

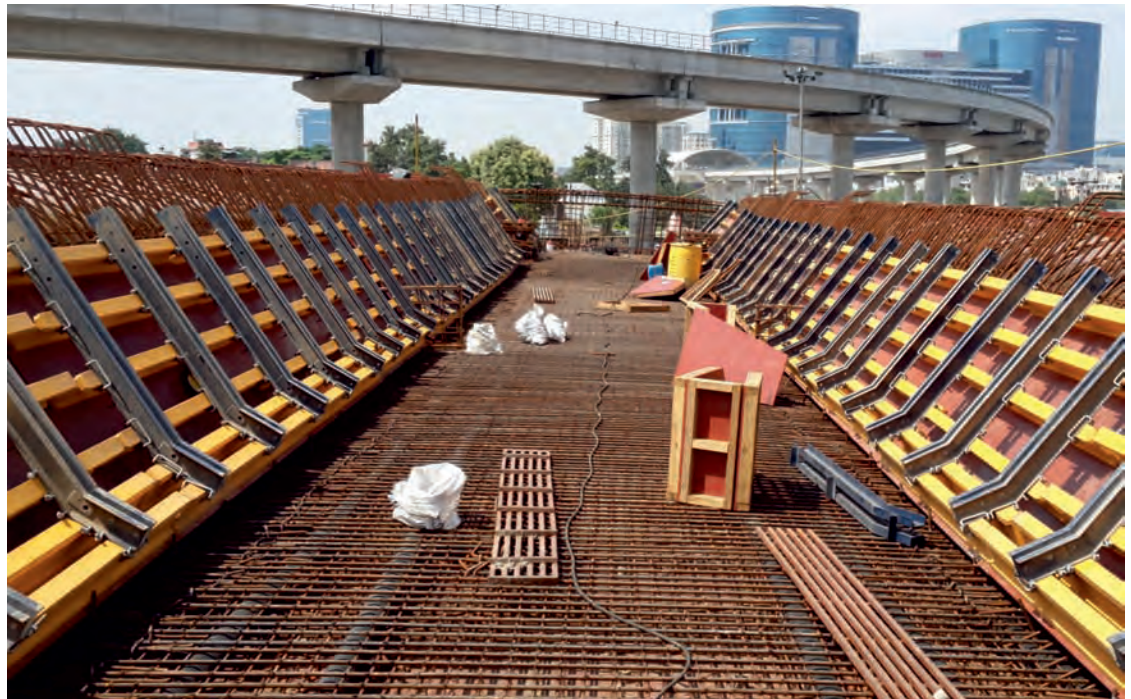
ANNUAL REPORT

2012-2014
(18 Months)





4 Laning of Pune Sholapur Section of NH9, Maharashtra



Girder at Sikanderpur Flyover
(Upgradation of HUDA Sector Road, Gurgaon)



Rapid Metro Rail Viaduct, Gurgaon



MTP Station, Chennai



132 kV Switch Yard at Machraulli, Jhajjar, Haryana



Pole Mounted 10kVA Transformer Inside a Village for
Below Poverty Line (BPL) Consumers of Sundergarh District,
Odisha (Rural Electrification Works)

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Board of Directors

(As on May 19, 2014)

| |
|---|
| Ramchand Karunakaran |
| Murli Dhar Khattar |
| Saleh Mohammed A Binladen |
| El Mouhtaz El Sawaf |
| Akberali Mohemedali Moawalla (Alternate Director) |
| Ahmad Mohamad Dabbous (Alternate Director) |
| Ved Kumar Jain |
| Anil Kumar Agarwal |
| Dhananjay Narendra Mungale |
| Sundaram Srinivas Ranjan |

Company Secretary

G. Venkateswar Reddy

Auditors

S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Oval Office 18, I Labs Centre

Hitech City, Madhapur

Hyderabad – 500 081

Bankers

Allahabad Bank

Bank of India

Bank of Maharashtra

ICICI Bank Limited

IDBI Bank Limited

Indian Overseas Bank

Punjab National Bank

State Bank of Hyderabad

State Bank of India

Vijaya Bank

Registrar & Share Transfer Agent

Karvy Computershare Private Limited

No. 17-24, Vittalrao Nagar, Madhapur

Hyderabad – 500 081

Telephone No. 040 – 44655000

Fax No. 040 – 23420814,

Email : einward.ris@karvy.com

Registered Office

Door No.8-2-120/113/3/4F, Sanali Info Park,

Cyber Towers, Road No.2, Banjara Hills,

Hyderabad-500033.

CIN: L45201AP1988PLC008624*

Tel. +91 40 40409333

Fax No. +91 40 40409444

Web site: www.ilfsengg.com

Email : info@ilfsengg.com

* (not yet updated by MCA reflecting Telangana State)

NOTICE

NOTICE is hereby given that the Twenty-Fifth **Annual General Meeting of the Members of IL&FS Engineering and Construction Company Limited and reduced** will be held on Friday, the 8th day of August, 2014 at 12.00 Noon at KLN Prasad Auditorium, 3rd Floor, The Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad – 500 004 to transact the following business:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014, the Statement of Profit and Loss for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
- (2) To appoint a Director in place of Mr. Ved Kumar Jain (DIN – 00485623), who retires by rotation and, being eligible, offers himself, for re- appointment.
- (3) To appoint a Director in place of Mr. Anil Kumar Agarwal (DIN – 00000100), who retires by rotation and, being eligible, offers himself, for re- appointment.
- (4) To appoint a Director in place of Mr. El Mouhtaz El Sawaf (DIN – 03627039), who retires by rotation and, being eligible, offers himself, for re- appointment.
- (5) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:
"RESOLVED THAT S. R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants, Institute of Chartered Accountants of India, Registration Number 101049W, be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of Annual General Meeting to be held for the financial year ending on March 31, 2017 at a remuneration as may be determined by the Board of Directors of the Company".

SPECIAL BUSINESS:

- (6) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:
"RESOLVED that Mr. Dhananjay Narendra Mungale (DIN 00007563), who was appointed as an Additional Director of the Company by the Board of Directors with effect from March 18, 2014, in terms of Section 260 of the Companies Act, 1956 [corresponding to Section 161(1) of the Companies Act, 2013] and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."
- (7) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 148 and rules made thereunder and any other applicable provisions of Companies Act, 2013, the appointment of M/s. S. Mahadevan & Co, Cost Accountants as cost auditors for the Financial Year 2014-15 by the Board of Directors of the Company at a remuneration not exceeding Rs. 5 lakhs per annum excluding out of pocket & other expenses and service tax, as may be incurred in the course of Audit be and is

hereby ratified and approved."

- (8) To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:
"RESOLVED that pursuant to the provisions of Section 14 and any other applicable provisions of the Companies Act, 2013, the Articles of Association of the Company be and is hereby amended by adding the words "Part I" in the first page of the Articles of Association and by adding specified articles in "Part II" at the end of the Articles of Association, a draft of which has been initialed by the Chairman (and a copy of which has been annexed to the Explanatory Statement)."
"RESOLVED FURTHER THAT Mr. Murli Dhar Khattar, Managing Director of the Company, Dr. Sambhu Nath Mukherjee, Chief Financial Officer of the Company and Mr. G. Venkateswar Reddy, Company Secretary of the Company, be and are hereby jointly and/or severally authorized by the Company to undertake such acts, deeds and matters, including but not limited to making requisite filings with the Registrar of Companies that may be required to give effect to the amendments to the Articles of Association of the Company in accordance with this resolution."
- (9) To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:
"RESOLVED THAT the consent of members of the Company be and is hereby granted, in accordance with Section 180(1)(c) and all other applicable provisions, if any, of the Companies Act, 2013 and the Articles of Association of the Company, to the Board of Directors of the Company or any committee thereof, in supersession of earlier resolutions, to borrow any sum or sums of money from time to time at their discretion, for the purpose of the business of the Company, which together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed at any time, the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) by a sum not exceeding Rs.5,000 crores (Rupees Five Thousand Crores Only), and that the Board of Directors be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as it may think fit."

By order of the Board

For IL&FS Engineering and Construction Company Limited and reduced

G. Venkateswar Reddy

Company Secretary

Regd. Office: Door No: 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers, Road No 2, Banjara Hills, Hyderabad - 500 033

CIN: L45201AP1988PLC008624

Email: cs@ifseengg.com

Place: New Delhi

Date: May 19, 2014

NOTES

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. BLANK PROXY FORM IS ATTACHED.
- (2) A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY (50) AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY.
- (3) The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of Special Business set out above is annexed hereto and forms part of the Notice.
- (4) Details required under Clause 49 of the Listing Agreement with Stock Exchanges in respect of Directors seeking appointment / re-appointment at the Annual General Meeting forms part of this notice.
- (5) Members / Proxies are requested to hand over the enclosed Attendance Slip duly filled in, at the entrance for attending the meeting.
- (6) Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.
- (7) Documents referred to in the accompanying Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during office hours between 11 am. And 5.00 p.m. on all working days prior to the date of the Annual General Meeting.
- (8) The Register of Members and Share Transfer Books of the Company will remain closed from August 4, 2014 to August 8, 2014 (both days inclusive) for the Annual General Meeting.
- (9) Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Registrars of the company i.e. Karvy Computershare Private Limited, Plot No. 17-24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 in respect of their physical share folios, if any.
- (10) Shareholders are requested to bring their copies of Annual Report to the Annual General Meeting.
- (11) Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
- (12) Members may also note that the Notice of the 25th Annual General Meeting and the Annual Report for 2012-14 will also be available on the Company's website www.ilfsengg.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Hyderabad for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: cs@ilfsengg.com.
- (13) In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- (14) Pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on February 12, 2013 (date of last Annual General Meeting) on the website of the Company (www.ilfsengg.com), as also on the website of the Ministry of Corporate Affairs.
- (15) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/Karvy.
- (16) **Members who have not registered their e-mail addresses so far are requested to register their email address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.**
- (17) **Procedure of E-Voting** – In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, your Company is pleased to provide members facility to exercise their right to vote at the 25th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Karvy Computershare Private Limited

The instructions for E-voting are as follows:

- i. To use the following URL for e-voting: <http://evoting.karvy.com>
- ii. Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the record date, may cast their vote electronically.
- iii. Enter the login credentials. Your Folio No/DP ID Client ID will be your user ID.
- iv. After entering the details appropriately, click on LOGIN.
- v. You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- vi. You need to login again with the new credentials.
- vii. On successful login, the system will prompt you to select the EVENT i.e., IL&FS Engineering and Construction Company Limited
- viii. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
- ix. Shareholders holding multiple folios / demat account shall choose the voting process separately for each folios / demat account.
- x. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
- xi. Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
- xii. The Portal will be open for voting from : August 02, 2014 to August 04, 2014 (being 3 days before the date of 25th Annual General Meeting).
- xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <http://evoting.karvy.com> or contact Toll Free No. 18003454001

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 6:

Appointment of Director

Mr. Dhananjay Narendra Mungale was appointed as an Additional Director of the Company with effect from March 18, 2014. Mr. Mungale, a Chartered Accountant and Lawyer, has served major part of career in various capacities in Corporate and Merchant Banking in India and Europe. The Board of Directors opines that induction of Mr. Mungale will help the Board to carry out its affairs more prudently.

The Company has received a notice in writing from a member alongwith the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. Dhananjay Mungale for the office of Director of the Company.

Mr. Dhananjay Mungale is not disqualified from being appointed as Director in terms of Section 164 of the Act and has given his consent to act as a Director. As on the date of this Notice, Mr. Mungale does not hold any share in his name or as a beneficiary in IL&FS Engineering and Construction Company Limited.

Your directors recommend the said resolution for your approval.

None of the Directors, Key Managerial Personnel or their relatives, except Mr. Dhananjay Mungale, to the extent of his appointment as Director, are in anyway, concerned or

interested in this resolution.

Item No: 7

Appointment of Cost Auditor:

The Board, on the recommendation of the Audit Committee has approved the appointment and remuneration of S. Mahadevan & Co, Cost Accountants to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015 as per the provisions of Section 148 of the Companies Act and Companies (Audit and Auditors) Rules, 2014. In accordance with these provisions, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

During the financial years 2011-12 and 2012-14, M/s S. Mahadevan & Co., Cost Accountants, were appointed to issue cost compliance certificate to the Company as per the provisions rules under Companies Act, 1956. They are well experienced in the field of Cost Audit with highly experienced partners who shall undertake the Cost Audit. The fee prescribed is in line with the Standards in Industry based on the size of your Company.

Accordingly, your Directors recommend this resolution for your ratification and approval as an ordinary resolution.

None of the Directors or Key Managerial Personnel or relatives of Directors and Key Managerial Persons are concerned or interested in this resolution.

Item No 8:

Amendment of Articles of Association:

Your Company had earlier amended the Articles of Association of the Company on March 18, 2014 to delete the then existing "Part II" in its entirety. However, certain clauses in the Shareholders' Agreement read with Amendatory Agreement entered into by the Company with Infrastructure Leasing and Financial Services Limited, IL&FS Financial Services Limited and SBG Projects Investments Limited have to be included in the Articles of Association of the Company to the extent they are different from the Articles of Association which are the rights provided to SBG Projects Investments Limited. It is proposed to amend the existing Articles of Association of the Company by including "Part II" in the Articles of Association and adding the words "Part I" in the first page of the Articles of Association. Accordingly, the following clauses shall be inserted in the Articles of Association of the Company as Part II of Articles of Association:

"Part – II

CHAPTER II – SPECIFIED ARTICLES

MISCELLANEOUS

- 109. The Specified Articles shall have effect notwithstanding anything to the contrary contained in Articles 1 to 108 above.
- 110. Subject to Article 111 below, the matters listed in the Specified Articles are in addition to all other rights that the Investor and the Promoter and/or PAC have as Specified Shareholders of the Company under these Articles.
- 111. In the event of any conflict between the provisions of Articles 1 to 108 above and the provisions of the Specified Articles, the provisions of the Specified Articles shall prevail.

DEFINITIONS

112. For the purpose of the Specified Articles, unless the context otherwise requires, the following expressions shall have the following meanings:

Act means the Indian Companies Act, 1956 or the Indian Companies Act, 2013, as the context may require, each as may be amended from time to time or any re-enactment thereof;

Affiliate means:

- a. in relation to the Promoter and/or the PAC, (i) any entity Controlled, directly or indirectly by the Promoter and/or the PAC or an Affiliate of the Promoter and/or the PAC, (ii) any entity that, Controls, directly or indirectly the Promoter and/or the PAC; and (iii) or any entity under common Control with the Promoter and/or the PAC;
- b. in relation to the Investor, (i) any entity Controlled, directly or indirectly, by the Investor, (ii) any entity that Controls, directly or indirectly, the Investor, or (iii) any entity under common Control with the Investor; and
- c. in relation to any other Person, (i) any entity Controlled, directly or indirectly, by that Person, (ii) any entity that Controls, directly or indirectly, that Person, or (iii) any entity under common Control with that Person or, in the case of a natural Person, any Relative of such Person;

Board means the board of directors of the Company as constituted from time to time;

Business means principally the engineering procurement construction and the construction business for, inter alia, infrastructure facilities (including but not limited to irrigation projects, power projects, roads, ports, airports and railways) and housing / township projects;

Business Day means any day other than a Saturday, Sunday or any day on which banks in Hyderabad or Mumbai, India or Jeddah, Saudi Arabia are closed;

Competing Business means the engineering procurement construction and the construction business for, inter alia, infrastructure facilities (including but not limited to irrigation projects, power projects, roads, ports, airports and railways) and housing / township projects;

Competitor means any Person engaged in the Competing Business;

Completion Date shall have the meaning ascribed to it in the Share Subscription Agreement;

Consent means any notice, consent, approval, authorization, waiver, permit, grant, concession, agreement, license, certificate, exemption, order or registration, of, with or to any Person;

Control (including with correlative meaning, the terms **Controlled by** and under **common Control** with) means the power and ability to direct the management and policies of the controlled enterprise either through (i) ownership of (a) in an unlisted enterprise; 50% (fifty percent) or more, or (b) in a listed enterprise; 26% (twenty six percent) or more, in each case, of the voting rights of the concerned enterprise; or (ii) the power or right to appoint or nominate at least half

of the members of the board of directors or similar governing body; or (iii) contract or otherwise. It being clarified that veto rights of the nature commonly granted to financial investors or lenders shall not, by themselves, constitute power and ability to direct the management and policies of the controlled enterprise;

Deed of Adherence shall be the deed of adherence as set forth in Schedule 2 of the Shareholders Agreement;

Director means a director of the Company (including any duly appointed alternate director);

Effective Date shall mean the Completion Date;

Encumbrance means (i) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any Person, including any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under applicable Law; (ii) any voting agreement, interest, option, right of first offer, refusal or transfer restriction in favour of any Person; and (iii) any adverse claim as to title, possession or use;

Equity Share(s) means the equity share(s) of the Company having a par value of Rs. 10 (ten) per share and 1 (one) vote per share;

Equity Securities means, the Company's equity capital (including the Equity Shares) or any options, warrants, convertible preference shares, loans or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such equity capital;

Excess Shares means the Investor Excess Shares and the Promoter Excess Shares;

Financial Year means the financial year of the Company, which begins on April 1st of a calendar year and ends on 31st March of the next calendar year;

Governmental Authority means any government in any province or state in India; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality of India, or any political subdivision thereof; any court, tribunal or arbitrator and any securities exchange or body or authority regulating such securities exchange in India;

Governmental Approval means any Consent of, with or to any Governmental Authority;

IFIN means IL&FS Financial Services Limited, a company incorporated under the laws of India and having its registered office at IL&FS Financial Centre, Plot No. C-22 G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051;

IL&FS means Infrastructure Leasing & Financial Services Limited, a company incorporated under the laws of India and having its registered office at IL&FS Financial Centre, Plot No. C-22 G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051;

Independent Director means a Director who would be considered to be an 'independent director' of the Company

as per the equity listing agreement of the Stock Exchanges and as may be prescribed by SEBI from time to time and as per the provisions of Companies Act, 2013;

Investor means SBG Projects Investments Limited, a company incorporated under the laws of the Republic of Mauritius and having its registered office at Rogers House, 5 President John Kennedy St., Port-Louis, Mauritius;

Investor Director(s) means a Director nominated by the Investor in accordance with the provisions of the Specified Articles;

Investor Excess Shares means all such Equity Shares acquired by the Investor in the Open Offer which exceed the Investor Open Offer Shares;

Investor Open Offer Shares means all such Equity Shares as may be acquired by the Investor in the Open Offer upto and including 6% (six percent) of the Share Capital of the Company;

Law means all applicable provisions of all (a) constitutions, treaties, statutes, laws (including the common law), codes, rules, regulations, ordinances or orders of any Governmental Authority, (b) Governmental Approvals, and (c) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority;

Lock-In Period means the period between the Effective Date and 5 (five) years from the Effective Date;

Open Offer shall have the meaning ascribed to it in the Share Subscription Agreement;

Ownership at any time means ownership of the Equity Shares representing a percentage of the Share Capital;

Person means any natural person, firm, company, Governmental Authority, joint venture, partnership, association or other entity (whether or not having separate legal personality);

Pro Rata Share or Specified Shareholder's Pro Rata Share means, with respect to any Specified Shareholder, the proportion that the number of Equity Securities held by such Specified Shareholder bears to the aggregate number of Equity Securities held by all Specified Shareholders of the Company, in each case on a fully diluted basis. For the avoidance of doubt it is clarified that for the purposes of calculating the Equity Securities held by any Specified Shareholder such calculation shall not include the Promoter Excess Shares in case of the Promoter and/or the PAC and the Investor Excess Shares in case of the Investor. It being clarified that in case of acquisition of such Promoter Excess Shares by the Investor, the Promoter Excess Shares shall be calculated for purpose of the shareholding of the Investor and likewise, in case of acquisition of such Investor Excess Shares by the Promoter and/or the PAC, the Investor Excess Shares shall be calculated for purpose of the shareholding of the Promoter and/or the PAC;

Promoter means IL&FS and **Persons Acting in Concert (PAC)** means IFIN. The intention of the Parties has always been that IL&FS is the promoter of the Company and IFIN (as a group company of IL&FS) is a 'person acting in concert'. Accordingly, in the Shareholders' Agreement, all references to the term "Promoters" shall stand replaced by the term "Promoter". However, for the purposes of the definitions of

the terms "Affiliate", "Pro Rata Share or Shareholder's Pro Rata Share", "Promoter Excess Shares", "Shareholders", "Share Subscription Agreement" and for the purposes of Clauses on Non-Compete; Transfer of Equity Securities; Term and Termination; Falling Away of Rights; Governing Law, Jurisdiction and Dispute Resolution; and Miscellaneous, the references to the term "Promoters" or "Promoter" shall stand replaced by the term "Promoter and/or the PAC"

Promoter Director(s) means a Director nominated by the Promoter in accordance with the provisions of the Specified Articles; including Alternate Directors

Promoter Excess Shares means the Equity Shares acquired by the Promoter and/or the PAC in the Open Offer;

Rupees or Rs. means Indian rupees or the lawful currency of the Republic of India;

SEBI means the Securities and Exchange Board of India;

Specified Shareholder(s) means the Investor, the Promoter and/or the PAC and any Person who becomes a Specified Shareholder of the Company in accordance with the terms of the Specified Articles and executes a Deed of Adherence, in each case for so long as such Person remains a Specified Shareholder of the Company, and shall be deemed to include the estate of any Specified Shareholder that is a natural Person and the executor, conservator, committee or other similar legal representative of any Specified Shareholder that is a natural Person or such Specified Shareholder's estate following the death or incapacitation of such Specified Shareholder;

Share Capital means the fully paid-up equity share capital of the Company on a fully diluted basis;

Specified Articles means Articles 112 to 143 of these Articles;

Stock Exchange means either the Bombay Stock Exchange Limited or the National Stock Exchange of India Limited or such other stock exchange as may be mutually agreed to in writing between the Company and the Investor;

Shareholders Agreement means the agreement dated June 19, 2010, including the First Amendment Agreement to the Shareholders' Agreement dated February 12, 2014 between the Company, the Promoter, the PAC and the Investor regulating the relationship of the Company, the Promoter, the PAC and the Investor for certain matters relating to the subscription to Equity Securities and their mutual rights and obligations;

Share Subscription Agreement means the agreement dated June 19, 2010, between the Company, the Promoter, the PAC and the Investor relating to matters governing the subscription and issue of the Subscription Shares by the Investor and the Company respectively;

Subscription Shares means 1,54,59,133 (One Crore Fifty Four Lakhs Fifty Nine Thousand One Hundred and Thirty Three) Equity Shares;

Subsidiary means a subsidiary of the Company as defined under the Act.

Takeover Regulations means the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, or

the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as the context may require, each as may be amended from time to time or any re-enactment thereof; and

Transfer means sell, gift, give, assign, transfer, transfer of any interest in trust, mortgage, alienation, hypothecate, pledge, encumber, grant a security interest in, amalgamate, merge or suffer to exist (whether by operation of law or otherwise) any Encumbrance on, any Equity Securities or any right, title or interest therein or otherwise dispose of in any manner whatsoever voluntarily or involuntarily.

NON - COMPETE

113. The Promoter and/or the PAC and the Investor shall abide by and comply with any non-compete obligations that may have been mutually agreed inter se the Promoter and/or the PAC and the Investor, as though the same form part of the Specified Articles.

CORPORATE GOVERNANCE

114. **Authority of the Board and Management**

Subject to the provisions of the Specified Articles and the Act, the Board shall be responsible for the management, supervision, direction and control of the Company and, as a holding company, its Subsidiaries. Subject to the provisions of the Specified Articles, the Board shall be entitled to delegate powers to such persons and such committees that the Board may create to assist it in its business strategy and objectives.

115. **Composition of the Board**

Subject to applicable Law, the Company shall appoint Directors to the Board in accordance with the Specified Articles. The number of directors constituting the entire Board shall be a maximum of 12 (Twelve) individuals, provided that if applicable Law requires the appointment of additional independent directors, the Parties will agree upon the manner in which the Board is to be reconstituted. Subject to applicable Law, the Company shall re-constitute the composition of the Board so that the Promoter can nominate a maximum number of 3 (three) Directors and the Investor can nominate a maximum number 2 (two) Directors on the Board and the Company shall appoint such Directors nominated by the Promoter and the Investor. The Chairman of the Board shall be a Promoter Director or shall be appointed from amongst the Promoter Directors.

116. **Qualification Shares**

The Directors shall not be required to hold any qualification shares.

117. **Removal and Replacement of Directors**

Subject to Article 115, the Investor and the Promoter shall have the right to require the removal of an Investor Director or the Promoter Director, as the case maybe, at any time and shall be entitled to nominate another representative as a Director in place of the Director so removed. In the event of the resignation or retirement of an Investor Director or a Promoter Director, the Investor or the Promoter, as the case maybe, shall be entitled to nominate another representative as Director in place of such resigning or retiring Director. Such successor or replacement Investor Director or the Promoter, as the case maybe, shall be nominated and

elected on or as soon as practicable after the date of such resignation or removal and in any event within 25 (twenty-five) Business Days after such resignation or removal.

118. **Alternate Director**

The Promoter and/or the Investor shall be entitled through its/their Directors to nominate an alternate Director to act in accordance with the Act for any Director nominated by the Investor or the Promoter, as the case may be, and shall issue a written notice to the Company providing the name and contact address of such alternate Director ("Alternate Director Nomination Notice"). The Board shall appoint the alternate Director so nominated within 7 (seven) Business Days of the receipt of the Alternate Director Nomination Notice. Each Specified Shareholder shall also have a right to withdraw their nominated alternate Director and nominate another in his/her place. The Investor and the Promoter shall take all such actions, including exercising their respective votes in relation to the Equity Securities controlled by it, as may be required to cause any alternate Director nominated pursuant to this Article 118 to be duly elected or appointed.

119. **Directors' Access**

Directors shall be entitled to examine the books, accounts and records of the Company and shall have free access, at all reasonable times and with prior reasonable written notice, to any and all properties and facilities of the Company. The Company shall provide such information relating to the business affairs and financial position of the Company or its Subsidiaries, as the Directors may reasonably require. The Directors may provide such information to either the Promoter or the Investor, by whom they have been nominated.

BOARD AND SHAREHOLDERS' MEETING

120. **Frequency and Location of Board Meetings**

Meetings of the Board shall take place in accordance with applicable Law, subject to a minimum of one meeting each quarter and at least four such meetings shall be held in every year.

121. **Notice**

A meeting of the Board may be called by the Chairman of the Board or any Director giving notice in writing to the company secretary of the Company specifying the date, time and agenda for such meeting. The company secretary shall upon receipt of such notice, give a copy of such notice to all Directors of such meeting, accompanied by a written agenda specifying in reasonable detail the business of such meeting and no matter other than as set out in the agenda shall be discussed or resolved at the said meeting of the Board or any adjournment thereof, except in accordance with Article 123. The Company shall ensure that notice of a meeting of the Board shall be accompanied by necessary background and other information and/ or supporting documents pertaining to the business proposed to be transacted thereat. Not less than 14 (fourteen) days notice of a meeting of the Board shall be given to all Directors; provided, however, that such notice period: may be reduced with the written consent of a all the Directors

122. **Quorum**

Subject to the provisions of the Act, the quorum for a meeting

of the Board shall be one-third of its total strength (excluding directors, if any, whose places may be vacant at the time and any fraction contained in the one-third being rounded off as one) , or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength, the number of Directors who are not interested, and are present at the meeting, being not less than two, shall be the quorum for such time . In the absence of a quorum, the Board Meeting shall be adjourned for a period of seven (7) calendar days with notice to be provided to the Directors within three (3) days of adjournment unless the Board decides otherwise. If a quorum in accordance with the above requirement is not present at two consecutive meetings, the third meeting shall proceed irrespective of such requirement.

