



44th ANNUAL REPORT

2016 - 17

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, Plot No.1, IT Park, Mangalagiri, GUNTUR DIST.-522 503.



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

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

**Corporate office : APIIC TOWERS, PLOT NO.1 IT PARK
Mangalagiri - 522503**

**NOTICE
FOR
ADJOURNED 44th ANNUAL GENERAL MEETING**

**Day : Friday
Date : 27-12-2019
Time : 03:00 P.M.**

**VENUE
6th Floor, Parisrama Bhavanam,
Basheerbagh, Hyderabad-500 004**

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COMPANY SECRETARY

Sri M. Siva S Reddy

BANKERS

Andhra Bank

State Bank of India

HDFC Bank

Kotak Mahindra Bank

ICICI Bank

AUDITORS

M/s. Anjaneyulu & Co.,

Chartered Accountants

Hyderabad

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
(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-4**

**Corporate Office: APIIC Towers, Plot No-1, IT Park, Mangalagiri,
Guntur District, Andhra Pradesh-522503**

NOTICE

Notice is hereby given that the Adjourned 44th Annual General Meeting of the Members of Andhra Pradesh Industrial Infrastructure Corporation Limited will be held on Friday, the 27th day of December, 2019 at 03:00 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 2016-17 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 ending 31st March, 2017, Directors 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/-
Chief General Manager (Finance)

Place: Hyderabad

Date: 27.11.2019

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

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
(An undertaking of the Government of Andhra Pradesh)
CIN: U99999TG1973SGC001630

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

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

NOTICE

Notice is hereby given that the 44th Annual General Meeting of the Members of Andhra Pradesh Industrial Infrastructure Corporation Limited will be held on Friday the 22nd day of September, 2017 at 3.00 P.M. at the Registered Office of the Company situated at 6th Floor, Parisrama Bhavan, 5-9-58/B, Fatehmaidan Road, Basheerbagh, Hyderabad-4 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March, 2017, Profit & Loss statement, Cash flow statement for the year ended 31st March, 2017, Directors' 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 of the Companies Act, for the audit of annual accounts for the financial year 2017-18.

BY ORDER OF THE BOARD
FOR APIIC LIMITED

Sd/-

M.SIVA S. REDDY
COMPANY SECRETARY

Place: Hyderabad
Date: 22.09.2017

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

BOARD OF DIRECTOR'S REPORT

To

The Members,

Andhra Pradesh Industrial Infrastructure Corporation Limited

The Board of Directors presents the Adjourned 44th Annual Report on the business and operations of the Company and its Audited Statement of Accounts for the year ended 31st March, 2017 together with the Auditors Reports and comments on the Accounts by the Comptroller and Auditor General (C& AG) of India.

FINANCIAL RESULTS:

The performance of the Company during the year 2016-17 vis-a-vis the previous year is summarized in the table below:

(Amount in Rs. Crores)

Financial Results	Year ended 31st 3March, 2017	Year ended 31st March, 2016
(a) Turnover (including Other Income)	417.81	375.21
(b) Net Profit/Loss (before depreciation and tax)	46.11	25.71
Less : Depreciation	3.81	4.07
(c) Net Profit/(Loss) before tax	42.30	21.64
Less : Provision for Tax (including for deferred tax)	8.78	5.54
(d) Net Profit/(Loss) after tax	33.52	16.10

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.

MEETINGS DURING THE FINANCIAL YEAR BOARD MEETINGS

During the financial year 2016-17, the Board of Directors of the Company duly met Four (4) times.

1. 26.04.2016

2. 10.08.2016

3. 03.11.2016

4. 27.02.2017

DIRECTORS AND KEY MANAGERIAL PERSONNEL

CHAIRMAN:

1	Dr. Krishnaiah Pirrala, IAS (Retd.) Executive Chairman	From 21-08-2014 to 24-05-2019
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VICE-CHAIRMAN & MANAGING DIRECTOR:

1	Sri Bandatmakur Sreedhar, IAS Vice-Chairman & Managing Director, APIIC	From 01-09-2015 to 29-09-2016
2	Sri Kartikeya Misra, IAS Vice-Chairman & Managing Director, APIIC	From 27-06-2016 to 22-07-2016
3	Sri Solomon Arokiaraj, IAS Vice-Chairman & Managing Director, APIIC	From 29-09-2016 to 21-11-2016
4	Sri Nivas Janardhanan, IAS Vice-Chairman & Managing Director, APIIC	From 21-11-2016 to 08-05-2017

DIRECTORS:

During the Financial Year 2016-17, the following are the Members of the Board.

1	Sri Shamsher Singh Rawat, IAS Principal Secretary to Govt., & CIP Industries & Commerce Department	From 13-03-2015 to 28-07-2016
2	Sri Solomon Arokiaraj, IAS Secretary to Govt., & CIP, I & C Dept.,	From 28-07-2016 to 23-10-2019
3	Sri Kartikeya Mishra, IAS Commissioner of Industries, A.P	From 13-03-2015 to 17-04-2017
4	Sri P.V. Ramesh, IAS Secretary to Govt., Finance Department.	From 05-11-2015 to 15-07-2016
5	Ms. Hema Munivenkatappa, IA & AS Special Secretary to Govt., Finance Department	From 15-07-2016 to 23-07-2018
6	Sri Ajay Jain, IAS Principal Secretary to Govt., E, I & I Department.	From 13-03-15 to 25-06-2016
7	Sri Rahul Pandey, IFS Special Secretary to Govt., E, I & I & CRDA Dept.	From 25-06-2016 to 10-04-2018
8	Sri G.S. Phani kishore, IRS Special secretary to Govt., ITE&C Dept.,	From 20-12-2015 to 28-07-2016
9	Sri P.S. Pradyumna, IAS Secretary to Govt., ITE& C Dept.,	From 28-07-2016 to 26-11-2016
10	Sri K. Vijayanand, IAS Principal Secretary to Govt., ITE & C Dept.,	From 26-11-2016 to 23-10-2019
11	Sri W.V.R.Murthy, IAS Managing Director, APSFC	From 03-07-2015 to 21-12-2017
12	Sri B.S.S. Prasad, IFS Member Secretary, APPCB	From 03-07-2015 to 11-06-2018
<u>KEY MANAGERIAL PERSONNEL:</u>		
1	Sri Siva Satyanarayana Reddy MandaCompany Secretary, APIIC Limited	From 01-05-2006 to till date

STATE OF COMPANY'S AFFAIRS

It is imperative that affair of our Company are managed in a fair and transparent manner. This is vital to gain and retain the trust of our stakeholders.

LAND ACQUISITION:

Your Directors are happy to inform that your Company has taken possession of 30.86 acres of Patta land, 1456.67 acres of Assigned land and 6277.11 acres of Government land during the year. The aggregate extent of land taken over by your Company for the financial year 2016-17 is 7764.64 acres.

DEVELOPMENT AND ALLOTMENT OF PLOTS:

Your Directors are happy to inform that your Company allotted 3605.40 acres of land in our State during the year.

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. 433.87 Crores in the year 2016-17 were taken up. Out of this, the capital infrastructure development is Rs. 134.16 Crores, IALA works is Rs.10.50 Crores, deposit works 275.92 Crores and APIIC works & Government of India works for Rs. 13.28 Crores.

INDUSTRIAL AREA LOCAL AUTHORITY:

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

Thus, APIIC has been exercising/performing the statutory powers/functions of the Local Bodies with effect from 01-10-1994 onwards in 169 Nos. Industrial Areas (phase wide)/Housing Complexes/Mini Industrial Estates/Commercial Complexes falling under Municipalities, Municipal Corporations and Gram Panchayats in the state, through its officers nominated as Executive Authority under the relevant Acts.

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

The commissioners/ Executive officers are exercising administrative powers by collecting all kinds of taxes and maintenance of IALAs like Sanitation, Street Lights, Roads and drains and 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 No's 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 53 Industrial Parks (8 Municipal Limits plus 45 Panchayat Limits which are pending for declaration with MA & UD department and PR & RD department Govt. of Andhra Pradesh.

DIVIDEND

The Board of Directors of the Company has not recommended any dividend during the financial year.

EXTRACT OF ANNUAL RETURN

The Extract of Annual Return required under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, forms part of this report as **ANNEXURE-A**.

RIGHT TO INFORMATION

In order to promote transparency and accountability, an appropriate mechanism is in place in the Company to provide information to citizens under the provisions of Right to Information (RTI) Act, 2005.

DEPOSITS

The company has not accepted any deposits from Public. Therefore, the requirement of Chapter V of the Companies Act, 2013 is not applicable to it. There were no outstanding public deposits pending as on 31st March, 2017.

INVESTMENTS IN SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

Details of Investments in Subsidiary, Joint Venture and Associate Companies are as follows:-

S. No	Name of the Company	Percentage (%) of Shareholding	No. of Shares Held	Face value of each share (In Rs.)	Total value of Shares
1	Andhra Pradesh Gas Infrastructure Corporation Private Limited	51	2,71,66,000	1	2,71,66,000
2	Krishnapatnam International				
	Leather Complex Private Limited	51	51,000	10	5,10,000
3	Visakhapatnam Industrial Water Supply Company Limited	49	2,20,27,071	10	22,02,70,710
4	Atchutapuram Effluent Treatment Limited	49	7,69,000	10	76,90,000
5	L & T Hitech City Limited	26	52,00,000	10	5,20,00,000
6	Bharatiya International SEZ Limited	11.05	15,00,000	10	1,50,00,000
7	L & T Infocity Limited	11	11,54,736	10	1,15,47,360
8	Ramky Pharma City (India) Limited	11	19,80,000	10	1,98,00,000
9	Hyderabad Information Technology Venture Enterprises Limited	8	12,145	10	1,21,450
10	Cyberabad Trustee Company (P) Limited	8	2,429	10	24,290
11	Vizag IT Park Limited	0.49	44,000	10	4,40,000

PARTICULARS OF RELATED PARTY TRANSACTIONS

The Related party transactions that were entered into during the financial year were on arm's length basis and were in ordinary course of business. The details of related party transactions are mentioned in **ANNEXURE-B** in Form AOC-2.

PARTICULARS OF EMPLOYEES

Section 197 of the Companies Act, 2013 regarding Overall Maximum Managerial Remuneration and Managerial Remuneration in Case of Absence or Inadequacy of Profits shall not apply to the Company as the Company is a Government Company.

DETAILS OF COMPANY'S CORPORATE SOCIAL RESPONSIBILITY

The provisions of the Corporate Social Responsibility as contained under the Companies Act, 2013 are applicable on the Company.

The brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in **ANNEXURE-C** of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required to be disclosed in accordance with the Companies (Accounts) Rules, 2014 is 'nil' as the Company is mainly engaged in trading activities.

COMMENTS OF Statutory and C & AG Auditors

The observations / comments of Statutory auditors and C&AG auditors under Section 143(6) of the Companies Act, 2013 on the accounts of the Corporation for the year 2016-17 and replies of the management thereto are attached as **ANNEXURE-D**.

INTERNAL FINANCIAL CONTROLS

The Company has maintained adequate financial control system, commensurate with the size, scale and complexity of its operations and ensures compliance with various policies, practices and statutes in keeping with the organization's pace of growth and increasing complexity of operations.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013, the Directors, to the best of their knowledge and belief, confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) The Directors had prepared the annual accounts on a going concern basis; and
- (e) Clause (e) of section 134(5) is not applicable as the Company is not a listed Company.
- (f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the co-operation and support extended by the Share Holders, various authorities, banks, dealers and vendors.

The Directors also acknowledge with gratitude the dedicated efforts and valuable contribution made by all the employees of the Company.

For and on behalf of the Board of APIIC Limited

Sd/-

**Sri Madireddy Pratap, IPS
VC& MD
DIN:08527807**

Sd/-

**Smt. R.K. Roja, MLA
Chairperson
DIN:08527722**

Place: Mangalagiri

Date: 27.11.2019

Annexure- A

FormNo.MGT-9
Extract of Annual Return
as on the Financial Year ended on 31.03.2017

[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- 500004
vi.	Whether listed company	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

I. 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

I. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of The Company	NIC Code of the product / service	Holding/ Subsidiary /Associate	% of shares held
1.	Andhra Pradesh Gas Infrastructure Corporation Private Limited	U11100AP2009SGC107233	Subsidiary	51
2.	Krishnapatnam International Leather Complex Private Limited	U19115TG2008SGC060643	Subsidiary	51
3.	Visakhapatnam Industrial Water Supply Company Limited	U90009AP1999PLC032051	Joint Venture	49
4.	Atchutapuram Effluent Treatment Limited	U41000AP2016PLC103829	Joint Venture	49
5.	L & T Hitech City Limited	U70102TG2007PLC053938	Associate	26
6.	Bhartiya International SEZ	U74999DL2007PLC159827	Associate	11.05
7.	L & T Infocity Limited	U72200TG1997PLC026885	Associate	11
8.	Ramky Pharma City (India) Limited	U24239TG2004PLC042855	Associate	11
9.	Hyderabad Information Technology Venture Enterprises Limited	U72200TG1998PLC029282	Associate	8
10.	Cyberabad Trustee Company (P) Limited	U72200TG1999PTC033128	Associate	8
11.	Vizag IT Park Limited	U45200AP2003PLC041374	Associate	0.49

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 end of the year				No. of Shares held at the beginning 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	100			95,219	100	Nil
d) Bodies Corp									
e) Banks / FI									
f) Any Other									
Sub-total(A)(1):-			95,219	100			95,219	100	Nil
1) Foreign									
a) NRIs-Individuals									
b) Other-Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
Sub-total(A)(2):-									
A. 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) FIs									
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 share-holders holding nominal share capital up to Rs. 1 lakh									
(ii) Individual share holders holding nominal share capital in excess of Rs 1 lakh									
c) Others (3 individuals holding on behalf of AP Govt.)			3				3		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

i. 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	100	95,219	100
2.	T. Srinivasulu	1		1	0
3.	S. Mustafa Sab	1		1	0
4.	R. Suresh	1		1	0
	Total	95,222		95,222	100

For and on behalf of the Board of APIIC Limited

Sd/-

Sri Madireddy Pratap, IPS
VC& MD
DIN: 08527807

Sd/-

Smt. R.K. Roja, MLA
Chairperson
DIN: 08527722

Place: Mangalagiri.

Date: 27.11.2019

ANNEXURE-B**Form No. AOC-2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third provision thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:
There were no contracts or arrangements or transactions entered in to during the year ended 31st March 2017, which were not arm's length basis.
2. Details of material contracts or arrangement or transactions at arm's length basis

S.No	Name of the Related Party	Relationship	Volume of Transaction	Outstanding as on 31.03.2017
1	AP Gas Infrastructure Corporation Private Limited	Subsidiary	2.56	2.56
2	Krishnapatnam International Leather Complex Private Limited	Subsidiary	22.14	22.14
3	Visakhapatnam Industrial Water Supply Company (Secured Loan)	Joint Venture	35,000.00	14,500.00
4	Visakhapatnam Industrial Water Supply Company (Acc. Interest on Secured Loan)	Joint Venture	15,326.24	15,326.24
5	Visakhapatnam Industrial Water Supply Company (Unsecured Loan)	Joint Venture	2434.64	1217.00
6	Visakhapatnam Industrial Water Supply Company(Acc. Interest on Unsecured Loan)	Joint Venture	1605.14	1605.14
7	Atchutapuram Effluent Treatment Limited	Joint Venture	482.15	482.15
8	Atchutapuram Effluent Treatment Limited (Acc.Interest)	Joint Venture	7.58	7.58

For and on behalf of the Board of APIIC Limited

Sd/-

Sri Madireddy Pratap, IPS
VC& MD
DIN: 08527807

Sd/-

Smt. R.K. Roja, MLA
Chairperson
DIN: 08527722

Place: Mangalagiri.
Date: 27.11.2019

ANNUAL REPORT ON CSR ACTIVITIES**1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken to the CSR policy and projects or programs:**

APIIC Limited, CSR policy is aimed at demonstrating care for the community through its focus on education & skill development, health & wellness and environmental sustainability including energy & water conservation. Also embedded in this objective is support to the disadvantaged/marginalized cross section of the society by providing opportunities to improve their quality of life.

The projects undertaken will be within the broad framework of Schedule VII of the Companies Act, 2013.

2. The composition of the CSR committee:

The Corporate Social Responsibility Committee (CSR Committee) of the Board of Directors (Board) of the Company comprises the Directors on the Board of the Company as indicated below:

S. No	Name of the Director	Designation
1	Sri P. Krishnaiah, IAS (Retd.)	Executive Chairman
2	Sri Siddharth Jain Fouzdar, IAS	Director
3	Sri B.S.S.Prasad, IFS	Director

3. Average net profit of the company for last three financial years

The average net profits for the company in the financial year calculated as per section 198 of the Act read with the Companies (Corporate Social Responsibility) Rules thereof (average net profit) accrued during the three immediately preceding Financial Years to Rs. 37,41,10,000/-

Financial Year	Net Profit for Computation of CSR (Amount in Rs.)
2013-14	7,18,69,000
2014-15	43,40,48,000
2015-16	21,64,13,000
Total	1,12,23,30,000

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above):

The prescribed CSR Expenditure (two per cent of the average net profit) amounts to Rs. 74,82,200/-

4. Details of CSR spent during the financial year

a) Total amount to be spent for the financial year: Rs. 74,82,200/-

During the Financial Year, the Company allocated CSR Expenditure Rs.2,59,26,212/-

b) Manner in which the amount spent during the financial year is detailed below:

S. No	Name of the Work	Amount (Rs.)
1	Construction of Rythu Bazaar, Anganvadi School (5No.'s) and Community Halls (5No.'s) at Dibbapalem SEZ, R&R Colony.	41,92,879.13
2	Providing internal and external electrification to 12 Room UP School Building at Dibbapalem SEZ, R& R Colony, Atchutapuram Mandal, Visakhapatnam District.	2,938.75
3	Construction of balance works at elementary school building and kalyanamandapam including Toilets and compound wall at SEZ, R& R Colony, Dibbapalem	79,37,263
4	Providing temporary accommodation for primary school in existing incomplete Panchayat Building at R& R Colony, Vedurawada.	11,037
5	Construction of Rythu Bazaar (1 No.), Anganvadi Schools (2 No.'s), Elementary School Building-6 Rooms (1 No.), Upper Primary School Building-8 Rooms (1 No.) and Community Halls (2 No.'S) at R&R Colony, Vedurawada, Atchuthapuram Mandal.	1,37,82,093
	Total	2,59,26,212

4. We hereby confirm on behalf of CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Sd/-

Sri Madireddy Pratap, IPS
VC& MD
DIN: 08527807

Sd/-

Smt. R.K. Roja, MLA
Chairperson
DIN: 08527722

Place: Mangalagiri.

