equity share (in Rupees):			
	- Basic & Diluted		1691	3863
	(Face value of Rs. 1000/- per Share)			

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

FIRM REGD. No.: 001281S

Sd/-
BABU. A, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

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

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Sd/-
P. I. PRAKASH KUMAR
CHIEF GENERAL MANAGER(F)i/c

DATE : 10.04.2018
PLACE : VIJAYAWADA

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Cash Flow Statement for the year ended 31st March, 2017

(₹ in lakhs)

Particulars	Current Year	PreviousYear
Cash flows from operating activities		
Net profit before taxation and exceptional and extra ordinary items	4664.13	4340.48
Adjustments for :		
Depreciation and amortisation	406.88	3072.11
Dividend Income	(191.70)	(1.32)
Profit / loss on sale of fixed assets	(0.31)	0.29
Operating profit before working capital changes	4879.00	7411.56
Adjustments for :		
Inventories	(49760.70)	25282.92
Trade receivables	(3206.44)	(5185.23)
Other current and non-current assets	12899.86	(26534.19)
Loans and advances	(14592.93)	(10482.91)
Payables, liabilities and provisions	66262.74	25169.40
Net Cash Flow from operating activity before Income Tax	16481.53	15661.55
Income tax paid	(359.52)	(984.56)
Net Cash Flow from operating activities before extraordinary and exceptional items	16122.01	14676.99
Exceptional item	2500.00	0.00
Extraordinary items	0.00	0.00
Net Cash Flow from operating activities after extraordinary items	13622.01	14676.99
Cash flows from investing activities		
Acquisition of fixed assets	(74.22)	(526.29)
Purchase of investments	(500.00)	0.00
Dividend income	191.70	1.32
Sale of fixed assets	0.49	0.35
Net cash flow from investing activities	(382.03)	(524.62)
Cash flow from financing activities		
Proceeds from issuance of share capital	0.00	0.00
Net cash from financing activities	0.00	0.00
Net increase in cash and cash equivalents	13239.98	14152.37
Cash and cash equivalents at the beginning of the year	33528.27	19375.90
Cash and cash equivalents at the end of the year	46768.25	33528.27
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

Sd/-
BABU. A, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

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

FIRM REGD. No.: 001281S

DATE : 10.04.2018
PLACE : VIJAYAWADA

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Sd/-
P. I. PRAKASH KUMAR
CHIEF GENERAL MANAGER(F)i/c

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 programmers, 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 the 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 ₹. 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.
- 4.6 Allotments Cancelled on account of non fulfilment of terms and conditions as per the sale agreement are considered as sales returns.

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 assets 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 diminution 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 actual 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 sundry debtors in respect of interest on rentals, water charges, penal interest on hire purchase etc... and 100% of sundry debtors in respects of water, rentals 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 Regorganisation 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., and was sent to both the Governments for approval vide its letter dated 16.05.2015.

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 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 the details of which are mentioned below. 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.

EQUITY AND LIABILITIES		(₹ in lakhs)
1.	Share Capital	680.53
2.	Reserves and Surplus	20,309.52
3.	Long Term borrowings	2,429.33
4.	Other Long Term liabilities	24,641.93
5.	Long Term Provisions	509.17
6.	Trade Payables	57.91
7.	Other Current liabilities	2,77,895.51
8.	Short term Provisions	24,406.77
9.	Reorganisation adj. account	22,559.56
TOTAL EQUITY AND LIABILITIES		3,73,490.23
ASSETS		(₹ in lakhs)
1.	Tangible Assets	12,812.70
2.	Non - Current Investments	26,735.91
3.	Long term loans and advances	1,74,428.72
4.	Inventories	1,44,059.45
5.	Trade receivables	1,851.30
6.	Cash and cash equivalents	5,129.78
7.	Short term loans and advances	111.26
8.	Other Current Assets	8,361.11
TOTAL ASSETS		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 Telenganga Region could not be ascertained.

The financial statements for the previous year were prepared in two spells i.e., 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 TSIC Limited. The financial statements for the previous year were prepared in two spells i.e., 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 only zones and Head Office carrying out operations in the state of Andhra Pradesh 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.

	(₹ . in lakhs)	(₹ .in lakhs)
	As at 31-03-2016	As at 31-03-2015
3. SHARE CAPITAL		
3.1 Authorised Capital		
2,00,000 equity shares of Rs.1000 each	2,000.00	2,000.00
3.2 Issued, Subscribed and Paid up Capital		
Equity Shares of Rs.1000/- each	952.22	1,632.75
Add : Subscriptions during the year	0.00	0.00
Less : Adjustment as per AP Reorganisation Act,2014 and Demerger Scheme thereunder (68,053Equity Shares)	0.00	680.53
Total 95,222 equity shares of Rs. 1000/- each	952.22	952.22
3.3 Details of Shareholders holding more than 5% (percent) shares in the Company:		
	As at 31st March 2016	As at 31st March 2015
	No. of shares % of holding	No. of shares % of holding
Government of Andhra Pradesh including its nominees	95,222 100%	95,222 100%
3.4 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.

	(₹ in lakhs)	(₹ in lakhs)
4. RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	758.16	1,300.00
Less : Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder	0.00	541.84
Sub - Total	758.16	758.16
Profit and Loss Account		
As per last Balance Sheet	31,004.30	50,025.94
Add : Profit / Loss for the year	1,609.93	3,678.05
Less : Adjustments made during the year	0.00	2,932.02

Less : Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder	0.00	19,767.67
Sub - Total	<u>32,614.23</u>	<u>31,004.30</u>
TOTAL	<u>33,372.39</u>	<u>31,762.46</u>

5. **NON - CURRENT LIABILITIES :**

5.1 **LONG TERM BORROWINGS**

UNSECURED

Loan from RINL	12,000.00	14,400.00
Loan from NTPC	2,500.00	3,000.00
Interest accrued but not due (Payable from 2022 - 23)	13,586.24	12,864.87
Sub - Total	<u>28,086.24</u>	<u>30,264.87</u>
Loan from Oriental Bank of Commerce	0.00	2,429.33
Less : Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder	0.00	2,429.33
Sub - Total	<u>0.00</u>	<u>0.00</u>
TOTAL	<u>28,086.24</u>	<u>30,264.87</u>

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

As per the minutes of VIWSCO Board meeting dated 19.11.2012, loans drawn from RINL, NTPC & VMC were restructured by VIWSCO. As per the restructuring plan i) rate of interest is 10% pa 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 Government of Andhra Pradesh vide G.O. Ms. No. 24, Dt : 25.02.2016 accepted the proposal as agreed in the minutes of the meeting held on 19.11.2012 duly approving the agreed terms and conditions for repayment of loan, outstanding interest and penal interest and yearly interest. The supplementary agreements are to be executed by the company.

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 and the loans from RINL and NTPC includes accrued interest repayable from 2022 - 23.

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 of interest. Penal interest is 2% in case of default. The amount due from Government in this regard is shown under Other Long Term Loans and Advances. During the previous year, the balances 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:

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
Deferred Tax Liability	574.52	311.52
Less : Deferred Tax Asset	402.23	271.12
Net Deferred Tax Liability (Asset)	<u>172.29</u>	<u>40.40</u>

5.3 OTHER LONG TERM LIABILITIES

Funds for incubation centres etc.	5,763.89	8,662.83
Due to GoAP - Land	48,347.75	13,430.66
Deposit towards works undertaken	24,995.11	28,086.15
Land Conversion Charges	26,640.56	26,640.56
Deposits received from allottees - SEZ	20,391.45	22,363.45
Other liabilities	18,336.03	15,473.72
TOTAL	<u>1,44,474.79</u>	<u>1,14,657.37</u>

5.3.1 Construction of Incubation Centres :

Government of Andhra Pradesh have released an amount of Rs. 50.00 lakhs was received during the year (Previous Year ₹ 3,927.98 lakhs including ₹ 2,343.40 lakhs from 02.06.2014 to 31.03.2015) towards construction of IT incubation centres. An amount of ₹ 5,235.27 lakhs was transferred to TSIIIC Limited as a result of demerger of the company during the previous year.

An amount of ₹ 4,044.14 lakhs towards expenditure incurred for construction of IT Incubation Centres upto the end of the year (Previous Year - Rs. 3,335.55 lakhs) is adjusted against the grants received from ITE & C Department, Government of Andhra Pradesh since the incubation centres are ready for use and are operational.

5.3.2 Deposit towards works undertaken :

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 amounts of unspent balance outstanding are shown under Deposits towards works undertaken.

5.3.3 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 was provided towards conversion charges to the end of the Financial Year (P.Y. Rs. 26,640.56 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.

During the year 2018, section 7 of the AP Non Agricultural Land (conversion for non agricultural purpose) Act, 2006 was amended as *"in section 7 of the principal Act, after item (f), the following item shall be added namely - (g) Lands allotted to the Andhra Pradesh Industrial Infrastructure Corporation (APIIC)"*. Accordingly, the Government of Andhra Pradesh issued notification vide G.O. Ms. No. 98, dated 19.02.2018.

The corporation has requested GoAP for clarification on non applicability of conversion charges to APIIC Limited with retrospective effect. Pending clarification, the existing provision as at the end of the year is retained in the Books of Accounts.

5.3.4 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, no funds were released by Government of India during the year (Previous Year Rs. 463.00 lakhs).

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
5.4 Long Term Provisions:		
Provision for leave Benefits		
As per the last balance sheet	763.99	1,221.61
Add : Additions during the year	1,106.61	763.99
Less: Payments / adjustments during year	763.99	1,221.61
	<u>1,106.61</u>	<u>763.99</u>

- 5.4.1** The Board of APIIC 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 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.

Pending approval of the Final Allocation of Employees between APIIC Limited and TSIIC Limited by the Expert Committee, the provision in respect of leave benefits was made in respect of the employees allocated to APIIC Limited.

6. TRADE PAYABLES		
Trade Payables	165.06	149.39
TOTAL	<u>165.06</u>	<u>149.39</u>
7. OTHER CURRENT LIABILITIES		
Deposits received from allottees	1,89,751.05	1,52,390.93
Other Current Liabilities	24,743.15	24,265.57
Current maturities of long term Debt	2,900.00	2,900.00
Interest accrued and due on borrowings	745.26	839.16
TOTAL	<u>2,18,139.46</u>	<u>1,80,395.66</u>

- 7.1** Sundry Creditors and other deposits are subject to confirmation.

- 7.2** The partywise schedules in respect of deposits received from allottees is under review and reconciliation. Deposits received from allottees includes EMD of Rs. 7,230.80 lakhs (Previous Year - Rs. 13,131.15 lakhs).

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
8. SHORT - TERM PROVISIONS		
(a) PROVISION FOR EMPLOYEE BENEFITS (Refer Note No. 5.4 and 21)		
8.1 Provision for leave Benefits		
As per the last balance sheet	33.65	222.45
Add : Additions during the year	55.42	33.65
Less : Payments / adjustments during year	33.65	222.45
Sub - Total	<u>55.42</u>	<u>33.65</u>
(b) OTHERS		
8.2 Provision for PS charges		
As per the last balance sheet	175.85	416.26
Add : Additions during the year	159.84	393.28
Less : Payments / adjustments during year	185.64	633.69
Sub - Total	<u>150.05</u>	<u>175.85</u>

8.3 Provision for Contractual Obligations

As per the last balance sheet	46,895.15	48,271.71
Add : Additions during the year	5,581.95	46,895.15
Less : Adjustments made during year	9,318.72	48,271.71
Sub - total	43,158.38	46,895.15

During the year provision for contractual obligations of ₹ 9318.72 lakhs is withdrawn on account of provision created in the previous year in respect of SEZs, Land Acquisition for others and inter estate transfers which is not required to be created for.