123. **Voting**

At any Board meeting, each Director may exercise one vote. The adoption of any resolution of the Board shall require the affirmative vote of a majority of the Directors present at a duly constituted meeting of the Board or in the case of a circular resolution signing by the majority of the Directors to whom the resolution is circulated. The Board shall not at any meeting adopt any resolution covering any matter that is not expressly specified on the agenda for such meeting unless a majority of the Directors present at such meeting vote in favour of such resolution.

124. **Video Participation**

The Directors may participate in Board meetings or a committee or sub-committee and the shareholders may participate in a shareholder meeting by way of video conferencing or similar equipment designed to allow them to participate efficiently and to communicate concurrently with each other without an intermediary in the Board or its committee or sub-committee meeting or shareholder meeting. A Board Meeting or a meeting of its committee or sub-committee held by video-conferencing shall be valid so long as it is in 1 (one) single place, or in places connected by way of video conference or similar equipment and the quorum required pursuant to Article 122 is present. The place where the Chairman or Company Secretary of the Company is sitting shall be taken as the place of the meeting.

125. **Shareholders Meetings**

125.1 Except as required by applicable Law, the Company shall provide each shareholder with at least 21 (twenty one) days prior written notice of any meeting of the shareholders together with an agenda for such meeting, and the shareholders shall only have the authority to approve, authorize or take action with respect to matters included in such agenda for a particular meeting. Provided however that such notice period may be reduced if consent thereto is given in accordance with the provisions of the Act.

125.2 The quorum for the meeting of the shareholders of the Company shall be as per the provisions of the Act. If within half an hour from the time appointed for holding a meeting of the Company a quorum is not present, the shareholders meeting shall be adjourned by the shareholders present for a period of seven (7) calendar days. If a quorum in accordance with the above requirement is not present at two consecutive meetings, the third meeting shall proceed irrespective of such requirement. Notwithstanding the

foregoing, if within half an hour from the time appointed for holding a meeting called by requisition of the shareholders a quorum is not present; such general meeting called by requisition of the shareholders shall stand dissolved.

TRANSFER OF EQUITY SECURITIES

126 **Transfer**

Neither the Investor nor the Promoter and/or the PAC nor their respective Affiliates shall Transfer or attempt to Transfer any Equity Securities or any right, title or interest therein or thereto, except as expressly permitted by these Articles. Any Transfer or attempt to Transfer Equity Securities in violation of this Article 126 shall be null and void ab initio, and the Company shall not register any such Transfer. Notwithstanding anything to the contrary, the provisions of Articles 126 to 140, shall not apply to the Promoter Excess Shares in case of the Promoter and/or the PAC and the Investor Excess Shares in case of the Investor.

127 **Transfer Procedure**

No Transfer of Equity Securities may be made pursuant to Articles 126 to 140 unless (i) the Transfer complies in all respects with the other applicable provisions of the Specified Articles; and (ii) the Transfer complies in all respects with applicable Law (in the case of the Investor including that under Mauritius laws) and the provisions of the Specified Articles.

128 **Permitted Transfers**

Any Transfer of Equity Securities by the Investor or the Promoter and/or the PAC or their respective Affiliates to their respective Affiliates or between the Promoter and/or the PAC inter se may be made at any time without compliance with the provisions of Articles 126 to 140 subject to when such Transfer is to an Affiliate, such Affiliate executing a Deed of Adherence and providing a duly executed copy thereof to the Company, the Investor and the Promoter and/or the PAC. An Affiliate who is a transferee of the Equity Securities from the Investor or the Promoter and/or the PAC or their respective Affiliates, as the case may be, as described in this Article 128, is hereinafter referred to as a "Permitted Transferee" of the Investor and a "Permitted Transferee" of the Promoter and/or the PAC, respectively. The Investor and the Promoter and/or the PAC shall, prior to a Permitted Transferee, being an Affiliate, ceasing to be an Affiliate, acquire by themselves or through any of their Affiliates, all but not less than all of the Equity Securities held by such Affiliate.

129 **Specified Shareholder Group**

Notwithstanding any provisions to the contrary in these Articles, if a Specified Shareholder transfers part of its Equity Securities to any Affiliate, then the said Specified Shareholder and/or said Affiliate (collectively, the "Specified Shareholder Group") shall be treated as a single Specified Shareholder and their rights, obligations, covenants and undertakings under these Articles shall be joint and several, and a breach by any one member of the Specified Shareholder Group of its rights, obligations, covenants or undertakings under these Articles shall be deemed as a collective breach by the other members of the Specified Shareholder Group of their respective rights, obligations, covenants and undertakings under these Articles, and (ii) the Specified Shareholder Group shall nominate one Person within the Specified Shareholder Group who shall (a) act for and on behalf of each member of

the Specified Shareholder Group under these Articles in respect of any right, action or waiver to be exercised by any member of the Specified Shareholder Group (including the nomination, replacement or removal of the Directors) and (b) be responsible for causing each of the members of the Specified Shareholder Group to perform its obligations, covenants and undertakings under these Articles. It is clarified that the Promoter and/or the PAC shall collectively be treated as one Specified Shareholder Group for all purposes of these Articles.

130 **Avoidance of Restrictions**

The Transfer restrictions in these Articles (including but not limited to those in Articles 126 to 140) shall not be capable of being avoided by the holding of Equity Securities indirectly through a company or other entity that can itself be sold in order to dispose of an interest in Equity Securities free of such restrictions. Any Transfer, issuance or other disposal of any equity securities resulting in any change in the control, directly or indirectly, of a Specified Shareholder or of any company (or other entity) having control, directly or indirectly, over that Specified Shareholder shall be treated as being a Transfer of the Equity Securities held by that Specified Shareholder, and the provisions of these Articles that apply in respect of the Transfer of Equity Securities shall thereupon apply in respect of the Equity Securities so held by that Specified Shareholder.

131 **Lock-In**

Notwithstanding anything contained in these Articles but subject to Articles 128 and 133, the Promoter and/or the PAC and the Investor and their respective Affiliates shall not during the Lock-In Period Transfer, nor seek to Transfer, any Equity Securities held by them such that pursuant to such Transfer (i) the aggregate Equity Securities held by the Promoter and/or the PAC and their Affiliates is less than 13% (thirteen percent) of the Share Capital; and (ii) the aggregate Equity Securities held by the Investor and their Affiliates is less than 13% (thirteen percent) of the Share Capital.

132 **Transfers after Lock-In Period**

Notwithstanding any other provisions of these Articles, any Transfer of Equity Securities by the Promoter and/or the PAC and their Affiliates must be in accordance with these Articles.

133 **Transfer to a Competitor**

Notwithstanding anything contained in these Articles, the Promoter and/or the PAC or the Investor and their respective Affiliates shall not at any time Transfer any Equity Securities to a Competitor; provided however this Article 133 will not apply to any Transfer which is made on a recognized stock exchange in India provided the identity of the purchaser is not known to the Promoter and/or the PAC or their Affiliates and their relevant agents.

134 **Further Acquisition**

A Specified Shareholder ("Acquiring Specified Shareholder") may acquire any further Equity Securities after prior consultation with the other Specified Shareholder provided such proposed acquisition would not trigger an obligation on part of the other Specified Shareholder to make an open offer under the Takeover Regulations either by itself or with the non Acquiring Specified Shareholder as a 'person acting in concert'. Further, prior to any further acquisition, the Acquiring Specified Shareholder shall consult the Promoter or the Investor,

as the case may be, regarding the said acquisition.

135 **Excess Shares**

The Promoter and/or the PAC and the Investor shall jointly, within 24 (twenty four) months of the completion of the Open Offer, solicit bona fide offers for the purchase of the Excess Shares from one or more third parties and attempt to consummate the sale of such Excess Shares within the aforesaid 24 (twenty four) months period. In the event that the Specified Shareholders are unable find a third party purchaser and complete the divestment of the Excess Shares within 24 (twenty four) months of the completion of the Open Offer, notwithstanding anything to the contrary in these Articles, each of the Investor and the Promoter and/or the PAC shall be entitled to deal with their respective Excess Shares, subject only to the provisions of 133.

RIGHT OF FIRST OFFER

136 **Right of First Offer**

136.1 If any Specified Shareholder ("Transferring Specified Shareholder") proposes to Transfer its or their Equity Shares or Equity Securities in the Company to any Person other than a Permitted Transferee, then the other Specified Shareholder ("Other Specified Shareholder") shall first have a right of first offer (the "ROFO") with respect to such Transfer as provided in this Article 136.

136.2 For this purpose, the Transferring Specified Shareholder shall send a written notice ("Transfer Notice") to the Other Specified Shareholder, which notice shall state the number of Equity Shares or Equity Securities proposed to be transferred by the Transferring Specified Shareholder(s) ("ROFO Offered Securities").

136.3 For a period of 15 (fifteen) Business Days after receipt of a Transfer Notice ("ROFO Offer Period"), the Other Specified Shareholder shall have the right, exercisable by the Other Specified Shareholder through the delivery of a written notice ("ROFO Notice") to the Transferring Specified Shareholder(s) communicating its offer to purchase all, but not less than all, of the ROFO Offered Securities. Such notice shall set out the price at which such Other Specified Shareholder proposes to acquire the ROFO Offered Securities ("ROFO Price") and the terms and conditions of the offer. In the event that no ROFO Notice is sent by the Other Specified Shareholder during the ROFO Offer Period, the Transferring Specified Shareholder shall be entitled to Transfer the ROFO Offered Securities to a third party within a period of 90 (ninety) days of expiry of the ROFO Offer Period.

136.4 Following receipt of the ROFO Notice, the Transferring Specified Shareholder shall address a written notice to the Other Specified Shareholder within 15 (fifteen) days of receipt of the ROFO Notice, communicating (i) its approval of the ROFO Price ("ROFO Acceptance Notice"); or (ii) its rejection of the ROFO Price ("ROFO Rejection Notice").

136.5 If the Transferring Specified Shareholder issues a ROFO Acceptance Notice, the ROFO Acceptance Notice shall constitute a legally binding contract between the Other Specified Shareholder and the Transferring Specified

Shareholder for the sale and purchase of the ROFO Offered Securities, free from any Encumbrance and with all rights attached thereto at the ROFO Price. Such sale and purchase shall be consummated within a period of 7 (seven) days from the date of the ROFO Acceptance Notice.

Securities, free from any Encumbrance and with all rights attached thereto at the Third Party Price and upon terms and conditions contained in the Third Party Notice. Such sale and purchase shall be consummated within a period of 7 (seven) days from the date of issuance of the notice exercising the Matching Right.

- 136.6 If the Transferring Specified Shareholder issues a ROFO Rejection Notice, the Transferring Specified Shareholder shall be free, for a period of 30 (thirty) days from the date of the ROFO Rejection Notice ("Third Party ROFO Offer Period"), to solicit bona fide offers for the purchase of ROFO Offered Securities from one or more third parties ("Proposed Investor (s)") and shall obtain terms of purchase including the proposed purchase price per ROFO Offered Security from the Proposed Investor (s), provided that such price solicited from such Proposed Investor(s) is not less than or equal to the ROFO Price ("Third Party Purchase Offer") and the other terms and conditions are no worse than those offered by the Other Specified Shareholder in the ROFO Notice.
- 136.7 If, within the Third Party ROFO Offer Period, the Transferring Specified Shareholder is able to solicit offers from Proposed Investor(s) it shall address a written notice ("Third Party Notice") to the Other Specified Shareholder, which notice shall contain (i) the name and details of the Proposed Investor (s); (ii) the price offered by the Proposed Investor (s) for the ROFO Offered Securities ("Third Party Price"); (iii) the other terms and conditions of the proposed Transfer (if any); (iv) a confirmation that the Transfer is bona fide and at arms' length terms; and (v) a representation and warranty confirming that the Proposed Investor(s) is aware of the Matching Right of the Other Specified Shareholder (in terms of Article 136.8 below) as well as the Tag Along Right of the Other Specified Shareholder (in terms of Articles 137 to 140 below). If the Third Party Price is more than 150% (one hundred fifty percent) of the ROFO Price, the provisions of Article 136.9 will apply. However, if the Third Party Price is equal to or less than 150% (one hundred fifty percent) of the ROFO Price, then the provision of Article 136.8 shall apply. Provided however, the sale shall be consummated within a period of 60 (sixty) days from the expiry of the Third Party ROFO Offer Period and shall be at a price which is more than 150% (one hundred fifty percent) of the ROFO Price and such that the price offered by the Other Specified Shareholder is less than or equal to 150% (one hundred fifty percent) of the ROFO Price.
- 136.8 Within 15 (fifteen) days of receipt of the Third Party Notice, the Other Specified Shareholder shall send a written notice to the Transferring Specified Shareholder either (i) agreeing to purchase all of the ROFO Offered Securities at the Third Party Price ("**Matching Right**"); or (ii) refusing to exercise its Matching Right. In the event, the Other Specified Shareholder exercises its Matching Right, the notice so issued shall constitute a legally binding contract between the Other Specified Shareholder and the Transferring Specified Shareholder for the sale and purchase of the ROFO Offered Securities, free from any Encumbrance and with all rights attached thereto at the Third Party Price and upon terms and conditions contained in the Third Party Notice. Such sale and purchase shall be consummated within a period of 7 (seven) days from the date of issuance of the notice exercising the Matching Right.
- 136.9 If the Third Party Price is more than 150% (one hundred fifty percent) of the ROFO Price or in the event the Other Specified Shareholder issues a notice electing not to exercise its Matching Right or fails to issue a notice within the 15 (fifteen) day period referred to in Article 136.8 above, the Transferring Specified Shareholder shall be entitled to Transfer the ROFO Offered Securities to only those Proposed Investor(s) identified in the Third Party Notice, provided however that:
- 136.9.1 the sale shall be consummated within a period of 60 (sixty) days from the expiry of the said 15 (fifteen) day period referred to in Article 136.8;
- 136.9.2 the sale shall not be less than the Third Party Price; and
- 136.9.3 the sale shall not be on terms and conditions more favourable than those set out in the Third Party Notice.
- 136.10 If any of the conditions relating to the sale to the Proposed Investor(s) set out in Articles 136.3 to 136.9 above are not met, the sale to the Proposed Investor(s) shall be null and void ab initio, and the Company shall not register any such Transfer.
- 136.11 At the closing of any purchase and sale of the ROFO Offered Securities between the Transferring Specified Shareholder and the Other Specified Shareholder pursuant to this Article 136.11, the Transferring Specified Shareholder shall deliver certificates representing the ROFO Offered Securities, accompanied by duly executed instruments of transfer or duly executed transfer instructions to the relevant depository participant. Prior to such closing, all of the parties to the transaction shall execute such documents as may be necessary or appropriate to effect the sale of the ROFO Offered Securities to the Other Specified Shareholder. Such ROFO Offered Securities shall be free and clear of any Encumbrance, and the Transferring Specified Shareholder shall so represent and warrant and shall further represent and warrant that it is the beneficial and recorded owner of such ROFO Offered Securities. Any stamp duty or transfer taxes or fees payable on the transfer of any ROFO Offered Securities shall be borne and paid by the Transferring Specified Shareholder and the Other Specified Shareholder equally.
- 136.12 All notices given under this Article 136 shall be given concurrently to the Company.
- 136.13 Where any Transfer under these Articles requires prior governmental or regulatory consent or approval then the time periods mentioned in Articles 136 and Articles 137 to 140 shall exclude the time taken for obtaining such consent or approval.
- TAG ALONG RIGHT**
- 137 Subject to Article 136 above, if the Transferring Specified Shareholder has agreed to sell the Equity Securities to a Person

- other than a Permitted Transferee or the Transferring Specified Shareholder has agreed to sell the Equity Securities to a third party (under Article 136.3 above) or to a Proposed Investor (under Article 136.9 above) (“**Tag Transferee**”) and, the Transferring Specified Shareholder shall immediately send a written notice (the “**Tag-Along Notice**”) to the Other Specified Shareholder, which notice shall state: (i) the name and address and identity of the proposed Tag Transferee; (ii) the number of Equity Securities proposed to be transferred (the “**Transfer Equity Securities**”) which shall be same as the ROFO Offered Securities; (iii) the amount and form of the proposed consideration and the other terms and conditions of the proposed Transfer for the Transfer (which shall, in case a Third Party Notice has been issued, be same as in the Third Party Notice); (iv) a representation that no consideration, tangible or intangible, is being provided to the Transferring Specified Shareholder that is not reflected in the price to be paid to the Other Specified Shareholder exercising its Tag-Along Rights under the Specified Articles; and (v) the number of Equity Securities the Transferring Specified Shareholder then owns. The total value of the consideration for the proposed Transfer is referred to herein as the “**Tag-Along Consideration**”.
- 138 The Other Specified Shareholder shall have the right (the “Tag-Along Right”) but not the obligation to require the Transferring Specified Shareholder to cause the Tag Transferee in a Transfer of the Transfer Equity Securities to purchase from the Other Specified Shareholder together with its Affiliates, for the same Tag Along Consideration per Equity Security and upon the same terms and conditions as are to be paid and given to the Transferring Specified Shareholder such number of Equity Securities equal to the Transfer Equity Securities multiplied by a fraction, the numerator of which is the total number of Equity Securities held by the Other Specified Shareholder and its Affiliates and the denominator of which is the total number of Equity Securities held by the Transferring Specified Shareholder together with its Affiliates, in each case on a fully-diluted basis. Provided, however, that, except as otherwise provided in Article 131, if the Transferring Specified Shareholder, together with its Affiliates, proposes to make a Transfer of Equity Securities which would result in change in Control of the Company or require the Tag Transferee to make an open offer for acquisition of further Equity Securities of the Company in terms of (then) applicable SEBI regulations (which could include the Takeover Regulations), the Other Specified Shareholder shall have the right but not the obligation to sell to the Tag Transferee all of the Equity Securities held by the Other Specified Shareholder together with their Affiliates at such time.
- 139 Within seven (7) Business Days following the receipt of the Tag-Along Notice, in the event the Other Specified Shareholder elect to exercise their Tag-Along Right, they shall deliver a written notice of such election to the Transferring Specified Shareholder (“**Tag Acceptance Notice**”) and the number of Equity Securities (which shall be calculated in accordance with Article 138) the Other Specified Shareholder propose to Transfer to such Tag Transferee (“**Tag-Along Securities**”). Such notice shall be irrevocable and shall constitute a binding agreement by the Other Specified Shareholder to sell the Tag-Along Securities and on the Tag Transferee to acquire the Tag Along Securities and on the Transferring Specified Shareholder to procure that the Tag Transferee acquires the Tag Along Securities in terms of Articles 136 to 140.
- 140 The closing of any purchase of Tag-Along Equity Securities by the Tag Transferee from the Other Specified Shareholder shall take place simultaneously with the closing of the purchase of Transfer Equity Securities by the Tag Transferee from the Transferring Specified Shareholder provided that the Transfer Equity Securities cannot be purchased by the Tag Transferee without purchasing the Tag-Along Equity Securities from the Other Specified Shareholder. At such closing, the Other Specified Shareholder shall deliver duly executed delivery instruction slips in relation to the Tag-Along Equity Securities, instructing the depository participant to Transfer the Tag-Along Equity Securities in favour of the Tag Transferee. Such Tag-Along Securities shall be free and clear of any Encumbrance, and the Other Specified Shareholder shall so represent and warrant and shall further represent and warrant that they are the beneficial and legal owners of such Tag-Along Securities. The Other Specified Shareholder shall not be required to make any other representations or warranties. Any Tag Transferee purchasing the Tag-Along Securities shall, simultaneously, deliver at such closing (or on such later date or dates as may be provided in the Tag-Along Notice with respect to payment of consideration by the proposed Tag Transferee) payment in full of the Tag-Along Consideration in accordance with the terms set forth in the Tag-Along Notice, provided, however, such payment of the Tag-Along Consideration is not later than the payment of the consideration for the Transfer Equity Securities. At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of the Tag Along Equity Securities to the Tag Transferee.
- TERM AND TERMINATION**
- 141 **Termination**
- Subject to Article 142 below, the Specified Articles shall continue in effect until terminated by consent of the Investor and the Promoter and/or the PAC in writing or upon the Promoter and/or the PAC, the Investor and/or their respective Affiliates ceasing to hold at least 5% (five percent) of the Share Capital of the Company.
- 142 **Default Provisions**
- The Investor or the Promoter and/or the PAC (the relevant Specified Shareholder being the “Non-Defaulting Specified Shareholder”) shall be entitled to terminate the Specified Articles by notice in writing (“Default Notice”) to the Company and the Promoter and/or the PAC or the Investor, as the case may be, if any of the events set out below shall occur in relation to the Promoter and/or the PAC or the Investor as the case may be (the relevant Specified Shareholder being the “Defaulting Specified Shareholder”):
- 142.1 the Defaulting Specified Shareholder materially breaches or commits any material default under any provision of the Specified Articles and does not remedy that breach within 30 (thirty) Business Days after receiving a notice of that breach from any other Specified Shareholder requesting the breach to be remedied;
- 142.2 an order is made or an effective resolution is passed, or analogous proceedings are taken and not dismissed or withdrawn within 60 (sixty) Business Days, for the winding up of the Defaulting Specified Shareholder;
- 142.3 the Defaulting Specified Shareholder makes a general

assignment for the benefit of its creditors; or

- 142.4 the Defaulting Specified Shareholder has a receiver or manager appointed over its shares or all or a substantial part of its undertaking or assets other than for the purposes of amalgamation or reorganisation not involving or arising out of insolvency provided that if an order appointing a receiver or manager is passed, the same has not been vacated within 90 (ninety) Business Days.

143 FALLING AWAY OF RIGHTS

- 143.1 In the event of the aggregate Ownership of the Promoter and the PAC and their respective Affiliates or the Investor, as the case may be, falls below 11% (eleven percent) of the Share Capital of the Company, then the Promoter and/or the PAC or the Investor, as the case may be, shall only continue to have the right to appoint 1 (one) Promoter Director or 1 (one) Investor Director as the case may be. In the event there is more than 1 (one) Promoter Director or 1 (one) Investor Director, then the Promoter and the Investor, as the case may be, shall procure that the Directors in excess of 1 (one) Promoter Director or 1 (one) Investor Director (as the case may be) shall resign.

- 143.2 In the event of the aggregate Ownership of the Promoter and the PAC and their respective Affiliates or the Investor, as the case may be, falls below 7% (seven percent) of the Share Capital of the Company, then the Promoter or the Investor, as the case may be, shall only be entitled to appoint an observer ("Observer") who shall be entitled to attend any and all the meetings of the Board but shall not be entitled to vote. The provisions of Articles 121 and 122 shall apply mutatis mutandis to the Observer.

- 143.3 It is clarified that in the event the Ownership of the Promoter and/or the PAC or the Investor, as the case may be, falls below 11% (eleven percent) of the Share Capital of the Company, the Promoter and the Investor, as the case may be, shall, during the term of the Specified Articles, continue to be bound by the obligations relating to the Equity Shares held by the Promoter and/or the PAC or the Investor, as the case may be, under Articles 126 to 135

None of the Directors, Key Managerial Personnel or relatives of the Directors and Key Managerial Personnel are interested in this Resolution except to the extent of holding directorship as representatives of the respective parties.

Item No. 9:

The members of the Company in the General Meeting held on September 30, 2008 had granted powers to the Board of Directors to borrow monies in excess of the paid up capital and free reserves up to an amount not exceeding Rs. 5,000 Crores (Rupees Five Thousand Crores) as per Section 293 (1)(d) of the Companies Act, 1956 by means of an Ordinary Resolution.

Section 180(1)(c) of the Companies Act, 2013 which was effective from September 12, 2013 prescribed that the Board of Directors can borrow monies exceeding the paid up capital and free reserves only if authorised by the members in the General Meeting by means of Special Resolution. Further, the Ministry of Corporate Affairs vide circular 4/2014 dated March 25, 2014 has issued clarification that the ordinary resolutions

passed as per Section 293 of Companies Act, 1956 will be regarded as sufficient compliance of the requirements of Section 180 of Companies Act, 2013 for a period of One year from the date of notification of Section 180 of Companies Act, 2013 (i.e., up to September 11, 2014).

Hence, your directors recommend this resolution to be passed as Special Resolution to authorise the Board of Directors of the Company (or any committee as authorised by the Board), to borrow monies exceeding the paid up capital and free reserves up to an amount not exceeding Rs. 5,000 Crores (Rupees Five Thousand Crores Only) in pursuance of Section 180(1)(c) of the Companies Act, 2013.

None of the Directors or Key Managerial Personnel or relatives of Directors and Key Managerial Persons are concerned or interested in this resolution.

Information of Directors seeking appointment/ re-appointment under Section 152 and Section 160 of the Companies Act, 2013 and under Clause 49 (IV) (G) of the Listing Agreement

Items 2, 3 & 4 – Directors seeking re-appointment:

Mr. Ved Kumar Jain:

CA. Ved Kumar Jain, FCA, New Delhi, aged 60 years is triple Bachelor's Degree Holder. He has done his bachelors of Science from Punjab University in 1973. A Fellow Member of ICAI with more than three decades of standing. He was elected as President of The Institute of Chartered Accountants in India for the year 2008-2009 on 5th February 2008. Ved Jain was elected to the Central Council of ICAI for the first time in 2004 and thereafter in 2007.

He does not hold any share in his name or as a beneficiary in IL&FS Engineering and Construction Company Limited.

Directorships of Mr. Ved Jain:

- ICAI Accounting Research Foundation.
- PTC India Limited
- PTC India Financial Services Limited
- DLF Limited
- VJ Corporate Advisors Private Limited
- Urban Improvement Co Private Limited

Mr. Ved Jain is not related to any director(s) of the Company.

None of the Directors, Key Managerial Persons or relatives of the Directors and Key Managerial Persons are concerned or interested in this resolution except Mr. Ved Kumar Jain to the extent of his re-appointment as director.

Anil K Agarwal:

Anil K Agarwal was the president of ASSOCHAM. He heads the Cosmos Group which has business interests in fields such as Engineering & Electricals, Food & Agro technologies, Biotechnology, Power distribution equipments etc. He is a council member of The Institute of Chartered Accountants of India.

He does not hold any share in his name or as a beneficiary in IL&FS Engineering and Construction Company Limited.

Directorships of Mr. Anil K Agarwal:

- Vams Marketing Private Limited
- Space Industries Limited
- Space Capital Services Limited
- Cosmos International Limited

- Cosmos Advanced Power solutions LLP
- Cosmos Advanced Diagnostics LLP

Mr. Anil Agarwal is not related to any director(s) of the Company. None of the Directors, Key Managerial Persons or relatives of the Directors and Key Managerial Persons are concerned or interested in this resolution except Mr. Anil Kumar Agarwal to the extent of his re-appointment as director.