Date: 27.11.2019

ANNEXURE – A

OBSERVATIONS OF STATUTORY AUDITOR AND REPLY OF THE COMPANY FOR THE YEAR ENDED 31.03.2017

SI No.	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT																
1)	<p>Equity Share Capital: Current year amount of 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 no.: 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 and O/o P&AG for rectification.</p>																
2)	<p>Reserves and surplus: Capital Reserve current year Rs. 758.16 lakhs (Previous Year Rs.758.16 Lakhs) :</p> <p>An amount of 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 is classified as Capital Reserve. In our opinion, this needs to be classified as share capital pending allotment. (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 on reconciliation of the Equity with office of P & AG.</p>																
3)	<p>Deposits received from allottees: Current year Rs. 1, 92,078.59(Previous Year Rs.1,89,751.05)</p> <p>This includes un-reconciled amounts and the management has provided zone wise and party wise un-reconciled amounts which are yet to be reconciled.</p> <table><tr><th>Name of the zone</th><th>Amount (Rs.)</th></tr><tr><td>Anantapuramu</td><td>21483280.27</td></tr><tr><td>Nellore</td><td>2663271.45</td></tr><tr><td>Tirupathi</td><td>15363242.89</td></tr><tr><td>Vijayawada</td><td>26152914.43</td></tr><tr><td>Vishakapatnam</td><td>11389004.00</td></tr><tr><td>Head Office</td><td>272829886.56</td></tr><tr><td>Total</td><td>349881599.60</td></tr></table>	Name of the zone	Amount (Rs.)	Anantapuramu	21483280.27	Nellore	2663271.45	Tirupathi	15363242.89	Vijayawada	26152914.43	Vishakapatnam	11389004.00	Head Office	272829886.56	Total	349881599.60	<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>
Name of the zone	Amount (Rs.)																	
Anantapuramu	21483280.27																	
Nellore	2663271.45																	
Tirupathi	15363242.89																	
Vijayawada	26152914.43																	
Vishakapatnam	11389004.00																	
Head Office	272829886.56																	
Total	349881599.60																	

	In addition there is an un-reconciled debit balance of Rs.1, 50, 94,973.30 respect of Kadapa zone. (Refer note no.: 7)	
4)	<p>Provision for contractual obligations: Current year Rs.53676.77 lakhs (Previous Year Rs.43158.38 lakhs) :</p> <p>Adequacy of provision: As per the information and explanations given to us, the Corporation after reviewing various pending contractual obligations at the yearend estimated the provision against contractual obligations as Rs.53676.77 lakhs (Previous year Rs.43158.38 lakhs) and accordingly provided. We are not clear, whether the provision is pertaining to earlier year sales or current year sales. Hence in our opinion, we are not able to comment upon the adequacy of the provision made by the organization.(Refer note no.: 8.3)</p> <p>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.</p>
5)	<p>Inventory Rs.2,77,628.08 lakhs(Previous Year Rs.2,22,221.79 lakhs) :</p> <p>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)</p>	<p>The inventory was reviewed and reconciled during the previous year's itself. Non reconciliation of deposits does not have any impact on revenue and inventory.</p>
6)	<p><u>Non conformity of Accounting Standard: 9 Revenue Recognition–Sale of Land, Sheds etc. Rs. 31326.41 lakhs(P.Y. 28415.98 lakhs): (Refer Accounting Policy No. 4)</u></p> <p>Income is to be recognized only on completion or substantial completion of Contractual obligations. However the agreement of sale is entered with allottees on receipt of full consideration, though the substantial contractual obligations amounting to 53,676.77 lakhs are yet to be fulfilled.</p> <p>As per para 4.2 of the AS 9, the completed service contract method can be applied only when the project is completed or substantial part of the Contractual obligations are completed. As per information and explanation given to us, substantial portion of the contractual In our opinion Para 4.2 of AS -9 Revenue Recognition is not applicable.</p>	<p>Revenue for sale /lease of plot/ land is accounted on execution of sale agreement/ lease deed. Most of the sale/ lease are un developed land 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 park, 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>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. '</p> <p>'Guidance Note on Real Estate 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, has laid down the methodology of application of percentage completion method in this type of transactions. Under this revenue is to be recognized on fulfillment of all the following conditions:</p> <ul style="list-style-type: none"> a) Obtaining all critical approvals necessary for Commencement of Project. b) When the stage of completion of the project reaches a reasonable level of development i.e incurring construction and development co of 25% or more of the total estimated cost. c) At least 25% of of the saleable area is secured by contracts or Sale agreements with buyers. d) At least 10% of the total revenue as per agreement of sale or any other legally enforceable documents is realized at the reporting date in respect of each of the contracts and it is reasonable to expect that the parties to such contracts will comply with the payment terms as defined in contracts. <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>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.</p> <p>Impact of non-reconciliation of Deposits received from Allottees (Rs. 3347.87 Lakhs):As stated in the para 4 of our report, the non-reconciliation of Deposits of Rs.3347.87 Lakhs. We are not in a position to comment and quantify the impact of the non-reconciliation on 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>The party wise schedules in respect of deposits Received from Allottees were prepared during the year. With respect to the un-reconciled deposits mentioned the same under further reconciliation.</p>
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7)	<p><u>Cost of Sales- Land Rs. 24,599.98 Lakhs (Previous Year Rs. 21,216.67 Lakhs):</u></p> <p>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. 6,078.60 lakhs, Land Development Cost of Rs.713.22 lakhs and Civil Work in Progress of Rs. 7,289.77 lakhs and Provision for Contractual Obligations for the year of Rs. 10,518.39 lakhs aggregating to Rs. 24,599.98 lakhs.</p> <p>Since we are not clear about the provision for contractual obligation made during the year as mentioned vide para 4 above, we cannot express any opinion on cost of sales charged to Profit & Loss A/C. (Refer to Note No.: 20)</p>	<p>The audit comment is self explanatory and there is neither understatement nor overstatement of cost of sales during the year. Hence, there is no impact on the statement of Profit & Loss account</p>
8)	<p><u>Treatment of transactions pertaining to Industrial Area Local Authority:</u></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>The Assets and Liabilities of the Corporation have been understated.</p> <p>The profit or loss of the corporation has been understated.</p> <p>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. <u>Further, we are of the opinion that not clubbing the income of IALAs will tant amount to noncompliance of AS -9: Income Recognition.</u> (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. The accounts of IALAs are maintained separately by the respective IALAs and The Financial Statements are being Audited and certified by independent Chartered Accountants from time to time.</p>

ANNEXURE – B

OBSERVATIONS OF STATUTORY AUDITOR ON CONSOLIDATED FINANCIAL STATEMENTS AND REPLY OF THE COMPANY FOR THE YEAR ENDING 31.03.2017

SI No.	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT																
1)	<p>Equity Share Capital: Current year amount of Rs.952.22Lakhs(PreviousYearRs.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 no.: 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 and O/o P&AG for rectification</p>																
2)	<p>Reserves and surplus: Capital Reserve current year Rs. 758.16 lakhs (Previous Year Rs.758.16 Lakhs) :</p> <p>An amount of Rs.758.16 lakhs received from the Government of Andhra Pradesh as share capital vide G.O. Nos. 107 dated 22.07.1995. 108 dated 26.07.1995, 284 dated 17.08.1998. 330 dated 16.09.1998, 171 dated 27.05.1999. 224 dated 28.05.2002 pending for many years is classified as Capital Reserve. In our opinion, this needs to be classified as share capital pending allotment. (Refer note no.: 4)</p>	<p>The audit observation is noted. EPTP Grant pointed by Audit was sanctioned 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 reedVed s4, far conveying Equity as a Grant. The matter is unc. persuasion, The treatment will be reviewed and necessary action will be taken reconciliation of the Equity with office of P & AG.</p>																
3)	<p>Deposits received from allottees: Current year Rs. 1,92,078.59(Previous Year Rs.1,89,751.05) .</p> <p>This includes re-reconciled amounts and the management has provided zone wise and party wise un-reconciled amounts which are yet to be reconciled.</p> <table><tr><th>Name of the zone</th><th>Amount (Rs.)</th></tr><tr><td>Anantapuramu</td><td>21483280.27</td></tr><tr><td>Nellore</td><td>2663271.45</td></tr><tr><td>Tirupathi</td><td>15363242.89</td></tr><tr><td>Vijayawada</td><td>26152914.43</td></tr><tr><td>Vishakapatnam</td><td>11389004.00</td></tr><tr><td>Head Office</td><td>272829886.56</td></tr><tr><td>Total</td><td>349881599.60</td></tr></table> <p>In addition there is an un-reconciled debit balance of Rs.1,50,94,973.30 respect of Kadapa zone. (Refer note no.: 7)</p>	Name of the zone	Amount (Rs.)	Anantapuramu	21483280.27	Nellore	2663271.45	Tirupathi	15363242.89	Vijayawada	26152914.43	Vishakapatnam	11389004.00	Head Office	272829886.56	Total	349881599.60	<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>
Name of the zone	Amount (Rs.)																	
Anantapuramu	21483280.27																	
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Vishakapatnam	11389004.00																	
Head Office	272829886.56																	
Total	349881599.60																	

<p>4)</p>	<p>Provision for contractual obligations: Current year Rs.53676.77 lakhs(Previous Year Rs.43,158.38 lakhs): Adequacy of provision: As per the information and explanations given to us, the Corporation after reviewing various pending contractual obligations at the year end estimated the provision against contractual obligations as Rs.53676.77 lakhs, (Previous year Rs.43158.38 lakhs) and accordingly provided. We are not clear. whether the provision is pertaining to earlier year sales or current year sales. Hence in our opinion. we are not able to comment upon the adequacy of the provision made by the organisation. (Refer note no.: 8.3) 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.</p>
<p>5)</p>	<p>Inventory Rs.2,77,628.08 lakhs (Previous Year Rs.2,22,22 1.79 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)</p>	<p>The inventory was reviewed and reconciled during the previous years itself. Non reconciliation of deposits does not have any impact on revenue and inventory</p>
<p>6)</p>	<p>Non conformity of Accounting Standard: 9 Revenue Recognition-Sale of Land, Sheds etc. Rs. 31326.41 lakhs(P.V. 28415.98 lakhs): (Refer Accounting Policy No. 4) Income is to be recognized only on completion or substantial completion of Contractual obligations. However the agreement of sale is entered with allottees on receipt of full consideration, though the substantial contractual obligations amounting to 53,676.77 lakhs are yet to be fulfilled. As per para 4.2 of the AS 9, the completed service contract method can be applied only when the project is completed or substantial part of the Contractual obligations are completed. As per information and explanation given to us, substantial portion of the contractual In our opinion Para 4.2 of AS 9 Revenue Recognition is not applicable. 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.</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 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 park, 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>

7)	<p><u>Cost of Sales- Land Rs. 24,599.98 Lakhs (Previous Year Rs. 21,216.67 Lakhs):</u></p> <p>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. 6,078.60 lakhs, Land Development Cost of Rs.713.22 lakhs and Civil Work in Progress of Rs. 7.289.77 lakhs and Provision for Contractual Obligations for the year of Rs. 10.518.39 lakhs aggregating to Rs. 24,599.98 lakhs.</p> <p>Since we are not clear about the provision for contractual obligation made during the year as mentioned vide para 4 above. we cannot express any opinion on cost of sales charged to Profit & Loss A/C. (Refer to Note No.: 20)</p>	<p>The audit comment is self explanatory and there is neither understatement nor overstatement of cost of sales during the year. Hence. there is no impact on the statement of Profit & loss account.</p>
8)	<p><u>Treatment of transactions pertaining to Industrial Area Local Authority:</u></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>The Assets and Liabilities of the Corporation have been understated. The profit or loss of the corporation has been understated. 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 noncompliance of AS-9: Income Recognition.</u> (Refer to Note No 23)</p>	<p>The audit comment is self explanatory. Treatment was disclosed in Notes to accounts side 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. The accounts of IALAs are maintained separately by the respective IALAs and The Financial Statements are being Audited and certified by independent Chartered Accountants from time to time.</p>
B	<p>The auditors of subsidiary company Andhra Pradesh Gas Infrastructure Corporation Pvt Ltd mentioned the following qualification in their audit report:</p> <ol style="list-style-type: none"> Attention is invited to note vii & viii forming part of the financial statements (notes) regarding interest claims & service tax claims raised by Oil and Natural Gas Corporation Ltd. The auditors were unable to provide opinion on the same, since details for the same were not made available. Only the claim bills raised by Oil 	

	<p>and Natural Gas Corp Ltd were provided with no basis for calculation. Moreover no board approval for acceptance of such claims was provided from the management; however a provision has been made in the books of accounts.</p> <p>ii. The Auditors were not provided with appropriate audit evidence about the carrying amount of company's investment in Andhra Pradesh Gas Distribution Corporation Ltd as at March 31, 2017. Consequently, they were unable to express opinion in this matter.</p> <p>iii. The Auditors were not provided with appropriate audit evidence about bank guarantees given by the company. No records have been produced to them with respect to outstanding bank guarantees and only a confirmation from APIIC (Holding company) was given to us to rely upon. Hence they were unable to express opinion in this matter.</p> <p>iv. As per the joint operation agreement with Oil and Natural Gas Corp Ltd, on default the share of the company is to be forfeited. The capital work in progress is still carried at its book value. However, they were unable to express an independent opinion in this matter as the company has defaulted in payment of cash calls and as per terms of joint operating agreement the share of the company stands forfeited.</p> <p>v. The Auditors were unable to comment on the comfort letter given by the company to the banks for arrangement of funds for APGDC as no evidence with regard to same were made available. The company is not in a position to give any guarantee/comfort letter as its own net worth has been eroded. Hence they were unable to express opinion in this matter.</p>	
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	<p>vi. With respect to Estimation for Capital Commitment for ongoing exploratory blocks & cash calls the company is relying on the data (both technical & financial data) provided by the operators and there is no evidence of calculations being made by the company made available to them. Hence they were unable to express opinion in this matter.</p> <p>vii. The Auditors were unable to comment on the reimbursement received from APGDC for the share in rent, electricity & office maintenance expenses as calculations for the same were not made available. Hence they were unable to express opinion in this matter.</p> <p>viii) The Auditors were unable to comment on the liquidated damages payable by the company towards non completion of minimum work programme (MWP) as details for the same were not made available. Hence they were unable to express opinion in this matter</p>	<p>The Audit Comment on the observations of the statutory auditor of Andhra Pradesh Gas Infrastructure Corporation Pvt Ltd is self explanatory.</p>
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ANNEXURE – C

REPLIES TO 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 31.03.2017

Sl. No	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT
1)	<p>BALANCE SHEET EQUITY and LIABILITIES Non-Current Liabilities - ₹ 2013.62 crores Other Long Term Liabilities (Note-5.3) – ₹ 1,740.38 crore</p> <p>Government of Andhra Pradesh amended the Andhra Pradesh Agricultural Land (Conversion for Non Agricultural Purposes) Act, 2006 by enacting Act no.13 of 2018. As per sub section (g) of section 7 of amended act, the lands allotted to the company are exempted from the provisions of the act, 2006. In this regard GoAP issued orders (G.O Ms No.98 dated 19.02.2018) stating that in case of lands allotted to APIIC, the lands stand converted to non agricultural purpose. Though exemption under Act no.13 is applicable for lands allotted from 01.02.2018, the company has not provided the Liability for conversion charges for lands allotted upto 01.02.2018. Company has instead disclosed contingent liability to the extent of ₹55,241.40 lakh towards conversion charges pertaining to the period upto 2014-15. Further, it has not provided liability of ₹ 2,742.02 lakh for the years 2015-16 and 2016-17.</p> <p>Thus non provision for the liability towards conversion charges for the lands allotted prior to exemption has resulted in understatement of Other Long Term Liabilities (Notes 5,3) by ₹ 57,983.42 lakh and overstatement of contingent liability by ₹ 55,241.40 lakh.</p>	<p>The Government of Andhra Pradesh have amended section 7 of A P Agricultural Land (Conversion for non agricultural purpose) Act, 2006 duly incorporating that the act shall not be applicable to the lands allotted to APIIC. The gazette notification was issued w.e.f 01.02.2018.</p> <p>Further, the lands taken possession for which requests were made for conversion into non agricultural purpose are yet to be converted as non - agricultural lands. The GoAP vide G.O. Ms. No. 98 dated 19.02.2018 mentioned that in case of lands allotted to the APIIC Ltd., the lands stand converted to Non – Agricultural Purpose. Hence, there is no liability for conversion charges to the company.</p> <p>Hence, no further provision was made in the books of accounts.</p>

<p>2)</p>	<p>Current Assets</p> <p>Inventories (Note 12.1) : ₹2 963.36 crore</p> <p>Stock in Trade Land – ₹2,631.89 crore</p> <p>The Company takes possession of Government lands in various places in the State pending alienation orders from the GoAP. Pending alienation orders, the company capitalizes the land taken to possession on provisional basis at rates recommended by the District collector/ Revenue authorities. Audit observed that even though alienation orders were issued in certain cases, the Company valued the inventory on provisional basis at the rates recommended by the District collector/Revenue authorities instead of at the rates indicated in the alienation orders of GoAP, resulting in overstatement of Inventories (Note 12) and overstatement of Dues to Government (schedule 5) by ₹11.40 crore. The details of the cases are given below:</p> <p>a) Company valued 21.68 acres of land at Pedagantyda village (S.No.211/2 to 20) in Visakhapatnam district provisionally as ₹ 17.34 crores @ ₹ 80 lakh per acre as recommended by the District authorities, though the Government issued alienation orders (GOMs No.413 dated 30-8-2016) @ ₹ 60 lakh per acre resulting in overvaluation of Land by ₹ 20 lakh per acre. This has consequently resulted in overstatement of inventories by ₹ 4.34 crore and over statement of Other Long term Liabilities - Dues to Government (Note 5.3) by the same amount.</p> <p>b) Company valued 200 acres of land at Penta village, Padmanabham Mandal provisionally as ₹ 2 crore @ ₹ one lakh per acre as per basic value as recommended by District authorities, though Government issued alienation orders (GOMs No.373 dated 07-08-2017) at free of cost for formation of Industrial Park resulting in overvaluation of Land by ₹2 crore. This has consequently resulted in overstatement of Inventories by ₹1.99 crore (200 acres * ₹1/- per acre nominal value of free hold land) and overstatement of Other Long Term Liabilities - Dues to Government (Note 5.3) by the same amount.</p>	<p><u>a) Inventory of 21.68 acres in pedagantyada village:</u></p> <p>As per the proposals of the District Collector, the extent of 21.68 acres in Pedagantyada village was provisionally capitalized at ₹80.00 lakhs per acre. The G.O Ms No.413 dated 30.08.2016 mentioned by the audit is towards alienation of the above land to VUDA but not the alienation orders on fixing the land cost. The rate mentioned of ₹60.00 lakh per acre in the above G.O is an indication of the basic value of the land by the District Collector but not finalisation of land cost by Government to the company. The G.O. is not mentioning about the alienation cost fixation but mentioned about the alienation of land to VUDA. Hence, the land was capitalised based on the proposals of the District Collector.</p> <p>Hence, there is no overstatement of inventory and overstatement of Dues to Government.</p> <p><u>b) 200 acres of land at penta village:</u></p> <p>Necessary entries were passed in the Books of Accounts during the F.Y 2017-18</p>
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	<p>c) Company valued 69.03 acres of land in Vikruthamala village (S.No.419/1A), Yerpedu Mandal, Tirupathi provisionally @ ₹12.50 lakh per acre for 67.40 acres and @ ₹5.50 lakh for 1.63 acres as recommended by district authorities, through Government issued alienation orders (GO Ms No.477 dated 17-11-16) @ ₹ 5 lakh per acre resulting in overvaluation of Land by ₹7.50 lakh per acre. This has consequentially resulted in overstatement of inventories by ₹5.06 crore and overstatement of Other Long term Liabilities - Dues to Government (Note 5.3) by the same amount</p>	<p><u>c) 69.03 acres of land at Vikrutamala village:</u></p> <p>Out of the total extent of 69.03 acres of land, the Government land of 1.63 acres was valued at ₹5.50 lakhs per acre.</p> <p>The balance extent of 67.40 acres of DKT land was provisionally capitalised at ₹ 12.50 lakhs per acre as per the proposal of the District Collector i.e., 2.50 times of the basic value of ₹5.00 lakhs as the corporation will have future liability which is in line with the provisions of the LA Act, 2013.</p> <p>Hence, there is no overstatement of inventories and overstatement of Dues to Government.</p>
3)	<p>Inventories also include disputed land to the extent of 2.48 acres valued at ₹ 24.80 lakh at Ramannapalem, Kakinada Zone. As per District Magistrate, Kakinada order dated 11-01-2017, out of the total 18.48 acres of land handed over to APIIC an extent of 2.48 acres was earlier (31-08-2014) leased out. Subsequently it was cancelled and the aggrieved party (Lease) filed a Revision Petition and the matter is pursued by GoAP. The fact that the land is in dispute has not been disclosed.</p>	<p>The Audit point is noted for future guidance</p>
4)	<p>Notes forming part of the Accounts</p> <p>The company accounted ₹ 560.40 lakh as due to textile department. This amount however represents sale proceeds of the plots of M/s Vizag Apparel Park (SPV), which were sold by APIIC on behalf of SPV. Thus, depiction of ₹5.60 crore as dues payable to textile department was incorrect. Company should have given suitable disclosure of the fact that the amount is payable to SPV.</p>	<p>The amount due to the SPV is being reflected under the Head of Account "Due to Textile Department".</p> <p>Necessary disclosure has been made in the financial statements of the company for the F.Y 2017-18.</p>