8.4 Provision for taxation

As per the last balance sheet	2,070.70	990.41
Add : Additions during the year	1,170.23	1,080.29
Less : Payments / adjustments during year	2,070.70	0.00
Sub - total	1,170.23	2,070.70

8.5 Other Provisions

As per the last balance sheet	47.05	0.00
Add : Additions during the year	0.00	47.05
Less : Payments / adjustments during year	1.03	0.00
Sub - total	46.02	47.05
TOTAL	44,580.10	49,222.40

9. NON - CURRENT ASSETS**9.1 TANGIBLE ASSETS****9.1.1 GROSS BLOCK AT COST**

(₹ in Lakhs)

Particulars	As at 31st March, 2015	Additions during the year	Deductions during the year	As at 31st March, 2016
LAND including land Development	60.68	0.00	0.00	60.68
BUILDINGS	1,314.08	0.00	0.00	1,314.08
REFRIGERATORS,ACs AND AIRCOOLERS	10.96	0.00	0.00	10.96
FURNITURES AND FIXTURES	48.05	3.94	0.00	51.99
OFFICE EQUIPMENT	45.94	6.94	0.55	52.33
VEHICLES	152.07	0.00	1.40	150.67
ELECTRICAL EQUIPMENT	23.43	2.38	0.00	25.81
DRAWING EQUIPMENT	1.49	0.00	0.00	1.49
COMPUTER	91.26	60.95	0.00	152.21
QUALITY CONTROL EQUIPMENT	0.00	0.00	0.00	0.00
LAND-SEZ	25,454.08	0.00	99.41	25,354.67
LAND DEVELOPMENT-SEZ	4,091.81	0.00	0.00	4,091.81
BUILDING-SEZ	6.13	0.00	0.00	6.13
WATER SUPPLY-SEZ	763.90	240.41	0.00	1,004.31
SEWERAGE-SEZ	1,028.78	0.00	0.00	1,028.78
EXTERNAL ELECTRIFICATION-SEZ	503.01	0.00	0.00	503.01
ROADS AND BRIDGES - SEZ	6,426.54	122.30	0.00	6,548.84
SOLAR POWER PLANT	1,263.53	0.00	0.00	1,263.53
CURRENT YEAR	41,285.74	436.92	101.36	41,621.30
PREVIOUS YEAR	63,061.12	1,766.90	23,542.28	41,285.74

9.1.2 DEPRECIATION BLOCK

(₹ in Lakhs)

Particulars	As at 31st March, 2015	Additions during the year	Deductions during the year	As at 31st March, 2016
BUILDINGS	74.56	20.66	0.00	95.22
REFRIGERATORS, ACs & AIRCOOLERS	7.91	1.00	0.00	8.91
FURNITURE AND FIXTURES	26.38	6.14	0.00	32.52
OFFICE EQUIPMENT	32.09	6.18	0.36	37.91
VEHICLES	39.14	16.88	1.40	54.62
ELECTRICAL EQUIPMENT	6.23	3.63	0.00	9.86
DRAWING EQUIPMENT	1.46	0.00	0.00	1.46
COMPUTER	62.88	26.23	0.00	89.11
BUILDING-SEZ	0.68	0.09	0.00	0.77
WATER SUPPLY-SEZ	247.92	102.85	0.00	350.77
SEWERAGE-SEZ	140.07	33.10	0.00	173.17
EXTERNAL ELECTRIFICATION-SEZ	208.29	56.97	0.00	265.26
ROADS AND BRIDGES-SEZ	6,301.86	172.34	0.00	6,474.20
SOLAR POWER PLANT	166.97	46.94	0.00	213.91
CURRENT YEAR	7,316.44	493.01	1.76	7,807.69
PREVIOUS YEAR	1,519.55	3,300.85	-2,496.04	7,316.44

9.1.3 NET BLOCK

Particulars	As at 31st March, 2015	Additions during the year	Deductions during the year	As at 31st March, 2016
LAND including Land Development	60.68	0.00	0.00	60.68
BUILDINGS	1,239.32	0.00	0.00	1,218.86
REFRIGERATORS, ACs & AIRCOOLERS	3.05	0.00	0.00	2.05
FURNITURES AND FIXTURES	21.67	0.00	0.00	19.47
OFFICE EQUIPMENT	13.85	0.00	0.00	14.42
VEHICLES	112.93	0.00	0.00	96.05
ELECTRICAL EQUIPMENT	17.20	0.00	0.00	15.95
DRAWING EQUIPMENT	0.03	0.00	0.00	0.03
COMPUTER	28.38	0.00	0.00	63.10
LAND-SEZ	25,454.08	0.00	0.00	25,354.67
LAND DEVELOPMENT-SEZ	4,091.81	0.00	0.00	4,091.81
BUILDING-SEZ	5.45	0.00	0.00	5.36
WATER SUPPLY-SEZ	515.98	0.00	0.00	653.54
SEWERAGE-SEZ	888.71	0.00	0.00	855.61
EXTERNAL ELECTRIFICATION-SEZ	294.72	0.00	0.00	237.75
ROADS AND BRIDGES -SEZ	124.68	0.00	0.00	74.64
SOLAR POWERPLANT	1,096.56	0.00	0.00	1,049.62
CURRENT YEAR	33,969.30	0.00	0.00	33,813.61
PREVIOUS YEAR	61,541.57	0.00	0.00	33,969.30

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. The same was shown under the head Buildings in Fixed Assets pending completion of registration formalities by the respective parties. As per the AP Reorganisation Act, 2014 and the Demerger Scheme made thereunder, out of the total extent of Rs. 23,707 sft, an area of 9,881.08 sft (i.e., 41.68% of total area) in 6th floor was transferred to TSIC 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 were revised during the previous year. The additional depreciation due to the determination of the useful life of the fixed assets whose value is zero at the beginning of the previous year amounting to Rs. 2932.02 lakhs was charged to the opening balance of the Profit & Loss account during the previous year in accordance with the provisions of the Companies Act, 2013. The amount of Depreciation of Rs. 493.01 lakhs for the year include depreciation to Rs. 86.14 lakhs pertaining to prior periods.

9.1.6 SPECIAL ECONOMIC ZONES (SEZ) :

The company was appointed as Nodal Agency for development of Special Economic Zones (SEZs) in Andhra Pradesh in respect of SEZs developed by the company 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 being recognised proportionately depending upon the lease period and lease rentals are accounted for as revenue.

9.1.7 There is no impairment of Fixed Assets during the F.Y. 2015 - 16.

		(₹ in lakhs)	(₹ in lakhs)
9.2	CAPITAL WORK IN PROGRESS	As at 31-3-2016	As at 31-3-2015
9.2.1	Construction of Incubation Centres :		
	As per last Balance Sheet	3,335.55	2,334.31
	Add : Additions during the period	708.59	1,269.09
	Less : Adjustment as per AP Reorganisation Act, 2014 and Demerger Scheme thereunder	0.00	267.85
	Less : Adjustment to Grant	4,044.14	0.00
	TOTAL	0.00	3,335.55
10.	NON - CURRENT INVESTMENTS	% of	
10.1	Trade Investments - Unquoted (Companies incorporated in India)	Holding	(₹ in lakhs) (₹ in lakhs) As at 31-3-2016 As at 31-3-2015

INVESTMENTS IN SUBSIDIARY COMPANIES

I	2,54,00,000 equity shares of Rs. 10/- each fully paid up in AP Gas Infrastructure Corporation P Ltd. (Provision for diminution of investment made to the extent of 100%)	51	2,540.00	2,040.00
II	51,000 equity shares of Rs.10/- each fully paid up In Krishnapatnam International Leather Complex Pvt. Ltd.	51	5.10	5.10

INVESTMENTS IN JOINT VENTURES

III	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
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INVESTMENTS IN ASSOCIATE COMPANIES

IV	52,00,000 equity shares of Rs. 10/- each fully
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	% of Holding	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
paid - up in L & T Hitech City Ltd.	26	520.00	520.00

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	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	115.47
VII	19,80,000 equity shares of Rs. 10/- each fully paid - up in Ramky Pharma City (India) Ltd.	11	198.00	198.00
VIII	20,825 equity shares of Rs. 10/- each fully paid up in Hyderabad Information Technology Venture Enterprises Ltd.	8	1.21	1.21
IX	4,165 equity shares of Rs. 10/- each fully paid up in Cyberabad Trustee Company (P) Ltd.	8	0.24	0.24
X	44,000 equity shares of Rs. 10/- each fully paid - up in Vizag IT Park Ltd.	0.49	4.40	4.40
XI	449 Units of Rs. 25,000/- each fully paid - up in Cyberabad Trustee Company (P) Ltd. (HIVEFUND)		112.27	112.27
XII	Deposit towards share application money Bhagyanagar Gas Ltd.		239.07	239.07
Sub - Total			6,088.47	5,588.47
Less: Provision for diminution of investments				
AP Gas Infrastructure Corporation Limited			2,540.00	0.00
CTCPL - HIVE Fund			0.85	14.85
Sub - Total			2,540.85	14.85
TOTAL			3,547.62	5,573.62

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. upto the end of the previous year. Further, an amount of Rs. 500.00 lakhs was invested during the year towards additional subscription to the Equity Share Capital.

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 upto the end of the year.

10.4 Investments in Visakhapatnam Industrial Water Supply Company Limited :

The Company has allotted land for an extent of Rs. 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 upto the end of the previous year.

10.5 Provision for Diminution of investments :

An amount of Rs. 2,540.85 lakhs was provided towards diminution of investments during the year in respect of 100% of the cost of investment of APGIC i.e., Rs. 2,540.00 lakhs and to the extent of APIIC Share of Rs. 0.85 Lakhs in respect of CTCPL- HIVE Fund.

10.6 Investments transferred to TSIIC Limited :

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

Pending approval of the demerger scheme, the share / debenture certificates in respect of the investments apportioned to TSIIC Limited are in the name of APIIC Limited and continues to be in the name of APIIC Limited till approval of the Demerger Scheme.

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

(₹ in lakhs) (₹ in lakhs)
As at 31-3-2016 As at 31-3-2015

11. LONG -TERM LOANS AND ADVANCES

Secured :

Loans & Advances to related Parties

28,086.24

30,264.87

Advances to Staff

137.70

143.32

Sub -Total

28,223.94

30,408.19

Unsecured and Considered Good :

Security Deposits

21.16

2.74

Loans & Advances to related Parties

2,959.43

3,198.38

Advances to Staff

17.34

16.43

Other Loans & Advances

63,434.27

46,630.72

AP Reorganisation Adjustment Account

22,561.68

22,562.10

Due from TSIIC

540.55

596.54

Sub - Total

89,534.43

73,006.91

Other non current assets :

Fixed Deposits

1,344.69

1,344.69

Accrued interest on Fixed Deposits

203.67

68.16

Sub - Total

1,548.36

1,412.85

TOTAL

1,19,306.73

1,04,827.95

11.1 RELATED PARTY TRANSACTIONS

(₹ in Lakhs)

NAME OF THE TRANSACTING RELATED PARTY	RELATIONSHIP	VOLUME OF TRANSACTION	OUTSTANDING AS ON 31.03.2016	AMOUNTS WRITTEN OFF/ WRITTEN
1. APGas Infrastructure Corporation Pvt. Limited	Subsidiary	0.02	0.02	0.00
2. Krishnapatnam International Leather Complex PLtd	Subsidiary	22.14	22.14	0.00
3. Visakhapatnam Industrial Water Supply Company (Secured Loan)	Joint Venture	35,000.00	31,731.50	0.00
4. Visakhapatnam Industrial Water Supply Company (Unsecured Loan)	Joint Venture	2,434.64	2,937.27	0.00
Total		37,456.80	34,690.93	0.00

12. CURRENT ASSETS

(₹ in lakhs) ₹ in lakhs
As at 31-3-2016 As at 31-3-2015

12.1 INVENTORIES

(As certified by the management)

Construction of materials	44.06	45.09
Stock in trade - Land	2,07,675.87	1,57,577.56
Stock in trade - Development	14,501.86	14,536.88
Sub - Total	2,22,221.79	1,72,159.53
Work - in - Progress	15,330.24	15,808.96
Sub - Total	15,330.24	15,808.96
TOTAL	2,37,552.03	1,87,968.49

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.

13. TRADE RECEIVABLES

(Unsecured and Considered Good)

(a) Debts exceeding 6 months	10,740.71	8,037.15
(b) Other debts	392.26	169.72
Sub - Total	11,132.97	8,206.87
Less : Provision for doubtful debts	404.60	684.94
TOTAL	10,728.37	7,521.93

The age wise analysis for the sundry debtors was done based on the date of invoice. Provision for doubtful debts is created as per Accounting Policy No. 10 of the company. On review of Provision for bad and doubtful debts, the earlier provision of Rs. 217.60 lakhs due from VIWSCO is reversed due to certainty of the receipt. In respect of Deposit towards works undertaken, no provision was created towards bad and doubtful debts.

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 previous year as a result of demerger of the company.

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
14. CASH AND CASH EQUIVALENTS		
Cash in Transit	0.00	55.16
Balance in Bank Accounts	4,124.86	13,580.38
Balance with Banks - Estates	20.01	146.10
Sub - Total	4,144.87	13,781.64
Bank Deposits less than 3 months		
Fixed Deposits	0.00	12,000.00
Sub - Total	0.00	12,000.00
Earmarked Balances with Banks		
Public Deposit Account	40,786.20	7,486.37
Other Bank Accounts	1,837.18	260.26
Sub - Total	42,623.38	7,746.63
TOTAL	46,768.25	33,528.27
15. SHORT - TERM LOANS AND ADVANCES		
Interest free Loans & Advances to Staff etc. & others	775.39	567.34
Loans & Advances to related Parties (Secured)	3,645.26	3,739.16
TOTAL	4,420.65	4,306.50
	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
16. OTHER CURRENT ASSETS		
16.1 Bank Deposits for more than 3 months	3,278.25	21,099.00
Accrued interest on Fixed Deposits more than 3 months Interest / Income Accrued	203.65	21.02
Due from GoAP - Works	2,963.27	2,963.27
Taxes paid under protest	4,686.72	0.00
Tax Deducted at Source	608.44	888.60
MAT Credit	1,030.99	746.38
Other advances	2,140.58	1,458.88
TOTAL	14,911.90	27,177.15

Fixed Deposits include the following amounts held with the banks mentioned against each towards collateral Security in respect of Bank Guarantee arranged on behalf of Andhra Pradesh Gas Infrastructure Corporation Pvt. Limited.