• **Mr. El Mouhtaz El Sawaf:**

Mr. El Mouhtaz El Sawaf holds a graduate degree in Architectural Engineering from the American University of Beirut. In 1986, he entered into a management agreement with Saudi BinLaden Group to manage many of their most prestigious and honored Design & Build construction projects in Saudi Arabia and abroad. In 2005, he consolidated all factories that are owned by Saudi BinLaden Group and formed the Construction Products Holding Company, (CPC) a holding company with the concept of a "One Stop Shop" facility for all construction needs.

In 2006 he co-founded BINTEL, which is part of Saudi BinLaden Group, specializing in acquiring and operating GSM licenses in Africa.

He does not hold any shares in his name or as a beneficiary in IL&FS Engineering and Construction Company Limited.

Directorships of Mr. El Mouhtaz El Sawaf:

- Roots Group Company - Saudi Arabia
- CPC Holding Company - Saudi Arabia
- MIMAR INVEST Company - Saudi Arabia
- Byblos Bank Syria - Syria
- United Food Services Company - Lebanon

Mr. Sawaf is not related to any director(s) of the Company. None of the Directors, Key Managerial Persons and/or relatives of the Directors and Key Managerial Persons are concerned or interested in this resolution except Mr. El Mouhtaz El Sawaf to the extent of his re-appointment as director.

Item 6 – Director seeking appointment

• **Mr. Dhananjay Narendra Mungale:**

Mr. Dhananjay Mungale, aged 60 years, is a member of The Institute of Chartered Accountants of India. He has spent a major part of his career in corporate and investment banking in India and Europe with Bank of America and DSP Merrill Lynch Ltd. He is on the Board of various public and private limited companies.

He is a member of the Development Council of the Oxford Centre for Hindu Studies at Oxford in the United Kingdom. He is a National Committee member of Mahindra United World College.

As on the date of this Notice, Mr. Mungale does not hold any share in his name or as a beneficiary in IL&FS Engineering and Construction Company Limited.

Directorships of Mr. Dhananjay Mungale:

- Mahindra and Mahindra Financial Services Limited
- Mentor Technologies Private Limited
- I-Nestor Advisors Private Limited
- Chowgule Steamships Limited
- Tamilnadu Petroproducts Limited
- Snowcem Paints Private Limited
- JPMorgan Asset Management India Private Limited
- Nocil Limited
- LICHFL Trustee Company Private Limited
- Lavgan Dockyard Limited
- Kalpataru Limited
- Samson Maritime Limited
- Mahindra Composites Limited
- L&T Infra Investment Partners Advisory Private Limited
- Sicagen India Limited
- Mahindra CIE Automotive Limited

Mr. Mungale is not related to any director(s) of the Company. None of the Directors, Key Managerial Persons and/or relatives of the Directors and Key Managerial Persons are concerned or interested in this resolution except Mr. Dhananjay Mungale to the extent of his appointment as director.

By order of the Board

For IL&FS Engineering and Construction Company Limited and reduced

G. Venkateswar Reddy
Company Secretary

Regd. Office: Door No: 8-2-120/113/3/4F,
Sanali Info Park, Cyber Towers, Road No 2,
Banjara Hills, Hyderabad – 500 033
CIN: L45201AP1988PLC008624
Email: cs@ilfsengg.com
Place: New Delhi
Date: May 19, 2014

DIRECTORS' REPORT

The Shareholders

IL&FS Engineering and Construction Company Limited and reduced

Your Directors take pleasure in presenting the Twenty-Fifth Annual Report along with the Audited Financial Statements for the Financial Year (18 months) ended March 31, 2014

COMPANIES ACT 2013:

The Government of India had repealed the Companies Act, 1956 and promulgated the Companies Act, 2013 ("the New Act") on August 28, 2013. The majority of provisions of the New Act came in to effect by April 01, 2014. However, the Ministry of Corporate Affairs in its General Circular 08/2014 dated April 04, 2014 had clarified that the Financial Statements (and documents required to be attached thereto), Auditor's Report thereon and Board's Report in respect of Financial Years commencing before April 1, 2014 shall be prepared as per the provisions of the Companies Act, 1956. Accordingly, the Financial Statements, Board's Report and the documents attached to the Financial Statements are prepared as per the provisions of Companies Act, 1956

EXTENSION OF FINANCIAL YEAR:

The previous Financial Year of your Company consisted of 18 months and ended on September 30, 2012. Your Company has extended the current Financial Year by a period of six months i.e. up to March 31, 2014 to align the Financial Year in terms of the Companies Act, 2013 and accordingly has prepared its Financial Statements for a period of 18 months i.e. from October 01, 2012 to March 31, 2014

FINANCIAL RESULTS:

(Rs. in Crores)

| Particulars | 2012-14 18 Months | 2011-12 18 Months |
|--|----------------------|----------------------|
| Gross Income | 3427.01 | 2145.40 |
| (Loss) / Profit before Interest, Depreciation, exceptional items and Tax | 266.16 | 170.64 |
| Interest and Finance Charges | 331.82 | 213.31 |
| Depreciation | 85.32 | 94.00 |
| (Loss) / Profit before exceptional items, tax and Prior period items | (150.98) | (136.67) |
| Exceptional items (net) | - | (10.26) |
| (Loss) / Profit before Tax and Prior period items | (150.98) | (126.41) |
| Provision for Taxes | - | 8.90 |
| Less: Prior Period Expenses (net) | - | - |
| (Loss) / Profit after Tax | (150.98) | (135.31) |
| Adjustment as per the Scheme of arrangement | - | 179.82 |
| Profit after Adjustment as per the Scheme of arrangement | (150.98) | 44.51 |
| Paid up Equity Capital | 89.79 | 89.79 |
| Preference Share Capital | 249.86 | 249.86 |
| Reserves and Surplus | (78.61) | 72.37 |
| Net worth | 261.04 | 412.02 |
| Earnings per share (In Rupees) | | |
| - Basic | (19.72) | (21.80) |
| - Diluted | (19.72) | (21.80) |

Previous year's figures have been regrouped / rearranged to conform to those of the current year.

SHARE CAPITAL:

Your Company did not allot any fresh shares during the year under review.

Out of the existing 1,75,00,000; 6% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs. 100 each, 37,50,000 OCCRPS were redeemable on September 30, 2013. Also, out of the existing 15,00,000; 6% Cumulative Redeemable Preference Shares (CRPS) of Rs. 100 each issued as Bonus Shares on OCCRPS, 2,25,000 CRPS were redeemable on September 30, 2013.

The Company had extended the period of redemption of these shares by a period of six years with an early redemption right to the Company before the extended period of six years by giving 30 days notice in writing i.e. the new redemption date for these 37,50,000 OCCRPS and 2,25,000 CRPS was fixed at September 30, 2019 unless they are redeemed earlier by giving 30 days notice to the concerned shareholders

RIGHTS ISSUE:

The Board of Directors of your Company had resolved on October 9, 2013 to issue Equity Shares of Rs. 10 each for an aggregate amount of Rs. 300 Crores on Rights Basis to the existing Equity Shareholders of the Company as on the record date to be fixed later by the Board. The price of the Equity Shares shall be fixed at a later date

Your Company had filed Draft Letter of Offer (DLOF) with the Securities and Exchange Board of India (SEBI) on March 28, 2014 and also filed the DLOF with BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) on March 31, 2014. As on May 19, 2014, your Company has received in-principle approval from BSE but is awaiting response of NSE and also comments on the DLOF from SEBI.

DIVIDEND:

Due to the absence of profit, your Directors express their inability to recommend any dividend to the Shareholders for the year. However, dividend on Preference Shares issued by the Company shall be cumulative and will accrue to the shareholders.

OVERVIEW:

During the year under review, your Company had bagged various orders in the Roads, Buildings & Structures, Power and Oil & Gas Sectors. The Orders received during the year under review amounted to Rs. 4,696 Crores. Also, the Company already had orders worth Rs. 8,400 Crores at the beginning of the year. Out of the total orders in hand, the unexecuted order value stands at Rs. 10,063 at the end of the year.

Your Company is having operations beyond the territorial limits of India and is now operating from Saudi Arabia under a separate Joint Venture Subsidiary and through Company's branches in Fujairah and Abu Dhabi

The Board of Directors is hopeful of securing sizeable orders in the future and is confident of effective execution of the existing works of the order book. Also, the business support from the Promoter and Investor is facilitating entry into new market segments and in turn increasing capabilities of the Company.

The Industry Scenario has seen a change towards end of the year under review and is presented in detail in the Management Discussion & Analysis Section of this Annual Report.

FUTURE OUTLOOK:

With a healthy order book of Rs. 10,063 Crores on hand, the Company looks forward to increasing turnover and better performance in future.

RECOVERY OF INTER CORPORATE DEPOSITS (ICDs):

During the year, your Company continued pursuing recovery of Inter Corporate Deposits (ICDs). Your Company had a major legal battle with the then Satyam Computer Services Ltd. (SCSL) on the merger petition filed by SCSL for its proposed merger with Tech Mahindra Ltd. (TML). Though the Company could not succeed at single bench level, it had filed appeals through its Subsidiaries in Division Bench, which is still pending for hearing. Separately, your Company is pursuing civil suits for recovery of the amount. Therefore, your Company is taking necessary steps to recover ICDs through available legal means

FIXED DEPOSITS:

Your Company did not invite or accept deposits from the public during the year under review.

SUBSIDIARIES AND JOINT VENTURES:

A statement pursuant to Section 212 of the Companies Act, 1956 containing the details of the Subsidiaries together with financial data thereof, forms part of the Annual Report. The following are the Subsidiaries of the Company:

(1) Maytas Infra Assets Limited (MIAL):

MIAL was incorporated in February 2008, as a wholly owned Subsidiary, to carry on the business of infrastructure projects and for consolidation of all investments made by your Company in BOT projects. Your Company has invested an amount of Rs. 0.05 crores in Equity and paid Rs. 18.96 Crores towards Sub-debt and reimbursement of expenses in MIAL till March 31, 2014. No projects were secured during the year. Out of the amount advanced, Rs 11.74 Crores approximately has been considered as impaired as they are not represented by any realizable assets and therefore have been provided in full during the earlier years.

(2) Maytas Metro Limited (MML):

The Maytas Infra Limited / Nava Bharat Ventures Limited / Infrastructure Leasing & Financial Services Limited / Italian-Thai Development Public Company Limited consortium had technically qualified in the bids and won the financial bid to undertake development of the Hyderabad Metro Rail Project. Subsequently, the Consortium had formed the "MML" as SPV in September 2008 to develop the Hyderabad Metro Rail Project on BOT basis and signed Concession Agreement with Government of Andhra Pradesh (GoAP) on September 19, 2008 for a period of 35 years including five years of construction period. The GoAP had cancelled the Concession Agreement on July 7, 2009 without giving any prior notice to the Company as per the terms and conditions of the Concession Agreement and invoked the security deposit of Rs.60 Crores. The Writ Petition filed by MML in High Court of Andhra Pradesh was disposed off with a direction to settle the dispute under Arbitration mechanism as available in the Concession Agreement. MML had appointed Arbitrator on its behalf in April, 2012 and GoAP had also appointed an Arbitrator on its behalf in May, 2014. The arbitration proceedings have started. Your Company has invested an amount of Rs. 0.05 Crores towards the equity and arranged funds to the extent of Rs.74.82 crores. The investment and the amount advanced aggregating to Rs 74.87 Crores have been written off fully during the earlier years.

(3) Maytas Vasishtha Varadhi Limited (MVVL):

MVVL, a Subsidiary of your Company, was incorporated in April 2008 for executing the construction of bridge across Godavari River at Narasapur on BOT (Annuity) Basis, awarded by Andhra Pradesh Road Development Corporation

(APRDC). Your Company has invested an amount of Rs. 0.05 Crores towards the equity and Rs 2.82 Crores as sub-debt towards project cost and reimbursement of expenses. As the project could not be taken up by MVVL post-Satyam developments, assigned Coastal Projects Ltd., to take up the project and made application to the State Government for approval of new partner. The Government of Andhra Pradesh approved the entry of Coastal Projects Ltd. However, when MVVL filed application with the Government for extension of time, the Government of Andhra Pradesh unilaterally cancelled the Project and invoked the Bank Guarantee submitted by MVVL. MVVL contested the unilateral cancellation in the Court of Law and obtained stay order against invocation of Bank Guarantee by the Government. Currently, the matter is before the Hon'ble High Court of Andhra Pradesh for its adjudication. However, as a matter of prudence, your Company has provided for an amount of Rs. 2.82 crores in earlier years.

(4) Angeerasa Greenfields Private Limited (AGPL):

Your Company had acquired AGPL in the Financial Year 2010-11. AGPL in the earlier years had advanced Rs.50 Crores in the form of Inter Corporate Deposits (ICDs) to various other Companies which ultimately had gone to the credit of the bank accounts of Satyam Computer Services Limited (SCSL). AGPL has initiated legal action for the recovery of the said deposits through the Companies to whom it had lent the monies with various Authorities and AGPL is hopeful of receiving the same in due course.

(5) Ekdanta Greenfields Private Limited (EGPL):

Your Company has acquired EGPL in the Financial Year 2010-11. EGPL in the earlier years had advanced Rs.18.58 Crores (net of repayment of Rs.17.92 Crores by SCSL) in the form of ICDs to SCSL. EGPL has initiated legal action for the recovery of the said deposits with various authorities and EGPL is hopeful of receiving the same in due course.

(6) Saptaswara Agro-farms Private Limited (SAPL):

Your Company has acquired SAPL in the Financial Year 2010-11. SAPL in the earlier years had advanced Rs.19.75 Crores (net of repayment of 15.25 Crores by SCSL) in the form of ICDs to SCSL. SAPL has initiated legal action for the recovery of the said deposits under various authorities and SAPL is hopeful of receiving the same in due course.

(7) Maytas Infra Saudi Arabia Co. (MISA):

During the previous year, your Company has incorporated Maytas Infra Saudi Arabia Co. (MISA) in Joint Venture with Saudi Bin Ladin Group in Kingdom of Saudi Arabia. Your Company owns 55% shareholding out of a total capital of SAR 50,000,000 (Indian Rupees equivalent 33.19 Crores) as on March 31, 2014 in this Joint Venture with a right to appoint 3 Director Positions out of 5 Director Positions. Accordingly, this Joint Venture became subsidiary of your Company.

CONSOLIDATED FINANCIAL STATEMENTS:

The Consolidated Financial Statements of your Company, together with its Subsidiaries, Associates and Joint Venture Entities for the Financial Year ended March 31, 2014, prepared in accordance with the Accounting Standard 21, 23 and 27 notified by Companies (Accounting Standards) Rules, 2006, are attached herewith.

DIRECTORS:

The members are already aware that in the month of December 2012, Mr. Hari Sankaran was appointed as

Director of the Company and Mr. Arun Kumar Saha had resigned as Director of the Company.

Mr. Sundaram Srinivas Ranjan was appointed as Nominee Director on behalf of the lenders under Corporate Debt Restructuring (CDR) Scheme with effect from August 4, 2013. He was nominated by State Bank of India to hold the office as Nominee Director for a period of two years.

On November 13, 2013, the term of office of Mr. G. Venkateswar Reddy as Manager of the Company had ended. Mr. Murli Dhar Khattar, Chief Executive Officer of the Company was appointed as Director of the Company with effect from November 14, 2013. Thereafter, in the meeting held on December 26, 2013, the Board of Directors had appointed Mr. Murli Dhar Khattar as Managing Director of the Company to hold the office for a period of three years and the appointment was approved by means of a special resolution by the members of the Company in the Extraordinary General Meeting held on March 18, 2014.

Your Company had entered into Amendatory Shareholders' Agreement with Saudi BinLaden Group (SBG) and as per the agreement, SBG was entitled to appoint two directors on the Board of your Company. Consequently, Mr. Akber Moawalla and Mr. Ahmad Dabbous resigned as Directors of the Company and were appointed as Alternate Directors to Mr. Saleh Moahammad BinLaden and Mr. El Mouhtaz El Sawaf respectively on March 18, 2014.

Mr. Hari Sankaran had resigned as Director of the Company on March 18, 2014. Mr. Dhananjay Narendra Mungale was appointed as Additional Director of the Company with effect from March 18, 2014. His appointment is being put up for approval of the members in the Twenty-Fifth Annual General Meeting.

The Board of Directors wishes to place on record their sincere appreciation of Mr. Arun Kumar Saha, Mr. Hari Sankaran, Mr. Akber Moawalla and Mr. Ahmad Dabbous for the contribution made by them as Directors of your Company in carrying out the business of the Company.

None of the Directors are related to each other.

CAPITAL RESTRUCTURING SCHEME:

The Members are aware of the Capital Restructuring Scheme sanctioned by the Hon'ble High Court of Andhra Pradesh and your Company has taken all steps to give effect to the sanction of the said Scheme in the previous Financial Year. However, your Company is required to use the words "*and reduced*" as its last words in the name up to and until the end of the Financial Year 2012-13; and in the Balance Sheet, Profit and Loss Account, and the Annexures for the said period. The Financial Year 2012-13 has been extended by a period of 6 months till March 31, 2014 and hence, the words "*and reduced*" are used as the last words of the name of your Company in the Financial Statements for the Financial Year ended on March 31, 2014.

REGISTERED OFFICE:

The Registered Office of your Company was shifted to Door No. 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers, Road No.2, Banjara Hills, Hyderabad - 500033 on May 13, 2013.

DISCLOSURES UNDER SECTION 217(1) (D) OF THE COMPANIES ACT, 1956:

Except as disclosed elsewhere in this report, there have been

no material changes and commitments which can affect the financial position of the Company occurred between the end of the financial year of the Company and date of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Section 217 (2AA) of the Companies Act, 1956 as amended in December 2000 requires the Board of Directors to provide a statement to the members of the Company in connection with maintenance of books, records and preparation of Annual Accounts in conformity with accepted accounting standards and past practices followed by the Company. Pursuant to the foregoing, and on the basis of representations received from operating management and after due enquiry, it is confirmed that:

- (1) In the preparation of the accounts for the Financial Year ended March 31, 2014, the applicable accounting standards have been followed and that there are no material departures in the preparation of annual accounts;
- (2) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profit of the Company for the year ended on that date;
- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (4) The Directors have prepared the accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS (MDA):

A separate section titled "Management Discussion and Analysis" confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed hereto and forms part of this Annual Report.

CORPORATE GOVERNANCE:

A separate section titled "Report on Corporate Governance" including a certificate from the Practicing Company Secretaries confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed hereto and forms part of this Annual Report.

AUDITORS:

The Statutory Auditors of the Company M/s S. R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting. M/s S. R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants, being eligible, offer themselves for re-appointment. As per the provisions of the Companies Act 2013 read with relevant rules, S. R. BATLIBOI & ASSOCIATES LLP can be appointed for a maximum period of three years as Statutory Auditors of the Company. Therefore, S. R. BATLIBOI & ASSOCIATES LLP are proposed to be appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting for a period of three years. The Company has received letter from them to the effect that their re-

appointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013 read with rules thereon and that they are not disqualified for such re-appointment within the meaning of the said Act.

Replies to the Audit Qualifications:

(1) Replies to the Audit Qualifications - Standalone Financial Statements:

Clause (a) under Basis for Qualified Opinion: Recovery of Inter-Corporate Deposits

Reply: Prior to April 1, 2009 the erstwhile promoters had given certain Inter Corporate Deposits (ICDs) to various companies aggregating to Rs. 343.78 Crores. Of the foregoing, documentary evidences had been established that, for an amount of Rs 323.78 Crores the then Satyam Computer Services Limited (SCSL) was the ultimate beneficiary and for which a claim together with interest receivable had been lodged by the Company. During the year, SCSL had merged into Tech Mahindra Limited (TML) pursuant to a Scheme of Arrangement u/s.391-394 of the Companies Act 1956. As provided in the scheme and as per the judgment of Hon'ble High Court of Andhra Pradesh on the said scheme, the aforesaid amount in books of SCSL was now transferred to TML. The Company through its subsidiaries preferred an Appeal before the Division Bench of Hon'ble High Court of A.P. against the single judge's Order approving the merger scheme of SCSL which is pending as on date. TML, in its audited financial results for March 31, 2014 continued to disclose as "Amounts Pending Investigation Suspense Account (Net) Rs.1,230.40 (Crores)" as disclosed by SCSL earlier. Management is of the opinion that the claim made by the Company on SCSL is included in the aforesaid amount disclosed by TML in their Audited Financial Results. Management is confident of recovering the Inter Corporate Deposits together with interest due thereon.

Clause (b) under Basis for Qualified Opinion: Un-audited Financial Statements of Joint Ventures:

Reply: The qualification in respect of adoption of Unaudited Financial Statements relates to the Joint Ventures of the Company. Accounting year of the Company was from October 1, 2012 to March 31, 2014 (consisting of 18 months), and the Joint ventures being AOPs are not required to prepare audited accounts for 18 months. However, they provided Unaudited Management Accounts which have been adopted by the Company.

Clause (iii)(c) of Annexure to Audit Report : Loans granted to Companies

Reply: The loan amount of Rs.47.87 Crores pertains to an Inter Corporate Deposit given to Hill County Properties Limited (HCPL) in the Financial Year 2008-09 by the erstwhile Promoters. The Company ceased to be a Company to be covered in the Register maintained under Sec.301 of the Companies Act 1956 with effect from September 29, 2009. The Company is confident of recovering the Inter Corporate Deposit along with interest in view of acquisition of Hill County Properties Limited by IL&FS Group as per the CLB Order of January 2011. Further, during the year, the Company has entered into a restructuring arrangement with HCPL where in the loan

has been converted into Funded Interest Term Loan (FITL). The maximum amount due as at March 31, 2014 is Rs. 97 Cr.

Clause (ix) (a) – Delays in remittance of Statutory Dues :

Reply: The Company in general has been regular in remitting the statutory dues in time. The Management has taken steps to avoid delays and as a matter of internal control statutory dues are being monitored for timely remittances.

Clause (x) – Cash loss during the year and in the immediately preceding Financial Year:

Reply: The Company has started bidding for new business both in India and abroad and has been successful in bagging new projects considerably. The Company is confident of the future business performance and growth based on the following:

- Healthy Order book
 - The Promoter Group continued credit facilities to the tune of Rs.958.06 Crores to support the liquidity position of the Company
 - The Company has also unutilized limit of Rs. 65 Crores from Infrastructure Leasing & Financial Services Limited (IL & FS) and Rs. 45 Crores from IL&FS Financial Services Limited. The Lending Banks released additional Cash Credit facilities of Rs.113.99 Crores and non fund based limits to the extent of Rs.249.25 Crores approved by them in the previous year
 - CARE has assigned BBB- and A3 ratings for long-term and short-term banking facilities of the Company respectively
 - An overseas branch in Fujairah was opened to undertake works outside India
 - The Company has resolved to issue further equity in the form of rights to the existing shareholders. Draft Letter of Offer (DLOF) has been filed on March 28, 2014.
- (2) Replies to the Audit Qualifications – Consolidated Financial Statements :

Clause (a) under Basis for Qualified Opinion: Recovery of Inter Corporate Deposits :

Reply: Prior to April 1, 2009 the erstwhile promoters had given certain Inter Corporate Deposits (ICDs) to various companies aggregating to Rs.362.36 Crores. Of the foregoing, documentary evidences had been established that, for an amount of Rs 342.11 Crores the then Satyam Computer Services Limited (SCSL) was the ultimate beneficiary and for which a claim together with interest receivable had been lodged by the Company. During the year, SCSL had merged into Tech Mahindra Limited (TML) pursuant to a Scheme of Arrangement u/s.391-394 of the Companies Act 1956. As provided in the scheme and as per the judgment of Hon'ble High Court of Andhra Pradesh on the said scheme, the aforesaid amount in books of SCSL was now transferred to TML. The Company through its subsidiaries preferred an Appeal before the Division Bench of Hon'ble High Court of A.P. against the single judge's Order approving the merger scheme of SCSL which is pending as on date. TML, in its audited financial results for March 31, 2014 continued to disclose the same as "Amounts Pending

Investigation Suspense Account (Net) Rs.1,230.40 (Crores)” as disclosed by SCSL earlier. Management is of the opinion that the claim made by the Company on SCSL is included in the aforesaid amount disclosed by TML in their Audited Financial Results. Management is confident of recovering the Inter Corporate Deposits together with interest due thereon.

Clause (b) under Basis for Qualified Opinion: Unaudited Financial Statements of Joint Ventures & Subsidiaries:

Reply: The Auditors have qualified their Report for the period ended March 31, 2014 stating that four Joint Ventures and two Subsidiaries have been consolidated based on the Unaudited Financial Statements. The Company has taken its share as on March 31, 2014 pursuant to extension of its Financial Year based on Unaudited Management Accounts of the Joint Ventures and subsidiaries which were provided to the Auditors. Hence, consolidation was done on the basis of accounts certified by the Management of these investee companies.

EMPLOYEES:

The relations with the employees have been cordial throughout the year under review. Your Directors place on record their sincere appreciation in respect of the services rendered by the employees of the Company at all levels.

PARTICULARS OF EMPLOYEES:

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, in pursuance of Section 219(1) (b) (iv) of the Companies Act, 1956, this Report is being sent to all the Shareholders of the Company excluding the aforesaid information and the said particulars are made available at the Registered Office of the Company. The Members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

ESOP 2007 and 2009

Your Company has not granted any stock options to the employees during the year under review. Further, all the stock options issued under ESOP 2007 had expired as on April 13, 2014 since the ESOP 2007 scheme is expired effective April 13, 2014.

Disclosure as required by Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme), Guidelines, 1999, as amended, are as per the annexure enclosed

Undertaking Pursuant to General Circular No: 2 /2011 No: 51 / 12/2007-CL-III

The Company, hereby undertake to comply with the following;

- The annual accounts of the Subsidiary Companies and the related detailed information shall be made available to shareholders of the Holding and Subsidiary Companies seeking such information at any point of time.

- The annual accounts of the Subsidiary Companies shall also be kept for inspection by any shareholders in the head office of the Holding Company and of the Subsidiary Companies concerned.
- The Company shall furnish a hard copy of details of accounts of Subsidiaries to any shareholder on demand.

ENVIRONMENTAL POLICY:

Your Company is committed to carrying out all its activities with requisite measures to protect the environment. Accordingly, your Company is committed by policy to not only abide by the prevailing legal requirements but also to have a futuristic approach in carrying out continuous improvement in this regard.

DETAILS U/S 217(1) (e) OF THE COMPANIES ACT, 1956: Particulars as per Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are as under:

Conservation of Energy:

The conservation of energy in all the possible areas is undertaken as an important means of achieving cost reduction. Savings in electricity, fuel and power consumption receive due attention of the management on a continuous basis.

Technology Absorption:

Timely completion of the projects as well as meeting the budgetary requirements are the two critical areas where different techniques help to a great extent. Many innovative techniques have been developed and put to effective use in the past and the efforts to develop new techniques continue unabated.