ANNEXURE – D

**REPLIES TO 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 31.03.2017**

S I . No.	AUDIT ENQUIRY	REPLY OF THE MANAGEMENT
1)	<p>BALANCE SHEET EQUITY and LIABILITIES Non-Current Liabilities – ₹ 2019.16 crore Other Long Term Liabilities (Note-5.3) – ₹1,745.93 crore</p> <p>Government of Andhra Pradesh amended the Andhra Pradesh Agricultural Land (Conversion for Non Agricultural Purposes) Act, 2006 by enacting Act no.13 of 2018. As per sub section (g) of section 7 of amended act, the lands allotted to the company are exempted from the provisions of the act, 2006. In this regard GoAP issued orders (G.O Ms No.98 dated 19.02.2018) stating that in case of lands allotted to APIIC, the lands stand converted to non agricultural purpose. Though exemption under Act no.13 is applicable for lands allotted from 01.02.2018, the company has not provided the Liability for conversion charges for lands allotted upto 01.02.2018. Company has instead disclosed contingent liability to the extent of ₹ 55,241.40 lakh towards conversion charges pertaining to the period upto 2014-15. Further, it has not provided liability of ₹ 2,742.02 lakh for the years 2015-16 and 2016-17.</p> <p>Thus non provision for the liability towards conversion charges for the lands allotted prior to exemption has resulted in understatement of Other Long Term Liabilities (Note-5.3) by ₹57,983.42 lakh and overstatement of contingent liability by ₹ 55,241.40 lakh.</p>	<p>The Government of Andhra Pradesh have amended section 7 of A P Agricultural Land (Conversion for non agricultural purpose) Act, 2006 duly incorporating that the act shall not be applicable to the lands allotted to APIIC. The gazette notification was issued w.e.f 01.02.2018.</p> <p>In this regard, a letter was addressed by the company to the Government of Andhra Pradesh requesting for considering the exemption of conversion charges for the lands allotted prior to 01.02.2018 also. The Government is also in a positive view for exemption of the same in respect of lands allotted to APIIC prior to 01.02.2018 also. The Government orders in this regard are still awaited.</p> <p>Further, the lands taken possession for which requests were made for conversion into non agricultural purpose are yet to be converted from agricultural lands. The GoAP vide G.O. Ms. No. 98 dated 19.02.2018 clarified that in case of lands allotted to the APIIC Ltd., the lands stand converted to Non – Agricultural Purpose. Hence, there is no liability for conversion charges.</p> <p>Hence, no further liability/ contingent liability was provided by the company for the year as the company does not have any liability towards conversion charges.</p>

2)	<p>Current Assets</p> <p>Inventories (Note 12.1) : ₹ 2 963.36 crore</p> <p>Stock in Trade Land – ₹ 2,631.89 crore</p> <p>The Company takes possession of Government lands in various places in the State pending alienation orders from the GoAP. Pending alienation orders, the company capitalizes the land taken to possession on provisional basis at rates recommended by the District collector/ Revenue authorities. Audit observed that even though alienation orders were issued in certain cases, the Company valued the inventory on provisional basis at the rates recommended by the District collector/ Revenue authorities instead of at the rates indicated in the alienation orders of GoAP, resulting in overstatement of Inventories (Note 12) and overstatement of Dues to Government (schedule 5) by ₹ 11.40 crore. The details of the cases are given below:</p> <p>a) Company valued 21.68 acres of land at Pedagantyda village (S.No.211/2 to 20) in Visakhapatnam district provisionally as ‘ 17.34 crores @ ₹ 80 lakh per acre as recommended by the District authorities, though the Government issued alienation orders (GOMsNo.413 dated 30-8-2016) @ ₹ 60 lakh per acre resulting in overvaluation of Land by ₹ 20 lakh per acre. This has consequently resulted in overstatement of inventories by ₹4.34 crore and over statement of Other Long term Liabilities - Dues to Government (Note 5.3) by the same amount.</p> <p>b) Company valued 200 acres of land at Penta village, Padmanabham Mandal provisionally as ₹ 2 crore @ ‘ one lakh per acre as per basic value as recommended by District authorities, though Government issued alienation orders (GOMs No.373 dated 07-08-2017) at free of cost for formation of Industrial Park resulting in overvaluation of Land by ₹ 2 crore. This has consequently resulted in overstatement of Inventories by ‘ 1.99 crore (200 acres * ₹ ‘ 1/- per acre nominal value of free hold land) and overstatement of Other Long Term Liabilities - Dues to Government (Note 5.3) by the same amount.</p>	<p>a) Inventory of 21.68 acres in pedagantyada village:</p> <p>As per the proposals of the District Collector, the extent of 21.68 acres in Pedagantyada village was provisionally capitalized at ₹ 80.00 lakhs per acre. The G.O Ms No.413 dated 30.08.2016 mentioned by the audit is towards alienation of the above land to VUDA but not the alienation orders on fixing the land cost. The rate mentioned of ₹ 60.00 lakh per acre in the above G.O is an indication of the basic value of the land by the District Collector but not finalisation of land cost by Government to the company. The G.O. is not mentioning about the alienation cost fixation but mentioned about the alienation of land to VUDA. Hence, the land was capitalised based on the proposals of the District Collector.</p> <p>Hence, there is no overstatement of inventory and overstatement of Dues to Government.</p> <p>b)200 acres of land at penta village:</p> <p>Necessary entries were passed in the Books of Accounts during the F.Y 2017-18</p>
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	<p>c) Company valued 69.03 acres of land in Vikruthamala village (S.No.419/1A), Yerpedu Mandal, Tirupathi provisionally @ ₹ 12.50 lakh per acre for 67.40 acres and @ ₹ 5.50 lakh for 1.63 acres as recommended by district authorities, though Government issued alienation orders (GO Ms No.477 dated 17-11-16) @ ₹ 5 lakh per acre resulting in overvaluation of Land by ₹ 7.50 lakh per acre. This has consequentially resulted in overstatement of inventories by ₹ 5.06 crore and overstatement of Other Long term Liabilities - Dues to Government (Note 5.3) by the same amount</p>	<p><u>c) 69.03 acres of land at Vikrutamala village:</u> Out of the total extent of 69.03 acres of land, the Government land of 1.63 acres was valued at ₹ 5.50 lakhs per acre. The balance extent of 67.40 acres of DKT land was provisionally capitalised at ₹ 12.50 lakhs per acre as per the proposal of the District Collector i.e., 2.50 times of the basic value of ₹ 5.00 lakhs as the corporation will have future liability which is in line with the provisions of the LA Act, 2013. Hence, there is no overstatement of inventories and overstatement of Dues to Government.</p>
3)	<p>Inventories also include disputed land to the extent of 2.48 acres valued at ₹ 24.80 lakh at Ramannapalem, Kakinada Zone. As per District Magistrate, Kakinada order dated 11-01-2017, out of the total 18.48 acres of land handed over to APIIC an extent of 2.48 acres was earlier (31-08-2014) leased out. Subsequently it was cancelled and the aggrieved party (Lease) filed a Revision Petition and the matter is pursued by GoAP. The fact that the land is in dispute has not been disclosed.</p>	<p>The Audit point is noted for future guidance</p>
4)	<p>Notes forming part of the Accounts</p> <p>The company accounted ₹ 560.40 lakh as due to textile department. This amount however represents sale proceeds of the plots of M/s Vizag Apparel Park (SPV), which were sold by APIIC on behalf of SPV. Thus, depiction of ₹5.60 crore as dues payable to textile department was incorrect. Company should have given suitable disclosure of the fact that the amount is payable to SPV.</p>	<p>The amount due to the SPV is being reflected under the Head of Account "Due to Textile Department".</p> <p>Necessary disclosure has been made in the financial statements of the company for the F.Y 2017-18.</p>

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Balance Sheet as at 31st March 2017

(RS. in lakhs)

	Particulars	Note No.	31.03.2017	31.03.2016
I	EQUITY AND LIABILITIES			
(1)	Shareholder's funds:			
a	Share Capital	3	952.22	952.22
b	Reserves and Surplus	4	36724.81	33372.39
	Shareholder's funds - Total		37677.03	34324.61
(2)	Non - Current liabilities:			
a	Long term borrowings	5.1	26180.98	28086.24
b	Deferred tax liabilities (Net)	5.2	14.92	172.29
c	Other Long term liabilities	5.3	174038.05	144723.14
d	Long - term provisions	5.4	1127.75	1106.61
	Non - Current liabilities - Total		201361.70	174088.28
(3)	Current liabilities:			
a	Trade payables	6	249.43	165.06
b	Other Current liabilities	7	221591.62	218139.46
c	Short - term provisions	8	56130.62	44580.10
	Current liabilities - Total		277971.67	262884.62
	Total Equity and Liabilities		517010.40	471297.51
II	ASSETS			
(1)	Non - Current Assets:			
a	Fixed Assets:			
	(i) Tangible Assets	9.1.3	34096.24	33813.61
	(ii) Capital Work in Progress	9.2.1	7250.03	0.00
b	Non - current investments	10	3963.10	3547.62
c	Long - term loans and advances	11	126563.10	119318.82
	Non-Current Assets - Total		171872.47	156680.05
(2)	Current Assets:			
a	Inventories	12	296336.23	237552.03
b	Trade receivables	13	7012.81	10728.37
c	Cash and cash equivalents	14	15356.24	46767.86
d	Short - term loans and advances	15	3682.17	3715.27
e	Other Current Assets	16	22750.48	15853.93
	Current Assets - Total		345137.93	314617.46
(3)	Accounting Policies	1		
	Total Assets		517010.40	471297.51

AS PER OUR REPORT OF EVEN DATE
for ANJANEYULU & Co.,
CHARTERED ACCOUNTANTS
FIRM REGD. NO. : 0001805

FOR AND ON BEHALF OF THE BOARD

Sd/-
V. S VENKATESWARLU
PARTNER
M.NO.: 025805

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 : 09.01.2019
PLACE : VIJAYAWADA

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Profit and Loss Statement for the period ended 31st March 2017

(₹ in lakhs)

	Particulars	Note No.	Current Year	Previous Year
I	Revenue from Operations	18	36320.23	33253.74
II	Other Income	19	5460.88	4267.32
III	Total Revenue (I +II)		41781.11	37521.06
IV	Expenses :			
a	Cost of Sales	20	24599.98	21217.91
b	Employee Benefits expense	21	3236.86	3260.71
c	Depreciation and amortization expense		381.55	406.88
d	Other expenses	22	9332.65	7971.43
	Total Expenses		37551.04	32856.93
V	Profit before Exceptional and Extraordinary items and tax(III-IV)		4230.07	4664.13
VI	Exceptional items		0.00	2500.00
VII	Profit before extraordinary items and tax (V - VI)		4230.07	2164.13
VIII	Extraordinary items		0.00	0.00
IX	Profit before tax (VII - VIII)		4230.07	2164.13
X	Tax expense :			
	(1) Current Tax - Current Year		842.18	1170.22
	- Previous Years		192.83	(463.30)
	(2) Deferred Tax - Current Year		(157.36)	131.89
	(3) MAT Credit		0.00	284.61
	Total Tax expense (1 + 2 - 3)		877.65	554.20
XI	Profit (Loss) for the period (IX - X)		3352.42	1609.93
XII	Earning per equity share (in Rupees):			
	- Basic & Diluted		3521	1691
	(Face value of Rs. 1000/- per Share)			

AS PER OUR REPORT OF EVEN DATE
for ANJANEYULU & Co.,
CHARTERED ACCOUNTANTS
FIRM REGD. NO. : 0001805

Sd/-
V. S VENKATESWARLU
PARTNER
M.NO.: 025805

FOR AND ON BEHALF OF THE BOARD

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 : 09.01.2019
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	4230.07	4664.13
<u>Adjustments for :</u>		
Depreciation and amortisation	381.55	406.88
Dividend Income	(0.88)	(191.70)
Profit / loss on sale of fixed assets	0.03	(0.31)
Operating profit before working capital changes	4610.77	4879.00
<u>Adjustments for :</u>		
Inventories	(58790.10)	(49760.70)
Trade receivables	3715.56	(3206.44)
Other current and non-current assets	(6717.33)	12899.47
Loans and advances	(7211.18)	(14592.93)
Payables, liabilities and provisions	42836.28	66262.74
Net Cash Flow from operating activity before Income Tax	(21556.00)	16481.14
Income tax paid	(880.89)	(359.52)
Net Cash Flow from operating activities before extraordinary and exceptional items	(22436.89)	16121.62
Exceptional item	0.00	2500.00
Extraordinary items	0.00	0.00
Net Cash Flow from operating activities after extraordinary items	(22436.89)	13621.62
Cash flows from investing activities		
Acquisition of fixed assets	(8136.10)	(74.22)
Purchase of investments	(839.57)	(500.00)
Dividend income	0.88	191.70
Sale of fixed assets	0.06	0.49
Net cash flow from investing activities	(8974.73)	(382.03)
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	(31411.62)	13239.59
Cash and cash equivalents at the beginning of the year	46767.86	33528.27
Cash and cash equivalents at the end of the year	15356.24	46767.86
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.: 0012815

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

1. ACCOUNTING POLICIES :

1 COMPANY INFORMATION:

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

The financial statements have been prepared in accordance with the Schedule III of the Companies Act, 2013 to the extent applicable and 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 assests 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 for which bills are not received, 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, is not provided for in the Books of Accounts. The expenditure on the same will be charged off in the accounts on receipt of bills / demands for the same.

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.

<u>EQUITY AND LIABILITIES</u>	<u>(Rs. In lakhs)</u>
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	<u>3,73,490.23</u>
<u>ASSETS</u>	<u>(Rs. In lakhs)</u>
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	<u>3,73,490.23</u>

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

The financial statements for the Financial Year 2014-15 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 TSIIC Limited. The financial statements for the F.Y. 2014-15 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.

		(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
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	952.22	
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 2017	As at 31st March 2016	
	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 pari passu with all respects including entitlement of dividend, voting and repayment of capital. Each equity share carries one vote.			
4 RESERVES AND SURPLUS			
Capital Reserve			
As per last Balance Sheet	758.16	758.16	
sub-total	758.16	758.16	
Profit and Loss Account			
As per last Balance Sheet	32,614.23	31,004.30	
Add. Profit/ Loss for the year	3,352.42	1,609.93	
Sub-total	35,966.65	32,614.23	
TOTAL	36,724.81	33,372.39	
4.1 The balance of capital reserve shown above pertains to the share of APIIC Ltd.. towards grant received from Government of India towards Export Promotion Investment Policy at IP, Pashamylaram. The company has deducted the same from the total cost of the project in the year 1995 itself. The same was shown as Capital Reserve as the same is being treated by Government of Andhra Pradesh as equity in the books of Finance and the company has treated the same as Grant. The reconciliation of the same is under progress.			
NON -CURRENT LIABILITIES:			
5.1 LONG TERM BORROWINGS			
UNSECURED			
Loan from RINL	9,600.00	12,000.00	
Loan from NTPC	2,000.00	2,500.00	
Interest accrued but not due (Payable from 2022-23)	14,580.98	13,586.24	
TOTAL	26,180.98	28,086.24	
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, 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 of APIIC for servicing of interest as it has no impact on the Profit and Loss statement. 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.

5.2 DEFERRED TAX LIABILITIES (NET)

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

	(Rs.in lakhs) As at 31-3-2017	(Rs. in Lakhs) As at 31-3-2016
Deferred Tax Liability	434.35	574.52
Less: Deferred Tax Asset	419.43	402.23
Net Deferred Tax Liability (Asset)	14.92	172.29

5.3 OTHER LONG TERM LIABILITIES

Funds for incubation centers, Millenium Towers etc.	9,854.45	5,763.89
Due to GoAP - Land	76,595.99	48,347.75
Deposit towards works undertaken	18,730.05	25,156.22
Land Conversion Charges	26,640.56	26,640.56
Deposits received from allottees - SEZ	21,026.21	20,391.45
Other liabilities	21,190.79	18,423.27
TOTAL	1,74,038.05	1,44,723.14

5.3.1 Construction of Incubation Centres, Millenium Towers etc.:

Information Technology, Electronics and Communication Department, Government of Andhra Pradesh have released the following amounts for undertaking various works like Construction of Incubation Centres, Millenium Towers, Electronic Manufacturing Cluster etc., which is as follows:

	(Rs. In Lakhs)
SCHEME	2016-17
Millenium Towers - Visakhapatnam	5,576.60
IT Business Centre, Tirupati	150.00
TOTAL	5,726.60

An amount of Rs.675.49 lakhs (Previous Year Rs.4,044.14 lakhs) towards expenditure incurred for construction of IT Incubation Centers was adjusted during the year 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, an amount of Rs. 762.50 lakhs were released by Government of India during the year (Previous Year Rs. NIL).

5.3.5 **Industrial Infrastructure Upgradation Fund (IIDF):**

Government of Andhra Pradesh created a fund called IIDF for taking up infrastructure works wherever there is no provision to take up such works under regular budget. Under this Scheme, an amount of Rs.208.34 Lakhs (Previous year Rs. NIL) was received during the year. The same was received towards reimbursement of the amount incurred by the company during the F.Y 2010-11 towards erection of 1 no. 33/11 KV SS for NBPPL Project at Mannavaram, Chittoor District.

- 5.3.6 **Grants received from Government of India for implementation of projects / schemes:** The Government of India have sanctioned various projects/ Schemes for which grants were received by the corporation the details of which are as follows:

(Rs. In Lakhs)		
SCHEME	2016-17	2015-16
MIIUS, Bobbili	260.40	0.00
MIIUS, Hindupur	447.90	0.00
JRD Tata	197.00	0.00
TOTAL	905.30	0.00

	(Rs.in lakhs) As at 31-3-2017	(Rs. in Lakhs) As at 31-3-2016
5.4 Long Term Provisions:		
Provision for leave Benefits		
As per the last balance sheet	1,106.61	763.99
Add: Additions during the year	1,127.75	1,106.61
Less: Payments/adjustments during year	1,106.61	763.99
	1,127.75	1,106.61

- 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	249.43	165.06
TOTAL	249.43	165.06

7 **OTHER CURRENT LIABILITIES**

Deposits received from allottees	1,92,078.59	1,89,751.05
Other Current Liabilities	25,867.77	24,743.15
Current maturities of long term Debt	2,900.00	2,900.00
Interest accrued and due on borrowings	745.26	745.26
TOTAL	2,21,591.62	2,18,139.46

- 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. 6,760.98 lakhs (Previous Year - Rs.7,230.80 lakhs).