(₹ in Lakhs)

NAME OF THE BANK	AMOUNT INVESTED	COLLATERAL SECURITY	FREE HOLD AMOUNT
ICICI Bank Limited, Saifabad, Hyderabad	625.00	624.74	0.26
Kotak Mahindra Bank Limited, Abids Branch, Hyd.	1,344.69	1,099.20	245.49
TOTAL	1,969.69	1,723.94	245.75

- 16.2** The balances in respect of Sundry debtors, Loans and advances are subject to confirmation.
- 16.3** MAT Credit comprises of amounts relating to F.Y. 2012 - 13 Rs. 212.56 lakhs and F.Y. 2014 - 15 Rs. 818.43 lakhs.

17. CONTINGENT LIABILITIES AND COMMITMENTS

17.1 Contingent Liabilities

S. No.	PARTICULARS	31.03.2016 (₹ in lakhs)	31.03.2015 (₹ in lakhs)
a.	Claims against the company not acknowledged as debts	3,155.56	49.47
b.	Guarantees	1,723.94	981.39
c.	Other money for which the company is contingently liable :		
	i) Income Tax Demands	187.23	7404.37
	ii) Service Tax Demands	29.79	29.74
	iii) Legal Cases	25,532.96	32,180.45
	iv) Conversion Charges	55,241.40	0.00
	TOTAL	80,991.38	39,614.56
	GRAND TOTAL	85,870.88	40,645.42

17.2 Commitments

S. No.	PARTICULARS	31.03.2016 (₹ in lakhs)	31.03.2015 (₹ in lakhs)
a.	Other Commitments	9,702.32	8,667.02
	TOTAL	9,702.32	8,667.02

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
18. REVENUE FROM OPERATIONS		
Sale of Land, Sheds, etc., less Sales Returns	28,415.98	70,616.75
Lease and other rental income	1,379.01	1,415.98
Water Demands	1,852.19	1,722.65
Interest on Hire Purchase and ORS	527.70	130.77
Other Operating Revenue	1,078.86	1,077.36
TOTAL	33,253.74	74,963.51

- 18.1** During the previous 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 of agreements is recognised instead of sale deeds. The impact due to change in accounting policy on revenue is Rs. 61,277.44 lakhs and cost of sales is Rs. 41,374.30 lakhs during the previous year.

The possession has been handed over on receipt of full consideration on execution of agreement. The company is obligated to transfer the title on fulfillment 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.

During the year, sale agreements for an amount of Rs. 1015.31 lakhs were cancelled due to non fulfillment of the conditions as stipulated in the sale agreement.

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
19. OTHER INCOME		
Interest Income	2,832.16	1065.02
Dividend	191.70	1.32
Other non - operating income	1,243.46	1,668.38
TOTAL	4,267.32	2,734.72

EXPENDITURE

20.	COST OF SALES		
	Cost of sales - Land & Sheds	21,216.67	64,640.94
	Cost of sales - Houses / Buildings	0.00	0.11
	Cost of sales - Sheds	1.24	0.00
	TOTAL	21,217.91	64,641.05
21.	EMPLOYEE BENEFITS EXPENSE		
	Salaries and Allowances	2,895.78	2,621.52
	Contribution towards Provident and other Funds	257.49	177.88
	Contribution to Group Gratuity Premium	13.18	17.59
	Staff Welfare Expenses	94.26	210.79
	TOTAL	3,260.71	3,027.78
21.1	Salaries and Allowances includes managerial remuneration to Directors.		
21.2	Managerial Remuneration to Directors	For the year	For the year
		2015 - 16	2014 - 15
		₹ in lakhs	₹ in lakhs
	Salaries and Allowances	30.92	18.98
	Medical Expenses	1.27	0.00
	Rent	0.00	0.00
	TOTAL	32.19	18.98
		(₹ in lakhs)	(₹ in lakhs)
		As at 31-3-2016	As at 31-3-2015
22.	OTHER EXPENSES		
	(a) Rebate to allottees on Land Cost	46.54	38.33
	(b) Repairs and Maintenance	20.23	29.04
	(c) Expenditure on ERP & Others	23.05	65.53
	(d) ADMINISTRATION & GENERAL EXPENSES		
	Travelling Expenses	100.02	49.43
	Rent	11.79	10.20
	Rates and taxes	4.82	2.91
	Vehicle Maintenance	189.05	165.96
	Electricity Charges	222.80	136.13
	Water Charges	863.16	761.15
	Repairs & Maintenance - Estates	723.94	265.29
	Insurance	27.66	3.55
	Expenditure on Social Welfare	145.71	0.00
	Provision for diminution of expenses	2,526.00	14.85
	Other Expenses	2,954.32	1,590.40
	Sub - Total	7,769.27	2,999.87
	(e) Prior period items (net)	112.34	(515.96)
	TOTAL (a + b + c + d + e)	7,971.43	2,616.81

- 22.1** Other expenses includes an amount of Rs 189.58 lakhs (Previous year - Rs 146.17lakhs) incurred during the year towards repairs of the infrastructure damaged due to HUD HUD Cyclone.
- 22.2** The prior period items for the year is net after credits of Rs. 78.18 lakhs and debits of Rs. 190.52 lakhs.
- 22.3** An amount of Rs. 2,500.00 lakhs (Previous Year - Rs. NIL) was remitted to the A.P Chief Minister's relief fund during the year. The Same is exhibited as exceptional items.

Other Administrative expenses includes the following audior's remuneration :	(₹ in lakhs)	(₹ in lakhs)
	As at 31-3-2016	As at 31-3-2015
Statutory Audit fee	3.00	4.50
Out of pock expenses	0.50	0.50
Fee for Audit of Consolidation of Accounts	1.50	1.50
Others	0.00	8.00
Service Tax/ GST thereon	0.81	2.27
Total	<u>5.81</u>	<u>16.77</u>

- 23** The Government of Andhra Pradesh has entrusted certain Local Authority powers to the Company like collection of Property Tax, maintainance of Common facilities in respect of Certain Industrial Parks and Industrial Development Areas. The Local Authority powers are vested with APIIC 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 Govt. of A.P. There are no net cash flows in this regard and accordingly the cash flows from the financing activities in the cash flow statements are considered as NIL.
- 24** 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
M.NO.: 21887
FIRM REGD. No.: 001281S

Sd/-
BABU. A, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

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

DATE : 10.04.2018
PLACE : VIJAYAWADA

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Sd/-
P. I. PRAKASH KUMAR
CHIEF GENERAL MANAGER(F)i/c

Independent Auditor's Report

To

The Members

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 ("the company"), which comprise the Balance Sheet as at March 31, 2016, 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 judgment 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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. Non-Compliance of AS - 24 "Discontinuing Operations".

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 of the previous year which are inclusive of the period before initial disclosure event i.e., from 01.04.2014 to 01.06.2014. There is no segregation of Andhra Region and Telangana Region in respect of revenues, expenses, Assets and liabilities. In our opinion, to this extent there is a noncompliance of AS 24 Discontinuing Operations.

2. Equity Share Capital Rs. 952.22 lakhs (Previous year Rs. 952.22 lakhs):

The Equity share capital of Rs.952.22 Lakhs (Previous Year Rs.952.22 Lakhs) is subject to reconciliation with the Government of Andhra Pradesh.

(Refer Note No. 3)

3. Reserves and Surplus: Capital Reserve Rs.758.16 lakhs (Previous year Rs. 758.16 lakhs):

An amount Rs. 758.16 lakhs received from the Government of Andhra Pradesh as share capital vide GO. No. 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.

(Refer Note No.4)

4. Deposits received from Allottees Rs. 1,89,751.05 lakhs (Previous Year Rs.1,52,390.93 lakhs) :

Though the Management has provided zone wise and party wise details. The following are the credits which are yet to be reconciled.

Zone	Amount(Rs.)
ANANTAPURAMU	2,14,83,280
NELLORE	10,39,915
TIRUPATI	2,48,07,372
VIJAYAWADA	2,61,52,914
VISAKHAPATNAM	1,19,49,750
REGULAR	
Total	8,54,33,231

In respect of Kakinada Zone there is unreconciled debit balance of Rs.1,72,46,529.56.

In the light of non-availability of information of the deposits received from allottees, we are not in a position to confirm the accuracy of Deposits Received from Allottees under Liabilities.

(Refer Note No.7)

5. Provisions for Leave benefit expenses Rs.1,162.03 lakhs (Previous Year Rs.797.64 Lakhs):

Pending approval of Employee Division by the expert committee and competent authority, the management has provided Rs 1106.61 lakhs towards Long Term Leave Benefits and Rs.55.42 lakhs towards Short term leave benefits. 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.

(Refer Note No.5.4.1)

6. Provision for Contractual Obligations Rs. 43,158.38 Lakhs

(Previous year Rs.46,895.15 lakhs) :

(Refer Note No. 8.3 and accounting policy 3.1)

a) Adequacy of Provision:

As per the information and explanation given to us during this year a provision of Rs.43158.38 lakhs (Previous Year Rs.46895.15 lakhs) has been made after review of the various pending contractual obligations. In the view of the huge reversal of Rs. 9,318.72 lakhs of the previous years provision, we are not in a position to comment upon adequacy or inadequacy of the provision made.

b) Disclosure:

Since the contractual works are extending beyond one year, we are of the opinion that this provision should be disclosed under Long term provisions.

7. 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 noncompliance of AS - 9: Income Recognition.

(Refer to Note No.23):

8. Non-conformity of Accounting Standard: 9 Revenue Recognition-Sale of Land,Sheds etc. Rs. 28,415.98 lakhs (P.Y. 66,972.47 lakhs):

a) Non-Compliance of Accounting Standard 9- Revenue Recognition:

1. Income to be recognized only on completion or substantial completion of Contractual obligations:

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.

The agreement of sale is entered with allottees on receipt of full consideration, though the substantial contractual obligations amounting to 43,158.38 lakhs are yet to be fulfilled. In our opinion Para 4.2 of AS -9 Revenue Recognition is not applicable.

2. Income recognition on Proportionate Completion method:

As per para 4.3 of Accounting Standard 9 - Revenue Recognition "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."

Guidance Note on Real State Transactions issued by the ICAI:

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, Revenue to be recognized under percentage completion method on fulfillment of all the following conditions:

- a) Obtaining approvals for Commencement of Project.
- b) Incurring of minimum 25% of the Development Cost of the total estimated development cost.
- c) Sale agreements are entered at least 25% of saleable project area.
- d) At least 10% of the sale consideration of the agreement is realized.

As per the information and explanation given to us, In respect of certain projects corporation has failed to comply conditions "b" and "c" though the corporation has complied the conditions of a and d.

As against previous years' provision towards contractual obligation of Rs. 46,895.15 Lakhs there is a reversal of Rs.9,318.72 lakhs leaving the balance provision of Rs.37, 576.43 Lakhs. As per the information available to us, during the current financial year, the corporation has spent only Rs.5860.84 Lakhs as against Rs.37,576.43 lakhs which is a meagre amount.

In the light of the above, the corporation is neither adhering to para 4.2 nor 4.3 of AS-9 Revenue recognition while adapting the income recognition policy (vide para No 4 of Note No.1 of financial statements). Hence we are not in a position to comment on accuracy of the income recognition and its impact on Profit and loss account and Balance sheet.

(Refer Accounting Policy No. 4)

b) Impact of non-reconciliation of Deposits received from Allottees (Rs. 681.86 Lakhs);

As stated in the para 5 of our report, the non-reconciliation of Deposits of Rs.681.86 Lakhs. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.

9. Inventory Rs.2,22,221.79 lakhs (Previous Year Rs.1,72,159.53 lakhs) :

Due to non-reconciliation of the deposits and its impact on revenue as per our comment No.4, we are not in a position to quantify the impact on inventory and not in a position to confirm the value of the inventory.

(Refer Note No.12.1)

10. Cost of Sales - Land Rs. 21,216.67 Lakhs (Previous Year Rs. 64,641.05 Lakhs):

The Cost of sales includes Land cost, Land Development Cost, Civil works executed and provision for contractual obligations.

During the year, cost of sale includes Land cost of Rs. 19,938.87 lakhs, Land Development Cost of Rs.609.59 lakhs and Civil Work in progress of Rs. 4,781.84 lakhs provision for contractual obligations of Rs. 5,581.95 aggregating to Rs. 30,912.25 lakhs. However due to reversal of provision for contractual obligation of Rs.9, 318.72 lakhs on account of provision created in the previous year in respect of SEZs, Land Acquisition for others and inter estate transfers which is not required to be created for and cancellation of agreements pertaining to previous years amounting to Rs.376.91 lakhs, the net cost of sales shown as Rs. 21,216.62 lakhs.

In our opinion the cost of sale for the current financial year is understated to the tune of Rs. 9,695.63 lakhs. Though the understatement does not affect the profit and loss account

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, 2016
- b) in the case of the Profit and 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. Drawl of Financial Statements Excluding Telangana Region

Based on the approval of demerger scheme by the expert committee on 16.05.2015 the Financial statements for 2015-16 is drawn exclusive of Telangana region, though the 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, is pending.

(Refer to Note No.2)

2. Comparability of previous figures

The previous year figures of Revenue and expenditure for the period of 01.04.2014 to 01.06.2014 and assets and liabilities as on 01.06.2014 are inclusive of Telangana region and to this extent not comparable.