Foreign Exchange Earnings & Outgo:

| | |
|--------|--------------|
| | (Rs. Crores) |
| Earned | 310.78 |
| Outgo | 320.39 |

ACKNOWLEDGMENTS:

Your Directors place on record their gratitude to the Bankers, Financial Institutions, various Agencies of the State and the Central Government Authorities, Clients, Consultants, Suppliers, Sub-Contractors, Members and the Employees for their valuable support and co-operation and look forward to continued enriched relationships in the years to come

By order of the Board

**For IL&FS Engineering and Construction Company Ltd
and reduced**

Place : New Delhi
Date: May 19, 2014

Ramchand Karunakaran
Chairman

Annexure to Directors' Report

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on March 31, 2014 under the Employee Stock Option Scheme of the Company are as under:

(1) Summary of Status of ESOPs Granted:

The position of the existing schemes is summarized as under:

| Sr. No | Particulars | ESOP Scheme 2007 | ESOP Scheme 2009 – Grant I | ESOP Scheme 2009 – Grant II |
|--------|---|---|---|-----------------------------|
| 1 | Details of the Meeting | Authorised by Shareholders of the Company on March 30, 2007 | Authorised by Shareholders of the Company on November 9, 2009 | |
| 2 | Approved | Upto 2% of Equity Share Capital of the Company | Upto 10% of Equity Share Capital of the Company | |
| 3 | The Pricing Formula | Exercise Price equal to IPO Price | Exercise Price equal to Market Price | |
| 4 | Options Granted | 644,967 | 1,201,407 | 2,849,984 |
| 5 | Options Vested and in Force | 8,428 | 370,877 | 1,044,752 |
| 6 | Options Exercised | 856 | 0 | 0 |
| 7 | Options Forfeited / Surrendered | 0 | 0 | 0 |
| 8 | Options Lapsed | 635,683 | 830,530 | 689,136 |
| 9 | Total Number of Options in force as on March 31, 2014 | 8,428 | 370,877 | 2,160,848 |
| 10 | Variation in terms of ESOP | Not Applicable | Not Applicable | Not Applicable |
| 11 | Total number of shares arising as a result of exercise of options | 856 | 0 | 0 |
| 12 | Money realised by exercise of options (Rs. in Lakhs) | 3.32 | 0 | 0 |

(2) Employee-wise details of options granted during the Financial Year 2012-14 to:

- Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year: - NIL
- Senior Managerial Personnel- NIL
- Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant – NIL

(3) Weighted average exercise price of options granted during the year whose

- | | |
|---|----|
| (a) Exercise price equals market price | NA |
| (b) Exercise price is greater than market price | NA |
| (c) Exercise price is less than market price | NA |

Weighted average fair value of options granted during the year whose

- | | |
|---|------|
| (a) Exercise price equals market price | 0.00 |
| (b) Exercise price is greater than market price | 0.00 |
| (c) Exercise price is less than market price | 0.00 |

- B. The stock-based compensation cost calculated as per the intrinsic value method for the period ended March 31, 2014 is Rs. 0.00 Crores. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognised in the Financial Statements for the period ended March 31, 2014 would be Rs. 1.50 Crore. The effect of adopting the fair value method on the net income and earnings per share is presented below

| | 2012 – 14 Amount Rs. Crore | 2011 – 12 Amount Rs. Crore |
|---|-------------------------------|-------------------------------|
| (Loss) / Profit as reported | (177.09) | (168.72) |
| Add: Employee stock compensation under intrinsic value method | - | - |
| Less: Employee stock compensation under fair value method | (1.50) | (1.62) |
| Proforma profit | (178.59) | (170.34) |
| Earnings Per Share (Rs.) | | |
| Basic | | |
| - As reported | (19.72) | (21.80) |
| - Pro forma | (19.89) | (22.01) |
| Diluted | | |
| - As reported | (19.72) | (21.80) |
| - Pro forma | (19.89) | (22.01) |

- C. Method and assumptions used to estimate the fair value of options granted during the year: NA

Management Discussion and Analysis

(A) Economic Overview:

– Indian Economy:

India is the world's largest democracy by population and the fourth largest economy in the world in terms of Gross Domestic Product ("GDP") considering the purchasing power parity after the European Union, United States and China (Source: CIA World Factbook). The Indian economy grew at an average of 8.8% during 2005-06 to 2010-11, despite a low rate of 6.7% in 2008-09 due to external factors. Growth rate decelerated further in 2012-13 to 5.0%. However, now with politically stable government at the Centre, it is widely believed that the entire economy will turn around in the days to come.

INFRASTRUCTURE SECTOR IN INDIA

- Overview of Infrastructure/Construction Industry:

The Indian Government has identified Infrastructure as one of the key drivers of economic development in the country. Investment in Infrastructure has increased from about 5% of GDP in the 10th Five Year Plan period to 9% in the 11th Five year Plan Period.

India's Planning Commission has projected an investment of US\$ 1 trillion for the infrastructure sector during the 12th Five Year Plan, with 40 per cent of the funds coming from the private sector. At the minimum, 45% investment in infrastructure is towards construction and 20% of the infrastructure spend will be for modernization of the construction industry. In order to attract such huge investment, the Indian government has eased foreign direct investment norms for quite a few sectors of infrastructure development.

- Financing:

India's infrastructure needs are massive, estimated at upwards of \$1.7 trillion during the decade 2010-20 alone. The Government of India established the India Infrastructure Project Development Fund (IIPDF) with an initial contribution of \$15 million, supplemented by \$8 million technical assistance support from ADB. Operating on a rapid revolving basis, the IIPDF has allocated project preparation funding for over 250 projects, with supplementary resources given by provincial Governments or Agencies. The Government has also launched a National PPP Capacity Building Programme in December 2010. It aims to train 10,000 senior and middle-level government officials over the next three years in PPP preparation and delivery, and is expected to result in improved capacities among government officials in preparing and managing PPP projects across various infrastructure sectors in different parts of the country. In parallel to the IIPDF, the Government has also established the India Infrastructure Finance Company Limited (IIFCL) to lend for capital expenditures of PPP projects. ADB has provided \$1.2 billion in loan funding over the last few years, which has resulted in IIFCL supporting 35 PPP projects, primarily in toll roads, airports and energy sectors, leveraging additional funding of some \$4.8 billion. (Source: World Economic Forum Report: Accelerating Infrastructure Delivery – May 16, 2014)

– Global Infrastructure Situation:

Infrastructure is an important driver of economic competitiveness in the present globalized investment landscape. Yet the divergence between the need for infrastructure and the ability of Governments to deliver continues to widen, creating a bottleneck for growth and diversification. The needs for infrastructure in urban areas are vast. In the face of sustained urbanization across a majority of emerging market countries, many experts estimate that some 75% of all infrastructure investments will be needed in urban and peri-urban environments over the next 40 years. Governments, bilateral donors and international financial institutions are increasingly conscious of this vast challenge. Indeed, with many countries continuing to face economic headwinds in the aftermath of the global financial crisis, the importance of infrastructure to spur and sustain economic activity is now established at the G20. The current Australian G20 Leadership Group's infrastructure and investment task force states that the existing gap between the need for infrastructure investment globally and the ability to deliver on that need is mostly explained by the lack of proper project preparation and other institutional support.

Obviously, paying for infrastructure is a vexing issue in both developed countries and emerging markets, and can be a tough political challenge. Yet the search for funding must be a top priority for the public and private sectors alike if infrastructure investment is to accelerate and economies are to continue to grow. The bankability of infrastructure projects enhanced by new revenue sources and supported by enforceable contracts designed to match local institutional capacity is what will accelerate their delivery. (Source: World Economic Forum Report: Accelerating Infrastructure Delivery – May 16, 2014)

(B) Opportunities:

(1) Irrigation & Water:

In this sector, during the 12th Five Year Plan, total investment is projected at Rs. 4,30,103 Cr. as compared to Rs 2,79,359 Cr during Eleventh Five Year Plan.

Public investment is expected to grow at Compounded Annual Growth Rate (CAGR) of 9% with Central and States investments reaching to Rs. 26,096 Cr and Rs. 4,04,007 Cr respectively during the 12th Five Year Plan.

Private investment has remained negligible as no serious efforts have been made so far to attract Private participation in this sector. Participation of Private Sector in these two sectors will open up new opportunities for the Company.

(2) Roads:

Roads account for 80 per cent of passenger traffic and 65% freight traffic in India. The annual growth of road network in India is projected at over 12% for passenger traffic and over 15% for cargo traffic.

Indian Road Network is divided into National Highways, State Highways/PWD roads and rural roads. The Indian Government estimates around Rs. 1,62,000 Cr plus private investment is required over FY12-FY17 to improve the country's road infrastructure.

The National Highways Development Project (NHDP) is planned to be implemented over seven phases. The program envisages an investment outlay of over Rs. 2,40,000 Cr. Currently 33,500 kms are already developed or are under implementation with balance 21,000 kms are yet to be awarded. Extensive contribution of the private sector is being utilized for implementation of NHDP through contracting and Public Private Partnership (PPP) mode.

The procurement process for highway developers/contractors is highly streamlined and concession agreements and other agreements have been standardized by the government. The processes are oriented towards players with good experience and sound financial strength. Additionally, a lot of states are also actively developing their highways with the help of private sector. While the average value of these projects is smaller than the NHDP projects, they will be substantial and provide a good entry point for those looking to delve into the Indian market.

Sensing a change in the economic scenario of the country and taking into account feedback from various developers, the Government is pushing towards a stronger regulatory regime by setting up of an Independent Regulator specifically for road sector projects in the country. Revision to the bidding process and documents in view of changing economic and market landscape is also underway.

(3) Power:

India, an emerging economy experiencing rapid urbanization and industrialization, is the world's fourth largest energy consumer. However, the country has always experienced power demand-supply gap. The peak power deficit for FY 2013 was 8.7% (Source: Central Electricity Authority). This power deficit, coupled with an increasing demand, provides significant growth opportunities for India's power sector.

In the draft of 12th Five Year Plan, the Planning Commission had recommended a capacity addition target of 88,537 MW, as compared to the 11th Five Year Plan's actual capacity addition of 54,964 MW. An additional 30,000 MW of renewable energy capacity addition is targeted during the 12th Five Year Plan. Hence, there is an immediate need to create power transmission infrastructure to support this planned expansion of generation capacity.

The transmission line capacity addition plan at 1,07,440 circuit kms is 54% higher than the 11th Five Year Plan's actual addition of 69,926 circuit kms. The Plan includes a multi-fold increase of 765 KV transmission lines addition, which requires a comparatively higher investment.

During the 12th Five Year Plan, the Central Transmission Utility namely Power Grid Corporation of India Limited (PGCIL) plans to invest Rs. 1,00,000 Cr in a phased manner for transmission line systems. These systems are associated with central sector linked generation, Ultra Mega Power Projects (UMPP), Independent Power Producers (IPP) and grid strengthening.

Besides, Green Energy Corridors, viz.-transmission line system for power evacuation from renewable energy generation. PGCILs July 2012 report indicates a necessity of 42,000 Cr investments to create several transmission line corridors for 40,000 MW renewable energy generation capacities.

Apart from PGCIL, the State Electricity Boards (SEBs) are also planning investments to expand the intra-state transmission networks. In some cases, SEB's investments are backed by multilateral funding agencies, like the World Bank, Asian Development Bank (ADB) etc.

Private sector participation in the transmission sector is increasing. Till FY 2013, nine transmission projects had been awarded through competitive bidding processes. The Government is encouraging more private participation, even at the state level.

The substation capacity addition projected in 12th Five Year Plan at 2,70,000 MVA is 80% higher, as compared to actual addition (latest estimate) of 1,50,362 MVA during the 11th Five Year Plan. Of the total capacities planned, 55% is at 765 KV level.

(4) Railways:

Indian Railways has the world's fourth largest rail network comprising 115,000 km of track over a route of 65,000 km and 7,500 stations. Indian Railways carried 1,009 mn tonnes of Freight Traffic and 8,501 mn passengers (more than 23 mn daily) in the FY 2012-13. There is an estimated annual traffic growth of 4% to 5%. Indian Railways is also the world's second largest employer with a workforce of 1.5 mn.

Indian Railways is one of the largest systems of passenger carriers in the world. However, passenger services tend to be cross subsidized in India through freight earnings. Almost 70% of total earnings of Indian Railways come through freight services.

The Indian Railways network has an operating ratio of almost 90%. The Indian Government has recognized existing infrastructure gaps and capacity constraints in the rail system, and as a consequence plans large scale investment over the next five years of around Rs. 5,19,000 Cr, of which around 19% is expected to be contributed by the Private Sector.

One major programmes is the Dedicated Freight Corridor project. The project is intended to decongest the routes of Delhi-Mumbai and Delhi-Kolkata by building dedicated cargo lines at an estimated cost of Rs. 40,000 Cr.

Other initiatives undertaken to attract investments include the development of rolling stock factories with long-term off take guarantees. Further, City metro systems have come up in India in a big way over the last 10 years. Indian Railways is also looking for private partners to help modernize railway stations to world-class levels. Further, port connectivity projects are also a focus area of the Indian Railways.

Recently the Government of India has also allowed private sector to set up rail connected freight terminals. Further, the monopoly of Government operated rail system has been loosened by allowing private sector to run their own rakes for containers, freight, automobile etc.

(5) Urban Infrastructure:

Only 30% of Indian population lives in urban areas. As per Government of India estimates, urbanization in India is expected to grow at an astonishing rate of 38%.

Over the next 20 years, it is estimated that Rs. 39,00,000 Cr. investment is required in urban infrastructure. Of this, almost 45% is required for development of urban roads.

The Twelfth Five Year Plan document expects 48% of the Plan investment to come from private sources, dependent on several national policy initiatives to restore investor confidence.

To boost urban infrastructure across the country, the Government of India has initiated numerous measures and has allocated almost Rs. 12000 Cr under Jawaharlal Nehru National Urban Renewal Mission. The Government has also launched the Urban Infrastructure Development Scheme for Small and Medium Towns with an outlay of Rs 6000 Cr to address infrastructure needs of small towns and cities. Additionally, there is a renewed push towards PPPs in the sector.

Delhi-Mumbai Industrial Corridor (DMIC) is an ambitious Infrastructure programme conceptualized with Government of India and aiming at developing new industrial cities as "Smart Cities" and converging next generation technologies across infrastructure sectors. Projects worth investment of Rs. 12,00,000 Cr have already been approved under DMIC. Success of DMIC has prompted many similar corridors including Bangalore Chennai corridor etc.

There are key investment opportunities for private firms in this sector, particularly in the sphere of Solid Waste Management, Urban Transport, Water management etc. Further, with tier II cities also opting for metro systems, there is a space for large scale private participation through technology and equipment supply.

(6) Building & Structures:

The challenges for Indian real estate, now and in the near future, are the expensive liquidity for real estate,

the lack of availability of serviced urban land, continuing procedural delays in approvals, the slow pace of infrastructural growth.

In terms of commercial real estate outlook, there has been a demand contraction of about 15% with reference to absorption in 2011. In retail real estate, many new malls that are now completed or are under construction are superior, which is a definite sign of the market maturing.

The Indian residential property market is behaving like a swinging pendulum. Sale velocity has been rising and falling over the last two or three quarters, and now capital values are going up because of increased input costs. All such factors have resulted in slowdown of new launches. However, the Company has been successful in securing new orders worth Rs 750 Cr after April 2012 in both commercial and residential segment.

Basically, this is sector which will continue to have a 15% over CAGR or more over the next few years. The primary reason being that many developers who earlier used to get the construction done locally are now increasingly looking at Corporatized contracting companies like your Company.

(7) Oil & Gas:

The overall outlook of Oil & Gas sector in the Indian Market is very encouraging. The widening gap between demand and supply is creating the impetus to invest mostly in the exploration business and a consequent investment in pipeline transportation network and process plants.

Private players like Reliance Gas Transportation Infrastructure Limited has investment plans of 2800 Kms pipeline by 2014 at an investment of Rs. 15,000 Cr. Cairn Energy is also contemplating a substantial increase in their oil and gas assets and come out with Expressions of Interest. ONGC plans to invest more than Rs 85,000 Cr for developing 16 mega projects onshore and 28 offshore. BPCL has planned to invest Rs. 50,000 Cr in expanding its refining capacity. HPCL has an outlay of Rs. 11,500 Cr for upgrading its facilities. In the Global Context, there is likely to be an upsurge in the E&P business due to the increase in energy demand and relative political stability in Middle East and North Africa region.

(8) Ports

Government of India plans to create a port capacity of 3200 MT for handling about 2500 M.T. of cargo and wishes to bring the ports at par with the best international ports in terms of performance and capacity. The Ministry of Shipping wants to increase the tonnage under the Indian Flag. The Ministry wishes to promote the coastal shipping, so that it helps in decongesting the roads. Coastal shipping is environment friendly. India's current share in the Global

Shipping Building is 1%, the government wants to increase it to 5%. The share of India seafarers is currently between 6-7% in the Global Shipping Industry. The Government wants to increase it to minimum of 9% by 2015. The total proposed investments in major and non-major ports by 2020 is expected to be approximately Rs. 287,000 crores and the total proposed investments in the shipping sector by 2020 is Rs. 165,000 crores.

(C) Performance during the year:

Structural bottlenecks, slow policy movement, conservative interest rates policy in the face of high inflation, declining industrial growth and subdued demand for both consumption and investment has led to the decline of the overall economic growth of the country and consequently infrastructure projects have been significantly impacted during the year under review. Economic risks continue to persist due to high inflation which would keep the interest rates elevated, businesses remain wary about capacity building with borrowing costs high because of which margins are under pressure.

In spite of the gloomy situation all around, your Company had been able to build up an impressive order book. Management of the Company has been relentless in its efforts to revive the Company. Your Company has been able to successfully induct competent and well qualified senior management resources to lead manage sector specific, customer focused organization and support functions like Procurement, Human Resource, Information Technology, Finance & Accounts, Plant & Machinery, Contract Management and Business Development etc.

The Subsidiary of your Company in Saudi Arabia commenced its operations in 2011 and started posting sizeable turnover and started posting profits, albeit in a small range. With the support of the Promoter of your Company by way of awarding significant amount of orders and with the provision of timely finance support, your Company is set to achieve significant improvement in its operating results in the forthcoming years.

Your Company is ISO 9001:2008 certified company for Quality Management Systems through International accredited certification body AQA.USA. Your Company has also committed to the highest standards of quality for delivering infrastructure projects with ensuring total customer satisfaction. Your Company has performed audits, Inspection and training program at projects site for continual improvement of the Quality Management System. Your Company has deployed and empowered the engineers at all project sites to comply with client specification, national / International standards and applicable legal requirements. Your Company has achieved best level of quality services with the less number of non-compliance, improved supply / consistent quality and Environmental friendly & Occupational Health and Safety risk free services.

Details of Projects Bagged During October 2012 to March 2014: (Rs. in crores)

| SL | Description of the Project | Value |
|----|---|-------|
| 1 | EPC Works of IL&FS Prime Tank Terminal (IPTT) - Phase I at Fujairah, UAE. | 456 |
| 2 | Construction of Housing Complex 'Palm Terraces Select' at Gurgaon for Emaar MGF | 136 |
| 3 | Construction of Civil & Structural Works of 'Mahindra Ashvita' Residential Development at Kukatpally, Hyderabad. | 120 |
| 4 | Multipurpose Berth, Backup Yard Development and Utilities of Terminal at 'Dighi Port', Maharashtra. | 168 |
| 5 | Four Laning of 'Kiratpur to Ner Chowk' Section of NH-21 in Punjab and Himachal Pradesh for IL&FS Transportation Ltd | 1,210 |
| 6 | EPC Works for Center of Excellence and Allied Works for Cairn India at Jodhpur | 32 |
| 7 | EPC Works of IL&FS Prime Tank Terminal (IPTT)- Jetty line in Fujairah, UAE | 73 |
| 8 | Execution of 132 KV Substations, 132 KV Bays on turnkey basis in Haryana for HVPNL | 28 |
| 9 | Construction of Elevated Viaduct for the proposed south extension of IRL Project (Phase - II) excluding Stations at Gurgaon for ITNL | 256 |
| 10 | Rural Electrification Works under RGGVY Phase II on Turnkey Basis in Ambedkarnagar District of UP For MVNL | 284 |
| 11 | Construction of Residential Villas project 'Villas Marbella' at Sector 65 & 66 Gurgaon for Emaar MGF | 245 |
| 12 | Rural Electrification Works under RGGVY Phase II on Turnkey Basis in Bulandshahr District of UP for PVNL. | 150 |
| 13 | Construction of proposed residential development project 'Orchid Heights' at Byculla, Mumbai for Neelkamal Realtors. | 675 |
| 14 | Design and Construction of Rail Flyover, Bridges for double track line between Dehri-on-Sone & Mughalsarai in Bihar and UP for DFCC | 130 |
| 15 | Construction of sub-structure & superstructure of 'Anandvilas' residential project situated at Sector 81, Faridabad for Puri Constructions. | 112 |

(Rs. in crores)

| SL | Description of the Project | Value |
|----|---|--------------|
| 16 | Construction of Two Elevated Stations namely DLF Phase-1, Sushant Lok at Gurgaon (South Extension) for ITNL | 34 |
| 17 | Construction of Three Elevated Stations namely Sector 53-54, AIT Chowk and Sector 55-56 at Gurgaon (South Extension) for ITNL | 50 |
| 18 | Structural works for Elevated Depot Cum Workshop Near AIT Chowk, Gurgaon (South Extension) for ITNL | 70 |
| 19 | Construction of Seven Stations from Sub CDB-1 To Titumir, In Newgaria Airport Metro corridor of Kolkata Metro Line for RVNL | 300 |
| 20 | Construction of Luxurious residential project "Gurgaon Hills" at Sector-02, Gurgaon for Ireo Private Limited. | 167 |
| | Grand Total | 4,696 |

Note: - The following projects were removed from the Orders in hand during the period:

- Multilevel Car Parking Complex at Kilwat, Near Charminar-Hyderabad – Rs 35 Cr.
- Construction of Commercial Complex "SIGNATURE III" at Gurgaon – Rs 78 Cr.
- SEZ by unitech at Noida - Rs 158 Cr.

Details of Projects Completed During October 2012 to March 2014

(Rs. in crores)

| SL | Description of the Project | Value |
|----|--|------------|
| 1 | Four Laning of 'Pune – Sholapur, section of NH-9 in the State of Maharashtra for IL&FS Transportation Ltd | 775 |
| 2 | EPC of 'Gandikota Dam' across Penna river and earth work excavation of GNSS Main Canal including CM & CD works in AP for I&CAD | 60 |
| 3 | Construction of Hospital, Nursing Block & Mess, Logistic Complex and Commandants House Naval Academy Ezhimala, Kerala for NAVAC | 42 |
| 4 | Construction of Firing Range, Waterman ship Training Complex and Incinerator Building at Naval Academy Ezhimala, Kerala for NAVAC. | 13 |
| 5 | Construction of Dwelling units including allied external services at Army Station Chennai for DGMAP | 34 |
| | Grand Total | 924 |

(D) Discussion on Financial Performance:

Notwithstanding the economic slowdown and the exigencies, your Company has been able to retain healthy order book.

The Sectorwise Order Book of the Company is as follows:

(Rs. In Crores)

| Sector | On Hand 31.3.2014 | On Hand 30.9.2012 |
|--------------|-------------------|-------------------|
| Roads | 2,243 | 1,704 |
| Railways | 1,058 | 304 |
| Buildings | 1,677 | 1,032 |
| Irrigation | 3,990 | 4,815 |
| Power | 782 | 537 |
| Oil & Gas | 227 | 42 |
| Ports | 86 | |
| Total | 10,063 | 8,434 |

Overall Financial Performance:

- Turnover:** The Company has achieved a turnover of Rs 3,267.17 Cr for the 18 months period as against Rs. 2,042.56 Cr of the Previous Year (18 months).
- Profit after tax:** Net Profit/Loss is Rs (150.98) Cr in 2012-14 against profit after adjustment as per the Scheme of Arrangement of Rs. 44.51 Cr in 2011-12.
- Earnings per share:** EPS for the period is Rs. (19.72) as compared to Rs. (21.80) in the Previous Year.
- Share Capital:** The share capital of the company stood at Rs 339.65 Cr during both the years as the Company has not raised any Capital.
- Net worth:** During the year 2012-14, Company's net worth is Rs 261.04 Cr as compared to Rs. 412.02 Cr for 2011-12.
- Debt:** The Company had paid some loans and had raised new loans which have not resulted in the change in aggregate debt. In order to meet the growing working capital needs of the Company due to increased operations, promoters have advanced loans. Consequently, debt position of the Company marginally increased to Rs 1,673 Cr as against Rs. 1364 Cr
- Fixed Assets:** The Company's fixed asset base (Gross Block) increased marginally from Rs. 566.77 Cr in 2011-12 to Rs. 586.25 Cr in 2012-14.

(E) Outlook:

Your Company has significantly strengthened its business development initiatives and is reaping the rewards of the efforts, in terms of healthy order inflow. Your Company is also pursuing JVs to undertake projects with higher value and in new sectors such as Hospitals, 400 KV Transmission & Substation Projects segments. Your Company has now built a stable platform for execution of large projects across sectors and potential improvement in the macro environment will have a positive impact on the company's performance. Your Company's effort of reinforcing strong work force have commenced to show signs of

better results in form of new work orders from overseas and domestic market. This new outlook and vision is expected to provide abundant scope for development. The Business Development activities have been started in the countries like Saudi Arabia, Qatar, Iraq and Africa to name a few. Your Company's actions to create "Oil & Gas" vertical to tap the vast opportunities in this sector have started showing result in the form of Pipeline and Oil Tank mandates.

(F) Challenges, Risks and Concerns:

The Indian infrastructure industry has tremendous scope for the future. In the current macro-economic environment, the Company perceives following risks and concerns.

(1) Liquidity Position:

IL&FS as the Promoter has supported your Company by providing long term loans to meet the working capital requirements. Also, during the year, consortium of Bankers has sanctioned additional working capital facilities which would improve the liquidity position of the Company. While the overall Cash Flow situation has improved during the year, the Company is working with Banks and Financial Institutions for further funding to support the increased Working Capital need of the Company.

(2) Changes in Government policies including change in tax structure:

While of late, Government policies are tending to be more stable than they were in the past, the Company does provide for such contingencies at the time of bidding if the attendant costs cannot be passed on to the customer through the contract itself.

(3) Price Inflation Risk:

Extraordinary fluctuations in the raw material prices have been witnessed over the last few quarters of the year under review. The Company has a centralized purchase department to meet the requirements of all its projects and is therefore able to source at best possible terms.

(4) Increased Public Spending:

Given the current size of the order book and the number of projects that are in the pipeline, your Company is

confident of maintaining the present levels of operations. However, this scenario is expected to improve in the light of politically stable government at the Centre which is expected to clear policy paralysis and increase public spending.

(G) Internal Control System and their Adequacy:

The Company has put in place adequate and effective system solutions to manage internal controls to ensure that all company assets and interests are safeguarded properly. All transactions are recorded, authorized and approved properly. Reliability and accuracy of accounting data are ensured with proper checks and balances for complying with various statutory requirements. The company has in the previous year implemented Oracle e-Business Suite as Enterprise Resource Planning (ERP) System for recording transactions with complete audit trail, which addresses the requirements of Supply Chain Management, Finance & Accounts, Projects, Plant & Machinery and Human Resource departments in an integrated way. A renewed emphasis on Internal Audit process and in-house Governance policies has been the practice of the day. The Company has continued thrust on improved systems & policies with an endeavor to align all business processes with ERP system and implement best practices.

(H) Human Resources & Industrial Relations:

The Company has implemented several plans to attract and retain skilled manpower at all levels. The Company introduced many new initiatives for better employee engagement and also implemented training programs for its employees to develop their hard and soft skills required for their profession. As on March 31, 2014, the Company had 867 permanent employees.