8	SHORT-TERM PROVISIONS	(Rs.in lakhs)	(Rs. in Lakhs)
	(a) PROVISION FOR EMPLOYEE BENEFITS	As at 31-3-2017	As at 31-3-2016
	(Ref Note No. 5.4)		
8.1	Provision for leave Benefits		
	As per the last balance sheet	55.42	33.65
	Add: Additions during the year	84.18	55.42
	Less: Payments/adjustments during year	55.42	33.65
	Sub-total	84.18	55.42
	(b) OTHERS		
8.2	Provision for PS charges		
	As per the last balance sheet	150.05	175.85
	Add: Additions during the year	359.61	159.84
	Less: Payments/adjustments during year	198.42	185.64
	Sub-total	311.24	150.05
8.3	Provision for Contractual Obligations		
	As per the last balance sheet	43,158.38	46,895.15
	Add: Additions during the year	53,676.77	5,581.95
	Less: Adjustments made during year	43,158.38	9,318.72
	Sub-total	53,676.77	43,158.38
8.4	Provision for taxation		
	As per the last balance sheet	1,170.23	2,070.70
	Add: Additions during the year	842.59	1,170.23
	Less: Payments/adjustments during year	0.41	2,070.70
	Sub-total	2,012.41	1,170.23
8.5	Provision for Diminution of Inventories		
	As per the last balance sheet	46.02	47.05
	Add: Additions during the year	0.00	0.00
	Less: Payments/adjustments during year	0.00	1.03
	Sub-total	46.02	46.02
	TOTAL	56,130.62	44,580.10

9 **NON-CURRENT ASSETS**

9.1 **TANGIBLE ASSETS**

9.1.1 **GROSS BLOCK AT COST**

(Rs. In lakhs)

Particulars	As at 31 st March 2016	Additions during the year	Deduction during the year	As at 31 st March 2017
LAND including Land Development	60.68	5.90	60.68	5.90
BUILDINGS	1,314.08	11.89	0.00	1,325.97
REFRIGERATORS, ACs AND AIR COOLERS	10.96	2.12	0.40	12.68
FURNITURE AND FIXTURES	51.99	24.30	0.00	76.29
OFFICE EQUIPMENT	52.33	4.66	0.00	56.99
VEHICLES	150.67	0.00	0.00	150.67
ELECTRICAL EQUIPMENT	25.81	3.48	0.00	29.29
DRAWING EQUIPMENT	1.49	0.00	0.00	1.49
COMPUTER	152.21	175.97	0.00	328.18
QUALITY CONTROL EQUIPMENT	0.00	0.00	0.00	0.00
LAND - SEZ	25,354.67	0.00	0.00	25,354.67
LAND DEVELOPMENT - SEZ	4,091.81	500.00	0.00	4,591.81
BUILDING - SEZ	6.13	0.00	0.00	6.13
WATER SUPPLY - SEZ	1,004.31	0.00	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	6,548.84	0.00	0.00	6,548.84
SOLAR POWER PLANT	1,263.53	0.00	0.00	1,263.53
CURRENT YEAR	41,621.30	728.32	61.08	42,288.54
PREVIOUS YEAR	41,285.74	436.92	101.36	41,621.30

9.1.2 DEPRECIATION BLOCK

(Rs. In lakhs)

Particulars	As at 31 st March 2016	Additions during the year	Deduction during the year	As at 31 st March 2017
BUILDINGS	95.22	25.95	0.00	121.17
REFRIGERATORS, ACs AND AIR COOLERS	8.91	1.08	0.31	9.68
FURNITURE AND FIXTURES	32.52	6.36	0.00	38.88
OFFICE EQUIPMENT	37.91	5.48	0.00	43.39
VEHICLES	54.62	16.83	0.00	71.45
ELECTRICAL EQUIPMENT	9.86	4.21	0.00	14.07
DRAWING EQUIPMENT	1.46	0.02	0.00	1.48
COMPUTER	89.11	63.79	0.00	152.90
BUILDING-SEZ	0.77	0.10	0.00	0.87
WATER SUPPLY - SEZ	350.77	70.32	0.00	421.09
SEWERAGE - SEZ	173.17	33.01	0.00	206.18
EXTERNAL ELECTRIFICATION - SEZ	265.26	56.86	0.00	322.12
ROADS AND BRIDGES - SEZ	6,474.20	54.09	0.00	6,528.29
SOLAR POWER PLANT	213.91	46.82	0.00	260.73
CURRENT YEAR	7,807.69	384.92	0.31	8,192.30
PREVIOUS YEAR	7,316.44	493.01	1.76	7,807.69

9.1.3 NET BLOCK

(Rs. In lakhs)

PARTICULARS	As at 31st March, 2017	As at 31st March, 2016
LAND including Land Development	5.90	60.68
BUILDINGS	1,204.80	1,218.86
REFRIGERATORS, ACs AND AIR COOLERS	3.00	2.05
FURNITURE AND FIXTURES	37.41	19.47
OFFICE EQUIPMENT	13.60	14.42
VEHICLES	79.22	96.05
ELECTRICAL EQUIPMENT	15.22	15.95
DRAWING EQUIPMENT	0.01	0.03
COMPUTER	175.28	63.10
LAND - SEZ	25,354.67	25,354.67
LAND DEVELOPMENT - SEZ	4,591.81	4,091.81
BUILDING - SEZ	5.26	5.36
WATER SUPPLY - SEZ	583.22	653.54
SEWERAGE - SEZ	822.60	855.61
EXTERNAL ELECTRIFICATION - SEZ	180.89	237.75
ROADS AND BRIDGES - SEZ	20.55	74.64
SOLAR POWER PLANT	1,002.80	1,049.62
CURRENT YEAR	34,096.24	33,813.61
PREVIOUS YEAR	33,813.61	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. subsequent additions made of Rs.58.69 lakhs and 4th floor (11867 sft) from APSSIDC for a consideration of Rs. 150.00 lakhs in the year 1998 in Parisrama Bhavan. Basheerbagh. Hyderabad. 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 book value of which is Rs.59.93 lakhs was transferred to TSIIIC Limited during the F.Y 2014-15. The same was shown under the head Buildings in Fixed Assets pending completion of registration formalities by the respective parties.

9.1.5 Depreciation:

The depreciation is calculated based on the useful life of the asset as per the provisions of the Companies Act, 2013. Accordingly. an amount of Rs.381.13 lakhs (Previous Year: Rs.406.88 lakhs) was charged to Profit and Loss statement.

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 year

9.2 CAPITAL WORK IN PROGRESS

9.2.1 Construction of Incubation Centres etc.

(Rs.In lakhs)

As at 31-3-2017

(Rs. in Lakhs)

As at 31-3-2016

As per last Balance Sheet
Add: Additions during the period
Less: Adjustment to Grant

0.00

7,925.52

675.49

TOTAL

7,250.03

3,335.55

708.59

4,044.14

0.00

10 NON-CURRENT INVESTMENTS

10.1 Trade Investments Unquoted (Companies Incorporated in India)

% of Holding

(Rs.In lakhs)

As at 31-3-2017

(Rs. in Lakhs)

As at 31-3-2016

INVESTMENTS IN SUBSIDIARY COMPANIES

I	2,71,66,000 equity shares of Rs.1/- each fully paid up in A P Gas Infrastructure Corporation P Ltd (Previous Year 2,54,00,000 equity shares of Rs. 10/- each fully paid up)	51	271.66	2,540.00
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 Visakapatnam Industrial water Supply Company Ltd.	49	2,202.71	2,202.71
IV	7,69,000 equity of Rs. 10/- each fully paid -up in Atchutapuram Effluent Treatment limited	49	76.90	0.00

INVESTMENTS IN ASSOCIATE COMPANIES

V	52,00,000 equity shares of Rs. 10/- each fully paid up in L & T Hitech City Ltd	26	520.00	520.00
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INVESTMENTS IN RELATED PARTY COMPANIES

VI	15,00,000 equity shares of Rs. 10/- each fully paid up in Bharatiya International SEZ Ltd.	11.05	150.00	150.00
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	% of Holding	(Rs.In lakhs) As at 31-3-2017	(Rs. in Lakhs) As at 31-3-2016
VI 11,54,736 equity shares of Rs. 10/- each fully paid up in L&T infocity Ltd(indudes 5,77,368 Bonus shares Issued on May 12 2003)	11	115.47	115.47
VIII 19,80,000 equity shares of Rs. 10/- each fully paid up in Ramky phama City (India) Ltd	11	198.00	198.00
IX 12,145 equity shares of Rs. 10/- each fully paid up in Hyderabad Information Technology Venture Enterprises Ltd	8	1.21	1.21
X 2,429 equity shares of Rs. 10/- each fully paid up in Cyberabad Trustee Company (P) Ltd	8	0.24	0.24
XI 44,000 equity shares of Rs. 10/- each fully paid up in Vizag IT Park Ltd	0.49	4.40	4.40
XII 449 Units of Rs. 25,000/- each fully paid up in Cyberabad Trustee Company (P) Ltd (HIVE FUND)		112.27	112.27
XIII Deposit towards share application money Atchutapuram Effluent Treatment Limited		586.04	0.00
Bhagynagar Gas Ltd		239.07	239.07
Sub-total		4,483.10	6,088.47
Less: Provision for diminution of Investments			
A.P. Gas Infrastructure Corporation Limited		0.00	2,540.00
L & T Hitech City Limited		520.00	0.00
CTCPL - Hive Fund		0.00	0.85
Sub-Total		520.00	2,540.85
Total		3,963.10	3,547.62

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.2,540.00 lakhs) in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd upto the end of the previous year. Further, an amount of Rs. 176.60 lakhs was invested during the year towards additional subscription to the Equity Share Capital.

During the year an amount of Rs. 2,444.94 lakhs was written off in the books of accounts duly retaining Rs. 271.66 lakhs (i.e., 10% equity contribution of 2,71,66,000 equity shares @ Rs. 1/- each) towards investment in APGIC as the subsidiary company has been incurring losses continuously for the last three years.

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. 1,550.00 lakhs was received in the form of Equity Shares. The Company invested an amount of Rs.652.71 lakhs in cash in the JV Company upto the end of the year

10.5 Investments in Atchutapuram Effluent Treatment Limited :

The company has invested an amount of Rs.662.97 lakhs in Atchutapuram Effluent Treatment Limited towards 49% of equity upto the end of the year as per the orders of Government of Andhra Pradesh vide GO Ms No.135. dated 18.10.2016 of Industries and Commerce (Infra Department) of which 7,69,000 Equity shares of Rs.10/- each were allotted and the balance amount of Rs.586.07 lakhs

is shown under Deposit towards share application money.

10.6 Provision for Diminution of investments

An amount of Rs.2,540.00 lakhs was provided towards diminution of investments during the previous year in respect of investments made in APGIC upto the Previous Year

10.7 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 Financial Year 2014-15 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 (Rs. 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 Silicon 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

(Rs. In Lakhs)
As at 31-3-2017

(Rs. In Lakhs)
As at 31-3-2016

11. LONG-TERM LOANS AND ADVANCES

Secured:

Loans & Advances to related Parties	26,180.98	28,086.24
Advances to Staff	122.59	137.70
Sub-total	26,303.57	28,223.94

Unsecured and Considered Good:

Security Deposits	31.84	21.16
Loans & Advances to related Parties	3,336.57	2,959.43
Advances to Staff	11.08	17.34
Other Loans & Advances	73,776.01	63,446.36
AP Reorganisation Adjustment Account	22,561.68	22,561.68
Due from TSIIC	513.64	540.55
Sub-total	1,00,230.82	89,546.52

Other non current assets

Fixed Deposits	20.00	1,344.69
Accrued int on Fixed Deposits (Refer Note No. 16.2)	8.71	203.67
Sub-total	28.71	1,548.36
TOTAL	1,26,563.10	1,19,318.82

11.1 RELATED PARTY TRANSACTIONS:

(Rs. In lakhs)

NAME OF THE TRANSACTING RELATED PARTY	RELATION SHIP	VOLUME OF TRANSACTION	OUTSTANDING AS ON 31.03.2017	AMOUNTS WRITTEN OFF/ WRITTEN BACK
1. AP Gas Infrastructure Corporation Pvt Limited	Subsidiary	2.56	2.56	0.00
2. Krishnapatnam International Leather Complex P Ltd	Subsidiary	22.14	22.14	0.00
3. Visakhapatnam Industrial Water Supply Company (Secured Loan)	Joint Venture	35,000.00	14,500.00	0.00
4. Visakhapatnam Industrial Water Supply Company (Acc. Interest on Secured Loan)	Joint Venture	15,326.24	15,326.24	0.00
5. Visakhapatnam Industrial Water Supply Company (Unsecured Loan)	Joint Venture	2,434.64	1,217.00	0.00
6. Visakhapatnam Industrial Water Supply Company (Acc. Interest on Unsecured Loan)	Joint Venture	1,605.14	1,605.14	0.00
7. Atchutapuram Effluent Treatment Limited	Joint Venture	482.15	482.15	0.00
8. Atchutapuram Effluent Treatment Limited (Acc. Interest)	Joint Venture	7.58	7.58	0.00
TOTAL		54,880.45	33,162.81	0.00

12 CURRENT ASSETS

(Rs.in lakhs)
As at 31-3-2017

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

12.1 INVENTORIES

(As certified by the management)

Construction materials	44.06	44.06
Stock in trade - Land	2,63,188.70	2,07,675.87
Stock in Trade - Development	14,395.32	14,501.86
Sub-total	2,77,628.08	2,22,221.79
Work - in progress	18,708.15	15,330.24
Sub-total	18 708.15	15,330.24
TOTAL	2,96,336.23	2,37,552.03

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	7,521.55	10,740.71
(b) Other debts	206.80	392.26
Sub-total	7,728.35	11,132.97
Less Provision for doubtful debts	715.54	404.60
TOTAL	7,012.81	10,728.37

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. 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.

	(Rs.In lakhs) As at 31-3-2017	(Rs. In Lakhs) As at 31-3-2016
14 CASH AND CASH EQUIVALENTS		
Cash in Transit	211.44	0.00
Balance in Bank Accounts	8,565.74	4,124.47
Balance with Banks - Estates	21.09	20.01
Sub-total	8,798.27	4,144.48
Bank Deposits less than 3 months		
Fixed Deposits	6.98	0.00
Accrued Interest on Fixed Deposits less than 3 months (Refer Note No. 16.2)	36.18	0.00
Sub-total	43.16	0.00
Earmarked Balances with Banks		
Public Deposit Account	5,164.44	40,786.20
Other Bank Accounts	1,350.37	1,837.18
Sub-total	6,514.81	42,623.38
TOTAL	15,356.24	46,767.86
15 SHORT TERM LOANS AND ADVANCES		
Interest free Loans & Advances to Staff etc.& Others	36.91	70.01
Loans & Advances to related Parties (Secured)	3,645.26	3,645.26
TOTAL	3,682.17	3,715.27
16 OTHER CURRENT ASSETS		
6.1 Bank Deposits for more than 3 months	8,631.81	3,278.25
Accrued interest on Fixed Deposits for more than 3 months (Refer Note No. 16.2)	417.31	203.65
Due from GoAP - Works	2,963.27	2,963.27
Taxes paid under protest	4,691.01	4,686.72
Tax Deducted at Source	784.67	608.44
MAT Credit	1,030.99	1,030.99
Other advances	4,231.42	3,082.61
TOTAL	22,750.48	15,853.93

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

Name of the Bank	Amount Invested	COLLATERAL SECURITY	FREE HOLD AMOUNT
ICICI Bank Limited, Saifabad, Hyderabad	678.14	624.74	53.40
kotak Mahindra Bank Limited, Governopet Branch, Vijayawada	1,344.69	911.54	433.15
Total	2,022.83	1,536.26	486.55

16.2 The accrued interest on fixed deposits for the year ending is calculated on simple interest rate basis.

16.3 The balances in respect of Sundry debtors, Loans and advances are subject to confirmation.

16.4 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	31.03.2017 (Rs.in Lakhs)	31-03-2016 (Rs. In Lakhs)
a	Claims against the company not acknowledged as debts	3,155.56	3,155.56
b	Guarantees	1536.28	1,536.28
c	Other money for which the company is contingently liable		
	I) Income Tax Demands	233.17	187.23
	II) Service Tax Demands	313.53	29.79
	III) Legal cases	74,130.73	25,532.96
	iv) Conversion Charges	55,241.40	55,241.40
	TOTAL	1,29,918.83	80,991.38
	Grand Total	1,34,610.67	85,683.22

17.2 Commitments

S.No	PARTICULARS	31.03.2017 (Rs. in Lakhs)	31.03.2016 (Rs. in Lakhs)
a	Other Commitments	22,462.27	9,702.32
	TOTAL	22,462.27	9,702.32

	(Rs.in lakhs) As at 31-3-2017	(Rs. in Lakhs) As at 31-3-2016
18 REVENUE FROM OPERATIONS		
Sale of Land, Sheds, etc less Sales Returns	31,326.41	28,415.98
Lease and other rental income	1,362.42	1,379.01
Water Demands	2,126.50	1,852.19
Interest on Hire Purchase and ORS	751.10	527.70
Other Operating Revenue	753.80	1,078.86
TOTAL	36,320.23	33,253.74
19 OTHER INCOME		
Interest Income	1,810.75	2,832.17
Dividend	0.88	191.70
Other non operating Income	3,649.25	1,243.45
TOTAL	5,460.88	4,267.32
EXPENDITURE		
20 COST OF SALES		
Cost of sales - Land & Sheds	24,599.98	21,216.67
Cost of sales - Houses/ Buildings	0.00	0.00
Cost of sales - Sheds	0.00	1.24
TOTAL	24,599.98	21,217.91
21 EMPLOYEE BENEFITS EXPENSE		
Salaries and Allowances	2,878.57	2,895.78
Contribution towards Provident and other Funds	227.45	257.49
Contribution to Group Gratuity Premium	1.17	13.18
Staff Welfare Expenses	129.67	94.26
TOTAL	3,236.86	3,260.71
21.1	Salaries and Allowances includes managerial remuneration to Directors	
21.2	Managerial Remuneration to Directors	
	For the year 2016-17 Rs. in Lakhs	For the year 2015-16 Rs. in Lakhs
Salaries and Allowances	61.09	65.55
Medical Expenses	0.42	2.32
Rent	1.78	0.00
TOTAL	63.29	67.87
22 OTHER EXPENSES	(Rs.In lakhs) As at 31-3-2017	(Rs. In Lakhs) As at 31-3-2016
(a) Rebate to allottees on Land Cost	758.57	46.54
(b) Repairs and Maintainance	22.74	20.23
(c) Expenditure on ERP & Others	46.17	23.05
(d) Grant to AETL	321.44	0.00

	(Rs.In lakhs) As at 31-3-2017	(Rs. In Lakhs) As at 31-3-2016
(e) ADMINISTRATION & GENERAL EXPENSES		
Travelling Expenses	151.67	100.02
Rent	74.31	11.79
Rates and taxes	3.78	4.82
Vehicle maintenance	161.10	189.05
Electricity charges	274.17	222.80
Water charges	1,043.90	863.16
R&M - Estates, Preliminary Land Survey Etc.,	396.44	860.72
Insurance	2.68	27.66
Expenditure on Social Welfare	259.26	145.71
Provision for diminution of investments	520.00	2,526.00
Other expenses	5,708.63	2,817.54
Sub-total	8,595.94	7,769.27
(e) Prior period items (net)	(412.21)	112.34
TOTAL (a + b+ c + d + e)	9,332.65	7,971.43

22.1 The prior period items for the year is net after credits of Rs.533.33 lakhs and debits of Rs.121.12 lakhs

22.2 An amount of Rs.2,500.00 lakhs was remitted to the A.P Chief Minister's relief fund during the previous year. The same is exhibited as exceptional items.