(Refer Note No.2)

3. Non Confirmation:

Attention is drawn to the Note No.16.2 wherein the corporation has not 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.

(Refer Note No.7.1 and Note No.16.2)

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 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. 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 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 and 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 and 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. With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, we give our separate report in "**Annexure 2**".
 - g. Being a Government Company, Section 164(2) of the Companies Act, 2013 regarding 'whether any director is disqualified from being appointed as a director' is not applicable to the Company in view of Notification no. G.S.R. 463(E) dtd. 05-06-2015.
 - h. With respect to the matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules 2014, in our opinion and to the best of our information and according to the explanations given to us :
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 17.1 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any foreseeable losses.

iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

3. 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-3 & 4** "on the directions and Sub directions issued by the comptroller and Auditor General of India

For Jawahar and Associates
Chartered Accountants
FRN 1001281S

Place: Hyderabad
Date: 10.04.2018

Sd/-
V.Umapathi
partner
M.No. 021887

Annexure-1 to the Auditors' 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 of the Fixed Assets, including quantitative details and situation of the Fixed Assets.
- b. As per the information and explanation given to us, Corporation has reasonable procedure for physical verification at reasonable intervals. As per the information and explanation given to us, there are no discrepancies noticed by the management.
- C. As per the information and explanation given to us corporation is holding the title in respect of all the immovable property except buildings at Parisrama Bhawan as disclosed in note no.9.1.4 in the financial statements.
- (ii) As per the information and explanation given to us, there is a periodical physical verification of inventory by the management and there are no material discrepancies requiring adjustments in the books of accounts.
- (ii) 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	Nature of Relation	Balance as at 31-03-2016 (₹ in Lakhs)
1.	Vishakhapatnam Water Supply Company - Loan to Joint Venture (Secured)	Joint Venture	17,400.00
2.	Vishakhapatnam Water Supply Company - Accrued Interest - Loan to Joint Ventute (Secured)	Joint Venture	14,331.50
3.	AP Gas infrastructure Corporation Limited	Subsidiary	0.02

SL No.	Party and Relation	Nature of Relation	Balance as at 31-03-2016 (Rs.in Lakhs)
4.	Krishnapatnam International Leather Corporation - Advance to 51% Subsidiary Company	Subsidiary	22.14
5.	Vishakhapatnam Industrial Water Supply Company - Unsecured	Joint Venture	2,434.64
6.	Vishakhapatnam Industrial Water Supply Company - Unsecured loan - Accrued interest.	Joint Venture	502.63

- a. As per the information and explanations given to us by the management, the interest free advances other than VIWSCO are not prejudicial to corporation since they are subsidiaries companies.
 - b. As per the information and explanations given to us, all the above advances except advances given to VIWSCO are without any repayment schedule. The loan of VIWSCO is rescheduled as per the G.O.Ms.No.24 dated 25-02-2015.
 - C. As per the information and explanations given to us, the total amount overdue for more than 90 days is Rs.9, 74, 24,000.
- (iv) As per the information and explanation given to us, the company has not provided any loans and advances to its directors under Sec.185 of the companies act 2013. The corporation has not invested in not more than two layers of investment under sub section 1 of section 186 of companies act,2013. In our opinion other subsection of sec.186 of the companies act 2013 prescribing the limits are not applicable to the corporation since it is Infrastructure Corporation
- (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 the 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 2015-16 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, custom duty, excise duty, Cess and other statutory dues applicable to it, except conversion charges of Rs.26, 640.56 lakhs and fringe benefit taxes of Rs.0.71 lakhs.
 - 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 ₹ in Lakhs)	Assessment Year	Forum where the dispute is pending
Income Tax Act 1961	Income Tax	101.16	2010-11	Commissioner (Appeals)
Income Tax Act 1961	Income Tax	80.13	2012-13	Commissioner (Appeals)
Income Tax Act 1961	Income Tax	1.99	2009-10 to 2014-15	TDS Ward 1, Kurnool
Income Tax Act 1961	Income Tax	1.76	2008-09-2016-17	ADDL. CTT/JCIT (TDS)
Finance Act 1994	Service Tax	0.23	2012-13	Asst.Commissioner (Appeals)/CESTAT
Finance Act 1994	Service Tax	5.30	2014-15	Superintendent of Service Tax.
Finance Act 1994	Service Tax	4.92	2008-09 to 2012-13	Customs, Excise and Service Tax Appellate Tribunal
Finance Act 1994	Service Tax	19.83	2008-09 to 2012-13	Commissioner of Customs, Excise and Service Tax
Finance Act 1994	Service Tax	0.04	2013-14 to 2014-15	Asst. Commissioner, Service Tax Division

- (viii) As per the information and explanation given to us the corporation has not borrowed any loans or borrowing from financial institution, bank, Government, or debenture holders. Hence this clause is not applicable.
- (ix) As per the information and explanation given to us the corporation has not raised monies through initial public offer or further public offer or term loans. Hence the clause is not applicable.
- (x) 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.
- (xii) As per the information and explanation given to us, the managerial remuneration is accordance with provisions of sec 197 read with Schedule-V of the companies' act 2013
- (xii) The corporation is not a Nidhi Company. Hence this clause is not applicable.
- (xiii) As per the information and explanation given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013. The Corporation has disclosed related party transactions vide Note No.11.1 of financial statements.
- (xiv) The corporation has not made any preferential allotment or private placement of shares or convertible debentures during the year under the review. Hence this clause is not applicable.
- (XV) As per the information and explanation given to us, the corporation has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) The corporation is not a non-banking financial institution. Hence this clause is not applicable.

For Jawahar and Associates
Chartered Accountants
FRN 1001281S
Sd/-
V.Umapathi
partner
M.No. 021887

Place: Hyderabad
Date: 10.04.2018

ANNEXURE - 2

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Andhra Pradesh Industrial Infrastructure Corporation Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, A company's internal financial control over financial reporting includes those policies and procedures that

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For Jawahar and Associates
Chartered Accountants
FRN 1001281S

Place: Hyderabad
Date: 10.04.2018

Sd/-
V.Umapathi
partner
M.No. 021887

Annexure : 3

REPORT ON DIRECTIONS UNDER SECTION 143(5) OF COMPANIES ACT 2013

S.No	Directions	Action Taken	Impact on Financial Statements
1	Whether the Company has clear title/ Lease deeds for freehold and lease hold land respectively? If not please state the area of free hold and leasehold land for which title/ lease deeds are not available.	As per the information and explanation given to us, the corporation is not having any lease hold land and having a clear title for freehold lands.	Nil
2	Whether there are any cases of wavier /write off of debts /loans interest etc., If yes the reason, there for and the amount involved.	As per the information and explanation given to us, there is no write off of debts, loans, or interest in the financial statement for the year 2015-16	Nil
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant from government or other authorities.	As per the information and explanation given to us, there are no inventories lying with third parties and there are no assets received as gift/grant from government or other authorities.	Nil

For Jawahar and Associates
Chartered Accountants
FRN 1001281S

Sd/-
V.Umapathi
partner
M.No. 021887

Place: Hyderabad
Date: 10.04.2018

Annexure: - 4

REPORT ON SUB-DIRECTIONS UNDER SECTION 143(5) OF COMPANIES ACT 2013

S.No	Sub-Directions	Action Taken	Impact on Financial Statements
1	Whether the company has taken adequate measures to prevent the encroachment of idle land owned by it. Whether any land of the company is encroached. Under litigation not put to use or declared surplus may be provided.	As per the information and explanation given to us, the company has no idle land owned by it and not reported any encroachments. The company has not declared any land as surplus land which is not put to use.	Nil
2	Whether system for monitoring the execution of works vis-a-vis the milestone stipulate in the agreement is in existence and the impact of cost escalation. If any revenues/ losses from the contracts etc., have been properly accounted for in the books.	Yes, As per the information and explanation given to us, the corporation is executing the works with deposits on cost plus basis. Hence the question of loss does not arise	Nil
3	Whether funds received/ receivable for specific schemes from central/ state agencies were properly accounted for/utilized? List the cases of deviations.	As per the information and explanation given to us, there is no deviation of utilization of funds for the purpose for which it is sanctioned.	Nil
4	Whether the bank guarantees have been revalidated in time?	As per the information and explanation given to us, the company had revalidated the bank guarantees in time.	Nil

For Jawahar and Associates
Chartered Accountants
FRN 1001281S

Place: Hyderabad
Date: 10.04.2018

Sd/-
V.Umapathi
partner
M.No. 021887

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH, HYDERABAD - 500 004.

Lr.No.PAG(Audit)/AP/ES/D2/AA/APIIC/2018-19/120

Date:27-07-2018

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 year 2015-16.

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 year 2015-16 for necessary action
2. The date of placing of Comments along with Financial Statements and Auditors' 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 Auditors' Report and Comments of the Comptroller and Auditor General of India to the State Government of AP for the year 2015-16 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 2015-16 are to be furnished to this office without fail.

Yours faithfully,

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 2016.

The preparation of the financial statements of the Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2016 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 audit report dated 10-04-2018.

I, on behalf of the Comptroller & 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 2016. 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 audit report.

A. Balance Sheet

I. Equity and Liabilities

(2) Non Current Liabilities

c. Other Long Term Liabilities (Note No.5.3)

Due to GOAP-Land - ₹ 483.47 crore

1. The above includes ₹46.43 crore representing towards 15% Overheads (Administrative Expenditure) of Land Development cost which was capitalized pertaining to Government land. This has resulted in overstatement of "Other Long Term Liabilities-Due to GOAP-Land (Note-5.3)" and "Current Assets-Inventories-Stock in trade-Land (Note-12.1)" by 46.43 crore.

Deposits towards works undertaken - ₹249.95 crore

2. The above includes ₹3.28 crore being the balance of deposit available (deposited more than 10 years back from 1992-03 onwards) after netting off the expenditure incurred in execution of deposit works by various Government Departments for executing deposit works of construction/renovation of Hospital Buildings/Area Hospitals, Arrack Bottling Complex, Shadikhana Buildings, Urdu Ghar Community Centres etc., by the Company. Similarly, an amount of ₹ 4.89 crore was receivable from various Government Departments due to excess

expenditure incurred over and above the deposit available. The works were said to be completed since long and for which no records were made available. In the absence of the same the correctness of the Deposits received, expenditure incurred and balance to be received/ refunded and its impact on the accounts could not be vouchsafed. Hence, the same needs to be reconciled and the account updated.

3. The above includes debit balance of ₹ 1.61 crore being the excess expenditure incurred over and above the "Grant in Aid" amount received from Government of Andhra Pradesh and JRD Tata Service Society. The Company received grant in aid amounting to ₹ 3.45 crore upto 2015-16 from Government of AP and JRD Tata Service Society (200.00 lakh from GOAP and matching grant of ₹1.45 crore from JRD Tata Service Society) for creation of Capital Assets in JRD Tata Industrial Estate, Vijayawada. Against the grant of 3.45 crore, the Company incurred excess expenditure of ₹1.61 crore upto 2015-16. This has resulted in understatement of "Other Long Term Liabilities (Note-5.3) and "Trade Receivables (Note-13) by ₹ 1.61 crore.

B. Profit and Loss Statement

IV. Expenses

b. Employees Benefits Expenses (Note No.- 21) - ₹ 32.60 crore.

4. The above does not include ₹ 40.87 lakh towards DA Arrears payable to the employees for the year 2015-16 (from July 2015 and January 2016) for which no provision was made in the accounts. Non provision of the DA arrears resulted in understatement of Employees Benefits Expenses (Note-21) and overstatement of profit for the year by ₹ 40.87 lakh.

C. Comment on Auditor's Report

5. In the independent Auditor's Report on the financial Statements of **Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended March 2016** for the year ended March 2016 under Auditor's Responsibility the Statutory Auditor has stated that in making risk assessment, the auditor considers internal financial control relevant to the Company preparations of the 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 Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls.***

This is contradiction of Section 143 (3)(i) of Company's Act 2013, read with Rule 10(A) of Company's (Audit & Auditor) Rules 2014 which require the report of the Auditors to state about existence of adequate internal financial control system and its operating effectiveness.