Cautionary Statement:

Statements in this Annual Report, describing the Company's outlook, projections, estimates, expectations or predictions may be "Forward Looking Statements" within the meaning of applicable laws or regulations. Actual results could differ materially from those expressed or implied.

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is essentially a system, which brings about sustained corporate growth and long-term benefits for stakeholders. Empowerment, accountability & control, is the philosophy of the Company on corporate governance. Good governance is a moral stance of the Management, which is committed to create value for all stakeholders on ethical principles. The company endeavors to implement the code of Corporate Governance in its true spirit.

2. BOARD OF DIRECTORS

Composition:

As on March 31, 2014, the Board consisted of Eight Directors.

All the Directors on the Board are professionals, having expertise in their respective functional areas. None of the Directors on the Board is a member of more than ten committees or chairman of more than five committees across all the companies in which he is a director. As required under Clause 49 of the Listing Agreement, necessary disclosures regarding committee positions have been made by the Directors.

Board Meetings:

During the financial year 2012 – 2014, as extended, the Board met 10 times on the following dates: November 25, 2012, December 22, 2012, February 12, 2013, April 29, 2013, August 4, 2013, October 9, 2013, November 14, 2013, December 26, 2013, February 12, 2014 and March 18, 2014.

Attendance, Directorships, Memberships/ Chairmanships of Committees

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the period October 01, 2012 to March 31, 2014 along with the number of directorships and committee memberships held by them in other companies as on March 31, 2014 are given below.

The directorships in other companies exclude those held in private limited companies, associations, companies incorporated outside India and alternate directorships. The Chairmanship / Membership of the Committees include memberships of Audit and Shareholders' / Investors' Grievance Committees.

| SL No. | Name of the Director | Category of Directorship | Attendance at Board Meetings | | Number of Directorships in other public Companies | Number of Committee positions held in other public companies | | Whether present at the Previous AGM |
|--------|---|--|------------------------------|----------|---|--|--------|-------------------------------------|
| | | | Held | Attended | | Chairman | Member | |
| 1 | Mr. Ramchand Karunakaran | Non-Executive Chairman | 10 | 9 | 14 | 1 | 6 | Yes |
| 2 | Mr. Murli Dhar Khattar | Managing Director | 4 | 4 | 6 | 0 | 0 | Yes |
| 3 | Mr. Hari Sankaran ¹ | Non-Executive Director | 8 | 3 | NA | NA | NA | No |
| 4 | Mr. Arun Kumar Saha ² | Non-Executive Director | 1 | 1 | NA | NA | NA | NA |
| 5 | Mr. Saleh Mohammad Awad BinLaden | Non-Executive Director | 10 | 2 | 0 | 0 | 0 | No |
| 6 | Mr. El Mouhtaz El Sawaf | Non-Executive Director | 10 | 2 | 0 | 0 | 0 | No |
| 7 | Mr. Akberali Mohemedali Moawalla | Alternate Director to Mr. Saleh Mohammad Awad BinLaden | 10 | 6 | 0 | 0 | 0 | Yes |
| 8 | Mr. Ahmad Mohamad Dabbous | Alternate Director to Mr. El Mouhtaz El Sawaf | 10 | 4 | 0 | 0 | 0 | No |
| 9 | Mr. Ved Kumar Jain | Non-Executive Director | 10 | 8 | 3 | 0 | 0 | Yes |
| 10 | Mr. Anil Kumar Agarwal | Non-Executive Director | 10 | 7 | 3 | 0 | 0 | Yes |
| 11 | Mr. Sundaram Srinivas Ranjan ³ | Non-Executive Nominee Director | 6 | 4 | 0 | 0 | 0 | NA |
| 12 | Mr. Dhananjay Narendra Mungale ⁴ | Non-Executive Director | - | - | 10 | 2 | 6 | NA |

¹ Appointed as Director w.e.f December 11, 2012 and Resigned as Director w.e.f March 18, 2014

² Resigned as Director w.e.f December 12, 2012

³ Appointed as Nominee Director w.e.f August 04, 2013

⁴ Appointed as Additional Director w.e.f March 18, 2014

Directors' Compensation and Disclosures:

- (i) Remuneration paid to Managing Director is disclosed in the Notes on Accounts forming part of this Annual Report.

The following Non-Executive Directors were paid sitting fees as mentioned in the table below:

| Sl No | Name of the Director | Sitting Fees paid during the FY 2012-14 (amount in Rs.) |
|-------|----------------------|---|
| 1. | Ramchand Karunakaran | 1,00,000 |
| 2. | Hari Sankaran | 40,000 |
| 3. | S.S. Ranjan | 80,000 |

Apart from the abovementioned, the actual travel and out of pocket expenses incurred for attending Meetings for the Directors shall have been made.

- (ii) Further the following disclosures on the remuneration of directors shall be made in the section on the corporate governance of the Annual Report:

- (a) All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc - Mr. Murli Dhar Khattar, Managing Director is paid a total remuneration of Rs. 9,92,833/- p.m. which comprises of the following:

| Particulars | Amount (in Rs) per month |
|----------------------|--------------------------|
| Consolidated Salary | 7,09,500 |
| House Rent Allowance | 2,00,000 |
| Special Allowance | 83,333 |
| TOTAL | 9,92,833 |

Except as mentioned above, sitting fee paid to respective Non-Executive Directors and reimbursement of expenses incurred towards attending the meetings, no other payment to the individual directors was made during the Financial year 2012-14.

- (b) Details of fixed component and performance linked incentives, along with the performance criteria - NIL
(c) Service contracts, notice period, severance fees - NIL
(d) Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.

| Name of Director | No. of Options | Vested & Exercisable | Discount |
|----------------------|----------------|----------------------|----------|
| Ramchand Karunakaran | 55023 | 50516 | NIL |
| Murli Dhar Khattar | 70000 | 70000 | NIL |

Directors seeking appointment / re-appointment

Details of the Directors seeking appointment/reappointment at the forthcoming Annual General Meeting as required under Clause 49 IV (G) of the Listing Agreement are annexed to the Notice convening the Annual General Meeting and forms part of this Annual Report

3. COMMITTEES OF THE BOARD OF DIRECTORS

a) AUDIT COMMITTEE

Composition

The Audit Committee comprises of 4 Directors of whom, three are Non Executive Independent Directors. Mr. Murli Dhar Khattar and Mr. Dhananjay Narendra Mungale were inducted as members of the Committee on March 18, 2014. Mr. Akberali Mohemedali Moawalla has resigned as Member of the Committee on March 18, 2014. All the members are eminent persons with varied knowledge in their respective fields. The Chairman of the Committee Mr. Ved Kumar Jain, is the past President of the Institute of Chartered Accountants of India with vast knowledge and experience. Mr. Anil Kumar Agarwal is the past President of ASSOCHAM. He was also the council member of the Institute of Chartered Accountants of India. Mr. Dhananjay Narendra Mungale is a Fellow Member of the Institute of Chartered Accountants of India. Mr. Murli Dhar Khattar is the Managing Director of the Company and is having vast experience in operations under various Companies. Company Secretary is the Secretary of the Audit Committee.

The composition and terms of reference of the Audit Committee are in accordance with the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.

Attendance at the meetings held during the period under review is stated below:

Ten Audit Committee meetings were held during the financial year 2012 – 2014, as extended, on the following dates: November 25, 2012, February 12, 2013, February 22, 2013, April 29, 2013, August 4, 2013, November 14, 2013, December 9, 2013, December 26, 2013, February 12, 2014 and March 18, 2014.

| Sr No | Name of the Member | No. of Meetings held | No of Meetings attended |
|-------|--------------------------|----------------------|-------------------------|
| 1 | Mr Ved Kumar Jain | 10 | 10 |
| 2 | Mr Anil Kumar Agarwal | 10 | 8 |
| 3 | Arun K Saha ¹ | 1 | 1 |
| 3 | Mr. Murli Dhar Khattar * | - | - |
| 4 | Mr. Dhananjay Mungale * | - | - |
| 5 | Mr. Akberali Moawalla# | 9 | 6 |

*Inducted into the Committee on March 18, 2014

Ceased to be member of the Committee w.e.f March 18, 2014

¹ Resigned as Director w.e.f December 12, 2012

b) SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

Composition

The Shareholders'/Investors' Grievance Committee (SIGC) comprised 2 directors. Mr. Anil K Agarwal, Chairman of the Committee and other member is Mr. Ved Jain. Company Secretary of the Company is the Compliance Officer

Terms of reference of SIGC are as per Clause 49 of the Listing Agreement, which includes, supervision of investor relations and redressal of investors' grievance in general and relating to non-receipt of dividends, interest, non-receipt of Annual Report in particular, approval of transfer and transmission of shares from time to time, delegating powers to the Registrar of the Company for transfer, transmission of shares from time to time in accordance with the regulatory requirement and such other matters as may from time to time be required under any statutory, contractual or other regulatory requirement

Attendance at the meetings held during the period under review is stated below:

Five SIGC meetings were held during the financial year 2012 - 2014 on the following dates: November 25, 2012, February 12, 2013, April 29, 2013, August 04, 2013, and November 14, 2013.

| Sr No | Name of the Member | No. of Meetings held | No of Meetings |
|-------|-----------------------|----------------------|----------------|
| 1 | Mr Anil Kumar Agarwal | 5 | 5 |
| 2 | Mr Ved Kumar Jain | 5 | 5 |

During the year under review, the Company received one complaint and that complaint was resolved to the satisfaction of the Investor.

c) REMUNERATION COMMITTEE

Composition

The Remuneration Committee comprises of 3 Directors of whom, Mr. Anil K Agarwal, Chairman and Mr. Murli Dhar Khattar, Mr. Dhananjay Narendra Mungale are other members of the Committee. Mr. Murli Dhar Khattar and Mr. Dhananjay Narendra Mungale were inducted as members of the Committee on March 18, 2014. Mr. Ramchand Karunakaran has resigned as Member of the Committee on March 18, 2014.

The terms of reference, powers, quorum and other matters in relation to the Remuneration Committee are as per Clause 49 of the Listing Agreements and in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended

Four Remuneration Committee meetings were held during the financial year 2012 – 2014 on November 25, 2012, April 29, 2013, November 14, 2013 and December 26, 2013

| Sr No | Name of the Member | No. of Meetings held | No of Meetings |
|-------|---------------------------------|----------------------|----------------|
| 1 | Mr. Anil Kumar Agarwal | 4 | 4 |
| 2 | Mr. Ved Kumar Jain | 4 | 4 |
| 3 | Mr. Ramchand Karunakaran* | 4 | 3 |
| 4 | Mr. Dhananjay Narendra Mungale# | 0 | 0 |

* Resigned as member of the Committee w.e.f March 18, 2014

Inducted as member of the Committee w.e.f. March 18, 2014

Remuneration Policy

Remuneration to Executive Directors

Remuneration to the Executive Directors comprises of Salary, Perquisites and performance related pay/ incentive.

The Committee shall consider the following, while determining the remuneration to Executive Directors

- financial position of the Company,
- prevailing trend in the industry,
- Qualification, experience and past performance of the person.

Remuneration paid to the Executive Directors is disclosed in the notes on accounts, which forms part of this report

Remuneration to Non Executive Directors

The non-executive directors were paid sitting fee as mentioned elsewhere in this report for Board Meetings or for Committee Meetings attended. However, actual travel and out of pocket expenses incurred for attending the meetings, were reimbursed. Other than the above, there is no other component of remuneration to Non Executive Directors

(D) CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:

The CSR Committee comprises of 3 Directors of whom, Mr. Anil K Agarwal is the Chairman and Mr. Murli Dhar Khattar, Mr. S. S. Ranjan are members of the Committee. The Committee was constituted on March 18, 2014 in compliance with the Companies Act, 2013.

The terms of reference, powers, quorum and other matters in relation to the CSR Committee are as per the provisions of Companies Act, 2013 and rules made there under.

No meeting of CSR Committee was held during the year under review

4. GENERAL BODY MEETINGS

a) Annual General Meetings (AGMs):

Venue, date and time of the Annual General Meetings held during the preceding 3 Financial Years are as follows:

(i) Financial Year : 2011-12 (18 Months)

Date, Time and Venue : February 22, 2013,
10.30 A.M,

KLN Prasad Auditorium, 3rd Floor, The Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad – 500 004

Special Resolutions for:

- i. Approval of Equity shareholders for extension of redemption period of 4,50,000 6% Cumulative Redeemable Preference Shares.

- (ii) Financial Year : 2010-11
 Date, Time and Venue : September 13, 2011,
 10.30 A.M,
 KLN Prasad Auditorium, 3rd
 Floor, The Federation of
 Andhra Pradesh Chambers of
 Commerce and Industry,
 FAPCCI House, 11-6-841, Red
 Hills, Hyderabad – 500 004

Special Resolutions for:

- i. Alteration/Deletion of Clause No.12 of the Memorandum of Association of the Company.
 ii. Issue of one Bonus CRPS (Cumulative Redeemable Preference Share) for every 16.67 existing fully paid up OCCRPS (Optionally Convertible Cumulative Redeemable Preference Shares) to such Members holding fully paid up OCCRPS.
 iii. Issue of one Bonus CRPS (Cumulative Redeemable Preference Share) for every 24.33 existing fully paid up CRPS (Cumulative Redeemable Preference Shares) to such Members holding fully paid up CRPS
- (iii) Financial Year : 2009-10
 Date, Time and Venue : September 23, 2010,
 11.00 A.M,
 KLN Prasad Auditorium, 3rd
 Floor, The Federation of
 Andhra Pradesh Chambers of
 Commerce and Industry,
 FAPCCI House, 11-6-841, Red
 Hills, Hyderabad – 500 004

Special Resolutions for :

- i. appointment of Mr. Vimal Kishore Kaushik as the Managing Director of the Company for a period of three years, with effect from January 08, 2010, on such terms and conditions mentioned in the Notice.
 ii. issue of equity shares to CDR Bankers, not exceeding 4,00,000 of Rs.10/- each, at a price to be determined as per SEBI (ICDR) Regulations 2009
 iii. issue of 6% Cumulative Redeemable Preference shares to CDR Bankers, not exceeding 5,00,000 of Rs.100/- each.

b) Extraordinary General Meetings (EGMs):

Venue, date and time of the Extraordinary General Meetings held during the preceding 3 years and special resolutions passed are as follows:

- i. Date & Time : March 18, 2014, 12.00 Noon
 Venue : KLN Prasad Auditorium, 3rd
 Floor, The Federation of Andhra
 Pradesh Chambers of
 Commerce and Industry,
 FAPCCI House, 11-6-841, Red
 Hills, Hyderabad – 500 004

Special Resolution:

- i. Alteration of Articles of Association of the Company

by deleting entire "Part II – Specified Articles" and deleting the word "Part I" in the first page of the Articles of Association of the Company

- ii. Approval of Equity Shareholders for extension of redemption period of 2,25,000; 6% Cumulative Redeemable Preference Shares (CRPS) and 37,50,000; 6% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS)
 iii. Appointment of Mr. Murli Dhar Khattar as the Managing Director of the Company for a period of three years, with effect from December 26, 2013, on such terms and conditions mentioned in the Notice.
- II. Date & Time : November 11, 2013, 10.30 A.M
 Venue : KLN Prasad Auditorium, 3rd
 Floor, The Federation of Andhra
 Pradesh Chambers of
 Commerce and Industry, FAPCCI
 House, 11-6-841, Red Hills,
 Hyderabad – 500 004

Special Resolution:

- i. Alteration of the Articles of Association by inserting new Article 50A to include the appointment of Nominee Director
 ii. Alteration of Article 15(2) in Part I of the Articles of Association of the Company for changing the minimum duration of offer under the rights issue to such period as prescribed by the regulatory authorities.

5. DISCLOSURES:

- (a) During the year under review, certain transactions have been entered into with related parties. The details thereof have been given under the Notes on Accounts
 (b) During the Year under review, there has not been any occasion of non-compliance by the Company.
 (c) The Company has established a well-documented Risk Management framework. Under this framework, risks are identified across all business processes of the Company on a continuing basis
 (d) The company applies equity method of accounting (as per the Accounting Standard 23) to the investments which involves reflecting the Company's share of results of the Associate companies operations.
 (e) The requisite details of Subsidiary Companies are disclosed in the Directors' Report

6. MEANS OF COMMUNICATION:

- (a) Quarterly/Half Yearly/Yearly Results are published in leading English and Telugu Newspapers. The same are also placed on the Company's website www.ilfsengg.com
 (b) Official news releases are displayed on the Company's website www.ilfsengg.com Official Media Releases are sent to the Stock Exchanges
 (c) The Company's website www.ilfsengg.com contains a separate section dedicated to 'Investor Relations' where shareholders' information is available. The Annual

Report of the Company is also available on the website in a user-friendly and downloadable form

- (d) Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report forms part of the Annual Report.
- (e) The Company has designated the cs@ilfsengg.com email-id exclusively for investor services

7. MANAGEMENT DISCUSSION AND ANALYSIS (MDA) :

MDA forms part of the Directors' Report and is presented in the Annual Report under a separate heading

8. WHISTLE BLOWER POLICY :

The Company has an established mechanism for employees and Directors to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit committee in exceptional cases. The existence of the mechanism is appropriately communicated within the organization

9. GENERAL INFORMATION TO SHAREHOLDERS :

- (a) Date, time and Venue of the 25th Annual General Meeting for the Financial year 2012-14 :

Date: August 8, 2014 at 12.00 Noon

Venue: KLN Prasad Auditorium, 3rd Floor, The Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad - 500 004

- (b) Book Closure Date :

The Register of Members and Share Transfer Books of the Company will be closed from August 4, 2014 to August 8, 2014 (both days inclusive) for the purpose of 25th Annual General Meeting

- (c) Financial Calendar:

Financial year of the Company shall from April 1, 2014 to March 31, 2015. The tentative calendar for consideration of financial results for the Financial Year 2014-15 is given below:

| <u>Particulars</u> | <u>Tentative</u> |
|---|-------------------|
| Results for quarter ending June 30, 2014 | August 14, 2014 |
| Results for quarter ending September 30, 2014 | November 14, 2014 |
| Results for quarter ending December 31, 2014 | February 14, 2015 |
| Results for quarter ending March 31, 2015 | May 30, 2015 |

(d) Listing on Stock Exchanges :

The Company's Shares are listed on the following Stock Exchanges with effect from October 25, 2007

| | <u>Scrip Code</u> |
|---|-------------------|
| The National Stock Exchange of India Limited (NSE) 5th Floor, "Exchange Plaza" Bandra Kurla Complex Bandra (E) Mumbai – 400 051 | IL&FSENGG |
| BSE Limited Department of Corporate Services P.J.Towers, Dalal Street Mumbai – 400 001 | 532907 |

The Company has paid the listing fees payable to the BSE and NSE for the years 2013-14 and 2014-15. The Company has paid Annual Custodial Fees for the years 2013-14 and 2014-15 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL)

- (e) Share Transfer Procedure :

The share transfers which are received in physical form are processed and the share certificates are returned to the respective shareholders within the statutory time limit, subject to the documents being valid and complete in all respects. The Company obtains half yearly certificates from a Company Secretary in practice on compliance regarding share transfer formalities and submits a copy thereof to the Stock Exchanges in terms of Clause 47 (c) of the Listing Agreement

- (f) Prevention of Insider Trading :

In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the company has instituted a comprehensive code of conduct for prohibition of Insider Trading in Company's shares

- (g) Corporate Identity Number (CIN) :

CIN of the Company, allotted by Ministry of Corporate Affairs, Government of India is L45201AP1988PLC008624 (not updated by MCA reflecting Telangana State)

h. Distribution of shareholding as on March 31, 2014:

Consolidated Distribution Schedule as on 31/03/2014

| Category (Amount) | No. of Cases | % of Cases | Total Shares | Amount | % of Amount |
|-------------------|--------------|---------------|-----------------|------------------|---------------|
| 1 – 5000 | 32366 | 95.50 | 1690376 | 16903760 | 1.88 |
| 5001 – 10000 | 717 | 2.12 | 580873 | 5808730 | 0.65 |
| 10001 – 20000 | 343 | 1.01 | 528580 | 5285800 | 0.59 |
| 20001 – 30000 | 143 | 0.42 | 365462 | 3654620 | 0.40 |
| 30001 – 40000 | 53 | 0.16 | 193126 | 1931260 | 0.22 |
| 40001 – 50000 | 58 | 0.17 | 272419 | 2724190 | 0.30 |
| 50001 – 100000 | 88 | 0.26 | 669124 | 6691240 | 0.75 |
| 100001 & Above | 122 | 0.36 | 85487283 | 854872830 | 95.21 |
| TOTAL | 33890 | 100.00 | 89787243 | 897872430 | 100.00 |

(i) Dematerialization of shares and liquidity :

The Company's shares are available for dematerialization in both the Depositories i.e, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). 96.87% of equity shares have been dematerialized as on March 31, 2014. All the Preference Shares of the Company are dematerialized. The distribution of shareholdings in category wise is as under:

Summary of Shareholding as on 31/03/2014

| Category | No. of Holders | Total Share | % |
|---|----------------|-----------------|-------------|
| EQUITY SHARES OF RS. 10/- EACH ISIN: INE369101014 | | | |
| PHYSICAL | 16 | 2813231 | 3.13% |
| N S D L | 23550 | 59285567 | 66.03% |
| C D S L | 10324 | 27688445 | 30.84% |
| Total | 37,300 | 89787243 | 100% |

| Category | No. of Holders | Total Share | % |
|--|----------------|----------------|----------------|
| 6% CRPS OF RS. 100/- EACH ISIN: INE369104018 | | | |
| PHYSICAL | 0 | 0 | 0.00% |
| N S D L | 10 | 5696876 | 95.17% |
| C D S L | 1 | 288904 | 4.83% |
| Total | 11 | 5985780 | 100.00% |

| Category | No. of Holders | Total Share | % |
|--|----------------|-----------------|----------------|
| 6% OCCRPS OF RS. 100/- EACH ISIN: INE369103010 | | | |
| PHYSICAL | 0 | 0 | 0.00% |
| N S D L | 10 | 16756400 | 95.75% |
| C D S L | 1 | 743600 | 4.25% |
| Total | 11 | 17500000 | 100.00% |

| Category | No. of Holders | Total Share | % |
|--|----------------|----------------|----------------|
| 6% CRPS OF RS. 100/- EACH ISIN: INE369104026 | | | |
| PHYSICAL | 0 | 0 | 0.00% |
| N S D L | 10 | 1455384 | 97.00% |
| C D S L | 1 | 44616 | 3.00% |
| Total | 11 | 1500000 | 100.00% |

(j) Reconciliation of Share Capital Audit:

As stipulated by SEBI, a qualified practicing company secretary carries out the reconciliation of Share Capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and paid up capital. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is placed before the Board of Directors. The audit, inter alia confirms that the total listed and paid up equity capital of the company is in agreement with the aggregate of the total no. of shares in dematerialized form held with NSDL and CDSL and total no. of shares in physical form

(k) Investor Safeguards :

Investors may note the following to avoid risks while dealing in securities:

(i) Electronic Clearing Services (ECS) mandate

ECS helps in quick remittances of dividend without possible loss / delivery in postal transit. Members may register their ECS details with their respective DPs

(ii) Encash Dividends in time

Encash your dividends promptly to avoid hassles of revalidation

(iii) Register Nominations

To enable successors to get the shares transmitted in their favour without hassle, the members may register their nominations directly with their respective DPs

(iv) Confidentiality of Security Details

Do not hand over signed blank transfer deed / delivery instruction slips to any unknown person

(v) Dealing of Securities with Registered Intermediaries

Members must ensure that they deal with only SEBI registered intermediaries and must obtain a valid contract note/ confirmation memo from the broker / sub-broker, within 24 hours of execution of trade and it should be ensured that the contract note / confirmation memo contains order no., trade time, quantity, price and brokerage

(l) Shareholding Pattern as on March 31, 2014:

| Category | No. of Holders | Total Shares | % To Equity |
|---------------------------------|----------------|--------------------|---------------|
| Promoters | 1 | 1,32,45,250 | 14.75 |
| Promoter group | 3 | 1,34,97,381 | 15.03 |
| Foreign companies | 1 | 2,50,59,881 | 27.91 |
| Mutual funds | 1 | 739 | 0.01 |
| Foreign institutional investors | 1 | 360 | 0.00 |
| Bodies corporates | 485 | 1,23,79,248 | 13.79 |
| Non resident indians | 232 | 2,14,606 | 0.24 |
| Banks | 10 | 1,54,77,254 | 17.24 |
| Resident individuals | 31,558 | 82,03,116 | 9.13 |
| Clearing members | 74 | 34,884 | 0.04 |
| Indian financial institutions | 1 | 20,812 | 0.02 |
| Trusts | 3 | 5,018 | 0.01 |
| HUF | 1,520 | 16,48,694 | 1.83 |
| Total | 33,890 | 8,97,87,243 | 100.00 |

(m) Market Price Data:

| Month | BSE | | SENSEX | | NSE | | NIFTY | |
|--------|------------|-----------|----------|----------|------------|-----------|---------|---------|
| | High Price | Low Price | High | Low | High Price | Low Price | High | Low |
| Oct-12 | 72.80 | 59.40 | 18784.64 | 19137.29 | 71.80 | 59.05 | 5815.35 | 4888.20 |
| Nov-12 | 63.55 | 55.00 | 18487.90 | 19372.70 | 68.00 | 53.65 | 5885.25 | 5548.35 |
| Dec-12 | 63.30 | 56.50 | 19342.83 | 19612.18 | 63.40 | 56.45 | 5965.15 | 5823.15 |
| Jan-13 | 67.95 | 57.65 | 19513.45 | 20203.66 | 68.00 | 57.75 | 6111.80 | 5935.20 |
| Feb-13 | 64.50 | 55.00 | 19907.21 | 19966.69 | 65.80 | 55.55 | 6052.95 | 5671.90 |
| Mar-13 | 58.40 | 35.80 | 18876.68 | 19754.66 | 58.50 | 35.65 | 5971.20 | 5604.85 |
| Apr-13 | 46.20 | 37.60 | 18890.81 | 19622.68 | 46.65 | 38.20 | 5962.30 | 5477.20 |

(m) Market Price Data:

| Month | BSE | | SENSEX | | NSE | | NIFTY | |
|--------|------------|-----------|----------|----------|------------|-----------|---------|---------|
| | High Price | Low Price | High | Low | High Price | Low Price | High | Low |
| May-13 | 41.80 | 35.50 | 19459.33 | 20443.62 | 41.85 | 35.60 | 6229.45 | 5910.95 |
| Jun-13 | 36.00 | 28.05 | 19859.22 | 19860.19 | 36.50 | 29.35 | 6011.00 | 5566.25 |
| Jul-13 | 35.30 | 22.75 | 19352.48 | 20351.06 | 35.20 | 22.50 | 6093.35 | 5675.75 |
| Aug-13 | 27.50 | 19.40 | 19443.29 | 19569.20 | 27.00 | 18.80 | 5808.50 | 5118.85 |
| Sep-13 | 32.95 | 23.00 | 18691.83 | 20739.69 | 32.80 | 22.60 | 6142.50 | 5318.90 |
| Oct-13 | 39.40 | 28.25 | 19452.05 | 21205.44 | 39.30 | 28.15 | 6309.05 | 5700.95 |
| Nov-13 | 41.20 | 31.75 | 21158.81 | 21321.53 | 41.15 | 31.35 | 6342.95 | 5972.45 |
| Dec-13 | 44.00 | 31.00 | 20771.27 | 21483.74 | 43.85 | 31.15 | 6415.25 | 6129.95 |
| Jan-14 | 48.50 | 36.80 | 21222.19 | 21409.66 | 49.00 | 37.00 | 6358.30 | 6027.25 |
| Feb-14 | 38.60 | 33.50 | 20479.03 | 21140.51 | 38.40 | 33.50 | 6282.70 | 5933.30 |
| Mar-14 | 43.90 | 33.55 | 21079.27 | 22467.21 | 42.95 | 33.75 | 6730.05 | 6212.25 |

The Company has not issued any GDRs or ADRs or Warrants or Convertible Instruments in the Current Financial year.