Other Administrative expenses includes the following auditors' remuneration:	(Rs.in lakhs) As at 31-3-2017	(Rs. in Lakhs) As at 31-3-2016
Statutory Audit fee	3.00	4.50
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	0.81	2.27
Total	5.81	16.77

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.

AS PER OUR REPORT OF EVEN DATE

for ANJANEYULU & co.,
CHARTERED ACCOUNTANTS
FIRM REGD. No.: 0012815

Sd/-
V S VENKATESWARLU
PARTNER
M.No.: 025805

DATE: 09.01.2019
PLACE: VIJAYAWADA

FOR AND ON BEHALF OF THE BOARD

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

INDEPENDENT AUDITORS' REPORT

To

The Members of

**ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED,
HYDERABAD.**

Report on the Standalone Financial Statements

We have audited the accompanying Standalone Financial Statements of **ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED ("the Company")**, which comprise of the Balance Sheet as at **31st March 2017**, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Standalone Financial Statements

The Company's Board of Directors is responsible for the 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 Company in accordance with the accounting principles generally accepted in India, including Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts), Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone 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 the Rules made there under.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that given 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 controls system over financial reporting 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 Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion:

1) Equity Share Capital: Current year amount of 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)**

2) Reserves and surplus: Capital Reserve current year Rs. 758.16 lakhs (Previous Year Rs.758.16 Lakhs) :

An amount of 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 is classified as Capital Reserve. In our opinion, this needs to be classified as share capital pending allotment. **(Refer note no.: 4)**

3) Deposits received from allottees: Current year Rs. 1, 92,078.59(Previous Year Rs.1,89,751.05)

This includes unreconciled amounts and the management has provided zone wise and party wise un-reconciled amounts which are yet to be reconciled.

Name of the zone	Amount (Rs.)
Anantapuramu	21483280.27
Nellore	2663271.45
Tirupathi	15363242.89
Vijayawada	26152914.43
Vishakapatnam	11389004.00
Head Office	272829886.56
Total	349881599.60

In addition there is an un-reconciled debit balance of Rs.1, 50, 94,973.30 respect of Kadapa zone. **(Refer note no.: 7)**

4) Provision for contractual obligations: Current year Rs.53676.77 lakhs (Previous Year Rs.43158.38 lakhs) :

Adequacy of provision: As per the information and explanations given to us, the Corporation after reviewing various pending contractual obligations at the yearend estimated the provision against contractual obligations as Rs.53676.77 lakhs (Previous year Rs.43158.38 lakhs) and accordingly provided. We are not clear, whether the provision is pertaining to earlier year sales or current year sales. Hence in our opinion, we are not able to comment upon the adequacy of the provision made by the organization. **(Refer note no.: 8.3)**

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.

5) Inventory Rs.2,77,628.08 lakhs(Previous Year Rs.2,22,221.79 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)**

6) Non conformity of Accounting Standard: 9 Revenue Recognition-Sale of Land, Sheds etc. Rs. 31326.41 lakhs(P.Y. 28415.98 lakhs): (Refer Accounting Policy No. 4)

Income is to be recognized only on completion or substantial completion of Contractual obligations. However the agreement of sale is entered with allottees on receipt of full consideration, though the substantial contractual obligations amounting to 53,676.77 lakhs are yet to be fulfilled.

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

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 Estate 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, has laid down the methodology of application of percentage completion method in this type of transactions. Under this revenue is to be recognized on fulfillment of all the following conditions:

- a) Obtaining all critical approvals necessary for Commencement of Project.
- b) When the stage of completion of the project reaches a reasonable level of development i.e incurring construction and development co of 25% or more of the total estimated cost
- c) At least 25% of of the saleable area is secured by contracts or Sale agreements with buyers.
- d) At least 10% of the total revenue as per agreement of sale or any other legally enforceable documents is realized at the reporting date in respect of each of the contracts and it is reasonable to expect that the parties to such contracts will comply with the payment terms as defined in contracts.

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".

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.

Impact of non-reconciliation of Deposits received from Allottees (Rs. 3347.87 Lakhs):

As stated in the para 4 of our report, the non-reconciliation of Deposits of Rs.3347.87 Lakhs. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.

7) Cost of Sales- Land Rs. 24,599.98 Lakhs(Previous Year Rs. 21,216.67 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. 6,078.60 lakhs, Land Development Cost of Rs.713.22 lakhs and Civil Work in Progress of Rs. 7,289.77 lakhs and Provision for Contractual Obligations for the year of Rs. 10,518.39 lakhs aggregating to Rs. 24,599.98 lakhs.

Since we are not clear about the provision for contractual obligation made during the year as mentioned vide para 4 above, we cannot express any opinion on cost of sales charged to Profit & Loss A/C. **(Refer to Note No.: 20)**

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:

The Assets and Liabilities of the Corporation have been understated.

The profit or loss of the corporation has been understated.

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)**

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements together with notes thereon, give the information required by the Act in the manner so required subject to the comments mentioned above and

give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Corporation as at March 31, 2017 and its profit and its 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) Non Confirmation: Attention is drawn to the Note No.: 16.3 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 No.: 7.1 are yet to be confirmed and reconciled.

3) Provisions for Leave benefit expenses: Current year Rs.1211.93 lakhs (Previous Year Rs.1162.03 lakhs) :
Pending final approval of employee division by the expert committee and competent authority, the management has provided Rs.1127.75 lakhs towards Long term leave benefits and Rs.84.18 lakhs towards Short term leave benefits in respect of the employees allotted towards this corporation on actuarial valuation. **(Refer note no.: 5.4 & 8.1)**

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditors Report) Order, 2016 ("the order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraph 3 and 4 of the said order.
- 2) As required by Section 143(3) of the Act, we report that:
 - i. 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 purposes of our audit;
 - ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books;
 - iii. The Balance Sheet, the Statement of Profit and Loss and Cash flow Statement dealt with by this Report are in agreement with the books of account;
 - iv. In our opinion, the aforesaid standalone 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 specified in the basis for qualified opinion paragraph above in our opinion may have an adverse effect on the functioning of the company.
 - vi. 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 corporation in view of notification number G.S.R.463(E) dated 05.06.2015.

vii. With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in

"Annexure B".

viii. With respect to the other matters to be included in the Auditors' 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:

- ix. The Company has disclosed the impact of pending litigations on its financial position in its financial statements as referred to in Note: 17.1 to the standalone financial statements.
- x. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses;
- xi. There were no amounts which were, required to be transferred to the Investor Education and Protection Fund by the Company.

For ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Place: Hyderabad
Date : 09.01.2019

(V S VENKATESWARLU)
Partner
M No.025805

ANNEXURE - "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' of our Audit Report of even date to the members of **M/s. ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED ("the Company")** on the STANDALONE Financial Statements of the Company for the year ended on 31st March 2017.

- 1) a) The Corporation is maintaining proper records showing full particulars including quantitative details and situation of fixed assets, on the basis of the information made available to us.
b) As explained to us, these Fixed Assets have been physically verified by the Management at reasonable intervals; and no material discrepancies were noticed on such verification.
c) According to the information and explanations given to us and on the basis of records examined by us, the title deeds of the immovable properties are held in the name of the Company except for the portion of the building at Parishram Bhawan as mentioned vide note no.9.1.4 to the notes to accounts.
- 2) As per the information and explanation given to us, the inventories have been physically verified during the year by the Management at reasonable intervals and as explained to us no material discrepancies were noticed on physical verification.
- 3) The Company has granted advances/loans, secured and unsecured, to subsidiaries covered in the register to be maintained under section 189 of the Companies Act. The outstanding balances are as under.

Name of the Party	Relationship	Type	Amount out standing as on 31.03.2017
AP Gas Infrastructure Corporation Pvt Ltd	Subsidiary		256000
Krishnapatnam International Leather Complex Pvt Ltd	Subsidiary		2214000
Vishakapatnam Industrial Water Supply Company	Joint Venture	Secured loan	1450000000
Vishakapatnam Industrial Water Supply Company	Joint Venture	Acc.Interest on secured loan	1532624000
Vishakapatnam Industrial Water Supply Company	Joint Venture	Unsecured loan	121700000
Vishakapatnam Industrial Water Supply Company	Joint Venture	Acc.Interest on unsecured loan	160514000
Atchutapuram Effluent Treatment Ltd	Joint Venture		48215000
Atchutapuram Effluent Treatment Ltd	Joint Venture	Acc.Interest	758000

- a) As per the information and explanation given to us by the management, the interest free advances other than VIWSCO are not prejudicial to the interest of the corporation since they are subsidiary companies.
 - b) As per the information and explanation given to us by the management, all the above advances except advances given to VIWSCO are without any repayment schedules. The loan of VIWSCO is rescheduled as per the G.O. Ms.No.24 dated 25.02.2015.
 - c) As per the information and explanation given to us, the total amount overdue for more than 90 days is Rs. 22,14,000.
- 4) In our opinion and according to the information and explanation given to us, the Company has not granted any loans nor made any investments and provided guarantee and securities,

as per the provisions of Section 185 and Section 186 of the Companies Act, 2013. The corporation has not invested in not more than two layers of investment under section 186(1) of Companies Act, 2013. In our opinion; other sub-sections of section 186 of the Companies Act, 2013 prescribing the limits are not applicable to the corporation since it is Infrastructure Corporation.

- 5) According to the information and explanation given to us the Company has not accepted any deposits from the public during the year as per the provision of sec 73 to 76 or any other relevant provision of companies act 2013 and the rules framed there under. Hence Clause 3(v) of the Order is not applicable.
- 6) Maintenance of cost records has been made mandatory by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013 read with companies (Cost Records and Audit) Rules, 2014 for the corporation. Cost records from the Financial Year 2014-15 are under preparation.
- 7) (a) According to the information and explanations given to us, and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues as applicable with the appropriate authorities. There are no arrears of undisputed statutory dues outstanding as at March 31, 2017 for a period of more than six months from the date they become payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess which have not been deposited on account of any dispute.

Name of the Statute	Nature of the dues	Amount (Rs. 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	27.06	2016-17	TDS Ward
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 to 2016-17	ADDL.CTT/JCIT (TDS)
Income Tax Act, 1961	Income Tax	21.04		TDS Ward
Finance Act, 1994	Service Tax	0.23	2012-13	Asst. Commissioner (Appeals)/CESTAT
Finance Act, 1994	Service Tax	4.92	2008-09 to 2012-13	Customs, Excise and Service tax Appellate Tribunal
Finance Act, 1994	Service Tax	19.71	2008-09 to 2012-13	Commissioner of Customs, Excise and Service tax
Finance Act, 1994	Service Tax	3.06	2010-11 to 2012-13	Commissioner of Customs, Excise and Service tax

Finance Act, 1994	Service Tax	95.78	2013-14 to 2016-17	Commissioner of Customs, Excise and Service tax
Finance Act, 1994	Service Tax	102.24	2014-15	Commissioner of Customs, Excise and Service tax
Finance Act, 1994	Service Tax	56.65	2007-08 to 2011-12	Commissioner of Customs, Excise and Service tax
Finance Act, 1994	Service Tax	30.92	2009-10 to 2013-14	Commissioner of Customs, Excise and Service tax

- 1) According to the information and explanations given to us, the Corporation has not taken any loans from financial institutions, Banks or Government during the year. The Corporation does not have any debenture holders during the year.
- 2) According to the information and explanations given to us, the Corporation did not raise any money by way of debt instruments and the term loans during the year. Hence paragraph 3(ix) of the Order is not applicable.
- 3) According to the information and explanations given to us, no fraud by the Corporation or on the Corporation by its officers or employees has been noticed or reported during the course of our audit.
- 4) In our opinion and according to the information and explanations given to us, the Corporation has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- 5) In our opinion and according to the information and explanation given to us, the Corporation is not a Nidhi Corporation. Accordingly, Paragraph 3(xii) of the Order is not applicable.
- 6) According to the information and explanations given to us and based on our examination of the records of the Corporation, transactions with the related parties are in compliance with Sections 177 & 188 of the Companies Act, 2013 where applicable and details of such transactions have been disclosed vide note no.11.1 in the financial statements as required by the applicable accounting standards.
- 7) According to the information and explanations given to us and based on the examination of the records of the Corporation, the Corporation has not made any preferential allotment or private placements of shares or fully or partly convertible debentures during the year. Hence, Paragraph 3(xiv) of the Order is not applicable.
- 8) According to the information and explanations given to us and based on the examination of the records of the Corporation, the Corporation has not entered into non-cash transaction with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- 9) In our opinion and according to the information and explanations provided to us, the Corporation is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Place: Hyderabad
Date : 09.01.2019

(V S VENKATESWARLU)
Partner
M No.025805

ANNEXURE — "B" TO THE INDEPENDENT AUDITOR'S REPORT

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

(Referred to in paragraph 1 (vi) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

We have audited the internal financial controls over financial reporting of **ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED ("the Company")** as of 31st March, 2017 in conjunction with our audit of the standalone 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). 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 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. 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 standalone 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 standalone 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 and to the best of our information and according to the explanations given to us, 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 31st March, 2017, 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 ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Place: Hyderabad
Date : 09.01.2019

(V S VENKATESWARLU)
Partner
M No.025805

ANNEXURE — "C" TO THE INDEPENDENT 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 The Companies Act, 2013. However, we are submitting the report submitted in respect of the holding company i.e., Andhra Pradesh Industrial Infrastructure Corporation Ltd.

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 waiver/ write off of debts/ loans interests 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 statements for the year 2016-17.	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 the third parties and they are no assets received as gift/ grant from Government or other authorities.	NIL

For ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Place: Hyderabad
Date : 09.01.2019

(V S VENKATESWARLU)
Partner
M No.025805

ANNEXURE — "D" TO THE INDEPENDENT AUDITOR'S REPORT

Report on Sub-Directions under section 143(5) of The Companies Act, 2013

S.No	Directions	Action Taken	Impact on 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 stipulates 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 deviation.	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 ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Place: Hyderabad
Date : 09.01.2019

(V S VENKATESWARLU)
Partner
M No.025805



प्रधान महालेखाकार (लेखापरीक्षा) का कार्यालय
आन्ध्र प्रदेश, हैदराबाद - 500 004
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH, HYDERABAO - 500 004.

Lr. No.Pag(Audir)/ AP/ES(PSU)/D2/AA/APIIC/2019-20/ 21

Date : 31-07-2019

To
The Managing Director,
Andhra Pradesh Industrial Infrastructure Corporation Limited
D.No.59A-20-2/3A, 1st, 2rd & 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)x(b) of the Companies Act, 2013 on the Standalone and Consolidated financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year 2016-17.

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 2016-17 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 2016-17 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 2016-17 are to be furnished to this office without fail

Yours faithfully,

Deputy Assistant General (Admin)

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 ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2017.

The preparation of Standalone financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2017 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 auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated 26.04.2019 which supersedes their earlier Audit Report dated 09.01.2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2017 under section 143(6)(a) of the Act. 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. The audit report has been revised by the statutory Auditor to give effect to some of my audit observations raised during supplementary audit.

In addition, 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.

BALANCE SHEET

EQUITY and LIABILITIES

Non-Current Liabilities -Rs. 2,013.62 crore

Other Long Term Liabilities (Note-5.3)— Rs. 1,740.38 crore

1. Government of Andhra Pradesh amended the Andhra Pradesh Agricultural Land (Conversion for Non-Agricultural Purposes) Act, 2006 by enacting Act No.13 of 2018. As per Sub-section (g) of Section 7 of amended Act, the lands allotted to the Company are exempted from the provisions of the Act, 2006. In this regard GoAP issued orders (G.O.No.37 dated 25.01.2018) stating that the Act shall come into force from 1-2-2018. Further, GoAP also issued orders (G.O Ms.No.98 dated 19-2-2018) stating that in case of lands allotted to APIIC, the lands stand converted to

Non-Agricultural purpose. Though exemption under Act No.13 is applicable for lands allotted from 1-2-2018, the Company has not provided the liability for conversion charges for land allotted up to 1-2-2018. Company has instead disclosed contingent liability to the extent of Rs. 55,241.40 lakh towards conversion charges pertaining to the period up to 2014-15. Further, it has not provided liability of Rs.2,742.02 lakh for the years 2015-16 and 2016-17. Thus, non-provision for the liability towards conversion charges for the lands allotted prior to exemption has resulted in understatement of Other Long Term Liabilities (Note-5.3) by Rs.57,983.42 lakh and overstatement of contingent liabilities by Rs. 55,241.40 lakh.

Current Assets

Inventories (Note 12.1) Rs. 2,963.36 crore

Stock in Trade - Land — Rs. 2,631.89 crore

2. The Company takes possession of Government lands in various places in the State pending alienation orders from the GoAP. Pending alienation orders, the Company capitalizes the land taken to possession on provisional basis at rates recommended by the District Collector/Revenue authorities. Audit observed that even though alienation orders were issued in certain cases, the Company valued the inventory on provisional basis at the rates recommended by the District Collector/Revenue authorities instead of at the rates indicated in the alienation orders of GoAP, resulting in overstatement of Inventories (Note 12.1) and overstatement of Dues to Government (Schedule-5) by Rs.11.40 crore. The details of the cases are given below:
 - a) Company valued 21.68 acres of land at Pedagantyda village (S.No.211/2 to 20) in Visakhapatnam district provisionally as Rs.17.34 crore @ ₹ 80 lakh per acre as recommended by the District Authorities, though the Government issued alienation orders (GOMsNo.413 dated 30-8-2016) @ ₹ 60 lakh per acre resulting in overvaluation of land by Rs. 20 lakh per acre. This has consequently resulted in overstatement of Inventories by Rs. 4.34 crore and overstatement of Other Long Term Liabilities - Dues to Government (Note-5.3) by the same amount.
 - b) Company valued 200 acres of land at Penta village, Padmanabham Mandal provisionally as Rs. 2 crore @ ₹ one lakh per acre as per basic value as recommended by District Authorities, though Government issued alienation orders (GO MsNo.373 dated 7-8-2017) at free of cost for formation of Industrial Park resulting in overvaluation of land by Rs. 2 crore. This has consequently resulted in overstatement of Inventories by 1.99 crore (200 acres * ₹ 1/- per acre nominal value for free hold land) and overstatement of Other Long Term Liabilities - Dues to Government (Note-5.3) by the same amount.
 - c) Company valued 69.03 acres of land in Vikruthamala village (S.No.419/1A), Yerpedu Mandal, Tirupathi provisionally @ ₹12.50 lakh per acre for 67.40 acres and @ ₹ 5.50 lakh for 1.63 acres as recommended by District Authorities, though Government issued alienation orders (GO Ms.No.477 dated 17-11-16) @ ₹ 5 lakh per acre resulting in overvaluation of land by ₹7.50 lakh per acre. This has consequently resulted in overstatement of Inventories by ₹ 5.06 crore and overstatement of Other Long Term Liabilities - Dues to Government (Note-5.3) by the same amount.