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

Sd/-
(L.V.Sudhir Kumar)
Principal Accountant General (AUDIT)

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Consolidated Balance Sheet as at 31st March 2016

(₹ in lakhs)

	Particulars	Note	31.03.2016	31.03.2015
No. I	EQUITY AND LIABILITIES			
(1)	Shareholder's funds			
a	Share Capital	3	952.22	952.22
b	Reserves and Surplus	4	33143.40	30599.42
	Shareholder's funds - Total		34095.62	31551.64
(2)	Minority Interest	4.1	109.28	825.15
(3)	Non-Current liabilities			
a	Long term borrowings	5.1	28086.24	30264.87
b	Deferred tax liabilities (Net)	5.2	172.29	40.40
c	Other Long term liabilities	5.3	145035.59	115223.80
d	Long-term provisions	5.4	1106.61	763.99
	Non -current liabilities - Total		174400.73	146293.06
(4)	Current liabilities			
a	Trade payables	6	3536.93	3173.06
b	Other Current liabilities	7	225996.87	185444.20
c	Short-term provisions	8	44647.35	49312.80
	Current liabilities - Total		274181.15	237930.06
	Total Equity and Liabilities		482786.78	416599.91
II	ASSETS			
(1)	Non-Current Assets			
a	Fixed Assets			
	(i) Tangible Assets	9.1.3.	41421.98	43277.83
	(ii) Capital Work in Progress	9.2.1	4456.03	7622.73
b	Non-current investments	10	2384.34	1805.81
c	Long-term loans and advances	11	106489.69	92968.34
	Non-current Assets - Total		154752.04	145674.71
(2)	Current Assets			
a	Inventories	12	237552.03	187968.49
b	Trade receivables	13	20652.20	14968.76
b	Cash and cash equivalents	14	47247.41	33910.80
d	Short-term loans and advances	15	2708.97	2245.95
e	Other current assets	16	19874.13	31831.20
	Current Assets - Total		328034.74	270925.20
(3)	Accounting Policies	1		
	Total Assets		482786.78	416599.91

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
FIRM REGD. No.: 001281S

Sd/-
BABU. A, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

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

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Sd/-
P. I. PRAKASH KUMAR
CHIEF GENERAL MANAGER(F)/c

DATE : 10.04.2018
PLACE : VIJAYAWADA

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Consolidated Profit and Loss statement for the period ended 31st March 2016

(₹ in lakhs)

	Particulars	Note	31.03.2016	31.03.2015
I	Revenue from operations	18	40621.52	81726.86
II	Other Income	19	4763.67	3088.52
III	Total Revenue (I + II)		45385.19	84815.38
IV	Expenses			
a	Cost of Sales	20	21664.11	65117.66
b	Employee Benefits expense	21	3276.71	3040.46
C	Depreciation and amortization expense		2109.23	4775.42
d	Other expenses	22	13720.33	7337.96
	Total Expenses		40770.38	80271.50
v	Profit before Exceptional and Extraordinary items and tax (III - IV)		4614.81	4543.88
VI	Exceptional items		2500.00	0.00
VII	Profit before extraordinary items and tax (V-VI)		2114.81	4543.88
VIII	Extraordinary items		2676.61	1839.62
IX	Profit before tax (VII - VIII)		-561.81	2704.26
X	Tax expense :			
	1) Current Tax - Current Year		1254.50	956.09
	- Previous Years		(460.03)	639.73
	(2) Deferred Tax - Current Year		131.89	(609.94)
	(3) MAT Credit		284.61	0.00
	Total Tax expense (1+2-3)		641.75	985.88
XI	Profit (Loss) for the period before minority Interest (IX - X)		(1203.56)	1718.38
XII	Minority Interest		(1574.46)	(1071.06)
XIII	Profit for the year (XI-XII)		370.90	2789.44
XIV	Earning per equity share (in rupees):			
	-Basic & Diluted		390	2929
	-Basic & Diluted before } extraordinary items }		3200	1932
	(Face value of ₹ 1000/- per share)			

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
FIRM REGD. No.: 001281S

Sd/-
BABU. A, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

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

DATE : 10.04.2018
PLACE : VIJAYAWADA

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Sd/-
P. I. PRAKASH KUMAR
CHIEF GENERAL MANAGER(F)i/c

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Consolidated Cash Flow Statement for the year ended 31st March, 2016

(₹ in lakhs)

Particulars	Current Year	Previous Year
Cash flows from operating activities		
Net profit before taxation and exceptional and extra ordinary Items	4614.81	4543.88
<u>Adjustments for:</u>		
Depreciation and amortisation	2109.23	4775.42
Dividend Income	(191.70)	(1.32)
Profit / loss on sale of fixed assets	(0.31)	0.29
Operating profit before working capital changes	6532.03	9318.27
<u>Adjustments for:</u>		
Inventories	(49760.70)	23596.42
Trade receivables	(5683.44)	(8078.56)
Other current and non current assets	12369.89	(30197.54)
Loans and advances	(13931.43)	(11940.96)
Payables, liabilities and provisions	72422.70	26743.01
Net Cash Flow from operating activity before Income tax	21949.05	9440.64
Income tax paid	(447.08)	(1267.38)
Net Cash Flow from operating activities before extra ordinary items	21501.97	8173.26
Exceptional item	2500.00	0.00
Extra ordinary items	2676.61	1839.62
Net Cash Flow from operating activities after extra ordinary items	16325.36	6333.64
Cash flows from investing activities		
Acquisition of fixed assets	(76.41)	1571.67
Purchase of investments	(3604.53)	(6987.29)
Dividend income	191.70	1.32
Sale of fixed assets	0.49	0.35
Net cash flow from investing activities	(3488.75)	(5413.95)
Cash flow from financing activities		
Proceeds from issuance of share capital	500.00	4934.97
Net cash from financing activities	500.00	4934.97
Net increase in cash and cash equivalents	13336.61	5854.66
Cash and cash equivalents at the beginning of the year	33910.80	28056.14
Cash and cash equivalents at the end of the year	47247.41	33910.80
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
FIRM REGD. No.: 001281S

Sd/-
BABU. A, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

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

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Sd/-
P. I. PRAKASH KUMAR
CHIEF GENERAL MANAGER(F)/i/c

DATE : 10.04.2018
PLACE : VIJAYAWADA

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

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

1. ACCOUNTING POLICIES :

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 the 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 ' ₹ 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.
- 4.6 Allotments cancelled on account of non fulfilment of terms and conditions as per the sale agreement are considered as sales returns.

5. VALUATION OF INVENTORIES:

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 assets 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 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.

8. INVESTMENTS:

- 8.1 All the long-term investments (unquoted) are stated at cost of acquisition. Cost of the investment includes all direct costs 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 diminution 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 Employees' 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 Sundry Debtors in respect of interest on rentals, water charges, penal interest on hire purchase etc... and 100% of sundry debtors in respect water, rentals 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:

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 Regorganisation 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., and was sent to both the Governments for approval vide its letter dated 16.05.2015.

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 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, the details of which are mentioned below. 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.

EQUITY AND LIABILITIES	(₹ In lakhs)
1. Share Capital	680.53
2. Reserves and Surplus	20,309.52
3. Long term borrowings	2,429.33
4. Other Long term liabilities	24,641.93
5. Long term provisions	509.17
6. Trade Payables	57.91
7. Other current liabilities	2,77,895.51
8. Short term Provisions	24,406.77
9. Reorganisation adj. account	22,559.56
TOTAL EQUITY AND LIABILITIES	3,73,490.23
ASSETS	(₹ In lakhs)
1. Tangible Assets	12,812.70
2. Non-current Investments	26,735.91
3. Long term loans and advances	1,74,428.72
4. Inventories	1,44,059.45
5. Trade receivables	1,851.30
6. Cash and Cash equivalents	5,129.78
7. Short term loans and advances	111.26
8. Other Current Assets	8,361.11
TOTAL ASSETS	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 Telenganga Region could not be ascertained.

The financial statements for the previous year were prepared in two spells i.e., 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 TSIC Limited. The financial statements for the previous year were prepared in two spells i.e., 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 only zones and Head Office carrying out operations in the state of Andhra Pradesh 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

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
3 SHARE CAPITAL		
3.1 Authorised Capital		
2,00,000 equity shares of Rs. 1000 each	2,000.00	2,000.00
3.2 Issued, Subscribed and Paid up Capital		
Equity shares of Rs. 1000/- each	952.22	1,632.75
Add: Subscriptions during the year	0.00	0.00
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder (68,053 Equity Shares)	0.00	680.53
Total 95,222 equity shares of Rs. 1000/- each	952.22	952.22

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

	As at 31st March 2016		As at 31st March 2015	
	No. of shares	% of holding	No. of shares	% of holding
Government of Andhra Pradesh including its nominees	95222	100%	95222	100%

3.4 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.

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
4 RESERVES AND SURPLUS		
Grants-in-aid from Government of Andhra Pradesh	1,000.00	1,000.00
Capital Reserve		
As per last Balance Sheet	758.16	1,300.00
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder	0.00	541.84
sub-total	758.16	758.16
Profit and Loss Account		
As per last Balance Sheet	27,701.51	48,510.84
Add: Profit/ Loss for the year	-1,203.56	1,718.38
Less: Adjustments made during the year	-2,531.67	2,933.05
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder	0.00	19,594.66
sub-total	29,029.62	27,701.51
TOTAL - Reserves & Surplus	30,787.78	29,459.67
Less: Minority interest share	-2,355.62	-1,139.75
TOTAL	33,143.40	30,599.42

4.1 MINORITY INTEREST

A) Andhra Pradesh Gas Infrastructure Corporation Limited	0.00	701.09
B) Krishna Patnam International Leather Complex Limited	109.28	124.06
TOTAL	109.28	825.15

NON-CURRENT LIABILITIES:

5.1 LONG TERM BORROWINGS

	(₹ in lakhs) As at 31-3 2016	(₹ in lakhs) As at 31-3 2015
UNSECURED		
Loan from RINL	12,000.00	14,400.00
Loan from NTPC	2,500.00	3,000.00
Interest accrued but not due (Payable from 2022-23)	13,586.24	12,864.87
Sub-total	28,086.24	30,264.87
Loan from Oriental Bank of Commerce	0.00	2,429.33
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder	0.00	2,429.33
Sub-total	0.00	0.00
TOTAL	28,086.24	30,264.87

5.1 (a) Loan from NTPC and RINL:

As per the minutes of VIWSCO Board meeting dated 19.11.2012, loans drawn from RINL, NTPC & VMC were restructured by VIWSCO. As per the restructuring plan i) rate of interest is 10% pa 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 Government of Andhra Pradesh vide G.O. Ms. No. 24, Dt:25.02.2016 accepted the proposal as agreed in the minutes of the meeting held on 19.11.2012 duly approving the agreed terms and conditions for repayment of loan, outstanding interest and penal interest and yearly interest. The supplementary agreements are to be executed by the company.

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 and the loans from RINL and NTPC includes accrued interest repayable from 2022-23.

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 of interest. Penal interest is 2% incase of default. The amount due from Government in this regard is shown under Other Long Term Loans and Advances. During the previous year, the balance as on 01.06.2014 was transferred to TSIIC Limited on location basis as per AP Reorganisation Act, 2014 and the Demrger 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

	(₹ in lakhs)	(₹ in lakhs)
	As at 31-3-2016	As at 31-3-2015
Deferred Tax Liability	574.52	311.52
Less: Deferred Tax Asset	402.23	271.12
Net Deferred Tax Liability (Asset)	172.29	40.40

5.3 OTHER LONG TERM LIABILITIES

Funds for incubation centers etc.	5,763.89	8,662.83
Due to GoAP - Land	48,347.75	13,430.66
Deposit towards works undertaken	24,995.11	28,086.15
Land Conversion Charges	26,640.56	26,640.56
Deposits received from allottees - SEZ	20,391.45	22,363.45
Other liabilities	18,896.83	16,040.15
TOTAL	1,45,035.59	1,15,223.80

5.3.1 Construction of Incubation Centres:

Government of Andhra Pradesh have released an amount of Rs. 50.00 lakhs was received during the year (Previous Year Rs.3,927.98 lakhs including Rs. 2,343.40 lakhs from 02.06.2014 to 31.03.2015) 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 during the previous year.

An amount of Rs.4,044.14 lakhs towards expenditure incurred for construction of IT Incubation Centres upto the end of the year (Previous Year - Rs.3,335.55 lakhs) is adjusted against the grants received from ITE & C Department, Government of Andhra Pradesh since the incubation centers are ready for use and are operational

5.3.2 Deposit towards works undertaken:

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 amounts of unspent balance outstanding are shown under Deposits towards works undertaken.

5.3.3 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 was provided towards conversion charges to the end of the Financial Year (P.Y. Rs. 26,640.56 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.

During the year 2018, section 7 of the AP Non Agricultural Land (conversion for non agricultural purpose) Act, 2006 was amended as "in section 7 of the principal Act, after item (f), the following item shall be added namely - (g) Lands allotted to the Andhra Pradesh Industrial Infrastructure Corporation (APIIC)". Accordingly, the Government of Andhra Pradesh issued notification vide G.O Ms. No.98, dated 19.02.2018.

The corporation has requested GOAP for clarification on non applicability of conversion charges to APIIC Limited with retrospective effect. Pending clarification, the existing provision as at the end of the year is retained in the Books of Accounts.

5.3.4 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, no funds were released by Government of India during the year (Previous Year Rs. 463.00 lakhs).

	(₹ in lakhs)	(₹ in lakhs)
	As at 31-3 2016	As at 31-3 2015
5.4 Long Term Provisions:		
Provision for leave Benefits		
As per the last balance sheet	763.99	1,221.61
Add: Additions during the year	1,106.61	763.99
Less: Payments/adjustments during year	763.99	1,221.61
	<u>1,106.61</u>	<u>763.99</u>

5.4.1

The Board of APIIC 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 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

Pending approval of the Final Allocation of Employees between APIIC Limited and TSIIC Limited by the Expert Committee, the provision in respect of leave benefits was made in respect of the employees allocated to APIIC Limited

6 TRADE PAYABLES

Trade Payables	3,536.93	3,173.06
TOTAL	<u>3,536.93</u>	<u>3,173.06</u>

7 OTHER CURRENT LIABILITIES

Deposits received from allottees	1,89,751.05	1,52,390.93
Other Current Liabilities	31,732.62	28,446.16
Current maturities of long term Debt	2,900.00	2,900.00
Interest accrued and due on borrowings	1,613.20	1,707.11
TOTAL	<u>2,25,996.87</u>	<u>1,85,444.20</u>

7.1 Sundry Creditors and other deposits are subject to confirmation.

7.2 The partywise schedules in respect of deposits received from allottees is under review & reconciliation. Deposits received from allottees includes EMD of ₹ 7,230.80 lakhs (Previous Year - ₹ 13, 131.15 lakhs).