(o) Compliance Certificate:

A Certificate from Company Secretary in Practice, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed hereinafter

(p) Registrar & Transfer Agents (RTA) :

Karvy Computershare Private Limited, Plot no. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 Telephone No. 040 – 23420818, Fax No. 040 – 23420814, Email ID: einward.ris@karvy.com

(q) Investor Correspondence:**Registered Office Address:**

D.No. 8-2-120/113/3/4F,
Sanali Info Park, Road No.2,
Bangara Hills, Hyderabad - 500 033
Tel. +91 40 40409333
Fax No. +91 40 40409555 / 40409444
Web site: www.ilfsengg.com

Company Secretary & Compliance Officer:

Mr. G Venkateswar Reddy
D.No. 8-2-120/113/3/4F, Sanali Info Park, Road No.2,
Bangara Hills, Hyderabad - 500 033
Tel. +91 40 40409333
Fax No. +91 40 40409444
E-mail id: cs@ilfsengg.com

DECLARATION:

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, it is hereby declared that all the board members and senior managerial personnel of the Company have affirmed the compliance of Code of Conduct for the year ended March 31, 2014.

Certificate Regarding Compliance of Conditions of Corporate Governance

TO THE MEMBERS OF IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED and reduced

- We have examined the compliance of conditions of Corporate Governance by IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED and reduced for the period 01.10.2012 to 31.03.2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.
- The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements.
- We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Sd/-

CS Vivek Surana
Practicing Company Secretary
CP No: 12901

Date: May 19, 2014

Auditors' Certificates as required under Clause 14 of the SEBI (Employees Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999

To

The Board of Directors

IL&FS Engineering and Construction Company Limited *and reduced*

Dear Sirs,

1. We have examined the compliance of the conditions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines 1999 (as amended) ("SEBI Guidelines") for the financial year ended March 31, 2014 as stipulated in Clause 14 of the SEBI Guidelines in respect of Employees Stock Option Scheme, 2007 framed by IL&FS Engineering and Construction Company Limited *and reduced* ("the Company").
2. The compliance of conditions of SEBI Guidelines is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the SEBI Guidelines. It is neither an audit nor an expression of opinion on the financial statements of the Company. Also we have not updated our procedures for events beyond March 31, 2014 and accordingly do not comment upon changes if any, beyond that date.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has implemented the above scheme in accordance with the SEBI Guidelines and the resolution passed by the Company in the general meeting held on March 30, 2007.

Yours faithfully,

For S. R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration No: 101049W

per Vikas Kumar Pansari

Partner

Membership No: 093649

Place: New Delhi

Date: May 19, 2014

To

The Board of Directors

IL&FS Engineering and Construction Company Limited *and reduced*

Dear Sirs,

1. We have examined the compliance of the conditions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines 1999 (as amended) ("SEBI Guidelines") for the financial year ended March 31, 2014 as stipulated in Clause 14 of the SEBI Guidelines in respect of Employees Stock Option Scheme, 2009 framed by IL&FS Engineering and Construction Company Limited *and reduced* ("the Company").
2. The compliance of conditions of SEBI Guidelines is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the SEBI Guidelines. It is neither an audit nor an expression of opinion on the financial statements of the Company. Also we have not updated our procedures for events beyond March 31, 2014 and accordingly do not comment upon changes if any, beyond that date.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has implemented the above scheme in accordance with the SEBI Guidelines and the resolution passed by the Company in the general meeting held on November 9, 2009.

Yours faithfully,

For S. R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration No: 101049W

per Vikas Kumar Pansari

Partner

Membership No: 093649

Place: New Delhi

Date: May 19, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of **IL&FS Engineering and Construction Company Limited** and reduced

Report on the Financial Statements

We have audited the accompanying financial statements of IL&FS Engineering and Construction Company Limited and reduced ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and the Cash Flow Statement for the 18 months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Basis for Qualified Opinion

a. *As at March 31, 2014, the Company had certain Inter Corporate Deposits (ICDs) outstanding of Rs. 343.78 Crores (September 30, 2012: Rs. 343.78 Crores). Management has represented that the Company has taken steps to recover the amounts and is of the opinion that all ICDs are fully recoverable. Accordingly no adjustments have been made to the accompanying financial statements in respect of the same. Pending final outcome of the recovery process, we are unable to comment on the extent of recoverability of the*

aforesaid amounts. Our audit report on the financial statements for the eighteen months ended September 30, 2012 was also qualified in respect of the aforesaid matter.

b. *As detailed in note 40 to the financial statements, the accompanying financial statements include Company's share of profit to the extent of Rs.2.20 Crores (September 30, 2012: share of profit Rs 2.50 Crores) from Integrated Joint Ventures, in which the Company is a co-venturer, based on their unaudited financial statements. The accompanying financial statements do not include the consequential impacts that may have been required had the audited financial statements of the joint ventures been made available. Our audit report on the financial statements for the 18 months ended September 30, 2012 was also qualified in respect of the aforesaid matter.*

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects, if any, of the matters described in the Basis for Qualified Opinion paragraph*, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the 18 months ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the 18 months ended on that date.

Emphasis of Matter

We draw attention to note 50 of the accompanying financial statements regarding Rs. 259.67 Crores investment of the Company in Pass Through Certificate ("PTCs") issued by the Maytas Investment Trust ("the Trust"). As more fully described in the aforesaid note, the portfolio held by the Trust includes an investment where the investee company has gas based power plant wherein uncertainties towards availability of gas has been considered as temporary in nature. Based on the fair valuation of underlying investments held by the Trust, the Company does not currently envisage any diminution in the value of PTCs on this account. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) *Except for the matters described in the Basis for Qualified Opinion paragraph*, we have obtained all the

information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

- (b) *Except for the matters described in the Basis for Qualified Opinion paragraph*, in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) *Except for the matters described in the Basis for Qualified Opinion paragraph*, in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;

- (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

per Vikas Kumar Pansari

Partner

Membership Number: 093649

Place of Signature: New Delhi

Date: May 19, 2014

Annexure referred to in our report of even date

Re: IL&FS Engineering and Construction Company Limited and reduced ("the Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company had granted unsecured loans to a company covered in the register maintained under section 301 of the Companies Act, 1956 during earlier year. The maximum amount involved during the 18 months was Rs 47.87 Crores, which was outstanding since previous year and the aggregate balance of the loans as at March 31, 2014 was Rs 47.87 Crores. However as at March 31, 2014, the company is not covered in the register maintained under section 301 of the Companies Act, 1956. During the 18 months, the Company has converted the interest accrued into principal and the total receivable as at March 31, 2014 amounts to Rs.95.92 Crores.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) *In respect of loans granted, the repayment of principal amount was not stipulated and also payment of interest had not been regular.* During the 18 months, the terms of the loans granted have been restructured, as per which, principal amount and interest is not due as at March 31, 2014.
- (d) Based on our audit procedures and the information and explanations made available to us, in case where overdue amount is more than rupees one lakh, reasonable steps have been taken by the Company for recovery of the principal and interest.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct major weakness in internal control system of the company in respect of these areas.
- (v) (a) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have *not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

| Name of the Statute | Nature of the dues | Amount Demanded (Rs. In Crores) | Paid under protest (Rs. In Crores) | Period to which the amount relates | Forum where dispute is pending |
|---|------------------------|---------------------------------|------------------------------------|------------------------------------|---|
| AP Value Added Tax Act, 2005 | Sales Tax and Penalty | 0.85 | 0.05 | 2005-06, 2006-07 and 2007-08 | Sales Tax Appellate Tribunal, Hyderabad |
| AP Value Added Tax Act, 2005 | Penalty on Sales Tax | 0.36 | 0.18 | 2007-08 | Appellate Deputy Commissioner, Hyderabad |
| AP Value Added Tax Act, 2005 | Sales Tax | 27.06 | - | 2007-08 | High Court of Andhra Pradesh |
| Central Sales Tax Act, 1956 | Penalty on Sales Tax | 0.50 | - | 2002-03 and 2003-04 | Sales Tax Appellate Tribunal, Hyderabad |
| Central Sales Tax Act, 1956 | Penalty on Sales Tax | 0.70 | 0.17 | 2007-08 | Appellate Deputy Commissioner, Chattisgarh |
| Finance Act, 1994 | Service tax | 9.70 | - | 2007-08 and 2008-09 | Commissioner of Customs & Central Excise, Hyderabad |
| Finance Act, 1994 | Penalty on Service Tax | 0.28 | - | 2006-07 and 2007-08 | The Customs, Excise and Service Tax Appellate Tribunal, Bangalore |
| West Bengal Vat Act, 2003 | Sales Tax | 0.06 | - | 2009-10 | Joint Commissioner of Commercial Taxes, Berhampore |
| West Bengal Vat Act, 2003 | Sales Tax | 1.52 | - | 2008-09 | Joint Commissioner of Commercial Taxes, Berhampore |
| AP Value Added Tax, 2005 | Sales Tax | 0.92 | - | 2008-09 | Appellate Deputy Commissioner, Hyderabad |
| Andhra Pradesh Tax on Professions, Trades, Callings and Employments Act, 1987 | Professional Tax | 0.06 | - | 2008-09 | Commercial Tax Officer, Hyderabad |
| Finance Act, 1994 | Service tax | 13.75 | - | 2007-08 2008-09 and 2009-10 | Commissioner of Customs & Central Excise, Hyderabad |
| Income Tax Act, 1961 | Income tax | 4.46 | 4.46 | 2003-04 | Commissioner of Income Tax (Appeals), Hyderabad |
| Income Tax Act, 1961 | Income tax | 1.97 | 1.97 | 2004-05 | |
| Income Tax Act, 1961 | Income tax | 11.90 | 11.90 | 2005-06 | |
| Income Tax Act, 1961 | Income tax | 10.55 | 10.55 | 2006-07 | |
| Income Tax Act, 1961 | Income tax | 3.46 | 3.46 | 2007-08 | |
| Income Tax Act, 1961 | Income tax | 12.95 | 12.95 | 2008-09 | |
| Income Tax Act, 1961 | Income tax | 8.78 | 8.78 | 2009-10 | |
| Income Tax Act, 1961 | Income tax | 5.51 | - | 2010-11 | |
| Income Tax Act, 1961 | Income tax | 2.12 | - | 2011-12 | |

- (x) *Without considering the consequential effects, if any, of the matters stated in basis of qualified opinion paragraph of our auditors' report, the Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. The Company has incurred cash losses in the current and immediately preceding financial year.*
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or banks. There are no dues to debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

per Vikas Kumar Pansari

Partner

Membership Number: 093649

Place of Signature: New Delhi

Date: May 19, 2014

Balance sheet as at March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Notes | As at March 31, 2014 | As at September 30, 2012 |
|--------------------------------|-------|----------------------|--------------------------|
| Equity and liabilities | | | |
| Shareholders' funds | | | |
| Share capital | 4 | 339.65 | 339.65 |
| Reserves and surplus | 5 | (78.61) | 72.37 |
| | | 261.04 | 412.02 |
| Non-current liabilities | | | |
| Long-term borrowings | 6 | 1,036.32 | 992.75 |
| Other long-term liabilities | 7 | 321.59 | 183.57 |
| Long-term provisions | 8 | 8.18 | 8.26 |
| | | 1,366.09 | 1,184.58 |
| Current liabilities | | | |
| Short-term borrowings | 9 | 516.27 | 284.33 |
| Trade payables | 10 | 821.76 | 503.89 |
| Other current liabilities | 11 | 566.34 | 449.41 |
| Short-term provisions | 8 | 38.80 | 81.11 |
| | | 1,943.17 | 1,318.74 |
| | | 3,570.30 | 2,915.34 |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 12 | 167.76 | 217.34 |
| Intangible assets | 12 | 1.39 | 1.86 |
| Capital work-in-progress | | 4.93 | 1.73 |
| Non-current investments | 13 | 326.14 | 292.58 |
| Loans and advances | 14 | 871.06 | 1,022.67 |
| Other non-current assets | 15 | 434.39 | 317.08 |
| | | 1,805.67 | 1,853.26 |
| Current assets | | | |
| Current investments | 13 | - | 0.70 |
| Inventories | 16 | 764.12 | 551.11 |
| Trade receivables | 17 | 602.78 | 220.50 |
| Cash and bank balances | 18 | 66.60 | 29.78 |
| Loans and advances | 14 | 274.84 | 208.93 |
| Other current assets | 15 | 56.29 | 51.06 |
| | | 1,764.63 | 1,062.08 |
| | | 3,570.30 | 2,915.34 |

Summary of significant accounting policies 3.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number : 101049W

Chartered Accountants

per Vikas Kumar Pansari

Partner

Membership No. 093649

For and on behalf of the board of directors of

IL&FS Engineering and Construction Company Limited and reduced

Ramchand K

Chairman

Murli Dhar Khattar

Managing Director

Dr. S N Mukherjee

Chief Financial Officer

G Venkateswar Reddy

Company Secretary

Place : New Delhi

Date : May 19, 2014

Place : New Delhi

Date : May 19, 2014

Statement of profit and loss for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Notes | For the 18 Months ended March 31, 2014 | For the 18 Months ended September 30, 2012 |
|---|-------|--|--|
| Income | | | |
| Revenue from operations | 19 | 3,267.17 | 2,042.56 |
| Other income | 20 | 157.11 | 100.34 |
| Company's share of profit from integrated joint ventures | | 2.73 | 2.50 |
| Total revenue (I) | | 3,427.01 | 2,145.40 |
| Expenses | | | |
| Cost of materials consumed | 21 | 716.81 | 528.03 |
| Employee benefits expenses | 22 | 166.71 | 160.96 |
| Subcontract expense | | 2,114.06 | 1,159.54 |
| Other expenses | 23 | 163.27 | 126.23 |
| Total expenses (II) | | 3,160.85 | 1,974.76 |
| Earnings before interest, tax, depreciation, amortization and exceptional items (EBITDAE) (I-II) | | 266.16 | 170.64 |
| Finance costs | 24 | 331.82 | 213.31 |
| Depreciation and amortization expense | | 85.32 | 94.00 |
| Loss before tax and exceptional items | | (150.98) | (136.67) |
| Exceptional items | 25 | - | 10.26 |
| Loss before tax | | (150.98) | (126.41) |
| Tax expense: | | | |
| Tax expense for earlier years | | - | 8.90 |
| Loss for the year | | (150.98) | (135.31) |
| Adjustment as per the Scheme of arrangement approved by Hon'ble High Court of Andhra Pradesh (Refer note 49): | | | |
| Debit balance (net) in the Profit and loss account for the Financial Years 2008-09 and 2009-10 | | - | (728.38) |
| Less: Adjustment of balance lying in Securities premium account as on June 30, 2011 | | - | 612.24 |
| Less: Adjustment of gross credit balance in the Profit and loss account as on March 31, 2008 and Profit for the year 2010-11 | | - | 295.96 |
| | | - | 179.82 |
| (Deficit) / surplus carried to the Balance Sheet | | (150.98) | 44.51 |
| Earnings per equity share computed on loss for the year (i.e before adjustment of the scheme) [Nominal value of share Rs. 10 (September 30, 2012 : Rs. 10)] | | | |
| Basic and diluted | 26 | (19.72) | (21.80) |

Summary of significant accounting policies

3.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number : 101049W

Chartered Accountants

per Vikas Kumar Pansari

Partner

Membership No. 093649

For and on behalf of the board of directors of

IL&FS Engineering and Construction Company Limited and reduced

Ramchand K

Chairman

Murli Dhar Khattar

Managing Director

Dr. S N Mukherjee

Chief Financial Officer

G Venkateswar Reddy

Company Secretary

Place : New Delhi

Date : May 19, 2014

Place : New Delhi

Date : May 19, 2014

Cash flow statement for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 Months ended March 31, 2014 | For the 18 Months ended September 30, 2012 |
|---|---|---|
| Cash flow from operating activities | | |
| Loss before tax | (150.98) | (126.41) |
| Non cash adjustments to reconcile loss before tax to net cash flows | | |
| Company's share of profit from integrated joint ventures | (2.73) | (2.50) |
| Liabilities no longer required written back | (25.75) | (8.02) |
| Bad debts earlier written-off now written back | - | (19.88) |
| Reversal of provision for estimated future loss on projects | (8.29) | (28.17) |
| Loss/(Gain) on sale/discard of fixed assets (net) | 1.04 | (7.94) |
| Provision for retirement benefits | 0.16 | 2.36 |
| Depreciation and amortization expense | 85.32 | 94.00 |
| Fixed assets/capital work-in-progress written off | 0.44 | 1.15 |
| Stocks written-off | 0.98 | 1.00 |
| Provision for doubtful advances/trade receivables | 8.89 | 24.50 |
| Bad debts/advances written-off | 12.91 | 1.59 |
| Provision for liquidated damages | 0.47 | 0.50 |
| Interest expense | 312.28 | 202.38 |
| Interest income | (118.39) | (77.61) |
| Income from mutual funds | (0.02) | (0.49) |
| Operating profit before working capital changes | 116.33 | 56.46 |
| Movement in working capital: | | |
| Increase in trade payables | 402.30 | 265.85 |
| Increase in other liabilities | 106.58 | 185.63 |
| (Increase)/Decrease in trade receivables | (499.47) | 190.57 |
| Increase in inventories | (215.94) | (418.34) |
| Decrease/(Increase) in loans and advances | 49.49 | (207.00) |
| Increase in other assets | (5.79) | (6.51) |
| Cash (used in) / generated from operations | (46.50) | 66.66 |
| Direct taxes paid (net of refunds) | (8.27) | 14.16 |
| Net cash (used in) / flow from operating activities (A) | (54.77) | 80.82 |
| Cash flows from investing activities | | |
| Purchase of fixed assets, including intangible assets, capital work-in-progress and capital advances | (38.88) | (26.58) |
| Proceeds from sale of fixed assets | 15.95 | 0.67 |
| Company's share of profit in the joint ventures received | 2.15 | 3.72 |
| Proceeds from sale of non-current investments | 0.02 | - |
| Purchase of non-current investments | - | (3.42) |
| Purchase of non-current investments - subsidiaries | - | (33.19) |
| Purchase of current investments | - | (0.66) |
| Proceeds from sale/maturity of current investments | 0.70 | 1.66 |
| Purchase of Pass Through Certificates (Refer note 50) | (33.00) | (76.67) |
| Advances given to subsidiaries /joint ventures/associate | (105.23) | (329.95) |
| Refund of advances from associate | 203.54 | 23.99 |
| Advances to other companies (net) | (15.28) | (76.76) |
| (Deposit) / Proceeds from bank deposits (having original maturity of more than three months) | (2.80) | 4.23 |

Cash flow statement for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 Months ended March 31, 2014 | For the 18 Months ended September 30, 2012 |
|---|---|---|
| Interest received | 48.82 | 46.73 |
| Income from mutual funds | 0.02 | 0.49 |
| Net cash flow from / (used in) investing activities (B) | 76.01 | (465.74) |
| Cash flow from financing activities | | |
| Proceeds from long-term borrowings | 1,095.91 | 611.92 |
| Repayment of long-term borrowings | (1,017.16) | (96.96) |
| Proceeds from short-term borrowings (net) | 231.94 | 4.21 |
| Interest paid | (261.32) | (156.88) |
| Dividend paid (including dividend distribution tax) | (34.73) | - |
| Net cash flow from financing activities (C) | 14.64 | 362.29 |
| Net increase / (decrease) in cash and cash equivalents (A + B + C) | 35.88 | (22.63) |
| Cash and cash equivalents at the beginning of the year | 9.86 | 32.49 |
| Cash and cash equivalents at the end of the year (Refer note 18) | 45.74 | 9.86 |

Summary of significant accounting policies (Refer note 3.1)

The accompanying notes are an integral part of the financial statements

Notes:

1. During the previous year, the Company had received land against settlement of receivables of Rs. 12.48, the same had been considered as non-cash item for the purposes of cash flow statement.
2. During the previous year, share application money of Rs. 21.00 given had been converted into preference shares and promoters contribution of Rs. 55.00 had been converted into long term borrowings. These had been considered as non-cash item for the purposes of cash flow statement.
3. During the previous year, the Company had converted receivables of Rs. 21.05 into sub-debts, the same had been considered as non-cash item for the purposes of cash flow statement.
4. During the current year, interest accrued on Inter-Corporate Deposit given to Hill County Properties Limited (formerly known as Maytas Properties Limited) Rs. 48.06 has been converted into Inter-Corporate Deposit. This has been considered as non-cash item for the purpose of cash flow statement.
5. During the current year, pursuant to restructuring of the terms of Pass Through Certificates (PTCs), as per revised agreement, Maytas Investment Trust (Trust) issued fresh PTCs in lieu of erstwhile PTCs. This has been considered as non-cash item for the purpose of cash flow statement to the extent of existing PTCs. (Refer note 50).

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number : 101049W
Chartered Accountants

per Vikas Kumar Pansari

Partner

Membership No. 093649

Place : New Delhi

Date : May 19, 2014

For and on behalf of the board of directors of

IL&FS Engineering and Construction Company Limited and reduced

Ramchand K

Chairman

Dr. S N Mukherjee

Chief Financial Officer

Place : New Delhi

Date : May 19, 2014

Murli Dhar Khattar

Managing Director

G Venkateswar Reddy

Company Secretary

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

1. Change of the registered office:

IL&FS Engineering and Construction Company Limited *and reduced* ("IECCL" or the "Company") has shifted its registered office from 6-3-1186/1&2, IL&FS Engineering House, Begumpet, Hyderabad- 500 016 to D. No. 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers, Road No.2, Banjara Hills, Hyderabad- 500 033 with effect from May 13, 2013.

2. Corporate information:

IECCL is a company registered under the Companies Act, 1956. The Company is primarily engaged in the business of erection / construction of roads, irrigation projects, buildings, oil & gas infrastructure, railway infrastructure, power plants, power transmission & distribution lines including rural electrification and development of airports. The equity shares of the Company are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").

3. Basis for preparation of financial statements:

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

3.1 Statement of Significant Accounting Policies:

(a) Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from these estimates.

(b) Revenue recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. Revenue recognized is net of taxes.

Revenue from construction contracts

Revenue from construction contracts is recognized on the percentage of completion method as mentioned in Accounting Standard (AS 7) "Construction Contracts" notified by the Companies Accounting Standards Rules, 2006 (as amended). The percentage of

completion is determined by the proportion that contract costs incurred for work performed up to the balance sheet date bear to the estimated total contract costs. However, profit is not recognized unless there is reasonable progress on the contract. If total cost of a contract, based on technical and other estimates, is estimated to exceed the total contract revenue, the foreseeable loss is provided for. The effect of any adjustment arising from revision to estimates is included in the income statement of the year in which revisions are made. Contract revenue earned in excess of billing has been reflected under "Inventories" and billing in excess of contract revenue has been reflected under "other current liabilities" in the balance sheet. Revenue recognized is net of taxes.

Price Escalation and other claims/or variations in the contract works are included in contract revenue only when:

- Negotiations have reached to an advanced stage such that it is probable that customer will accept the claim; and
- The amount that is probable will be accepted by the customer and can be measured reliably.

Revenue from design and consultancy services

Revenue from the design and consultancy services is recognized as and when services are rendered in accordance with the terms of the agreement with the customers. Revenue recognized is net of taxes.

Revenue from hire charges

Revenue from hire charges is accounted for in accordance with the terms of agreement with the customers. Revenue recognized is net of taxes.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

(c) Tangible fixed assets and depreciation:

- Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price, freight, duties, taxes and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for use are included to the extent they relate to the period till such assets are ready for intended use.
- Assets retired from active use and held for disposal are stated at their estimated net

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

realizable values or net book values, whichever is lower.

- (iii) Assets acquired under finance lease are depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower.
- (iv) Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.
- (v) Depreciation on fixed assets other than those mentioned in S No (vi) below, is provided on straight line method, based on useful life of the assets as estimated by the management which coincides with rates prescribed under Schedule XIV to the Companies Act, 1956.
- (vi) Depreciation on the following fixed assets is provided on a straight-line basis, at the rates that are higher than those specified in Schedule XIV to the Companies Act, 1956 and are based on useful lives as estimated by the management:

| Category of asset | Useful life |
|---|--|
| Plant and Machinery | |
| - construction equipment at project sites consisting of shuttering/ scaffolding material and equipments given on hire | 6 years |
| - construction equipment (other than earth moving equipments, shuttering/scaffolding material and equipments given on hire) | 15 years |
| Temporary erections – site offices | over the expected life of the respective project |
| Lease hold improvements | over the period of lease |
| Site Infrastructure | 6 years |
| Tools and implements | Fully in the year of purchase |

- (vii) Assets costing five thousand rupees or less are fully depreciated in the year of purchase

(d) Intangible Assets - Software:

Computer software license cost is expensed in the year of purchase as there is no expected future economic benefit, except for enterprise wide/project based software license cost which is amortized over the period of license or six years, whichever is lower.

(e) Investments:

Investments that are readily realizable and intended to be

held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

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

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(f) Inventories:

- (i) Materials at site are valued at the lower of cost and estimated net realizable value. Cost is determined on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, reduced by the estimated costs of completion and costs to effect the sale.
- (ii) Amount due from customers (Project – Work-in-progress) represents contract revenue earned in excess of billing.

(g) Retirement and other employee benefits:

- (i) Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.
- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

Accumulated Gratuity liability which is expected to be paid on account of retirement within 12 months is treated as Short term employee benefit. Accordingly the Company presents the liability as current liability. Accumulated Gratuity liability in respect of which the Company has no obligation before 12 months is treated as long term employee benefit. Accordingly, the Company presents the liability as non-current liability.

(iii) Short-term compensated absences are provided for based on estimates. Long-term compensated absences are provided for based on actuarial valuation on projected unit credit method made at the end of each financial year. The Company presents the entire leave encashment as current liability in the balance sheet, since the Company does not have an unconditional right to defer its settlement for the 12 months after the expiry date.

(iv) Actuarial gains / losses are immediately taken to Statement profit and loss and are not deferred.

(h) Income taxes:

Tax expense consists of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income tax reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(i) Foreign currency transactions:

• Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

• Conversion

Foreign currency monetary items are reported using the closing rate. Non – monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

• Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

• Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts are amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

• Accounting for derivative instruments

As per the announcement of the Institute of Chartered Accountants of India (ICAI) on accounting for derivative contracts, derivative contracts, other than those covered under AS-11, are marked to market on a transaction basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are not accounted on the basis of prudence.

• Translation of non-integral foreign operation

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. The statement of profit and loss is translated at exchange rates prevailing at the dates of transaction or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

• **Translation of integral foreign operation**

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

(j) **Leases:**

• **Where the Company is a Lessee**

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are recognised as finance costs in the Statement of profit and loss. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule XIV to the Companies Act, 1956.