3. Inventories also include disputed land to the extent of 2.48 acres valued ₹ 24.80 lakh at Ramannapalem, Kakinada Zone. As per District Magistrate, Kakinada order dated 11-1-2017, out of the total 18.48 acres of land handed over to APIIC an extent of 2.48 acres was earlier (31-8-2014) leased out. Subsequently it was cancelled and the aggrieved party (lease) filed a revision petition and the matter is being pursued by GoAP. The fact that the land is in dispute has not been disclosed.

Notes forming part of the accounts

4. The Company accounted ₹ 560.40 lakh as dues to Textile Department. This amount, however, represents sale proceeds of the plots of M/s Vizag Apparel Park (SPV), which were sold by APIIC on behalf of SPV. Thus, depiction of ₹ 5.60 crore as dues payable to Textile Department was incorrect. Company should have given suitable disclosure of the fact that the amount is payable to SPV.

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

(L.V.Sudhir Kumar)

Place: Hyderabad

Date: 07-07-2019

प्रधान महालेखाकार (ले.प.)

Principal Accountant General (AUDIT)



प्रधान महालेखाकार (लेखापरीक्षा) का कार्यालय
आन्ध्र प्रदेश, हैदराबाद - 500 004
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH, HYDERABAO - 500 004.

Lr. No.PAG(Audit)/ AP/ES(PSU)/D2/AA/APIIC/2019-2019-20/136

Date : 31-07-2019

To
The Managing Director,
Andhra Pradesh Industrial Infrastructure Corporation Limited
D.No.59A-20-2/3A, Sri Siva Complex,
Fun Times Club Road. Teachers Colony,
VIJAYAWADA — 520008,
ANDHRA PRADESH.

Sir,

Sub: Provisional Comments on the Standalone and Consolidated Accounts of the Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2017.

Ref: Lr.No.APIIC/FW/AG AUDIT/2016-17 Dated: 24.04.2019.

The following Provisional comments issued to the company are not considered for issue as comments of the C&AG Ws 143(6)(b) on the Companies Act, 2013 on the basis of the assurance given by the Management. These may be kept in view while preparation of next year's accounts.

PC No.2

ASSETS

Non-Current Assets

Long term Loan and Advances

Advances to Staff - ₹122.59 lakh

This includes tour advance amounting to ₹3.92 lakh sanctioned to the then VC&MD of the Company in April and from October 2015 onwards which was not charged to expenses even though the tour was completed. Non-adjustment of the advance to Expenses has resulted in overstatement of Long Term Loses and Advances and understatement of Other Expenses-Administration & General Expenses (Note-22) - Travelling Expenses by ₹3.92 lakh. Consequently, profit for the year was also understated by the same amount.

PC No. 5**Assets -. Current Assets****Inventories (Note 12.1) ₹ 2,96,336.23 lakhs****Stock in Trade Land - ₹ 2,63,188.70 lakhs**

The Company agreed to sell land to the extent of 72.14 acres (2,91,950 sqm) to ONGC, Kalcinada @ ₹4,230/- per sqm. Accordingly, ONGC paid ₹ 123.50 crore to the Company. The Company registered 22.04-2016 land to an extent of 71.13 acres (2,87,863.11 sqm) for ₹ 121.77 crore. The amount of ₹1.31 crore excess received (duly deducting ₹ 42.30 lakh towards frontage charges) was accounted for as liability under Deposit towards sale of land. However, the Company should have accounted the balance land of 1.01 acres not registered in favour of ONGC in the inventory. Thus non-accountal of the balance land of 1.01 acres resulted in understatement of inventory by ₹ 10.20 lakh (inventory value of 72.14 acre at ₹ 7,28,48,950/72.14 • 1.01 acres). Consequently, profit for the year was also understated by the same amount.

PC No. 6**Assets — Current Assets****Inventories (Note 12.1) ₹ 2,96,336.23 Lakhs****Stock in rade Land — ₹ 2,63,188.70 Lakhs**

Inventories include ₹ 35.12 lakh representing the value of house stock - ₹15.52 lakh and value of hire purchase sheds - ₹ 19.60 lakh, which are lying in the accounts since the period prior to 1999-2000 and no details of the above inventories are available with the Company. In the absence of details, the correctness of the value depicted in the accounts could not be assessed in audit.

Yours faithfully,

Sr. Deputy Accountant General / ES

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Consolidated Balance Sheet as at 31st March 2017

(₹ in lakhs)

	Particulars	Note No.	31.03.2017	31.03.2016
I	EQUITY AND LIABILITIES			
(1)	Shareholders funds			
a	Share Capital	3	952.22	952.22
b	Reserves and Surplus	4	33942.97	33143.40
	Shareholder's funds - Total		34895.19	34095.62
(2)	Minority Interest	4.1	1423.62	109.28
(3)	Non-Current liabilities			
a	Long term borrowings	5.1	26180.98	28086.24
b	Deferred tax liabilities (Net)	5.2	14.53	172.29
c	Other Long term liabilities	5.3	174592.78	145283.94
d	Long-term provisions	5.4	1127.75	1106.61
	Non -current liabilities - Total		201916.04	174649.08
(4)	Current liabilities			
a	Trade payables	6	4107.40	3536.93
b	Other Current liabilities	7	234346.12	225996.87
c	Short-term provisions	8	56194.82	44647.35
	Current liabilities - Total		294648.34	274181.15
	Total Equity and Liabilities		532883.19	483035.13
II	ASSETS			
(1)	Non -Current Assets			
a	Fixed Assets			
	(i) Tangible Assets	9.1.3	40006.59	41421.98
	(ii) Capital Work in Progress	9.2.1	16867.12	4456.03
b	Non-current investments	10	3527.23	2384.34
c	Long-term loans and advances	11	114780.80	106501.78
	Non- current Assets - Total		175181.74	154764.13
(2)	Current Assets a Inventories			
a	Inventories	12	296336.23	237552.03
b	Trade receivables	13	13755.98	20652.20
c	Cash and cash equivalents	14	16128.31	47247.02
d	Short-term loans and advances	15	1735.50	2003.59
e	Other current assets	16	29745.43	20816.16
	Current Assets - Total		357701.45	328271.00
(3)	Accounting Policies	1		
	Total Assets		532883.19	483035.13

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

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

FOR AND ON BEHALF OF THE BOARD

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 Profit and Loss statement for the period ended 31st March 2017

(₹ in lakhs)

	Particulars	Note No.	Current Year	Previous year
I	Revenue from operations	18	42763.59	40621.52
II	Other Income	19	5858.35	4763.67
III	Total Revenue (I + II)		48621.94	45385.19
IV	Expenses			
a	Cost of Sales	20	25170.26	21664.11
b	Employee Benefits expense	21	3261.51	3276.71
c	Depreciation and amortization expense		2083.04	2109.23
d	Other expenses	22	16212.07	13720.33
	Total Expenses		46726.88	40770.38
V	Profit before Exceptional and Extraordinary items and tax (III - IV)		1895.06	4614.81
VI	Exceptional items -		(295.68)	2500.00
VII	Profit before extraordinary items and tax (V-VI)		2190.74	2114.81
VIII	Extraordinary items		0.00	2676.61
IX	Profit before tax (VII - VIII)		2190.74	(561.80)
X	Tax expense:			
	(1) Current Tax - Current Year		842.18	1254.51
	- Previous Years		184.86	(460.03)
	(2) Defferd Tax - Current Year		(157.41)	131.89
	(3) MAT Credit		0.00	284.61
	Total Tax Expense (1+2+3)		869.63	641.76
XI	Profit (Loss) for the period before Minority Interest (IX - X)		1321.11	(1203.56)
XII	Minority Interest		99.89	(1574.46)
XIII	Profit for the year (XI - XII)		1221.22	370.90
XII	Earning per equity share (in Rupees): -			
	-Basic & Diluted		1387	390
	- Basic Et Diluted before extra ordinary items }		1387	3200
	(Face value of 1000/- per Share)			

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

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

FOR AND ON BEHALF OF THE BOARD

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 2017

(2 in lakhs)

Particulars	Current Year	Previous Year
Cash flows from operating activities		
Net profit before taxation and exceptional and extra ordinary Items	1895.06	4614.81
Adjustments for:		
Depreciation and amortisation	2083.04	2109.23
Dividend Income	(0.88)	(191.70)
Profit / loss on sale of fixed assets	0.03	(0.31)
Operating profit before working capital changes	3977.25	6532.03
Adjustments for:		
Inventories	(58790.10)	(49760.70)
Trade receivables	6896.22	(5683.44)
Other current and non current assets	(13911.11)	12369.50
Loans and advances	(8010.93)	(13931.43)
Payables, liabilities and provisions	48210.32	72422.70
Net Cash Flow from operating activity before Income tax	(21628.35)	21948.66
Income tax paid	(872.87)	(447.08)
Net Cash Flow from operating activities before extra ordinary and exceptional items	(22501.22)	21501.58
Exceptional item	(295.68)	2500.00
Extra ordinary items	0.00	2676.61
Net Cash Flow from operating activities after extra ordinary items	(22205.54)	16324.97
Cash flows from investing activities		
Acquisition of fixed assets	(8139.57)	(76.41)
Purchase of investments	(1318.64)	(3604.53)
Dividend income	0.88	191.70
Sale of fixed assets	0.06	0.49
Net cash flow from investing activities	(9457.27)	(3488.75)
Cash flow from financing activities		
Proceeds from issuance of share capital	544.10	500.00
Net cash from financing activities	544.10	500.00
Net increase in cash and cash equivalents	(31118.71)	13336.22
Cash and cash equivalents at the beginning of the year	47247.02	33910.80
Cash and cash equivalents at the end of the year	16128.31	47247.02
This is the Cash flow statement referred to in our report		

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

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

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CHIEF GENERAL MANAGER(F)i/c

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
Notes forming part of Consolidated Balance Sheet and Statement of Profit & Loss

1. ACCOUNTING POLICIES :

1 COMPANY INFORMATION:

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

The financial statements have been prepared in accordance with the Schedule III of the Companies Act, 2013 to the extent applicable and 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 assests whose value <=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 for which bills are not received, 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, is not provided for in the Books of Accounts. The expenditure on the same will be charged off in the accounts on receipt of bills / demands for the same.

15 TAXES ON INCOME:

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

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

NOTES TO ACCOUNTS

BALANCE SHEET:

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

The company prepared demerger scheme as per the provisions of AP Reorganisation Act, 2014 and the same was approved by the joint Board represented by the Govt. of Andhra Pradesh and Telangana in its 199th meeting held on 02.05.2014 and 202nd meeting held on 26.03.2015 duly authorising the Vice Chairman and Managing Directors of both AP and TS Divisions to make necessary modifications. The same was reviewed and approved by the expert committee constituted by the Government for the purpose., 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. RI 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	(Rs. 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	(Rs. 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 Telangana Region could not be ascertained.

The financial statements for the Financial Year 2014-15 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 TSIIC Limited. The financial statements for the F.Y. 2014-15 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.

		(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
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	952.22
	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 2017	As at 31st March 2016
		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 pad passu with all respects including entitlement of dividend, voting and repayment of capital. Each equity share carries one vote.		
4	RESERVES AND SURPLUS		
	Grants-in-aid from Government of Andhra Pradesh	1,000.00	1,000.00
	Capital Reserve	758.16	758.16
	Sub-total	758.16	758.16
	Profit and Loss Account		
	As per last Balance Sheet	29,029.62	27,701.51
	Add: Profit/ Loss for the year	1,321.11	(1,203.56)
	Less: Adjustments made during the year	(425.30)	(2,531.67)
	sub-total	30,776.03	29,029.62
	TOTAL - Reserves & Surplus	32,534.19	30,787.78
	Less: Minority interest share	(1,408.78)	(2,355.62)
	TOTAL	33,942.97	33,143.40
4.1	MINORITY INTEREST		
	A) Andhra Pradesh Gas Infrastructure Corporation Limited	1,195.64	0.00
	B) Krishnapatnam International Leather Complex Limited	227.98	109.28
	TOTAL	1,423.62	109.28
4.2	The balance of capital reserve shown above pertains to the share of APIIC Ltd., towards grant received from Government of India towards Export Promotion Investment Policy at IP, Pashamylaram. The company has deducted the same from the total cost of the project in the year 1995 itself. The same was shown as Capital Reserve as the same is being treated by Government of Andhra Pradesh as equity in the books of Finance and the company has treated the same as Grant. The reconciliation of the same is under progress.		
	NON-CURRENT LIABILITIES:		
5.1	LONG TERM BORROWINGS		
	UNSECURED		
	Loan from RINL	9,600.00	12,000.00
	Loan from NTPC	2,000.00	2,500.00
	Interest accrued but not due (Payable from 2022-23)	14,580.98	13,586.24
	TOTAL	26,180.98	28,086.24

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, 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 of APIIC for servicing of interest as it has no impact on the Profit and Loss statement. 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.

5.2 DEFERRED TAX LIABILITIES (NET)

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

	(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
Deferred Tax Liability	434.35	574.52
Less Deferred Tax Asset	419.82	402.23
Net Deferred Tax Liability (Asset)	14.53	172.29

5.3 OTHER LONG TERM LIABILITIES

Funds for incubation centers, Millenium Towers etc.	9,854.45	5,763.89
Due to GoAP - Land	76,595.99	48,347.75
Deposit towards works undertaken	18,730.05	25,156.22
Land Conversion Charges	26,640.56	26,640.56
Deposits received from allottees - SEZ	21,026.21	20,391.45
Other liabilities	21,745.52	18,984.07
TOTAL	1,74,592.78	1,45,283.94

5.3.1 Construction of Incubation Centres, Millenium Towers etc.:

Information Technology, Electronics and Communication Department, Government of Andhra Pradesh have released the following amounts for undertaking various works like Construction of Incubation Centres, Millenium Towers, Electronic Manufacturing Cluster etc.. which is as follows:

		(Rs.in lakhs)
SCHEME	2016-17	2015-16
Millenium Towers - Visakhapatnam	5,576.60	149.74
IT Business Centre, Tirupati	150.00	0.00
TOTAL	5,726.60	149.74

An amount of Rs.675.49 lakhs (Previous Year Rs.4,044.14 lakhs) towards expenditure incurred for construction of IT Incubation Centers was adjusted during the year 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. Re 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 wide 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, an amount of Rs. 762.50 lakhs were released by Government of India during the year (Previous Year Rs. NIL).

5.3.5 Industrial Infrastructure Upgradation Fund (IIDF):

Government of Andhra Pradesh created a fund called IIDF for taking up infrastructure works wherever there is no provision to take up such works under regular budget. Under this Scheme, an amount of Rs.208.34 Lakhs (Previous year Rs. NIL) was received during the year. The same was received towards reimbursement of the amount incurred by the company during the F.Y 2010-11 towards erection of 1 no. 33/11 KV SS for NBPPL Project at Mannavaram, Chittoor District.

5.3.6 Grants received from Government of India for Implementation of projects / schemes

The Government of India have sanctioned various projects/ Schemes for which grants were received by the corporation the details of which are as follows:

(Rs.in lakhs)		
SCHEME	2016-17	2015-16
MIIUS, Bobbili	260.40	0.00
MIIUS, Hindupur	447.90	0.00
JRD Tata	197.00	0.00
TOTAL	905.30	0.00

(Rs.in lakhs)	(Rs.in lakhs)
As at 31-3-2017	As at 31-3-2016

5.4 Long Term Provisions:

Provision for leave Benefits

As per the last balance sheet	1,106.61	763.99
Add Additions during the year	1,127.75	1,105.51
Less. Payments/adjustments during year	1,106.61	763.99
	1,127.75	1,105.51

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 202n0 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 : 29.09.2016

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	4,107.40	3,536.93
TOTAL	4,107.40	3,536.93

	(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
7. OTHER CURRENT LIABILITIES		
Deposits received from allottees	1,92,078.59	1,89,751.05
Other Current Liabilities	38,622.27	31,732.62
Current maturities of long term Debt	2,900.00	2,900.00
Interest accrued and due on borrowings	745.26	1,613.20
TOTAL	2,34,346.12	2,25,996.87
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. 6,760.98 lakhs (Previous Year - Rs.7,230.80 lakhs).	
8 SHORT-TERM PROVISIONS		
(a) PROVISION FOR EMPLOYEE BENEFITS		
(Ref Note No. 6.4)		
8.1 Provision for leave Benefits		
As per the last balance sheet	55.42	33.65
Add. Additions during the year	86.37	55.42
Less: Payments/adjustments during year	55.42	31.65
Sub-total	86.37	55.42
(b) OTHERS		
8.2 Provision for PS charges		
As per the last balance sheet	150.05	175.85
Add' Additions during the year	359.61	159.84
Less: Payments/adjustments during year	198.42	185.64
Sub-total	311.24	150.05
8.3 Provision for Contractual Obligations		
As per the last balance sheet	43,158.38	46,895.15
Add: Additions during the year	53,676.77	5,581.95
Less: Adjustments made during year	43,158.38	9,318.72
Sub-total	53,676.77	43,158.38
8.4 Provision Tor taxation		
As per the last balance sheet	1,235.71	2,159.25
Add Additions during the year	842.59	1,175.22
Les. Payments/adjustments during year	8.38	2,098.76
Sub-total	2,069.92	1,235.71
8.5 Other Provisions		
As per the last balance sheet	47.79	48.90
Add: Additions during the year	4.50	0.35
Les. Payments/adjustments during year	1.77	1.46
Sub-total	50.52	47.79
TOTAL	56,194.82	44,647.35

9 NON-CURRENT ASSETS

9.1 TANGIBLE ASSETS

9.1.1 NET BLOCK

	(Rs. In lakhs)	(Rs. In lakhs)
PARTICULARS	As at 31st March, 2017	As at 31st March, 2016
LAND including Land Development	5.90	60.68
BUILDINGS	1,204.80	1,218.86
REFRIGERATORS, ACS AND AIR COOLERS	3.00	2.05
FURNITURE AND FIXTURES	42.17	24.53
OFFICE EQUIPMENT	17.67	18.56
VEHICLES	89.59	109.97
ELECTRICAL EQUIPMENT	15.22	15.95
DRAWING EQUIPMENT	0.01	0.03
COMPUTER	176.15	63.95
LAND -SEZ	25,354.67	25,354.67
LAND DEVELOPMENT-SEZ	4,591.81	4,091.81
BUILDING-SEZ	5.26	5.36
WATER SUPPLY - SEZ	583.22	653.54
SEWERAGE-SEZ	822.60	855.61
EXTERNAL ELECTRIFICATION - SEZ	180.89	237.75
ROADS AND BRIDGES - SEZ	20.55	74.64
SOLAR POWER PLANT	1,002.80	1,049.62
ASSETS ON LEASED LAND:		
LAND ON LEASE	458.99	483.49
BUILDINGS	438.58	461.66
PLANT AND MACHINERY	4,987.70	6,633.65
OTHERS	5.01	5.60
CURRENT YEAR	40,006.59	41,421.98

9.1.4 Buildings:

The company purchased 6th floor (11840 stt) from APIDC on outright purchase basis for a consideration of Rs. 13.20 lakhs in the year 1979, subsequent additions made of Re58.69 lakhs and 4th floor (11867 sft) from APSSIDC for a consideration of Rs. 150.00 lakhs In the year 1998 in Parisrama Bhavan, Basheerbagh, Hyderabad. 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 book value of which is Rs.59.93 lakhs was transferred to TSIIC Limited during the F.Y 2014-15. The same was shown under the head Buildings in Fixed Assets pending completion of registration formalities by the respective parties.