	(₹ in lakhs)	(₹ in lakhs)
	As at 31-3 2016	As at 31-3 2015
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	33.65	222.45
Add: Additions during the year	55.42	33.65
Less: Payments/adjustments during year	33.65	222.45
sub-total	<u>55.42</u>	<u>33.65</u>
(b) OTHERS		
8.2 Provision for PS charges		
As per the last balance sheet	175.85	416.26
Add: Additions during the year	159.84	393.28

	Less: Payments/adjustments during year	185.64	633.69
	sub-total	150.05	175.85
8.3	Provision for Contractual Obligations		
	As per the last balance sheet	46,895.15	48,271.71
	Add: Additions during the year	5,581.95	46,895.15
	Less: Adjustments during year,	9,318.72	48,271.71
	sub-total	43,158.38	46,895.15
During the year provision for contractual obligations of Rs.9318.72 lakhs is withdrawn on account of provision created in the previous year in respect of SEZs, Land Acquisition for others and inter estate transfers which is not required to be created for.			
8.4	Provision for taxation		
	As per the last balance sheet	2,159.25	1,022.44
	Add: Additions during the year	1,175.22	1168.84
	Less: Payments/adjustments during year	2098.76	32.03
	sub-total	1235.71	2,159.25
8.5	Other Provisions		
	As per the last balance sheet	48.90	2.94
	Add: Additions during the year	0.35	48.90
	Less: Payments/adjustments during year	1.46	2.94
	sub-total	47.79	48.90
	TOTAL	44,647.35	49,312.80

9 NON-CURRENT ASSETS

9.1 TANGIBLE ASSETS

9.1.1 NET BLOCK

PARTICULARS	(₹ in lakhs)	(₹ in lakhs)
	As at 31-3-2016	As at 31-3 -2015
LAND including Land Development	60.68	60.68
BUILDINGS	1,218.86	1,239.52
REFRIGERATORS, ACS AND AIR COOLERS	2.05	3.05
FURNITURE AND FIXTURES	24.53	27.61
OFFICE EQUIPMENT	18.56	18.33
VEHICLES	109.97	130.40
ELECTRICAL EQUIPMENT	15.95	17.20
DRAWING EQUIPMENT	0.02	0.03
COMPUTER	63.96	30.11
QUALITY CONTROL EQUIPMENT	0.00	0.00
LAND - SEZ	25,354.67	25,454.08
LAND DEVELOPMENT - SEZ	4,091.81	4,091.81
BUILDING - SEZ	5.36	5.45
WATER SUPPLY - SEZ ,	653.54	515.98
SEWERAGE - SEZ	855.61	888.71
EXTERNAL ELECTRIFICATION - SEZ	237.75	294.72
ROADS AND BRIDGES - SEZ	74.64	124.68
SOLAR POWER PLANT	1,049.62	1,096.56
ASSETS ON LEASED LAND:		
LAND ON LEASE	483.49	507.99
BUILDINGS	461.66	484.73
PLANT AND MACHINERY	6633.65	8,279.64
OTHERS	5.60	6.55
CURRENT YEAR	41421.98	43277.83

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. The same was shown under the head Buildings in Fixed Assets pending completion of registration formalities by the respective parties. 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 were revised during the previous year. The additional depreciation due to the determination of the useful life of the fixed assets whose value is zero at the beginning of the previous year amounting to Rs.2932.02 lakhs was charged to the opening balance of the Profit & Loss account during the previous year in accordance with the provisions of the Companies Act, 2013.

The amount of depreciation of Rs 493.01 lakhs for the year include depreciation of Rs 86.14 lakhs pertaining to prior periods.

9.1.6 SPECIAL ECONOMIC ZONES (SEZ):

The company was appointed as Nodal Agency for development of Special Economic Zones (SEZs) in Andhra Pradesh in respect of SEZs developed by the company 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 being recognised proportionately depending upon the lease period and lease rentals are accounted for as revenue.

9.1.7 There is no impairment of Fixed Assets during the F.Y 2015-16.

	(₹ in lakhs) As at 31-3 2016	(₹ in lakhs) As at 31-3 2015
CAPITAL WORK IN PROGRESS		
9.2.1 Construction of Incubation Centres		
As per last Balance Sheet	3,786.63	2,785.39
Add: Additions during the period	760.13	1,269.09
Less: Adjustment as per AP Regorganisation Act, 2014 and Demerger Scheme thereunder	0.00	267.85
Less: Adjustment to Grant	4,044.14	0.00
Sub Total	502.62	3786.63
Exploratory Work In Progress	3,953.41	3,836.10
TOTAL	4,456.03	7,622.73
10. NON-CURRENT INVESTMENTS		
10.1 Trade Investments- Unquoted (Companies incorporated in India)	% of Holding	(₹ in lakhs) As at 31-3 2016 (₹ in lakhs) As at 31-3 2015
INVESTMENTS IN ASSOCIATE COMPANIES		
I 52,00,000 equity shares of Rs. 10/- each fully paid up in L&T Hitech City Ltd	26	64.53 0.00
INVESTMENTS IN RELATED PARTY COMPANIES		
II 15,00,000 equity shares of Rs. 10/- each fully padup in Bharatiya International SEZ Ltd	11.05	150.00 150.00
III 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	115.47 115.47
IV 19,80,000 equity shares of Rs. 10/- each fully paid-up in Ramky Pharma City (India) Ltd	11	198.00 198.00

	% of Holding	(₹ in lakhs)	(₹ in lakhs)
V. 20,825 equity shares of Rs. 10/- each fully paidup in Hyderabad Information Technology Venture Enterprises Ltd	8	1.21	1.21
VI. 4,165 equity shares of Rs. 10/- each fully paid-up in Cyberabad Trustee Company (P) Ltd	8	0.24	0.24
VII 44,000 equity shares of Rs. 10/- each fully paid up in Vizag IT Park Ltd	0.49	4.40	4.40
VIII 449 Units of Rs.25,000/- each fully paid-up in Cyberabad Trustee Company (P) Ltd (HIVE FUND)		112.27	112.27
IX 1,50,00,000 equity shares of Rs. 10/- each fully paid-up in APGDC		1,500.00	1000.00
X Deposit towards share application money Bhagyanagar Gas Ltd		239.07	239.07
sub-total		2,385.19	1,820.66
Less provision for diminution of investments			
CTCPL - HIVE Fund		0.85	14.85
Sub Total		0.85	14.85
TOTAL		2,384.34	1,805.81

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 upto the end of the previous year. Further, an amount of Rs. 500.00 lakhs was invested during the year towards additional subscription to the Equity Share Capital.

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 upto the end of the year.

10.4 Investments 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 upto the end of the previous year.

10.5 Provision for Diminution of investments

An amount of Rs. 2,540.85 lakhs was provided towards diminution of investments during the year in respect of 100% of the cost of investment of APGIC i.e., Rs.2,540.00 lakhs and to the extent of APIIC Share of Rs.0.85 Lakhs in respect of CTCPL - HIVE Fund.

10.6 Investments transferred to TSIIC Limited:

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

Pending approval of the demerger scheme, the share / debenture certificates in respect of the investments apportioned to TSIIC Limited are in the name of APIIC Limited and continues to be in the name of APIIC Limited till approval of the Demerger Scheme.

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

	(₹ in lakhs)	(₹ in lakhs)
11 LONG-TERM LOANS AND ADVANCES	As at 31-3 2016	As at 31-3 2015
Secured		
Loans & Advances to related Parties	13,065.75	14,089.80
Advances to Staff	137.70	143.32
sub-total	13,203.45	14,233.12
Unsecured and Considered Good		
Security Deposits	22.82	306.81
Loans & Advances to related Parties	2,959.43	3,198.38
Advances to Staff	17.34	16.43
Other Loans & Advances	65,633.95	50,638.59
AP Reorganisation Adjustment Account	22,561.68	22,562.10
Due from TSIC	540.55	596.54
sub-total	91,735.77	77,318.85
Other non current assets		
Fixed Deposits	1346.80	1348.21
Accrued int on Fixed Deposits	203.67	68.16
sub-total	1,550.47	1,416.37
TOTAL	1,06,489.69	92,968.34

11.1 RELATED PARTY TRANSACTIONS:

(Rs. In lakhs)

NAME OF THE TRANSACTION RELATED PARTY	RELATION SHIP	VOLUME OF TRANSACTION	OUT STANDI NG AS ON 31.03.2016	AMOUNTS WRITTEN OFF/ WRITTEN
1. AP Gas Infrastructure Corporation Pvt Limited	Subsidiary	0.02	0.02	0.00
2. Krishnapatnam International Leather Complex Pvt Limited	Subsidiary	22.14	22.14	0.00
3. Visakhapatnam Industrial Water Supply Company (Secured Loan)	Joint Venture	35,000.00	31,731.50	0.00
4. Visakhapatnam Industrial Water Supply Company (Unsecured Loan)	Joint Venture	2,434.64	2,937.27	0.00
TOTAL		37,456.80	34,690.93	0.00

12. CURRENT ASSETS

(₹ in lakhs)

(₹ in lakhs)

As at 31-3

As at 31-3

2016

2015

12.1 INVENTORIES

Construction materials

44.06

45.09

Stock in trade - Land

2,07,675.87

1,57,577.56

Stock in Trade - Development

14,501.86

14,536.88

sub-total**2,22,221.79****1,72,159.53**

Work - in progress

15,330.24

15,808.96

sub-total**15,330.24****15,808.96****TOTAL****2,37,552.03****1,87,968.49****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 during the previous year.

13 TRADE RECEIVABLES

(Unsecured and Considered Good)

(a) Debts exceeding 6 months

17,112.08

12,177.99

(b) Other debts

3,944.72

3,475.71

sub-total**21,056.80****15,653.70**

Less: Provision for doubtful debts

404.60

684.94

TOTAL**20,652.20****14,968.76**

The age wise analysis for the sundry debtors was done based on the date of invoice. Provision for doubtful debts is created as per Accounting Policy No. 10 of the company. On review of Provision for bad and doubtful debts, the earlier provision of Rs.217.60 lakhs due from VIWSCO is reversed due to certainty of the receipt. In respect of Deposit towards works undertaken, no provision was created towards bad and doubtful debts.

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 previous year as a result of demerger of the company.

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
14. CASH AND CASH EQUIVALENTS		
Cash in Transit	0.00	55.16
Balance in Bank Accounts	4,224.02	13,702.91
Balance with Banks - Estates	20.01	146.10
sub-total	4,244.03	13,904.17
Bank Deposits less than 3 months		
Fixed Deposits	380.00	12,260.00
sub-total	380.00	12,260.00
Earmarked Balances with Banks		
Public Deposit Account	40,786.20	7,486.37
Other Bank Accounts	1,837.18	260.26
sub-total	42,623.38	7,746.63
TOTAL	47,247.41	33,910.80
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. & others	1,032.99	514.40
Loans & Advances to related Parties (Secured)	1,675.98	1,731.55
TOTAL	2,708.97	2,245.95
16. OTHER CURRENT ASSETS		
16.1 Bank Deposits for more than 3 months	8,104.92	25,098.13
Accrued interest on Fixed Deposits more than 3 months Interest /Income Accrued	226.77	21.02
Due from GOAP - Works	2,963.27	2,963.27
Taxes paid under protest	4,686.72	0.00
Tax Deducted at Source	641.03	917.93
MAT Credit	1,030.99	746.38
Capital Expenditure to the extent not written off	1.99	2.99
Other Advances	2,218.44	2,081.48
TOTAL	19,874.13	31,831.20

Fixed Deposits include the following amounts held with the banks mentioned against each towards collateral Security in respect of Bank Guarantee arranged on behalf of Andhra Pradesh Gas Infrastructure Corporation Pvt Limited

	(₹ in lakhs)		
Name of the Bank	Amount Invested	Collateral Security	Free Hold Amount
ICICI Bank Limited, Saifabad Hyderabad	625.00	624.74	0.26
Kotak Mahindra Bank Limited, Abids branch, Hyd.	1,344.69	1,099.20	245.49
Total	1,969.69	1,723.94	245.75

- 16.2 The balances in respect of Sundry debtors, Loans and advances are subject to confirmation.
- 16.3 MAT Credit as on 31.03.2016 of Rs. 1,030.99 lakhs comprises amounts relating to FY 2012-13 Rs.212.56 lakhs and F.Y 2014-15 Rs.818.43 lakhs.