Leases where the lessor effectively retain substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of profit and loss on a straight-line basis over the lease term.

• **Where the Company is a Lessor**

Assets under operating leases are included in fixed assets. Lease income is recognised in the Statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of profit and loss.

(k) **Borrowing Costs:**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial year of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

(l) **Accounting for Joint Ventures:**

Accounting for joint ventures undertaken by the Company has been done in accordance with the requirements of AS – 27 “Financial Reporting of Interests in Joint Venture” notified by the Companies Accounting Standards Rules, 2006 (as amended) as follows:

• **Jointly controlled operations:**

In respect of joint venture contracts which are executed under work sharing arrangements, the Company’s share of revenues, expenses, assets and liabilities are included in the financial statements as revenues, expenses, assets and liabilities respectively. In case of certain construction contracts in the irrigation sector, the share of work executed by the Company has been determined on the basis of certification by lead partner.

• **Jointly controlled entities:**

Investments made in unincorporated integrated joint ventures registered in the form of partnership firms or Association of Persons (AoPs) are classified as Jointly Controlled Entities in terms of Accounting Standard (AS) – 27 “Financial Reporting of Interest in Joint Ventures” notified by Companies Accounting Standards Rules, 2006 (as amended) and Company’s share in profit/losses of the respective entities is recognized in the financial statements. The initial investment including accumulated Company’s share of profit/losses in the jointly controlled entities are recognised under investments. Any further funding made by the Company in the jointly controlled entities in the nature of current account transaction is recognised under loans and advances.

(m) **Earnings per share:**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and taxes applicable) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue that have changed the number of outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

(n) Impairment:

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(o) Provisions, contingent liabilities and contingent assets:

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A

contingent liability is disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

(p) Cash and cash equivalents:

Cash and cash equivalents comprise cash at bank and in hand and short term investments with original maturity of three months or less.

(q) Employee stock compensation cost:

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortized over the vesting period of the option on a straight line basis.

(r) Measurement of EBITDAE:

As permitted by the Guidance Note on Revised Schedule VI to the Companies Act, 1956, the Company has opted to present earnings before interest, tax, depreciation, amortization and exceptional items (EBITDAE) as a separate line item on the face of statement of profit and loss. The Company measures EBITDAE on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortisation expense, finances costs, tax expense and exceptional items.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| 4 Share capital | | |
| Authorized shares (Nos.) | | |
| 350,000,000 (September 30, 2012 : 150,000,000) equity shares of Rs. 10 each | 350.00 | 150.00 |
| 35,000,000 (September 30, 2012 : 35,000,000) preference shares of Rs. 100 each | 350.00 | 350.00 |
| | 700.00 | 500.00 |
| Issued, subscribed and paid up shares (Nos.) | | |
| 89,787,243 (September 30, 2012 : 89,787,243) equity shares of Rs. 10 each fully paid-up | 89.79 | 89.79 |
| 7,485,780 (September 30, 2012 : 7,485,780) 6% cumulative redeemable preference shares (CRPS) of Rs. 100 each fully paid-up | 74.86 | 74.86 |
| 17,500,000 (September 30, 2012 : 17,500,000) 6% optionally convertible cumulative redeemable preference shares (OCCRPS) of Rs. 100 each fully paid-up | 175.00 | 175.00 |
| | 339.65 | 339.65 |

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

| | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------|--------------------------|--------------|
| | Number | Amount | Number | Amount |
| At the beginning of the year | 89,787,243 | 89.79 | 77,370,025 | 77.37 |
| Issued during the year - on conversion of 6% OCCRPS | - | - | 12,417,218 | 12.42 |
| Outstanding at the end of the year | 89,787,243 | 89.79 | 89,787,243 | 89.79 |

6% cumulative redeemable preference shares

| | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------|--------------------------|--------------|
| | Number | Amount | Number | Amount |
| At the beginning of the year | 7,485,780 | 74.86 | 5,749,500 | 57.50 |
| Issued during the year - bonus shares | - | - | 1,736,280 | 17.36 |
| Outstanding at the end of the year | 7,485,780 | 74.86 | 7,485,780 | 74.86 |

6% optionally convertible cumulative redeemable preference shares

| | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|---------------|--------------------------|---------------|
| | Number | Amount | Number | Amount |
| At the beginning of the year | 17,500,000 | 175.00 | 25,000,000 | 250.00 |
| Converted during the year | - | - | (7,500,000) | (75.00) |
| Outstanding at the end of the year | 17,500,000 | 175.00 | 17,500,000 | 175.00 |

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a face value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

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

(c) Restrictions attached to equity shares

- Nil (September 30, 2012: 6,169,000) equity shares are under lock-in as at year end.
- As per the Master Restructuring Agreement (MRA) entered into by the Company with its bankers, the promoter's share holding would be retained at a minimum of 26% of issued equity share capital of the Company at any point of time for a minimum period of four years from the effective date i.e. September 27, 2010.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

(d) Terms of 6% cumulative redeemable preference shares

On December 06, 2010, the Company had allotted 5,749,500 6% CRPS of Rs. 100 each fully paid as per the terms of MRA entered with Bankers.

The Company had further allotted 236,280 CRPS of Rs. 100 each as fully paid bonus shares to the holders of initial CRPS in the ratio of 1:24.33 (i.e. one fully paid CRPS of Rs. 100 each for every 24.33 CRPS held) on September 29, 2011.

All the aforesaid CRPS will be redeemed at par on March 31, 2015.

The Company had also allotted 1,500,000 CRPS to the holders of OCCRPS on September 29, 2011 as fully paid bonus shares in the ratio of 1:16.67 (i.e. one fully paid CRPS of Rs. 100 each for every 16.67 OCCRPS held). The redemption schedule of this bonus CRPS is - 30% on September 30, 2012; 15% each on September 30, 2013 and September 30, 2015; 20% each on September 30, 2014 and September 30, 2016. The 30% bonus CRPS (450,000 CRPS of Rs. 100 each) which were due for redemption on September 30, 2012 were purchased by IL&FS Trust Company Limited (ITCL), being the Trustee of Maytas Investment Trust (MIT), on September 29, 2012. The Company has extended the redemption period of these preference shares by a period of 3 years with an early redemption right with the Company before the extended period of 3 years by giving 30 days notice period to the shareholders. The 15% Bonus CRPS (225,000 CRPS of Rs. 100 each) which were due for redemption on September 30, 2013 were purchased by ITCL being the Trustee of MIT, on September 30, 2013. The Company has extended the redemption period of these preference shares by a period of 6 years with an early redemption right with the Company before the extended period of 6 years by giving 30 days notice period to the shareholders.

CRPS carry cumulative dividend of 6% p.a. The Company declares and pays dividends in Indian rupees. Each holder of 6% CRPS is entitled to one vote per share only on resolutions placed before the Company which directly affect the rights attached to CRPS. In the event of liquidation of the Company during the existence of CRPS, the holders of CRPS will have priority along with holders of OCCRPS over equity shares in the payment of dividend and repayment of capital.

(e) Terms of 6% optionally convertible cumulative redeemable preference shares

On March 31, 2011, the Company had allotted 25,000,000 OCCRPS of Rs. 100 each fully paid as per the terms of MRA entered with bankers.

OCCRPS carry cumulative dividend of 6%. The Company declares and pays dividend in Indian rupees. Each holder of OCCRPS is entitled to one vote per share only on resolutions placed before the Company which directly affect the rights attached to OCCRPS. In the event of liquidation of the Company during the existence of OCCRPS, the holders of OCCRPS will have priority along with holders of CRPS over equity shares in the payment of dividend and repayment of capital. Out of total 25,000,000 OCCRPS of Rs. 100 each, 30% i.e. 7,500,000 OCCRPS of Rs. 100 each have been converted into 12,417,218 equity shares on September 30, 2012, as per the terms of MRA. There is no further conversion option attached to these OCCRPS. The balance 17,500,000 OCCRPS of Rs. 100 each shall be redeemed at par in four tranches from September 30, 2013 to September 30, 2016. The schedule of redemption is as below:

| Date of redemption | Number of shares to be redeemed | Amount to be redeemed |
|--------------------|---------------------------------|-----------------------|
| 30-Sep-13 * | 3,750,000 | 37.50 |
| 30-Sep-14 | 5,000,000 | 50.00 |
| 30-Sep-15 | 3,750,000 | 37.50 |
| 30-Sep-16 | 5,000,000 | 50.00 |
| Total | 17,500,000 | 175.00 |

* The OCCRPS which were due for redemption on September 30, 2013 were purchased by IL&FS Trust Company Limited (ITCL), being the Trustee of Maytas Investment Trust, on September 30, 2013. The Company has extended the redemption period of these preference shares by a period of 6 years with an early redemption right with the Company before the extended period of 6 years by giving 30 days notice period to the shareholders.

(f) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

- The Company has allotted 236,280 6% CRPS of Rs. 100 each in 2011-12 as fully paid up bonus shares to the holders of initial CRPS in the ratio of 1:24.33 (i.e. one fully paid CRPS of Rs. 100 each for every 24.33 CRPS held) by capitalizing securities premium.
- The Company has allotted 1,500,000 6% CRPS of Rs. 100 each in 2011-12 as fully paid up bonus shares to the holders of Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) in the ratio of 1:16.67 (i.e. one fully paid Bonus CRPS of Rs. 100 each for every 16.67 OCCRPS held) by capitalizing securities premium.

Note: Shares issued by the Company pursuant to Corporate Debt Restructuring scheme have not been considered for above disclosures.

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(All amounts in Rs. Crore except for share data or as otherwise stated)

(g) List of shareholders holding more than 5% shares in the Company

Equity shares of Rs. 10 each, fully paid

| Name of the Shareholder | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------------|--------------------------|--------------------|
| | Number of shares | Percentage holding | Number of shares | Percentage holding |
| SBG Projects Investments Limited | 25,059,881 | 27.91% | 25,059,881 | 27.91% |
| IL&FS Financial Services Limited (IFIN) | 13,497,381 | 15.03% | 13,497,381 | 15.03% |
| Infrastructure Leasing and Financial Services Limited (IL&FS) | 13,245,250 | 14.75% | 13,245,250 | 14.75% |
| ICICI Bank Limited | 5,971,979 | 6.65% | 5,971,979 | 6.65% |
| SNR Investments Private Limited | 5,250,000 | 5.85% | 5,250,000 | 5.85% |
| Veeyas Investments Private Limited | 5,250,000 | 5.85% | 5,250,000 | 5.85% |

6% cumulative redeemable preference shares of Rs. 100 each, fully paid

| Name of the Shareholder | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------------|--------------------------|--------------------|
| | Number of shares | Percentage holding | Number of shares | Percentage holding |
| ICICI Bank Limited | 409,288 | 5.47% | 496,462 | 6.63% |
| IDBI Bank Limited | 881,604 | 11.78% | 909,090 | 12.14% |
| State Bank of India | 827,804 | 11.06% | 855,524 | 11.43% |
| State Bank of Hyderabad | 606,518 | 8.10% | 627,551 | 8.38% |
| Allahabad Bank | 532,425 | 7.11% | 549,435 | 7.34% |
| Indian Overseas Bank Limited | 471,599 | 6.30% | 486,359 | 6.50% |
| IL&FS Financial Services Limited | 2,631,500 | 35.15% | - | - |
| IL&FS Trust Company Limited (c/o Maytas Investment Trust) * | 225,000 | 3.01% | 2,631,500 | 35.15% |

* includes Nil (September 30, 2012: 441,954) shares which were purchased by the shareholder prior to balance sheet date but were transferred subsequent to balance sheet date

6% optionally convertible cumulative redeemable preference shares of Rs. 100 each, fully paid

| Name of the Shareholder | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------------|--------------------------|--------------------|
| | Number of shares | Percentage holding | Number of shares | Percentage holding |
| ICICI Bank Limited | 5,327,300 | 30.44% | 6,780,200 | 38.74% |
| State Bank of India | 1,694,000 | 9.68% | 2,156,000 | 12.32% |
| IDBI Bank Limited | 1,679,700 | 9.60% | 2,137,800 | 12.22% |
| State Bank of Hyderabad | 1,285,350 | 7.34% | 1,635,900 | 9.35% |
| Allahabad Bank | 1,039,500 | 5.94% | 1,323,000 | 7.56% |
| Indian Overseas Bank Limited | 902,000 | 5.15% | 1,148,000 | 6.56% |
| Bank of Maharashtra | 743,600 | 4.25% | 946,400 | 5.41% |
| IL&FS Trust Company Limited (c/o Maytas Investment Trust) * | 3,750,000 | 21.43% | - | - |

As per the records of the Company, including its register of shareholders/ members, the above shareholding represents legal ownership of the shares.

(h) Shares reserved for issue under options

Refer note 41 for details of shares reserved for issue under the employee stock option scheme (ESOS) of the Company.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| 5 Reserves and surplus | | |
| Securities premium account | | |
| Balance as per last financial statements | 62.59 | 629.60 |
| Add : Addition on conversion of OCCRPS during the year | - | 62.59 |
| Less: Utilization towards issue of 236,280 6% CRPS as bonus to the initial holders of CRPS | - | (2.36) |
| Less: Utilization towards issue of 1,500,000 6% CRPS as bonus to the initial holders of OCCRPS | - | (15.00) |
| Less : Adjustment as per scheme of arrangement (Refer note 49) | - | (612.24) |
| | 62.59 | 62.59 |
| Surplus/(deficit) in the statement of profit and loss | | |
| Balance as per last financial statement | 9.78 | (432.42) |
| Adjustment as per the Scheme of arrangement approved by Hon'ble High Court of Andhra Pradesh (Refer note 49) | | |
| Debit balance (net) in the profit and loss account for the Financial Years 2008-09 and 2009-10 | - | 728.38 |
| Less: Gross credit balance in the profit and loss account as on March 31, 2008 and Profit for the year 2010-11 | - | (295.96) |
| | (150.98) | 44.51 |
| Less : Proposed dividend on preference shares (Refer note 49) | - | (29.89) |
| Less : Provision for tax on proposed dividend on preference shares | - | (4.84) |
| Net surplus/(deficit) in the statement of profit and loss | (141.20) | 9.78 |
| Total reserves and surplus | (78.61) | 72.37 |

| | Non-current | | Current | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 6 Long-term borrowings | | | | |
| Term loans | | | | |
| From banks | | | | |
| Indian rupee working capital term loans (secured) | 37.69 | 127.70 | 59.84 | 52.36 |
| Indian rupee term loans (secured) | 239.86 | 299.86 | 60.00 | - |
| From others | | | | |
| Vehicle loans (secured) | 0.71 | 0.76 | 0.63 | 0.53 |
| Other loans | | | | |
| From related parties (secured) (Refer note 38) | 536.60 | 235.00 | - | 34.50 |
| From others (secured) | 221.46 | 225.00 | - | - |
| From related parties (unsecured) (Refer note 38) | - | 102.00 | - | - |
| Finance lease obligation (unsecured) | - | 2.43 | - | 0.50 |
| | 1,036.32 | 992.75 | 120.47 | 87.89 |
| The above amount includes | | | | |
| Secured borrowings | 1,036.32 | 888.32 | 120.47 | 87.39 |
| Unsecured borrowings | - | 104.43 | - | 0.50 |
| Amount disclosed under the head "other current liabilities" (Refer note 11) | - | - | (120.47) | (87.89) |
| | 1,036.32 | 992.75 | - | - |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

- (a) The Company had obtained an approval for the Corporate Debt Restructuring (CDR) from the CDR Empowered Group in earlier years and the impact of the CDR scheme had been given in the financial statements of the year 2009-10.
- (b) Indian rupee working capital term loans from banks carry interest @ 9% p.a. (September 30, 2012 : 8% to 9%p.a.) and are repayable by March 31, 2016 as per schedule given below:

| Particulars | % | Due dates |
|-------------|----|---|
| FY 2010-11 | 32 | September 30, 2011 |
| FY 2012-13 | 15 | Quarterly installments due on June 30, September 30, December 31 and March 31 every year. |
| FY 2013-14 | 20 | |
| FY 2014-15 | 20 | |
| FY 2015-16 | 13 | |

These loans are secured by pari passu first mortgage and charge on the Company's immovable properties, both present and future and pari passu first charge by way of hypothecation of all the movable assets including movable equipments, machinery spares, tools, accessories, current assets both present and future except to the extent of assets exclusively hypothecated against vehicle loans from others.

These loans have additionally been secured by personal guarantee given by the Ex-Vice Chairman of the Company, Mr. B Teja Raju.

- (c) Indian rupee term loans from banks carries an interest rate of 11% p.a. (September 30, 2012 : 11%). The loan is repayable in 20 quarterly installments commencing from June 30, 2014. These loans are secured by pari passu first mortgage and charge on the Company's immovable properties both present and future and pari passu first charge by way of hypothecation of all the movable assets including movable equipments, machinery spares, tools, accessories, current assets both present and future except to the extent of assets exclusively hypothecated against vehicle loans from others.

- (d) Vehicle loans from Non-Banking Financial Companies carry interest @ 14.70% to 20.90% p.a. (September 30, 2012 : 15.8% to 21%). These loans are repayable in equated monthly installments over the tenure of 36 months to 48 months from the date of disbursement of loan. Vehicle loans are secured by hypothecation of vehicles purchased out of the loan taken.

- (e) Secured loans from related party carry interest @ 12.70% to 13% p.a. (September 30, 2012 : 12.70% to 15.50% p.a.). These loans (September 30, 2012 : Rs. 205) carry an option to reset the interest rate after every 12 months from the date of first disbursement and 12 months thereafter by giving 30 days clear notice to the Company. These loans are repayable within 57 months to 84 months from the date of first disbursement. Further, interest on Rs. 130 (September 30, 2012: Rs. Nil) loan from the drawdown date till March 2015 would be accrued and converted into Funded Interest Term Loan (FITL) and shall be repaid in June 2016. FITL shall carry interest @ 0.01% p.a. and will be paid along with FITL. Additionally, premium of Rs. 18 is payable on redemption of this loan.

Of the above, loan to the extent of Rs. 356.60 (September 30, 2012 : Nil) is secured by way of pledge of investments in preference shares of Bangalore Elevated Tollway Limited, sharing of charge with IL&FS Financial Services Limited on a pari passu basis on the equity shares of Gautami Power Limited and Pass Through Certificates issued by Maytas Investment Trust and negative lien on sub-loan given to Bangalore Elevated Tollway Limited. Out of the above, loan of Rs. 97 (September 30, 2012 : Rs. 219.50) is additionally secured by second charge on Inter-Corporate Deposits given to Hill County Properties Limited (HCPL) along with accumulated interest thereon and second charge on loans given to and equipment hire charges receivable from Terra Infra Limited along with accumulated interest thereon.

The remaining balance Loan of Rs. 180 (September 30, 2012 : Rs. 50) is secured by way of pari passu lien on cashflows from HCPL to the Company and are additionally secured by interest sharing of security provided by HCPL along with other lenders of HCPL in the form of hypothecation of certain identified receivables including inter corporate loans, residual charge against receivables from unsold inventory etc., pledge of investment in Jubilee Hills landmark project and letter of guarantees and Mortgage of title deeds of immovable property from subsidiaries of HCPL.

Loan to the extent of Rs. Nil (September 30, 2012 : Rs. 219.50) is secured by way of pledge of investments in pass through certificates issued by Maytas Investment Trust.

- (f) Secured loans from others carry interest @ 12.70% p.a to 13% p.a. (September 30, 2012 : 12% to 12.70%). These loans carry an option to reset the interest rate after every 12 months from the date of first disbursement and every 12 months thereafter by giving 30 days clear notice to the Company. These loans are repayable within 60 months from the date of first disbursement.

Of the above, loan of Rs. 200 (September 30, 2012 : Nil) is secured by way of pledge of investments in preference shares of Bangalore Elevated Tollway Limited, sharing of charge with IL&FS Financial Services Limited on a pari passu basis on the equity shares of Gautami Power Limited and Pass Through Certificates issued by Maytas Investment Trust and negative lien on sub-loan given to Bangalore Elevated Tollway Limited. Loan of Rs 21.46 (September 30, 2012 : Rs. 225) is secured by way of pari

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

passu lien on cashflows from Hill County Properties Limited (HCPL) to the Company and additionally secured by interse sharing of security provided by HCPL along with other lenders of HCPL in the form of hypothecation of certain identified receivables including inter corporate loans, residual charge against receivables from unsold inventory etc., pledge of investment in Jubilee Hills landmark project and letter of guarantees and Mortgage of title deeds of immovable property from subsidiaries of HCPL.

(g) Unsecured loans from related party amounting to Rs. Nil (September 30, 2012 : Rs. 47) carry interest rate @ 12.70% p.a. This loan carries an option to reset the interest rate after every 12 months from the date of first disbursement and every 12 months thereafter by giving 30 days clear notice to the Company. This loan is repayable within 57 months from the date of first disbursement. Interest on this loan from the drawdown date till March 2015 would be accrued and converted into Funded Interest Term Loan (FITL) and shall be repaid in June 2016. FITL shall carry interest @ 0.01% p.a. and will be paid along with FITL. Additionally, premium of Rs. 18 is payable on redemption of this loan.

Unsecured loan of Rs. Nil (September 30, 2012 : Rs.55) carries an interest rate of 15% p a with an option to reset the interest rate any time in case of change in the lenders bench mark rate.

(h) The details of continuing defaults as at March 31, 2014 and September 30, 2012 are as follows:

| Particulars | Nature of Dues | March 31, 2014 | | September 30, 2012 | |
|--------------------------------------|----------------|----------------|-----------------|--------------------|-----------------|
| | | Amount | Period of delay | Amount | Period of delay |
| Long-term loans from others | Interest | Nil | Nil | 4.28 | upto 123 days |
| Long-term loans from related parties | Interest | Nil | Nil | 15.15 | upto 123 days |

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| 7 Other long-term liabilities | | |
| Trade payables | | |
| Dues to micro and small enterprises (Refer note 37) | - | - |
| Dues to other than micro and small enterprises * | 140.04 | 72.34 |
| Interest accrued but not due on borrowings | 69.48 | 2.04 |
| Mobilization advance | 108.45 | 105.57 |
| Statutory dues | 3.62 | 3.62 |
| | 321.59 | 183.57 |

* represents retention money

| | Long-term | | Short-term | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 8 Provisions | | | | |
| Provision for employee benefits | | | | |
| Provision for gratuity (Refer note 35) | 3.02 | 2.88 | 0.24 | 0.37 |
| Provision for compensated absences | - | - | 2.72 | 2.57 |
| | 3.02 | 2.88 | 2.96 | 2.94 |
| Other provisions | | | | |
| Provision for estimated future loss on projects (Refer note 33) | 5.16 | 5.38 | 21.30 | 29.37 |
| Provision for liquidated damages (Refer note 34) | - | - | 14.54 | 14.07 |
| Proposed dividend on preference shares | - | - | - | 29.89 |
| Provision for tax on proposed dividend on preference shares | - | - | - | 4.84 |
| | 5.16 | 5.38 | 35.84 | 78.17 |
| | 8.18 | 8.26 | 38.80 | 81.11 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| 9 Short-term borrowings | | |
| Cash credit facilities from banks (secured) | 316.27 | 204.33 |
| Loans from others (unsecured) | 200.00 | 80.00 |
| | 516.27 | 284.33 |
| The above amount includes | | |
| Secured borrowings | 316.27 | 204.33 |
| Unsecured borrowings | 200.00 | 80.00 |
| | 516.27 | 284.33 |

(a) Cash credit from banks are repayable on demand and carries interest @ 9% p.a. to 14.50% p.a. (September 30, 2012 : 8% to 9% p.a.). These loans are secured by pari passu first mortgage and charge on the Company's immovable properties both present and future and pari passu first charge by way of hypothecation of all the movable assets including movable equipments, machinery spares, tools, accessories, current assets both present and future, except to the extent of assets exclusively hypothecated against vehicle loans from others.

Loans aggregating to Rs. 233.49 (September 30, 2012 : Rs.204.33) have additionally been secured by personal guarantee given by the Ex-Vice Chairman of the Company, Mr. B Teja Raju.

Loans aggregating to Rs 82.77 (September 30, 2012 : Rs. Nil) carry letter of comfort from Infrastructure Leasing and Financial Services Limited.

(b) Unsecured loans from others of Rs. 200 (September 30, 2012 : Rs. Nil) carries interest @ 15% p.a to 16.50% p. a. with a tenor of 4 to 5 months repayable by June 26, 2014. Interest on these facilities are payable at monthly rests.

Unsecured loan from others of Rs. Nil (September 30, 2012 : Rs. 80) carries interest rate @ 15% p.a which are variable and linked with lender's benchmark rate and are repayable within 12 months from the first date of disbursement.

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| 10 Trade payables | | |
| Dues to micro and small enterprises (Refer note 37) | - | 0.68 |
| Dues to other than micro and small enterprises * | 821.76 | 503.21 |
| | 821.76 | 503.89 |
| * includes retention money payable of Rs. 23.83 (September 30, 2012: Rs.96.85) | | |
| 11 Other current liabilities | | |
| Current maturities of long-term borrowings (Refer note 6) | 120.47 | 87.89 |
| Interest accrued and due on borrowings* | 1.48 | 16.26 |
| Interest accrued but not due on borrowings / mobilization advance/Advance from customers | 28.43 | 29.19 |
| Interest accrued and due on Advance from customers | - | 5.27 |
| Unclaimed dividend (Investor education and protection fund shall be credited as and when due) | 0.00 | 0.00 |
| Mobilization advance | 340.53 | 188.08 |
| Advance from customers | 38.55 | 69.74 |
| Advance billing | 4.54 | 23.23 |
| Dues to joint ventures | 0.01 | - |
| Others | | |
| Capital creditors | 7.51 | 3.96 |
| Statutory dues | 24.82 | 25.79 |
| | 566.34 | 449.41 |

* Includes Rs. 1.48 (September 30, 2012: Rs. 2.14) not debited by bankers in the cash credit accounts, inspite of instructions issued by the Company.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

12. Tangible assets and intangible assets

| | Land | Buildings | Temporary erections-site offices | Leasehold Improve-ments* | Plant, and machinery-construction equipments** | Site infra-structure | Office equip-ment | Tools and implements | Data processing equipments | Furniture and fixtures | Vehicles | Total tangible assets | Computer software | Total intangible assets |
|------------------------------------|-------------|-------------|----------------------------------|--------------------------|--|----------------------|-------------------|----------------------|----------------------------|------------------------|--------------|-----------------------|-------------------|-------------------------|
| Cost | | | | | | | | | | | | | | |
| At April 1, 2011 | 6.75 | 0.17 | 26.26 | 4.18 | 483.63 | 3.07 | 4.56 | 4.17 | 6.24 | 3.64 | 7.98 | 550.65 | 1.33 | 1.33 |
| Additions | 2.51 | - | 5.66 | - | 16.00 | - | 0.53 | 0.46 | 1.12 | 0.94 | 1.58 | 28.80 | 2.06 | 2.06 |
| Disposals | (4.66) | - | - | - | (7.66) | - | - | - | - | - | (0.36) | (12.68) | - | - |
| At September 30, 2012 | 4.60 | 0.17 | 31.92 | 4.18 | 491.97 | 3.07 | 5.09 | 4.63 | 7.36 | 4.58 | 9.20 | 566.77 | 3.39 | 3.39 |
| Additions | 0.18 | - | 12.64 | - | 19.42 | - | 1.01 | 1.04 | 1.21 | 1.06 | 1.77 | 38.33 | 0.10 | 0.10 |
| Disposals | - | - | - | (4.04) | (11.40) | - | - | - | (3.08) | - | (0.33) | (18.85) | - | - |
| At March 31, 2014 | 4.78 | 0.17 | 44.56 | 0.14 | 499.99 | 3.07 | 6.10 | 5.67 | 5.49 | 5.64 | 10.64 | 586.25 | 3.49 | 3.49 |
| Depreciation / amortization | | | | | | | | | | | | | | |
| At April 1, 2011 | - | - | 22.78 | 1.70 | 220.29 | 1.76 | 1.35 | 4.06 | 3.90 | 2.13 | 3.80 | 261.77 | 1.33 | 1.33 |
| Charge for the year | - | 0.00 | 6.08 | 0.68 | 82.39 | 0.70 | 0.40 | 0.57 | 1.48 | 0.46 | 1.04 | 93.80 | 0.20 | 0.20 |
| Disposals | - | - | - | - | (5.96) | - | - | - | - | - | (0.18) | (6.14) | - | - |
| At September 30, 2012 | - | 0.00 | 28.86 | 2.38 | 296.72 | 2.46 | 1.75 | 4.63 | 5.38 | 2.59 | 4.66 | 349.43 | 1.53 | 1.53 |
| Charge for the year | - | 0.01 | 6.20 | 0.25 | 73.33 | 0.47 | 0.42 | 1.04 | 1.26 | 0.52 | 1.25 | 84.75 | 0.57 | 0.57 |
| Disposals | - | - | - | (2.49) | (9.96) | - | - | - | (3.08) | - | (0.16) | (15.69) | - | - |
| At March 31, 2014 | - | 0.01 | 35.06 | 0.14 | 360.09 | 2.93 | 2.17 | 5.67 | 3.56 | 3.11 | 5.75 | 418.49 | 2.10 | 2.10 |
| Net block | | | | | | | | | | | | | | |
| At September 30, 2012 | 4.60 | 0.17 | 3.06 | 1.80 | 195.25 | 0.61 | 3.34 | - | 1.98 | 1.99 | 4.54 | 217.34 | 1.86 | 1.86 |
| At March 31, 2014 | 4.78 | 0.16 | 9.50 | - | 139.90 | 0.14 | 3.93 | - | 1.93 | 2.53 | 4.89 | 167.76 | 1.39 | 1.39 |

* Leasehold improvements represent fixtures taken on finance lease.