9.1.5 Depreciation:

The depreciation is calculated based on the useful life of the asset as per the provisions of the Companies Act, 2013. Accordingly, an amount of Rs.381.13 lakhs (Previous Year Rs.406.88 iakhs) was charged to Profit and Loss statement.

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 year

			(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
9.2 CAPITAL WORK IN PROGRESS				
9.2.1 Construction of Incubation Centres etc.				
As per last Balance Sheet			502.62	3,786.63
Add: Additions during the period			8,180.71	760.13
Less: Adjustment to Grant			675.49	4,044.14
Sub-total			8,007.84	502.62
Exploratory work in progress			8,859.28	3,953.41
TOTAL			16,867.12	4,456.03
10 NON-CURRENT INVESTMENTS				
10.1 Trade Investments - Unquoted (Companies Incorporated in India)	%of Holding		(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
<u>INVESTMENTS IN JOINT VENTURES</u>				
I 7,69,000 equity shares of Rs.10/- each fully paid-up in Atchutapurarn Effluent Treatment Limited	49		76.90	0.00
<u>INVESTMENTS IN ASSOCIATE COMPANIES</u>				
II 52,00,000 equity shares of Rs.10/- each fully paid up in L8T Hitech City Ltd	26		0.00	64.53
<u>INVESTMENTS IN RELATED PARTY COMPANIES</u>				
III 15,00,000 equity shares of Rs.10/- each full pad-up in Bharatiya International SEZ Ltd	11.05		150.00	150.00
IV 11,54,736 equity shares of Rs.10/- each fully paid-up in L&T Infocity Ltd (includes 5,77,368 Bonus shares issued on May 12, 2003)	11		115.47	115.47
V 19,80,000 equity shares of Rs.10/- each fully paid-up in Ramky Pharrna City (India) Ltd	11		198.00	198.00
VI 12,145 equity shares of Rs.10/- each fully paid-up in Hyderabad Information Technology Venture Enterprises Ltd	8		1.21	1.21
VII 2,429 equity shares of Rs.10/- each fully paid-up in Cyberabad Trustee Company (P) Ltd	8		0.24	0.24
VIII 44,000 equity shares of Rs.10/- each fully paid-up in Vizag IT Park Ltd	0.49		4.40	4.40
IX 449 Units of Rs.25,000/- each fully paid-up in Cyberebad Trustee Company (P) Ltd (HIVE FUND)			112.27	112.27
X 2,04,36,000 equity shares of Rs.10/- each fully paid-up in APGDC			2,043.60	1,500.00
XI Deposit towards share application money Atchutapuram Effluent Treatment Limited	586.07			0.00
Bhagyanegar Gas Ltd	239.07		825.14	239.07
sub-total			3,527.23	2,385.19
Less: provision for diminution of investments				
CTCPL - HIVE Fund			0.00	0.85
Sub-total			0.00	0.85
TOTAL			3,527.23	2,384.34

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.2,540.00 lakhs) in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd upto the end of the previous year. Further, an amount of Rs. 176.60 lakhs was invested during the year towards additional subscription to the Equity Share Capital.

During the year an amount of Rs. 2,444.94 lakhs was written off in the books of accounts duly retaining Rs. 271.66 lakhs (i.e.. 10% equity contribution of 2,71,66,000 equity shares @ Rs. 1/- each) towards investment in APGIC as the subsidiary company has been incurring losses continuously for the last three years.

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. 1,550.00 lakhs was received in the form of Equity Shares. The Company invested an amount of Rs.652.71 lakhs in cash in the JV Company upto the end of the year

10.5 Investments In Atchutapuram Effluent Treatment Limited :

The company has invested an amount of Rs.662.97 lakhs in Atchutapuram Effluent Treatment Limited towards 49% of equity upto the end of the year as per the orders of Government of Andhra Pradesh vide GO Ms No.135. dated 18.10.2016 of Industries and Commerce (Infra Department) of which 7,69,000 Equity shares of Rs.10/- each were allotted and the balance amount of Rs.586.07 lakhs is shown under Deposit towards share application money.

10.6 Provision for Diminution of investments :

An amount of Rs.2,540.00 lakhs was provided towards diminution of investments during the previous year in respect of investments made in APGIC upto the Previous Year.

10.7 Investments transferred to TSIC Limited : The Investments held by the company in the following Subsidiary Companies/ Joint Ventures/ Associate Companies were transferred to TSIC Limited during the Financial Year 2014-15 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 TSIC 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	Amount (Rs.In Lakhs)	Amount (Rs.In Lakhs)
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 (MIUE Fund)	-	80.23	Population

	(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
11 LONG-TERM LOANS AND ADVANCES		
Secured:		
Loans & Advances to related Parties	12,193.05	13,065.75
Advances to Staff	122.59	137.70
Sub-total	12,315.64	13,203.45
Unsecured and Considered Good:		
Security Deposits	33.50	22.82
Loans & Advances to related Parties	3,334.51	2,959.43
Advances to Staff	11.08	17.34
Other Loans & Advances	75,975.69	65,646.04
AP Reorganisation Adjustment Account	22,561.08	22,561.68
Due from TSIIC	513.64	540.55
Sub-total	1,02,430.10	91,747.86
Other non current assets		
Fixed Deposits	26.35	1,346.80
Accrued int. on Fixed Deposits (Refer Note No. 16.2)	8.71	203.67
Pre operative expenses and others		
sub-total	35.06	1,550.47
TOTAL	1,14,780.80	1,06,501.78
12 CURRENT ASSETS	(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
12.1 INVENTORIES		
(As certified by the management)		
Construction materials	44.06	44.06
Stock in Trade- Land	2,63,188.70	2,07,675.87
Stock in Trade - Development	14,395.32	14,501.86
Sub-total	2,77,628.08	2,22,221.79
Work - in Progress	18,708.15	15,330.24
Sub-total	18,708.15	15,330.24
TOTAL	2,96,336.23	2,37,552.03
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	11,892.57	17,112.08
(b) Other debts	2,578.95	3,944.72
Sub-total	14,471.52	21,056.80
Less : Provision for doubtful debts	715.54	404.60
TOTAL	13,755.98	20,652.20

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. 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.

	(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
14 CASH AND CASH EQUIVALENTS		
Cash in Transit	211.44	0.00
Balance in Bank Accounts	9,337.81	4,223.63
Balance with Banks - Estates	21.09	20.01
Sub-total	9,570.34	4,243.64
Bank Deposits less than 3 months		
Fixed Deposits	6.98	380.00
Accrued interest on Fixed Deposits less than 3 months (Refer Note No. 16.2)	36.18	0.00
Sub-total	43.16	380.00
Earmarked Balances with Banks		
Public Deposit Account	5,164.44	40,786.20
Other Bank Accounts	1,350.37	1,837.18
Sub-total	6,514.81	42,623.38
TOTAL	16,128.31	47,247.02
15 SHORT - TERM LOANS AND ADVANCES		
Interest free Loans & Advances to Staff etc.& Others	59.57	327.61
Loans & Advances to related Parties (Secured)	1,675.93	1,675.98
TOTAL	1,735.50	2,003.59
16 OTHER CURRENT ASSETS		
16.1 Bank Deposits for more than 3 months	15,429.02	8,104.92
Accrued interest on Fixed Deposits for more than 3 months(Refer Note No. 16.2)	418.51	204.90
Due from GoAP - Works	2,963.27	2,963.27
Taxes paid under protest	4,691.01	4,686.72
Tax Deducted at Source	883.61	641.03
MAT Credit	1,030.99	1,030.99
Capital Expenditure to the extent not written off	1.00	1.99
Other advances	4,328.02	3,182.34
TOTAL	29,745.43	20,816.16

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

Name of the Bank	Amount Invested	COLLATERAL SECURITY	FREE HOLD AMOUNT
ICICI Bank Limited, Saifabad, Hyderabad	678.14	624.74	53.40
kotak Mahindra Bank Limited, Governopet Branch, Vijayawada	1,344.69	911.54	433.15
Total	2,022.83	1,536.28	486.55

- 16.2 The accrued interest on fixed deposits for the year ending is calculated on simple interest rate basis.
- 16.3 The balances in respect of Sundry debtors, Loans and advances are subject to confirmation.
- 16.4 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	31.03.2017 (Rs.in Lakhs)	31.03.2016 (Rs. in Lakhs)
a	Claims against the company not acknowledged as debts	3,155.56	3,155.56
b	Guarantees	1,536.28	1,536.28
c	Other money for which the company is contingently liable :		
	i) Income Tax Demands	233.17	187.23
	ii) Service Tax Demands	313.53	29.79
	iii) Legal cases	74,130.73	25,532.96
	iv) Conversion Charges	55,241.40	55,241.40
	TOTAL	1,29,918.83	80,991.38
	GRAND TOTAL	1,34,610.67	85,683.22

17.2 Commitments

S. No.	PARTICULARS	31.03.2017	31.03.2016
a	Other Commitments	22,462.27	9,702.32
	TOTAL	22,462.27	9,702.32

	(Rs.in lakhs) As at 31-3-2017	(Rs.in lakhs) As at 31-3-2016
18 REVENUE FROM OPERATIONS		
Sale of Land, Sheds, etc... less Sales Returns	31,326.41	28,415.98
Lease and other rental income	1,366.34	1,382.93
Water Demands	8,565.94	9,216.05
Interest on Hire Purchase and ORS	751.10	527.70
Other Operating Revenue	753.80	1,078.86
TOTAL	42,763.59	40,621.52
19 OTHER INCOME		
Interest Income	2,272.56	3,226.24
Dividend	0.88	191.70
Other non operating income	3,649.44	1,258.02
Income from Joint Ventures/ Associates	(64.53)	87.71
TOTAL	5,858.35	4,763.67
EXPENDITURE		
20 COST OF SALES		
Cost of sales - Land & Sheds	24,599.98	21,216.67
Cost of sales - Houses/ Buildings	0.00	0.00
Cost of sales - Sheds	0.00	1.24
Cost of sales - Water Supply	570.28	446.20
TOTAL	25,170.26	21,664.11
21 EMPLOYEE BENEFITS EXPENSE		
Salaries and Allowances	2,902.45	2,910.59
Contribution towards Provident and other Funds	227.45	257.49
Contribution to Group Gratuity Premium	1.80	14.37
Staff Welfare Expenses	129.81	94.26
TOTAL	3,261.51	3,276.71

21.1 Salaries and Allowances includes managerial remuneration to Directors

21.2. MANAGERIAL REMUNERATION TO DIRECTORS

**For the year
2016-17
Rs. in lakhs**

**For the year
2015-16
Rs. in lakhs**

Salaries and Allowances	61.09	65.55
Medical Expenses	0.42	2.32
Rent	1.78	0.00
TOTAL	63.29	67.87

22 OTHER EXPENSES

**(Rs. In Lakhs)
As at 31-3-2017**

**(Rs. In Lakhs)
As at 31-3-2016**

(a) Rebate to allottees on Land Cost & Operating expenses	2,907.54	2,041.65
(b) Repairs and Maintainance	23.09	20.23
(c) Expenditure on ERP & Others	46.17	23.05
(d) Grant to AETL	321.44	0.00

(e) ADMINISTRATION & GENERAL EXPENSES

Travelling Expenses	156.90	101.34
Rent	80.60	23.23
Rates and taxes	7.60	6.13
Vehicle maintenance	161.10	189.05
Electricity charges	275.44	224.12
Water charges	1,043.92	863.18
R&M - Estates, Preliminary Land Survey Etc.,	396.44	860.72
Insurance	15.58	39.86
Expenditure on Social Welfare	262.20	145.71
Provision for diminution of investments	520.00	2,526.00
Other expenses	10,406.20	6,537.53

Sub-total	13,325.98	11,516.87
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(e) Prior period items (net)	(412.15)	118.53
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TOTAL (a + b + c + d + e)	16,212.07	13,720.33
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22.1 The prior period items for the year is net after credits of Rs.533.33 lakhs and debits of Rs.121.18 lakhs

22.2 An amount of Rs.2,500.00 lakhs was remitted to the A.P Chief Ministers relief fund during the previous year. The same is exhibited as exceptional items.

Other Administrative expenses includes the following auditors' remuneration:	(Rs.in lakhs) As at 31-3-2017	(Rs. in Lakhs) As at 31-3-2016
Statutory Audit fee	3.00	4.50
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	0.81	2.27
Total	5.81	16.77

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

26.1 **Basis of Accounting:**

26.1.1 The financial statements of subsidiary Companies and Joint Ventures in the Consolidation are drawn upto the same reporting date as 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 of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group 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 APGIC a subsidiary, which has been accounted for using the complete consolidation method of accounting as the company holds 51% of the share holding in APGIC which is the initial subscription vide G.O Ms No.222 of Industries & Commerce (INF) Department dated 09.10.2009. The consolidation is made treating the investment as 51% only though the shareholding of the company is 49% as per the financial statements as at 31.03.2017 of APGIC.

26.2.3 The figures in respect of Krishnapatnam International Leather Complex Private Limited are considered for consolidation based on the unaudited accounts of the subsidiary company.

26.2.4 The consolidated financial statements include the interest of the Company in VIWSCO a Joint Venture, which has been accounted for using the proportionate consolidation method of accounting where the Company has joint control over the entity and reporting whereby the Company's share of each asset, liability, income and expense of a jointly controlled entity is considered as a separate line item.

26.2.5 In respect of Atchutapuram Effluent Treatment Limited (AETL), though the company holds 49% share as per the Share holders Subscription Agreement, the same is considered for consolidation under Equity method as the company was allotted only 7,69,000 equity shares of Rs.10/- each which comes to 12.76% of the total shares allotted by AETL as per the accounts of AETL.

26.2.6 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 investors share of the results of operations of the investee.

26.2.7 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	
	31.03.2017	31.03.2016
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	
	31.03.2017	31.03.2016

Joint Ventures Incorporated in India

Proportionate consolidation

1. Visakapatnam 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 audited Balance Sheets of subsidiaries

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

26.6 Financial Information of Subsidiary companies:

26.6.1 Andhra Pradesh Gas Infrastructure Company Limited (APGIC)

Rupees in Lakhs

Particulars	31.03.2017	31.03.2016
Authorised Share Capital (10,00,00,000 Equity Shares of Rs. 10/- each)	10,000.00	10,000.00
Issued,Subscribed and paid up capital: (4,00,00,000 Equity Shares of Rs. 10/- each fully paid)	5,544.10	5,000.00
Reserves and Surplus	(5,778.28)	(5,741.06)
Total assets	10,916.27	5,498.34
Total Liabilities	11,150.45	6,239.40
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.	2,043.60	1,500.00
APGIC has not yet commenced its commercial		

26.6.2 Krishnapatnam International Leather Complex Private Limited (KPILC)

Rupees in Lakhs

Particulars	31.03.2017	31.03.2016
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 R9 10/- each fully paid)	10	10
Reserves and Surplus (Grants in Aid)	455.28	213.03
Total assets	1118.29	1168.48
Total Liabilities	653.01	945.45

26.6.4 Investment in A P 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.2,540.00 lakhs) in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd upto the end of the previous year. Further, an amount of Rs. 176.60 lakhs was invested during the year towards additional subscription to the Equity Share Capital.

During the year an amount of Rs. 2,444.94 lakhs was written off in the books of accounts duly retaining Rs. 271.66 lakhs (i.e.. 10% equity contribution of 2,71,66,000 equity shares @ Rs. 1/- each) towards investment in APGIC as the subsidiary company has been incurring losses continuously for the last three years.

26.6.5 Investment in Krishnapatnam International Leather Complex (P) Ltd.,

- 27 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.
- 28 Previous year's errors in preparation of previous years consolidated financial statements were rectified in comparatives and figures have been regrouped / rearranged wherever necessary and have been rounded off to lakhs.

Name of the entity in the Group incorporated in INDIA (% of voting power)	Net Assets i.e., total assets minus		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%)	0.67	232.19	9.34	123.36
Andhra Pradesh Gas Infrastructure Corporation Ltd., (51%)	(4.87)	(1,698.46)	(1.47)	(19.40)
Joint Venture (Proportionate Consolidation)				
Visakhapatnam Industrial Water Supply Company (49%)	(3.77)	(1,315.57)	(164.3)	(2,170.63)
Assoicates (Equity method)				
L&T Hitech City Limited (26%)	0	0.00	(4.88)	(64.53)

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

INDEPENDENT AUDITORS' REPORT

To

The Members of

**ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED,
HYDERABAD.**

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of **Andhra Pradesh Industrial Infrastructure Corporation Limited (herein after referred to as "The Holding Company")** and its subsidiaries namely **Andhra Pradesh Gas Infrastructure Corporation Pvt Ltd** and **Krishnapatnam International Leather Complex Pvt Ltd** (the holding company and its subsidiaries together referred to as **"The Group"**), its associates namely **L & T Hitech City Ltd** and jointly controlled entity namely **Vishakapatnam Industrial Water Supply Company Ltd** which comprise of the Consolidated Balance Sheet as at 31st March 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

The accounts of the subsidiary, **Krishnapatnam International Leather Complex Pvt Ltd** were consolidated on the basis of unaudited financial statements. In respect of other subsidiary, 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.

Though the company holds 49% share as per the Share holders Subscription Agreement in **Atchutapuram Effluent Treatment Limited (AETL)**, the accounts of the same were not considered for consolidation by the management as the company was allotted only 7,69,000 equity shares of Rs.10/- each which comes to 12.76% of the total shares allotted by AETL.

Management's Responsibility for Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the Preparation of these consolidated financial statements in requirement of The Companies Act, 2013 that give a true and fair view of the 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 Accounting Standards prescribed 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, its associates and jointly controlled companies are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group, its associates and jointly controlled companies and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of 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. 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 there under.

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 in place an adequate internal financial controls system over financial reporting 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 Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion:

A) We have qualified the Standalone financials as under:

- 1) Equity Share Capital:** Current year amount of 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)**

- 2) Reserves and surplus:** Capital Reserve current year Rs. 758.16 lakhs (Previous Year Rs.758.16 Lakhs) :

An amount of 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 is classified as Capital Reserve. In our opinion, this needs to be classified as share capital pending allotment. **(Refer note no.: 4)**

- 3) **Deposits received from allottees:** Current year Rs. 1,92,078.59(Previous Year Rs. 1,89,751.05)

This includes unreconciled amounts and the management has provided zone wise and party wise un-reconciled amounts which are yet to be reconciled.

NAME OF THE ZONE	AMOUNT (Rs.)
Anantapuramu	21483280.27
Nellore	2663271.45
Tirupathi	15363242.89
Vijayawada	26152914.43
Vishakapatnam	11389004.00
Head Office	272829886.56
Total	349881599.60

In addition there is an un-reconciled debit balance of Rs.1, 50, 94,973.30 respect of Kadapa zone. **(Refer note no.: 7)**

- 4) **Provision for contractual obligations:** Current year Rs.53676.77 lakhs (Previous Year Rs.43158.38 lakhs) :

Adequacy of provision: As per the information and explanations given to us, the Corporation after reviewing various pending contractual obligations at the yearend estimated the provision against contractual obligations as Rs.53676.77 lakhs (Previous year Rs.43158.38 lakhs) and accordingly provided. We are not clear, whether the provision is pertaining to earlier year sales or current year sales. Hence in our opinion, we are not able to comment upon the adequacy of the provision made by the organization. **(Refer note no.: 8.3)**

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.