17 CONTINGENT LIABILITIES AND COMMITMENTS

17.1 Contingent Liabilities

S.No	PARTICULARS	31.03.2016 (₹ in Lakhs)	31.03.2015 (₹ in Lakhs)
a.	Claims against the company not acknowledged as debts	3155.56	49.47
b.	Guarantees	1723.94	981.39
c.	Other money for which the company is contingently liable :		
	i) Income Tax Demands	187.23	7404.37
	ii) Service Tax Demands	29.79	29.74
	iii) Legal cases	25532.96	32180.45
	iv) Conversion Charges	55241.40	0.00
	TOTAL	80,991.38	39,614.56
	GRAND TOTAL	85,870.88	40,645.42

17.2 Commitments

S.No	PARTICULARS	31.03.2016 (₹ in Lakhs)	31.03.2015 (₹ in Lakhs)
a.	Other Commitments	9,702.32	8,667.02
	TOTAL	9,702.32	8,667.02

	(₹ in Lakhs) 31.03.2016	(₹ in Lakhs) 31.03.2015
18 REVENUE FROM OPERATIONS	31.03.2016	31.03.2015
Sale of Land, Sheds, etc... less Sales Returns	28,415.98	70,616.75
Lease and other rental income	1,382.93	1,419.90
Water Demands	9,216.05	8,482.08
Interest on Hire Purchase and ORS	527.70	130.77
Other Operating Revenue	1,078.86	1,077.36
TOTAL	40,621.52	81,726.86

During the previous 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 of agreements is recognised instead of sale deeds. The impact due to change in accounting policy on revenue is Rs. 61,277.44 lakhs and cost of sales is Rs. 41,374.30 lakhs during the previous year.

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.

During the year, sale agreements for an amount of Rs. 1015.31 lakhs were cancelled due to non fulfilment of the conditions as stipulated in the sale agreement.

19. OTHER INCOME

Interest on Advances to Staff	2,832.16	1,065.02
Interest on Other Loans and Advances	217.11	26.43
Interest on Fixed Deposits	1,626.69	2,029.41

Income from Joint Ventures/ Associates	87.71	(32.34)
TOTAL	<u>4,763.67</u>	<u>3,088.52</u>

EXPENDITURE

20. COST OF SALES

Cost of sales - Land & Sheds	21,216.67	64,640.94
Cost of sales - Houses/ Buildings	0.00	0.11
Cost of sales - Sheds	1.24	0.00
Cost of sales - Water Supply	446.20	476.61
TOTAL	<u>21,664.11</u>	<u>65,117.66</u>

(Rs.in lakhs) (Rs.in Lakhs)
As at 31-3-2016 As at 31-3-2015

21. EMPLOYEE BENEFITS EXPENSE

Salaries and Allowances	2,910.59	2,634.20
Contribution towards Provident and other Funds	257.49	177.88
Contribution to Group Gratuity Premium	14.37	17.59
Staff Welfare Expenses	94.26	210.79
TOTAL	<u>3,276.71</u>	<u>3,040.46</u>

21.1 Salaries and Allowances includes managerial remuneration to Directors

21.2 Managerial Remuneration to Directors

	For the year 2015-16 ₹ in lakhs	For the year 2014-15 ₹ in lakhs
Salaries and Allowances	30.92	18.98
Medical Expenses	1.27	0.00
Rent	0.00	0.00
TOTAL	<u>32.19</u>	<u>18.98</u>

22 OTHER EXPENSES

(a) Rebate to allottees on Land Cost	2,041.65	932.35
(b) Repairs and Maintenance	20.23	29.09
(c) Expenditure on ERP & Others	23.05	65.53

(d) Administration & General Expenses

Travelling expenses	101.34	55.25
Rent	23.23	15.45
Rates and taxes	6.13	4.14
vehicle maintenance	189.05	165.96
Electricity charges	224.12	137.16
Water charges	863.18	761.24
Repairs and maintenance - Estates	723.94	265.29
insurance	39.86	16.31
Expenditure on Social Welfare	145.71	0.00
Provision for diminution of investments	2,526.00	14.85
Other expenses	6,674.31	5,391.30
sub-Total	<u>11,516.87</u>	<u>6,826.95</u>

(e) Prior period items (net)	<u>118.53</u>	<u>(515.96)</u>
Total (a+b+c+d+e)	<u>13,720.33</u>	<u>7,337.96</u>

- 22.1 Repairs and maintenance - Estates includes an amount of ₹ 189.58 lakhs (Previous Year - ₹ 146.17 lakhs) incurred during the year towards repairs of the infrastructure damaged due to HUD HUD Cyclone.
- 22.2 The Prior period items for the year is net after credits of ₹ 78.18 lakhs and debits of Rs.196.71lakhs.
- 22.3 An amount of ₹ 2,500.00 lakhs (Previous Year - ₹ NIL) was remitted to the A.P. Chief Minister's relief fund during the year. The same is exhibited as exceptional items.

	(₹ in lakhs) As at 31-3-2016	(₹ in lakhs) As at 31-3-2015
Other administrative expenses includes the following auditors remuneration :		
Statutory Audit fee	3.40	4.90
Out of Pocket expenses	0.50	0.50
Fee for Audit of Consolidation of Accounts	1.50	1.50
Others	0.00	8.00
Service Tax / GST Thereon	0.87	2.33
TOTAL	<u>6.27</u>	<u>17.23</u>

23. The Government of Andhra Pradesh has entrusted certain Local Authority powers to the Company like collection of Property Tax, maintainance of Common facilities in respect of certain Industrial Parks and Industrial Development Areas. The local authority powers are vested with APIIC 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 Govt. of AP. 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 Consoidated 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 of the Company for the purpose of Consolidation.

26.1.2 The Consolidated financial statements have been prepared in accordance with Accounting Standard (AS) 21 - 'Consolidated financial Statements; Accounting Standard (AS) 23 - 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard (AS) 27 - 'Financial Reporting of Interest in Joint Ventures' of Companies (Accounting Standards) Rules 2006 and generally accepted accounting principles.

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 to assets, liabilities, income and expenses after eliminating intra-group balances, intragroup transactions, unrealised profits or losses and minority interest have been separately disclosed.

26.2.2 The consolidated financial statements include the interest of the Company in VISWSCO 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 as the Company's separate 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

Name of the Company		Proportion (%) of Shareholding as on	
		31.03.2016	31.03.2015
Subsidiary Companies: Incorporated in India Full Consolidation			
1. Andhra Pradesh Gas Infrastructure Company Ltd		51%	51%
2. Krishnapatnam International Leather Complex Pvt. Limited		51%	51%
Name of the Company		Proportion (%) of Shareholding as on	
		31.03.2016	31.03.2015
Joint Ventures: Incorporated in India Proportionate Consolidation			
1. Visakhapatnam Industrial Water Supply Company Limited		49%	49%
Joint Ventures Incorporated in India Equity Method			
1. L&T Hi-tech Limited		26%	26%

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 Statement.

26.6 Financial Information of Subsidiary Companies:

26.6.1 Andhra Pradesh Gas Infrastructure Company Limited (APGIC)

Particulars	Rupees in Lakhs	Rupees in Lakhs
	31.03.2016	31.03.2015
Authorised Share Capital (10,00,00,000 Equity Shares of Rs. 10/- each)	10000	10000
Issued Subscribed and paid up capital: (4,00,00,000 Equity Shares of Rs. 10/- each fully paid)	5000	4000
Reserves and Surplus	-5741.06	-2574.03
Total assets	5498.34	4885.44
Total Liabilities	6239.40	3459.46

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.

1500

1000

APGIC has not yet commenced its commercial

26.6.2 Krishnapatnam International Leather Complex Private Limited (KPILC)

	Rs. in Lakhs	Rs. in Lakhs
Particulars	31.03.2016	31.03.2015
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)	213.03	243.19
Total assets	1168.48	1189.36
Total Liabilities	945.45	936.16

26.6.4 Investment in AP Gas Infrastructure Corporation P 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.

26.6.5 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% equity contribution.

27

Name of the entity in the Group incorporated in INDIA (% of voting power)	Net Assets i.e., total assets		Share in Profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated net assets	Amount
Subsidiaries				
Krishnapatnam International Leather Complex Private Limited (51%)	0.32	108.65	1.91	-23.03
Andhra Pradesh Gas Infrastructure Corporation Ltd., (51%)	-2.16	-737.23	134.24	-1,615.69
Joint Venture (Proportionate Consolidation)				
Visakhapatnam Industrial Water Supply Company (49%)	2.51	855.06	-12.7	152.87
Associates (Equity method)				
L&T Hitech City Limited (26%)	-1.34	-455.47	-7.29	87.71

- 28.** Previous year's errors in preperation of previols years consolidated financial statements were rectified in comparitives and 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
M.NO.: 21887
FIRM REGD. No.: 001281S

Sd/-
BABU. A, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

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

DATE : 10.04.2018
PLACE : VIJAYAWADA

Sd/-
M. SIVA S REDDY
COMPANY SECRETARY

Sd/-
P. I. PRAKASH KUMAR
CHIEF GENERAL MANAGER(F)i/c

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 (hereinafter referred to as "the Holding Company") and its subsidiaries namely Andhra Pradesh Gas Infrastructure Corporation Pvt. Limited and Krishnapatnam International Leather Complex Pvt. Limited (the Holding Company and its subsidiaries together referred to as "the Group"), its associates namely L&T Hitech City Limited and jointly controlled entity namely Vishakhapatnam Industrial Water Supply Company Limited, comprising of the Consolidated Balance Sheet as at 31st March, 2016, 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 (hereinafter 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 (hereinafter 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 judgments 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 judgment, 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 the 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. The inter group transactions in respect of Andhra Pradesh Gas Infrastructure Corporation Limited, Krishnapatnam International Leather Complex Private limited and Vishakhapatnam Industrial Water Supply Company has not been adjusted properly in view of non-reconciliation.

In addition to the above we qualified the stand alone financials as under:

2. **Non Compliance of AS - 24 "Discontinuing Operations".**

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 of the previous year which are inclusive of the period before initial disclosure event i.e., from 01.04.2014 to 01.06.2014. There is no segregation of Andhra Region and Telangana Region in respect of revenues, expenses, Assets and Liabilities. In our opinion, to this extent there is a non-compliance of AS 24 Discontinuing Operations.

3. **Equity Share Capital Rs. 952.22 lakhs (Previous year Rs. 952.22 lakhs):**

The Equity share capital of Rs.952.22 Lakhs (Previous Year Rs.952.22Lakhs) is subject to reconciliation with the Government of Andhra Pradesh.

(Refer Note No. 3)

4. **Reserves and Surplus: Capital Reserve Rs.758.16 lakhs (Previous year Rs. 758.16 lakhs):**

An amount Rs. 758.16 lakhs received from the Government of Andhra Pradesh as share capital vide GO. NO. 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.

(Refer Note No.4)

5. **Deposits received from Allottees Rs. 1,89,751.05 lakhs (Previous Year Rs.1,52,390.93 lakhs):**

Though the Management has provided zone wise and party wise details. The following are the credits which are yet to be reconciled.

ZONE	Amount(₹)
ANANTAPURAMU	2,14,83,280
NELLORE	10,39,915
TIRUPATI	2,48,07,372
VIJAYAWADA	2,61,52,914
VISAKHAPATNAM REGULARM	1,19,49,750
TOTAL	8,54,33,231

In respect of Kakinada Zone there is unreconciled debit balance of Rs.1,72,46,529.56.

In the light of non-availability of information of the deposits received from allottees, we are not in a position to confirm the accuracy of Deposits Received from Allottees under Liabilities.

(Refer Note No.7)

6. Provisions for Leave benefit expenses Rs.1,162.03 lakhs (Previous Year Rs.797.64 Lakhs) :

Pending approval of Employee Division by the expert committee and competent authority, the management has provided Rs 1106.61 lakhs towards Long Term Leave Benefits and Rs.55.42 lakhs towards Short term leave benefits. 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. **(Refer Note No.5.4.1)**

7. Provision for Contractual Obligations Rs. 43,158.38 lakhs (Previous Year Rs.46,895.15 lakhs): (Refer Note No. 8.3 and accounting policy 3.1)

a) Adequacy of Provision:

As per the information and explanation given to us during this year a provision of Rs.43158.38 lakhs (Previous Year Rs.46895.15 lakhs) has been made after review of the various pending contractual obligations. In the view of the huge reversal of Rs. 9,318.72 lakhs of the previous years provision, we are not in a position to comment upon adequacy or inadequacy of the provision made.

b) Disclosure:

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

8. 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 noncompliance of AS - 9: Income Recognition

(Refer to Note No.23):

9. Non conformity of Accounting Standard: 9 Revenue Recognition-Sale of Land, Sheds etc. Rs. 28,415.98 lakhs (P.Y. 66,972.47 lakhs):

a) Non Compliance of Accounting Standard 9- Revenue Recognition:

i. Income to be recognized only on completion or substantial completion of Contractual obligations:

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.

The agreement of sale is entered with allottees on receipt of full consideration, though the substantial contractual obligations amounting to 43,158.38 lakhs are yet to be fulfilled. In our opinion Para 4.2 of AS-9 Revenue Recognition is not applicable.

ii Income recognition on Proportionate Completion method:

As per para 4.3 of Accounting Standard 9 - Revenue Recognition "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."