- 5) **Inventory Rs.2,77,628.08 lakhs(Previous Year Rs.2,22,221.79 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)

- 6) **Non conformity of Accounting Standard: 9 Revenue Recognition—Sale of Land, Sheds etc. Rs. 31326.41 lakhs(P.Y. 28415.98 lakhs): (Refer Accounting Policy No. 4)**

Income is to be recognized only on completion or substantial completion of Contractual obligations. However the agreement of sale is entered with allottees on receipt of full consideration, though the substantial contractual obligations amounting to 53,676.77 lakhs are yet to be fulfilled.

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

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 Estate 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, has laid down the methodology of application of percentage completion method in this type of transactions. Under this revenue is to be recognized on fulfillment of all the following conditions:

- a) Obtaining all critical approvals necessary for Commencement of Project.
- b) When the stage of completion of the project reaches a reasonable level of development i.e incurring construction and development cost of 25% or more of the total estimated
- c) At least 25% of the saleable area is secured by contracts or Sale agreements with buyers.
- d) At least 10% of the total revenue as per agreement of sale or any other legally enforceable documents is realized at the reporting date in respect of each of the contracts and it is reasonable to expect that the parties to such contracts will comply with the payment terms as defined in contracts.

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".

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.

Impact of non-reconciliation of Deposits received from Allottees (Rs. 3347.87 Lakhs):

As stated in the para 4 of our report, the non-reconciliation of Deposits of Rs.3347.87 Lakhs. We are not in a position to comment and quantify the impact of the non-reconciliation on Revenue.

7) Cost of Sales- Land Rs. 24,599.98 Lakhs(Previous Year Rs. 21,216.67 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. 6,078.60 lakhs, Land Development Cost of Rs.713.22 lakhs and Civil Work in Progress of Rs. 7,289.77 lakhs and Provision for Contractual Obligations for the year of Rs. 10,518.39 lakhs aggregating to Rs. 24,599.98 lakhs.

Since we are not clear about the provision for contractual obligation made during the year as mentioned vide para 4 above, we cannot express any opinion on cost of sales charged to Profit & Loss A/C. **(Refer to Note No.: 20)**

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:

The Assets and Liabilities of the Corporation have been understated.
The profit or loss of the corporation has been understated.
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)**

B) The auditors of subsidiary company **Andhra Pradesh Gas Infrastructure Corporation Pvt Ltd** mentioned the following qualification in their audit report:

- i. Attention is invited to note vii & viii forming part of the financial statements (notes) regarding interest claims & service tax claims raised by Oil and Natural Gas Corporation Ltd. The auditors were unable to provide opinion on the same, since details for the same werenot made available. Only the claim bills raised by Oil and Natural Gas Corp Ltd were provided with no basis for calculation. Moreover no board approval for acceptance of such claims was provided from the management; however a provision has been made in the books of accounts.
- ii. The Auditors were not provided with appropriate audit evidence about the carrying amount of company's investment in Andhra Pradesh Gas Distribution Corporation Ltd as at March 31, 2017. Consequently, they were unable to express opinion in this matter.
- iii. The Auditors were not provided with appropriate audit evidence about bank guarantees given by the company. No records have been produced to them with respect to outstanding bank guarantees and only a confirmation from APIIC (Holding company) was given to us to rely upon. Hence they were unable to express opinion in this matter.
- iv. As per the joint operation agreement with Oil and Natural Gas Corp Ltd, on default the share of the company is to be forfeited. The capital work in progress is still carried at its book value. However, they were unable to express an independent opinion in this matter as the company has defaulted in payment of cash calls and as per terms of joint operating agreement the share of the company stands forfeited.
- v. The Auditors were unable to comment on the comfort letter given by the company to the banks for arrangement of funds for APGDC as no evidence with regard to same were made available. The company is not in a position to give any guarantee/ comfort letter as its own net worth has been eroded. Hence they were unable to express opinion in this matter.
- vi. With respect to Estimation for Capital Commitment for ongoing exploratory blocks & cash calls the company is relying on the data (both technical & financial data) provided by the operators and there is no evidence of calculations being made by the company made available to them. Hence they were unable to express opinion in this matter.
- vii. The Auditors were unable to comment on the reimbursement received from APGDC for the share in rent, electricity & office maintenance expenses as calculations for the same were not made available. Hence they were unable to express opinion in this matter.
- viii. The Auditors were unable to comment on the liquidated damages payable by the company towards non completion of minimum work programme (MWP) as details for the same were not made available. Hence they were unable to express opinion in this matter.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid group, its associates and jointly controlled companies financial statements together with notes thereon, give the information required by the Act in the manner so required subject to the comments mentioned above 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, 2017.
- b) In the case of consolidated statement of Profit and Loss, 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 Group 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) **Non Confirmation:**

Attention is drawn to the Note No.: 16.3 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 No.: 7.1** are yet to be confirmed and reconciled.

3) **Provisions for Leave benefit expenses:** Current year Rs.1211.93 lakhs (Previous Year Rs.1162.03 lakhs) :

Pending final approval of employee division by the expert committee and competent authority, the management has provided Rs.1127.75 lakhs towards Long term leave benefits and Rs.84.18 lakhs towards Short term leave benefits in respect of the employees allotted towards this corporation on actuarial valuation. **(Refer note no.: 5.4 & 8.1)**

4) **In respect of Andhra Pradesh Gas Infrastructure Corporation Ltd:**

The auditors have drawn attention towards the applicability of AS-1 regarding the financial statements being prepared on a going concern basis, notwithstanding the fact that the company has accumulated losses and its net worth has been eroded, the company has incurred cash losses during the current and immediate previous year. These conditions along with the other matters stated in the notes of the above company indicate the existence of a material uncertainty that may cast doubt about the company's ability to continue as a going concern. However, the financial statements of the above company have been prepared on a going concern basis. The auditors were unable to express an independent opinion in this matter.

Other Matters

The details of assets and revenues in respect of subsidiaries, joint ventures and associates to the extent which it is included in the consolidated financial statements are given below.

S.No.	Type of Company	Audited / Provisional	Total assets (Rs. In lakhs)	Revenues (Rs.In lakhs)
1.	Subsidiary	Audited	10645.56	3.92
2.	Subsidiary	Provisional	1098.48	0
3.	Joint Ventute & Associates	Audited	4128.75	6439.44

Our opinion is not qualified in respect of other matters.

Report on Other Legal and Regulatory Requirements

- 1) The Companies (Auditors Report) Order, 2016 ("the order") issued by the Central Government of India in terms of Section 143(11) of the Act, is not applicable to the consolidated financial statements as referred in proviso to Para 2 of the said order.
- 2) We are enclosing our report in term 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 - A and B** on the directions and sub-directions issued by the Comptroller and Auditor General of India.
- 3) As required by Section 143(3) of the Act, we report that:
 - i. We have sought and except for the matters described in the basis for qualified opinion paragraph 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, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books;
 - 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;
 - iv. In our opinion, 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.

However in respect of subsidiary **Andhra Pradesh Gas Infrastructure Corporation Pvt Ltd** the auditors mentioned that the financial statements of the company comply with the accounting standards except for AS-15 Employee Benefits provided for payment basis, As-16 Borrowing Cost, AS-22 Accounting for Tax on Income-non recognition of deferred tax on timing difference, AS-29 Provisions, contingent liability and contingent asset.
 - v. The matters specified in the basis for qualified opinion paragraph above in our opinion may have an adverse effect on the functioning of the company.
 - vi. 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 corporation in view of notification number G.S.R.463(E) dated 05.06.2015.
 - vii. With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in "**Annexure C**".
 - viii. With respect to the other matters to be included in the Auditors' 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 as referred to in Note: 17.1 to the consolidated financial statements.
- b) The Group, its associates and jointly controlled companies did not have any long term contracts including derivative contracts for which there were any material foreseeable losses;
- c) There were no amounts which were, required to be transferred to the Investor Education and Protection Fund by the Group, joint venture and associate companies.

For ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Sd/-
(V S VENKATESWARLU)
Partner
M No.025805

Place: Hyderabad
Date : 09.01.2019

ANNEXURE — "A" TO THE INDEPENDENT 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 The Companies Act, 2013. However, we are submitting the report submitted in respect of the holding company i.e., Andhra Pradesh Industrial Infrastructure Corporation Ltd.

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 waiver/ write off of debts/ loans in terests 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 statements for the year 2016-17.	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 the third parties and there are no assets received as gift/ grant from government or other authorities.	NIL

For ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Sd/-
(V S VENKATESWARLU)
Partner
M No.025805

Place: Hyderabad
Date : 09.01.2019

ANNEXURE — "B" TO THE INDEPENDENT AUDITOR'S REPORT

Report Sub- Directions under Section 143(5) of The Companies Act 2013

S.No	Directions	Action Taken	Impact on 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-i-vis the milestone stipulates 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 deviation.	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 ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Sd/-
(V S VENKATESWARLU)
Partner
M No.025805

Place: Hyderabad
Date : 09.01.2019

ANNEXURE — "C" TO THE INDEPENDENT AUDITOR'S REPORT

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

(Referred to in paragraph 1 (vi) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

We have audited the internal financial controls over financial reporting of **ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED** ("the Company") as of 31st March, 2017 in conjunction with our audit of the standalone 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). 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 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. 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 standalone 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 standalone 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 and to the best of our information and according to the explanations given to us, 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 31st March, 2017, 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 ANJANEYULU & CO.,
Chartered Accountants
FRN: 000180S

Sd/-
(V S VENKATESWARLU)
Partner
M No.025805

Place: Hyderabad
Date : 09.01.2019



प्रधान महालेखाकार (लेखापरीक्षा) का कार्यालय

आन्ध्र प्रदेश, हैदराबाद - 500 004

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)

ANDHRA PRADESH, HYDERABAD - 500 004.

Lr. No.PAG(Audit)/ AP/ES(PSU)/ D2/AA/APIIC/2019-20/ 121

Date : 31-07-2019

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(6X6) of the Companies Act, 2013 on the Standalone and Consolidated financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year 2016-17.

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 2016-17 for necessary action.

2. The date of placing of Comments along with Financial Statements and Auditor's Report before the shareholders of the Company may please be intimated and a copy of the proceedings of the meetings furnished.

3. The date of forwarding the annual report and financial statements of the Company together with the Auditors' Report and Comments of the Comptroller and Auditor General of India to the Stat. Government of AP for the year 2016-17 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 2016-17 are to be furnished to this office without fail.

Yours faithfully,

Deputy Accountant General (Admin)

Encl: As above

E-mail : agauandhrapradesh2cag.gov.in Fax No. 040-23210125

ANNEXURE —VII

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 ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2017.

The preparation of the Consolidated financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2017 in accordance with financial reporting framework prescribed under Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) read with section 129 (4) of the Act are responsible for expressing opinion on the financial statements under Section 143 read with section 129 (4) of the Act based on independent audit in accordance with the Standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their revised audit report dated 26.04.2019 which supersedes their earlier audit report dated 09.01.2019.

I, on behalf of the Comptroller & Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended 31 March 2017 under Section 143(6)(a) read with section 129 (4) of the Act. 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 (NRC issued), 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 and Atchutapuram Effluent Treatment Limited (AETL), associate 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. The audit report has been revised by the auditor to give effect to some of my audit observations raised during supplementary audit.

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

BALANCE SHEET

EQUITY and LIABILITIES

Non-Current Liabilities - Rs. 2,019.16 crore

Other Long Term Liabilities (Note-5.3) — Rs. 1,745.93 crore

1. Government of Andhra Pradesh amended the Andhra Pradesh Agricultural Land (Conversion for Non-Agricultural Purposes) Act, 2006 by enacting Act No.13 of 2018. As per Sub-section (g) of Section 7 of amended Act, the lands allotted to the Company are exempted from the provisions of the Act, 2006. In this regard GoAP issued orders (G.O.No.37 dated 25.01.2018) stating that the Act

shall come into force from 01-02-2018. Further, GoAP also issued orders (G.O Ms.No.98 dated 19-2-2018) stating that in case of lands allotted to APIIC, the lands stand converted to Non-Agricultural purpose. Though exemption under Act No.13 is applicable for lands allotted from 1-2-2018, the Company has not provided the liability for conversion charges for land allotted up to 1-2-2018. Company has instead disclosed contingent liability to the extent of Rs. 55,241.40 lakh towards conversion charges pertaining to the period up to 2014-15. Further, it has not provided liability of Rs.2,742.02 lakh for the years 2015-16 and 2016-17.

Thus, non-provision for the liability towards conversion charges for the lands allotted prior to exemption has resulted in understatement of Other Long Term Liabilities (Note-5.3) by ₹ 57,983.42 lakh and overstatement of contingent liabilities by Rs. 55,241.40 lakh.

Current Assets

Inventories (Note 12.1): ₹ 2,963.36 crore

Stock in Trade - Land — ₹ 2,631.89 crore

2. The Company takes possession of Government lands in various places in the State pending alienation orders from the GoAP. Pending alienation orders, the Company capitalizes the land taken to possession on provisional basis at rates recommended by the District Collector/Revenue authorities. Audit observed that even though alienation orders were issued in certain cases, the Company. valued the inventory on provisional basis at the rates recommended by the District Collector/Revenue authorities instead of at the rates indicated in the alienation orders of GoAP, resulting in overstatement of Inventories (Note 12) and overstatement of Dues to Government (Schedule-5) by 11.40 crore. The details of the cases are given below:
 - a) Company valued 21.68 acres of land at Pedagantyda village (S.No.211/2 to 20) in Visakhapatnam district provisionally as ₹17.34 crore @ Rs.80 lakh per acre as recommended by the District Authorities, though the Government issued alienation orders (GOMsNo. 413 dated 30-8-2016) @ Rs. 60 lakh per acre resulting in overvaluation of land by Rs.20 lakh per acre. This has consequently resulted in overstatement of Inventories by ₹ 4.34 crore and overstatement of Other Long-Term Liabilities - Dues to Government (Note-5.3) by the same amount.
 - b) Company valued 200 acres of land at Penta village, Padmanabham Mandal provisionally as ₹ 2 crore @ Rs. one lakh per acre as per basic value as recommended by District Authorities, though Government issued alienation orders (GO MsNo.373 dated 7-8-2017) at free of cost for formation of Industrial Park resulting in overvaluation of land by ₹ 2 crore. This has consequently resulted in overstatement of Inventories by ₹1.99 crore (200 acres * Rs. 1/- per acre nominal value for free hold land) and overstatement of Other Long-Term Liabilities - Dues to Government (Note-5.3) by the same amount.
 - c) Company valued 69.03 acres of land in Vikruthamala village (S.No.419/1A), Yerpedu Mandal, Tirupathi provisionally @ Rs. 12.50 lakh per acre for 67.40 acres and @ ₹5.50 lakh for 1.63 acres as recommended by District Authorities, though Government issued alienation orders (GO Ms.No.477 dated 17-11-16) @ ₹ 5 lakh per acre resulting in overvaluation of land by Rs.7.50 lakh per acre. This has consequently resulted in overstatement of Inventories by ₹ 5.06 crore and overstatement of

Other Long-Term Liabilities - Dues to Government (Note-5.3) by the same amount.

3. Inventories also include disputed land to the extent of 2.48 acres valued ₹24.80 lakh at Ramannapalem, Kakinada Zone. As per District Magistrate, Kakinada order dated 11-1-2017, out of the total 18.48 acres of land handed over to APIIC an extent of 2.48 acres was earlier (31-8-2014) leased out. Subsequently it was cancelled and the aggrieved party (lease) filed a revision petition and the matter is being pursued by GoAP. The fact that the land is in dispute has not been disclosed.

Notes forming part of the accounts

4. The Company accounted ₹ 560.40 lakh as dues to Textile Department. This amount, however, represents sale proceeds of the plots of M/s Vizag Apparel Park (SPV), which were sold by APIIC on behalf of SPV. Thus, depiction of ₹ 5.60 crore as dues payable to Textile Department was incorrect. Company should have given suitable disclosure of the fact that the amount is payable to SPV.

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

Place: Hyderabad

Date: 3-07-2019

(L.V.SUDHIR KUMAR)

प्रधान महालेखाकार (ले.प.)

Principal Accountant General (AUDIT)



प्रधान महालेखाकार (लेखापरीक्षा) का कार्यालय

आन्ध्र प्रदेश, हैदराबाद - 500 004

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)

ANDHRA PRADESH, HYDERABAD - 500 004.

Lr. No.PAG(Audit)/ AP/ES(PSU)/D2/AA/APIIC/2019-20 / 136

Date : 05-08-2019

To

The Managing Director,
Andhra Pradesh Industrial Infrastructure Corporation Limited
D.No.59A-20-2/3A, Sri Siva Complex,
Fun Times Club Road. Teachers Colony,
VIJAYAWADA — 520008,
ANDHRA PRADESH.

Sir,

**Sub: Provisional Comments on the Standalone and Consolidated Accounts of the
Andhra Pradesh Industrial Infrastructure Corporation Limited for the year ended
31 March 2017.**

Ref: Lr.No.APIIC/FW/AG AUDIT/2016-17 Dated: 24.04.2019.

The following Provisional comments issued to the company are not considered for issue as comments of the C&AG U/s 143(6)(b) on the Companies Act, 2013 on the basis of the assurance given by the Management. These may be kept in view while preparation of next year's accounts.

PC No.2

ASSETS

Non-Current Assets

Long term Loan and Advances

Advances to Staff - ₹122.59 lakh

This includes tour advance amounting to Rs.3.92 lakh sanctioned to the then VC&MD of the Company in April and from October 2015 onwards which was not charged to expenses even though the tour was completed. Non-adjustment of the advance to Expenses has resulted in overstatement of Long Term Loans and Advances and understatement of Other Expenses-Administration & General Expenses (Note-22) - Travelling Expenses by ₹3.92 lakh. Consequently, profit for the year was also understated by the same amount.

PC No. 5**Assets - Current Assets****Inventories (Note 12.1) ₹ 296,336.23 lakhs****Stock in Trade Land - ₹ 2,63,188.70 lakhs**

The Company agreed to sell land to the extent of 72.14 acres (2,91,950 sqm) to ONGC, Kakinada @ ₹ 4,230/- per sqm. Accordingly, ONGC paid ₹ 123.50 crore to the Company. The Company registered (22-04-2016) land to an extent of 71.13 acres (2,87,863.11 sqm) for ₹ 121.77 crore. The amount of Rs.1.31 crore excess received (duly deducting ₹ 42.30 lakh towards frontage charges) was accounted for as liability under Deposit towards sale of land. However, the Company should have accounted the balance land of 1.01 acres not registered in favour of ONGC in the inventory. Thus non-accountal of the balance land of 1.01 acres resulted in understatement of inventory by ₹ 10.20 lakh (inventory value of 72.14 acre at ₹ 7,28,48,950/72.14 * 1.01 acres). Consequently, profit for the year was also understated by the same amount.

PC No. 6**Assets — Current Assets****Inventories (Note 12.1) ₹ 296,336.23 Lakhs****Stock in Trade Land — ₹ 2,63,188.70 Lakhs**

Inventories include ₹ 35.12 lakh representing the value of house stock - ₹15.52 lakh and value of hire purchase sheds - ₹ 19.60 lakh, which are lying in the accounts since the period prior to 1999-2000 and no details of the above inventories are available with the Company. In the absence of details, the correctness of the value depicted in the accounts could not be assessed in audit.

Yours faithfully,

Sr. Deputy Accountant General / ES