Guidance Note on Real State Transactions issued by the ICAI:

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, Revenue to be recognized under percentage completion method on fulfillment of all the following conditions:

- a) Obtaining approvals for Commencement of Project.
- b) Incurring of minimum 25% of the Development Cost of the total estimated development cost.
- c) Sale agreements are entered at least 25% of saleable project area.
- d) At least 10% of the sale consideration of the agreement is realized.

As per the information and explanation given to us, In respect of certain projects corporation has failed to comply conditions "b" and "c" though the corporation has complied the conditions of a and d.

As against previous years' provision towards contractual obligation of Rs. 46,895.15 Lakhs there is a reversal of Rs.9, 318.72 lakhs leaving the balance provision of Rs.37, 576.43 Lakhs. As per the information available to us, during the current financial year, the corporation has spent only Rs.5860.84 Lakhs as against Rs.37, 576.43 lakhs which is a meagre amount.

In the light of the above, the corporation is neither adhering to para 4.2 nor 4.3 of AS-9 Revenue recognition while adapting the income recognition policy (vide para No 4 of Note No.1 of financial statements). Hence we are not in a position to comment on accuracy of the income recognition and its impact on Profit and loss account and Balance sheet.

(Refer Accounting Policy No. 4)

b) Impact of non-reconciliation of Deposits received from Allottees (Rs. 681.86 Lakhs):

As stated in the para 5 of our report, the non-reconciliation of Deposits of Rs.681.86 Lakhs. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.

10. Inventory Rs.2,22,221.79 lakhs (Previous Year Rs.1,72,159.53 lakhs) :

Due to non-reconciliation of the deposits and its impact on revenue as per our comment No. 4, we are not in a position to quantify the impact on inventory and not in a position to confirm the value of the inventory. **(Refer Note No.12.1)**

11. Cost of Sales-Land Rs. 21,216.67 Lakhs (Previous Year Rs.64,641.05 Lakhs):

The Cost of sales includes Land cost, Land Development Cost, Civil works executed and provision for contractual obligations.

During the year, cost of sale includes Land cost of Rs. 19,938.87 lakhs, Land Development Cost of Rs.609.59 lakhs and Civil Work in progress of Rs. 4,781.84 lakhs provision for contractual obligations of Rs. 5,581.95 aggregating to Rs. 30,912.25 lakhs. However due to reversal of provision for contractual obligation of Rs. 9, 318.72 lakhs on account of provision created in the previous year in respect of SEZs, Land Acquisition for others and inter estate transfers which is not required to be created for and cancellation of agreements pertaining to previous years amounting to Rs.376.91 lakhs, the net cost of sales shown as Rs. 21,216.62 lakhs.

In our opinion the cost of sale for the current financial year is understated to the tune of Rs. 9,695.63 lakhs. Though the understatement does not affect the profit and loss account.

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, 2016.

- 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. Drawl of Financial Statements Excluding Telangana Region

Based on the approval of demerger scheme by the expert committee on 16.05.2015 the Financial statements for 2015-16 is drawn exclusive of Telangana region, though the 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, is pending.

(Refer to Note No.2)

2. Comparability of Previous Figures

The previous year figures of Revenue and expenditure for the period of 01.04.2014 to 01.06.2014 and assets and liabilities as on 01.06.2014 are inclusive of Telangana region and to this extent not comparable.

(Refer Note No.2)

3. Non Confirmation:

Attention is drawn to the Note No.16.2 wherein the corporation has not 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. **(Refer Note No.7.1 and Note No.16.2)**

4. 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 expresses 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 expresses 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.
- e. The Statutory auditors have not been provided with appropriate audit evidence about bank guarantee given by the company. No records have been produced to us with respect to outstanding bank gurantees. We are unable to express our opinion in this matter.
- f. The statutory auditors are unable to comment on the comfort letter given by the company to the bank for arrangement of funds for APGDC as no evidence with regard to same were made available.
- g. The statutory auditors are unable to comment on the liquidated damages paid by the company towards surrender of Block KG-OSN 2009/1. Sufficient data with respect to calculation were not made available.
- h. The company relying on the data (Both Technical & Financial Data) provided by the Operator's and there are no evidence of calculations being made by the company made available to Statutory auditors,

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 insofar 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 included in the consolidated financial statements are given below.

(₹ in Lakhs)

S.No	Type of Company	Audited / Provisional	Total	Revenues
1	Subsidiaries	Audited	6,651.21	18.47
2	Joint Ventures	Audited	5,541.88	7,757.95

Our opinion is not qualified in respect of other matters.

Report on Other Legal and Regulatory Requirements

1. Companies(Auditor's Report)order,2016("the order") issued by the central government of India in terms of the Sub Section (11) of Section 143 of the Act, is not applicable on Consolidated Financial Statements as referred in proviso to Para 2of the said 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-1 and 2** on the directions and sub-directions issued by the comptroller and Auditor General of India.
3. As required bySection143(3) of the Act, we report, to the extent applicable, that:
 - i. 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:
 - ii 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.
 - iii. 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.
 - iv. 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.
 - v. The matters stated in the basis for qualified opinion paragraph above, in our opinion, may have an adverse effect on functioning of the Group.
 - vi. With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, we give our separate report in "**Annexure 3**".

- vii. Being a Government Company, Section 164(2) of the Companies Act, 2013 regarding 'whether any director is disqualified from being appointed as a director is not applicable to the Company in view of Notification no. G.S.R. 463(E) dtd. 05-06-2015.
- viii. With respect to the matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules 2014, in our opinion and to the best of our information and according to the explanations given to us :
- a) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and jointly controlled entities- (Refer Note 17.1 to the financial statements).
 - b) The Group, its associates and jointly controlled entities did not have any material foreseeable losses on long-term contracts including derivative contracts.
 - c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, associate companies and jointly controlled companies incorporated in India.

For Jawahar and Associates
Chartered Accountants
FRN 1001281S

Sd/-
V.Umapathi
partner
M.No. 021887

Place: Hyderabad
Date: 10.04.2018

Annexure 1 to the Auditor's Report

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 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	Action Taken	Impact on Financial Statements
1	Whether the Company has clear title/ Lease deeds for freehold and lease hold land respectively? If not please state the area of free hold and lease-hold land for which title/lease deeds are not available.	As per the information and explanation given to us, the corporation is not having any lease hold land and having a clear title for freehold lands.	Nil
2	Whether there are any cases of wavier /write off of debts /loans interest etc., If yes the reason, there for and the amount involved.	As per the information and explanation given to us, there is no write off of debts, loans, or interest in the financial statement for the year 2015-16	Nil
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift/ grant from government or other authorities.	As per the information and explanation given to us, there are no inventories lying with third parties and there are no assets received as gift/grant from government or other authorities.	Nil

For Jawahar and Associates
Chartered Accountants
FRN 1001281S

Sd/-
V.Umapathi
partner
M.No. 021887

Place: Hyderabad
Date: 10.04.2018

Annexure -2 to the Auditor's Report
REPORT ON SUB-DIRECTIONS UNDER SECTION 143(5)
OF COMPANIES ACT 2013

S.No.	Sub Directions	Action Taken	Impact on the financial statements
1	Whether the company has taken adequate measures to prevent encroachment of idle land owned by it. Whether any land of the company is encroached. Under litigation not put to use or declared surplus may be provided.	As per the information and explanation given to us, the company has no idle land owned by it and not reported any encroachments. The company has not declared any land as surplus land which is not put to use.	Nil
2	Whether system for monitoring the execution of works vis-a-vis the milestone stipulate in the the agreement is in existence and the impact of cost escalation. If any revenues/ losses from the contracts etc., have been properly accounted for in the books.	Yes, As per the information and explanation given to us, the corporation is executing the works with deposits on cost plus basis. Hence the question of loss does not arise	Nil
3	Whether funds received/ receivable for specific schemes from central/state agencies were properly accounted for/utilised ? List the cases of deviations.	As per the information and explanation given to us, there is no deviation of utilization of funds for the purpose for which it is sanctioned.	Nil
4	Whether the bank guarantees have been revalidated in time?	As per the information and explanation given to us, the company had revalidated the bank guarantees in time.	Nil

For Jawahar and Associates
Chartered Accountants
FRN 1001281S

Place: Hyderabad
Date: 10.04.2018

Sd/-
V.Umapathi
partner
M.No. 021887

ANNEXURE-3 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED.

Report on the internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In Conjunction with our audit of consolidated financial statements of the Company for the year ended 31st March 2016. We have audited the internal financial controls over financial reporting of Andhra Pradesh Industrial Infrastructure Corporation Limited ("the Holding Company") and its subsidiary companies, its associate companies and jointly controlled companies, which are incorporated in India ,as of that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary companies, its associate companies and jointly controlled companies which are incorporated in India have in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

Other matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two subsidiary companies, one associate companies and one jointly controlled companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

**For Jawahar and Associates
Chartered Accountants
FRN 1001281S**

**Sd/-
V.Umapathi
partner
M.No. 021887**

Place: Hyderabad
Date: 10.04.2018

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH, HYDERABAD - 500 004.**

Lr.No.PAG(Audit)/AP/ES/D2/AAJAPIIC/2018-19/120

Date:27-07-2018

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 year 2015-16.

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 year 2015-16 for necessary action
2. The date of placing of Comments along with Financial Statements and Auditors' 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 Auditors' Report and Comments of the Comptroller and Auditor General of India to the State Government of AP for the year 2015-16 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 2015-16 are to be furnished to this office without fail.

Yours faithfully,

Sd/-
Sr. Deputy Accountant General/ES

Encl: As above

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 2016.

The preparation of consolidated financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 march 2016 in accordance with the financial reporting framework prescribed under the 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) or 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 Audit Report dated: 10.04.2018.

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 Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 march 2016. We conducted a supplementary audit of the financial statements of the Andhra Pradesh Gas Infrastructure Corporation Pvt. Limited subsidiary, the Krishnapatnam International Leather Complex Pvt. Limited, subsidiary, but did not conduct supplementary audit of the financial statements of the 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 matter under section 143(6)(b) of the Companies Act which have come to my attention and which is my view are necessary for enabling a better understanding of financial statement and the related audit report.

A. Consolidated Balance Sheet

1. Equity and Liabilities

(3) Non-Current Liabilities

c. Other Long Term Liabilities (Note No.-5.3) - ₹1450.35 crore

Due to GOAP-Land - ₹ 483.47 crore lakh

1. The above includes ₹ 46.43 crore (representing administrative expenditure) towards Land Development cost and Overheads @15% in the capitalization of Government land. This has resulted in overstatement of "Other Long Term Liabilities-Due to GoAP - Land (Note-5.3)" and "Current Assets-Inventories-Stock in trade-Land (Note-12.1)" by 46.43 crore.

Deposits towards works undertaken - ₹249.95 crore

2. The above includes ₹3.28 crore being the balance of deposit available (deposited more than 10 years back from 1992-03 onwards) after netting off the expenditure incurred in execution of deposit works by various Government Departments for executing deposit works of construction/renovation of Hospital Buildings/Area Hospitals, Arrack Bottling Complex, Shadikhana Buildings, Urdu Ghar Community Centres etc., by the Company. Similarly, an amount of ₹ 4.89 crore was receivable from various Government Departments due to excess expenditure incurred over and above the deposit

available. The works were said to be completed since long and for which no records were made available. In the absence of the same the correctness of the Deposits received, expenditure incurred and balance to be received/ refunded and its impact on the accounts could not be vouchsafed. Hence, the same needs to be reconciled and the account updated.

3. The above includes debit balance of ₹ 1.61 crore being the excess expenditure incurred over and above the "Grant in Aid" amount received from Government of Andhra Pradesh and JRD Tata Service Society. The Company received grant in aid amounting to ₹ 3.45 crore upto 2015-16 from Government of AP and JRD Tata Service Society (₹ 2 crore from GOAP and matching grant of ₹ 1.45 crore from JRD Tata Service Society) for creation of Capital Assets in JRD Tata Industrial Estate, Vijayawada. Against the grant of ₹ 3.45 crore, the Company incurred excess expenditure of ₹1.61 crore upto 2015-16. This has resulted in understatement of "Other Long Term Liabilities (Note-5.3) and "Trade Receivables (Note-13) by ₹ 1.61 crore.

B. Consolidated Profit and Loss Statement

IV. Expenses

b. Employees Benefits Expenses (Note- 21) - ₹ 32.76

4. The above does not include ₹ 40.87 lakh towards DA Arrears payable to the employees for the year 2015-16 (from July 2015 and January 2016) for which no provision was made in the accounts. Non provision of the DA arrears resulted in understatement of Employees Benefits Expenses (Note-21) and overstatement of profit for the year by ₹ 40.87 lakh.

C. Comment on Auditor's Report

5. In the independent Auditor's Report on the financial Statements of **Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended March 2016** for the year ended March 2016 under Auditor's Responsibility the Statutory Auditor has stated that in making risk assessment, the auditor considers internal financial control relevant to the Company preparations of the 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 Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls.**

This is contradiction of Section 143 (3)(i) of Company's Act 2013, read with Rule 10(A) of Company's (Audit & Auditor) Rules 2014 which require the report of the Auditors to state about existence of adequate internal financial control system and its operating effectiveness.

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

Sd/-

(L.V.Sudhir Kumar)

Principal Accountant General (AUDIT)

Place: Hyderabad

Date:27-07-2018