**Plant and machinery - construction equipment includes :

1. Shuttering and scaffolding material [Rs. 71.67 (September 30, 2012: Rs. 61.08)]. Net block value of this shuttering and scaffolding material is Rs. 16.90 (September 30, 2012: Rs. 13.56)
2. Equipment given on operating lease :

| Description | March 31, 2014 | September 30, 2012 |
|---|----------------|--------------------|
| Cost | 36.25 | 96.26 |
| Opening balance of Accumulated depreciation | 21.83 | 44.58 |
| Depreciation for the Year | 7.33 | 22.27 |
| Net book value | 7.09 | 29.41 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| 13 Investments | | |
| (A) Non-current investments, unquoted trade investments (valued at cost unless stated otherwise) | | |
| Investment in subsidiaries - equity shares (fully paid-up) | | |
| 50,000 (September 30, 2012: 50,000) equity shares of Rs. 10 each in Maytas Infra Assets Limited | 0.05 | 0.05 |
| 50,000 (September 30, 2012: 50,000) equity shares of Rs. 10 each in Maytas Vasishtha Varadhi Limited \$ | 0.05 | 0.05 |
| 49,995 (September 30, 2012: 49,995) equity shares of Rs. 10 each in Maytas Metro Limited (at cost less provision for other than temporary diminution in value Rs. 0.05 (September 30, 2012: Rs. 0.05)) | - | - |
| 1,000 (September 30, 2012: 1,000) equity shares of Rs. 100 each in Angeerasa Greenfields Private Limited | 0.01 | 0.01 |
| 1,000 (September 30, 2012: 1,000) equity shares of Rs. 100 each in Saptaswara Agro - Farms Private Limited | 0.01 | 0.01 |
| 1,000 (September 30, 2012: 1,000) equity shares of Rs. 100 each in Ekadanta Greenfields Private Limited | 0.01 | 0.01 |
| 27,500 (September 30, 2012: 27,500) equity shares of Saudi Riyals 1,000 each in Maytas Infra Saudi Arabia Company | 33.19 | 33.19 |
| Investment in associates - equity shares (fully paid-up) | | |
| 7,750 (September 30, 2012: 10,000) equity shares of Rs. 100 each in Hillcounty Properties Limited (formerly known as Maytas Properties Limited) | 0.08 | 0.10 |
| Investment in association of persons# | | |
| Maytas NCC JV | 4.26 | 2.85 |
| NEC – NCC – Maytas (JV) | - | 0.24 |
| Maytas SNC (JV) | - | 0.10 |
| NCC – Maytas (JV) Pocharam | 1.01 | 1.01 |
| Maytas – CTR (JV) | 2.93 | 2.41 |
| NCC – Maytas – ZVS (JV) | 0.45 | 1.46 |
| Investment in other entities | | |
| In equity shares (fully paid-up) | | |
| 4,000,000 (September 30, 2012: 4,000,000) equity shares of Rs. 10 each in KVK Power and Infrastructure Private Limited (at cost less provision for other than temporary diminution in value Rs. 4.00 (September 30, 2012: Rs. 4.00)) | - | - |
| 2,600 (September 30, 2012: 2,600) equity shares of Rs. 10 each in Gulbarga Airport Developers Private Limited | 0.00 | 0.00 |
| 2,600 (September 30, 2012: 2,600) equity shares of Rs. 10 each in Shimoga Airport Developers Private Limited | 0.00 | 0.00 |
| In preference shares (fully paid-up) | | |
| 4,550,000 (September 30, 2012: 4,550,000) Zero coupon convertible preference shares of Rs. 10 each in KVK Power and Infrastructure Private Limited (at cost less provision for other than temporary diminution in value Rs. 4.55 (September 30, 2012: Rs. 4.55)) | - | - |
| 2,441,850 (September 30, 2012: 2,441,850) 9% cumulative optionally convertible redeemable preference shares of Rs. 100 each in Bangalore Elevated Tollway Limited * | 24.42 | 24.42 |
| In Pass Through Certificates (Refer note 28(h) and 50) | | |
| 2,596,675.290 (September 30, 2012 : 2,045,175.865) pass through certificates of Rs. 1,000 each in Maytas Investment Trust * | 259.67 | 226.67 |
| | 326.14 | 292.58 |
| Aggregate amount of provision for diminution in value of investments is Rs. 8.60 (September 30, 2012: Rs. 8.60). | | |
| \$ Pledged in favour of IL&FS Financial Services Limited upto March 26, 2013. | | |
| # Includes Company's share of profit in such entities. | | |
| * Pledged in favour of Infrastructure Leasing and Financial Services Limited. | | |
| (B) Current investments (valued at lower of cost and fair value, unless stated otherwise) | | |
| Unquoted investments | | |
| Nil (September 30, 2012: 17,834) units of LIC Mutual Fund - Growth plan | - | 0.04 |
| Nil (September 30, 2012: 614.50) units of SBI-SHF-Ultra Short Term Fund | - | 0.60 |
| Nil (September 30, 2012: 5,753.31) units of SBI Premium Liquid Fund | - | 0.06 |
| | - | 0.70 |

Aggregate net asset value as at March 31, 2014: Rs. Nil (September 30, 2012: Rs. 0.70)

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Long-term | | Short-term | |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 14 Loans and advances | | | | |
| Capital advances | | | | |
| Unsecured, considered good | 4.17 | 3.81 | - | - |
| (A) | 4.17 | 3.81 | - | - |
| Deposits (others) | | | | |
| Unsecured, considered good | 6.19 | 3.84 | 0.22 | 7.66 |
| Considered doubtful | 0.67 | 0.47 | - | - |
| | 6.86 | 4.31 | 0.22 | 7.66 |
| Provision for doubtful deposits (others) | (0.67) | (0.47) | - | - |
| (B) | 6.19 | 3.84 | 0.22 | 7.66 |
| Loans and advances to related parties | | | | |
| Secured, considered good (Refer note 51) | 201.46 | - | - | - |
| Unsecured, considered good | 103.29 | 369.85 | 34.84 | 19.99 |
| Considered doubtful | 23.68 | 24.34 | - | - |
| | 328.43 | 394.19 | 34.84 | 19.99 |
| Provision for doubtful advances | (23.68) | (24.34) | - | - |
| (C) | 304.75 | 369.85 | 34.84 | 19.99 |
| Advances recoverable in cash or kind | | | | |
| Unsecured, considered good | 23.10 | 125.70 | 181.12 | 145.00 |
| Considered doubtful | 25.10 | 28.44 | - | - |
| | 48.20 | 154.14 | 181.12 | 145.00 |
| Provision for doubtful advances | (25.10) | (28.44) | - | - |
| (D) | 23.10 | 125.70 | 181.12 | 145.00 |
| Other loans and advances, unsecured, considered good unless otherwise stated | | | | |
| Loan to other companies | | | | |
| Secured, considered good | 38.96 | 56.22 | 4.97 | - |
| Unsecured, considered good | 57.02 | 37.62 | 27.48 | 19.31 |
| Inter-corporate deposits (Refer note 30)* | 343.78 | 343.78 | - | - |
| Balances with statutory/government authorities | 4.58 | 8.95 | 21.07 | 4.49 |
| Advance income tax (net of provision for taxation) | 88.51 | 72.90 | 5.14 | 12.48 |
| (E) | 532.85 | 519.47 | 58.66 | 36.28 |
| Total (A + B + C + D + E) | 871.06 | 1,022.67 | 274.84 | 208.93 |
| * includes ICDs to Angeerasa Greenfields Private Limited (a subsidiary of the Company) Rs.50 (September 30, 2012 : Rs. 50) | | | | |
| Loans and advances to related parties include | | | | |
| Other advances | | | | |
| Maytas Infra Saudi Arabia Company ^ | 0.64 | - | - | 0.39 |
| Maytas Infra Assets Limited (gross) # | 18.96 | 11.28 | - | 7.29 |
| Maytas Vasishtha Varadhi Limited * | 2.82 | 2.80 | - | - |
| Saptaswara Agro - Farms Private Limited (gross) ^ ^ | 0.26 | 0.26 | - | - |
| Hill County Properties Limited (formerly known as Maytas Properties Limited) | 0.15 | - | - | 0.17 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Long-term | | Short-term | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| Maytas Metro Limited ^ ^ ^ | 0.04 | - | - | 0.02 |
| Angeerasa Greenfields Private Limited ** | 0.01 | - | - | 0.02 |
| Ekadanta Greenfields Private Limited *** | 0.03 | - | - | 0.02 |
| Maytas CTR JV \$ | 8.11 | 6.00 | 33.13 | 7.42 |
| Maytas NCC JV @ | - | 4.00 | 1.71 | 4.63 |
| NCC - Maytas JV U1 \$\$ | 0.03 | - | - | 0.03 |
| Inter corporate deposits | | | | |
| Hill County Properties Limited (formerly known as Maytas Properties Limited) | 297.38 | 369.85 | - | - |
| | 328.43 | 394.19 | 34.84 | 19.99 |

^ Provision for doubtful advances Rs. 0.64 (September 30, 2012: Rs. Nil)

Provision for doubtful advances Rs.11.74 (September 30, 2012: Rs. 11.28)

* Provision for doubtful advances Rs. 2.82 (September 30, 2012: Rs. 2.80)

^ ^ Provision for doubtful advances Rs. 0.26 (September 30, 2012: Rs. 0.26)

^ ^ ^ Provision for doubtful advances Rs. 0.04 (September 30, 2012: Rs. Nil)

** Provision for doubtful advances Rs. 0.01 (September 30, 2012: Rs. Nil)

*** Provision for doubtful advances Rs. 0.03 (September 30, 2012: Rs. Nil)

\$ Provision for doubtful advances Rs. 8.11 (September 30, 2012: Rs. 6.00)

@ Provision for doubtful advances Rs. Nil (September 30, 2012: Rs. 4.00)

\$\$ Provision for doubtful advances Rs. 0.03 (September 30, 2012: Rs. Nil)

| | Non-current | | Current | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 15 Other assets | | | | |
| Interest accrued on deposits and others | | | | |
| Considered good | 62.04 | 48.33 | 31.51 | 23.71 |
| Considered doubtful | 41.92 | 41.92 | - | - |
| | 103.96 | 90.25 | 31.51 | 23.71 |
| Provision for doubtful interest accrued | (41.92) | (41.92) | - | - |
| (A) | 62.04 | 48.33 | 31.51 | 23.71 |
| Claim for performance bank guarantee | | | | |
| Considered doubtful | 21.12 | 21.12 | - | - |
| Provision for doubtful bank guarantee | (21.12) | (21.12) | - | - |
| (B) | - | - | - | - |
| Unsecured, considered good unless otherwise stated | | | | |
| Non-current bank balances (Refer note 18) | 13.23 | 11.37 | - | - |
| Non-current trade receivables (Refer note 17) | 241.96 | 136.70 | - | - |
| Non-current inventories (Refer note 16) | 112.52 | 110.57 | - | - |
| Others | | | | |
| Fixed assets held for sale | - | - | 12.48 | 12.48 |
| Receivables against sale of fixed asset | - | - | - | 13.83 |
| Other receivables | | | | |
| Considered good | 4.64 | 10.11 | 12.30 | 1.04 |
| Doubtful | 0.82 | 1.06 | - | - |
| | 373.17 | 269.81 | 24.78 | 27.35 |
| Provision for doubtful other receivables | (0.82) | (1.06) | - | - |
| (C) | 372.35 | 268.75 | 24.78 | 27.35 |
| Total (A + B + C) | 434.39 | 317.08 | 56.29 | 51.06 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Non-current | | Current | |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 16 Inventories (Refer note 3.1 (f)) | | | | |
| Project Materials | - | - | 59.99 | 50.71 |
| Amount due from customers (project work-in-progress) | 112.52 | 110.57 | 704.13 | 500.40 |
| | 112.52 | 110.57 | 764.12 | 551.11 |
| Amount disclosed under non-current assets (Refer note 15) | (112.52) | (110.57) | - | - |
| | - | - | 764.12 | 551.11 |
| 17 Trade receivables | | | | |
| Outstanding for a period exceeding six months from the date they are due for payment # | | | | |
| Unsecured, considered good | 32.64 | 21.74 | 79.10 | 71.06 |
| Doubtful | 46.90 | 41.22 | - | - |
| | 79.54 | 62.96 | 79.10 | 71.06 |
| Provision for doubtful receivables | (46.90) | (41.22) | - | - |
| | (A) 32.64 | 21.74 | 79.10 | 71.06 |
| Other receivables * | | | | |
| Unsecured, considered good | 209.32 | 114.96 | 523.68 | 149.44 |
| Doubtful | - | 1.54 | - | - |
| | 209.32 | 116.50 | 523.68 | 149.44 |
| Provision for doubtful receivables | - | (1.54) | - | - |
| | (B) 209.32 | 114.96 | 523.68 | 149.44 |
| Amount disclosed under non-current assets (Refer note 15) | | | | |
| | (C) (241.96) | (136.70) | - | - |
| Total (A + B + C) | - | - | 602.78 | 220.50 |

includes Non-current retention money of Rs. 6.52 net of provision of Rs. 0.27 (September 30, 2012: Rs. 0.06, net of provision of Rs. 4.98) and Current retention money of Rs. Nil net of provision of Rs. Nil (September 30, 2012 :Rs.17.49 net of provision of Rs. Nil)

* includes Non-current retention money of Rs. 209.32, net of provision of Rs. Nil (September 30, 2012: Rs. 111.02, net of provision of Rs.1.54) and Current retention money of Rs. 53.68 net of provision of Rs. Nil (September 30, 2012:Rs.21.84, net of provision of Rs. Nil)

| | Non-current | | Current | |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 18 Cash and bank balances | | | | |
| Cash and cash equivalents | | | | |
| Balances with banks: | | | | |
| On current accounts | - | - | 45.51 | 9.32 |
| On unpaid dividend account | - | - | 0.00 | 0.00 |
| Cash on hand | - | - | 0.23 | 0.54 |
| | - | - | 45.74 | 9.86 |
| Other bank balances | | | | |
| Deposits with original maturity for more than 12 months * | 4.89 | 4.37 | - | 2.43 |
| Deposits with original maturity for more than 3 months but less than 12 months * | - | - | 0.40 | 1.44 |
| Margin money deposits ** | 8.34 | 7.00 | 20.46 | 16.05 |
| | 13.23 | 11.37 | 20.86 | 19.92 |
| Amount disclosed under non-current assets (Refer note 15) | (13.23) | (11.37) | - | - |
| | - | - | 66.60 | 29.78 |

* Deposits under lien

** Lodged with authorities

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 Months ended March 31, 2014 | For the 18 Months ended September 30, 2012 |
|---|---|---|
| 19 Revenue from operations | | |
| Revenue from contracts | 3,232.38 | 1,954.00 |
| Revenue from equipment hiring services | 22.04 | 30.39 |
| Revenue from other services | 4.46 | 30.00 |
| Other operating revenue | | |
| Reversal of provision for estimated future loss on projects (net) (Refer note 33) | 8.29 | 28.17 |
| | 3,267.17 | 2,042.56 |
| 20 Other income | | |
| Interest income on | | |
| Bank deposits | 5.51 | 4.05 |
| Inter corporate deposits and others | 109.80 | 73.43 |
| Income tax refunds | 3.08 | 0.13 |
| Dividend from mutual funds | 0.02 | 0.49 |
| Gain on exchange fluctuation (net) | 0.44 | 0.09 |
| Liabilities no longer required written back | 25.75 | 4.84 |
| Profit on sale of fixed assets (net) | - | 7.94 |
| Other non-operating income | 12.51 | 9.37 |
| | 157.11 | 100.34 |
| 21 Cost of materials consumed | | |
| Materials at the beginning of the year | 50.71 | 61.86 |
| Add: Purchases during the year | 727.51 | 518.06 |
| | 778.22 | 579.92 |
| Less: Stocks written-off | 0.98 | 1.00 |
| Less: Cost of materials sold | 0.44 | 0.18 |
| | 776.80 | 578.74 |
| Less: Materials at the end of the year | 59.99 | 50.71 |
| | 716.81 | 528.03 |
| 22 Employee benefits expenses | | |
| Salaries, wages and bonus | 152.79 | 147.42 |
| Contribution to provident fund and other funds | 5.72 | 4.36 |
| Gratuity | 0.62 | 1.62 |
| Compensated absences | 1.75 | 2.58 |
| Staff welfare expenses | 5.83 | 4.98 |
| | 166.71 | 160.96 |
| 23 Other expenses | | |
| Rent | 11.82 | 11.15 |
| Rates and taxes | 8.73 | 9.77 |
| Office maintenance | 7.97 | 5.80 |
| Communication expenses | 2.86 | 2.26 |
| Printing and stationery | 1.64 | 1.32 |
| Legal and professional charges | 36.77 | 15.08 |
| Sitting fees | 0.04 | - |
| Travelling and conveyance | 12.29 | 12.18 |
| Business promotion | 0.53 | 0.54 |
| Donation | 0.05 | 0.02 |
| Auditor's remuneration (Refer note 46) | 1.47 | 1.66 |
| Loss on sale/discard of fixed assets (net) | 1.04 | - |
| Fixed assets/capital work in progress written off | 0.44 | 1.15 |
| Site expenses | 16.50 | 12.41 |
| Hire charges | 8.40 | 9.39 |
| Freight and transportation | 4.30 | 9.75 |
| Insurance | 10.31 | 7.47 |
| Power and fuel | 4.01 | 2.40 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 Months ended March 31, 2014 | For the 18 Months ended September 30, 2012 |
|---|---|---|
| Repairs | | |
| Plant and machinery | 6.02 | 3.43 |
| Buildings | 0.28 | 0.60 |
| Others | 2.81 | 3.50 |
| Provision for doubtful advances/trade receivables | 8.89 | 12.70 |
| Stock written off | 0.98 | - |
| Bad debts/advances written-off (net of reversal of provision Rs. 8.79) | 12.91 | 1.59 |
| Provision for liquidated damages (net) | 0.47 | 0.50 |
| Miscellaneous expenses | 1.74 | 1.56 |
| | 163.27 | 126.23 |
| 24 Finance costs | | |
| Interest expense | 312.05 | 201.83 |
| Lease finance charges | 0.23 | 0.55 |
| Bank charges | 19.54 | 10.93 |
| | 331.82 | 213.31 |
| 25 Exceptional items (net) | | |
| Liabilities no longer required written back | - | (3.18) |
| Bad debts earlier written-off now written back | - | (19.88) |
| Stock written-off | - | 1.00 |
| Provision for doubtful debtors/advances/interest accrued on deposits/other receivables (net) | - | 11.80 |
| | - | (10.26) |
| 26 Earnings per share (EPS): | | |
| The following reflects the profit/(loss) and share data used in the basic and diluted EPS computation: | | |
| Loss after tax | (150.98) | (135.31) |
| Less: Dividend payable to preference shareholders & tax thereon | (26.11) | (33.41) |
| Loss for calculation of EPS | (177.09) | (168.72) |
| Weighted average number of equity shares considered for calculation of basic and diluted earnings per share | 89,787,243 | 77,392,643 |

27. Going concern:

The Company has recorded a net loss of Rs. 150.98 (September 30, 2012: net loss of Rs. 135.31) for the 18 months ended March 31, 2014, resulting into accumulated loss of Rs 141.20 as at March 31, 2014. Though, the Company has incurred significant loss during the year, based on the business plan and following mitigating factors, the management is confident that the Company will be able to generate profits in future years and meet its financial obligations as they arise:

- The Company has an order book of Rs. 10,050 approximately as at March 31, 2014.
- Management has taken significant steps for revival and restoration of operations of the Company.
- The promoter group comprising of Infrastructure Leasing and Financial Services Limited (IL&FS) and IL&FS Financial Services Limited (IFIN), has advanced loans to the tune of Rs. 536.60 and Rs. 221.46 respectively to support the liquidity position of the Company upto March 31, 2014 and the Company also has an unutilized limit of Rs. 65.00 from IL&FS and Rs. 45.00 from IFIN as at March 31, 2014. Further the promoter has advanced loans to the extent of Rs. 200 through its group companies.
- During the previous year, CDR lenders had sanctioned additional Cash Credit limits to the extent of Rs. 113.99 and non-fund based limits to the extent of Rs. 249.25. The Company has unutilized Cash Credit limit of Rs. 46.76 and non-fund based limits to the extent of Rs. 196.75 respectively.
- The Company has also received a report from an independent Credit Rating Agency (CRA) on its long-term and short-term banking facilities, wherein the CRA has assigned BBB- and A3 ratings for its long-term and short-term banking facilities respectively.
- During the year, the Company has opened an overseas branch to undertake works outside India, which has commenced its operations.
- The Board of Directors of the Company in their meeting held on October 09, 2013 resolved, subject to statutory and other approvals, to issue further equity shares to the existing shareholders of the Company on rights basis to the extent of Rs. 300.00 and Draft Letter of Offer (DLOF) has been filed on March 28, 2014.

Keeping in view, the above mentioned mitigating factors, the accompanying financial statements have been prepared on a going concern basis.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

28. Contingent Liabilities not provided for:

| S. No. | Particulars | As at March 31, 2014 | As at September 30, 2012 |
|--------|--|----------------------|--------------------------|
| (a) | Claims against the Company not acknowledged as debts (interest, if any, not ascertainable after date of order) | 22.50 | 18.09 |
| (b) | Guarantees issued by bankers and financial institution (excluding performance obligations) | 308.09 | 296.66 |
| (c) | Guarantees issued by bankers and financial institutions on behalf of the Company towards performance obligations | 547.40 | 434.27 |
| (d) | Corporate guarantees (including guarantees towards performance obligations of the Company) | 219.54 | 61.13 |
| (e) | Direct and indirect taxes under dispute | 116.27 | 91.66 |
| (f) | Liquidated damages | 27.45 | 30.47 |
| (g) | Preference dividend (including dividend tax) | 26.11 | - |

- (h) Till the previous year, the Company had guaranteed to make good the short fall, if any, on redemption of Pass Through Certificates issued by Maytas Investment Trust as per the CDR terms to the lenders. As per the revised arrangement during the year, the Company is no longer liable for any short fall (Refer note 50).
- (i) Consequent to announcement by erstwhile chairman of Satyam Computers Services Limited on January 7, 2009, Serious Fraud Investigation Office (SFIO) has initiated investigations on various matters pertaining to the Company which are ongoing. The SFIO has submitted its reports relating to various findings and has issued notices for prosecution for alleged violations against the Company and others. While the Company has not accepted these violations, in order to settle these issues, the Company had filed compounding applications for these alleged violations, which are yet to be concluded.
- (j) The Company had received a Show Cause Notice (SCN) on June 19, 2009 from Securities and Exchange Board of India (SEBI) alleging insider trading by the Company in the scrip of Satyam Computer Services Limited in the years 2001-2002 and 2004-2005. After the aforementioned SCN no further communication was made in this regard until February 2013 when SEBI directed the Company for a personal hearing before whole time member of SEBI. The Company has filed its detailed reply against the SCN, the next date of hearing is not yet communicated to the Company.
- (k) The Company had entered into a share transfer agreement dated July 9, 2010 towards disposal of its stake in two BOT projects. Subsequently, on July 2, 2012, on the pretext of certain acts/alleged breaches by the Company, the transferee made certain unsubstantiated allegations and nominated an arbitrator, which was refuted by the Company for lack of any disputable ground and no loss on part of transferee for the breaches alleged. The transferee appointed arbitrator and High Court of Karnataka appointed arbitrator on our behalf and in turn both the arbitrators appointed presiding arbitrator. The matter stands for adjudication by the arbitral panel as per the rules of the Arbitration centre, Bangalore. Separately during the financial year ended March 31, 2014, the transferee also filed petition under Section 9 of the Arbitration & Conciliation Act, 1996. The aforesaid matter is yet to be concluded.
- (l) The Company formed Himachal Joint Venture (HJV) to execute an EPC project with National Hydro Power Corporation (Client). HJV subcontracted this work to SSJV Projects Private Limited (SSJV) and the work has been executed to the extent of Rs. 262.45 by SSJV. Due to the geographical conditions at site, work could not be done at the rates prescribed in the contract. HJV invoked arbitration clause for delays and extra-ordinary geological occurrence in executing the project. The Client en-cashed bank guarantees for an amount of Rs. 216.40 provided by SSJV and issued winding up notice to the Company as well as other joint venture partners. The Company vide its letter dated July 29, 2013 replied to the said notice stating that the matter is disputed and subjudice and would not be legally tenable. Client has filed a winding-up petition against Company and Joint venture partner vide CP 73/2014, which are pending for hearing. SSJV has provided indemnity in favour of the Company against all claims, losses etc. that may arise out of this Contract.

Based on the internal assessment and / or legal opinion, the Management is confident that for the above mentioned contingent liabilities, no provision is required to be made as at March 31, 2014.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

29. Commitments:

(a) Capital Commitments:

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs. 7.81 (September 30, 2012: Rs. 2.24).

(b) Other Commitments: Nil (September 30, 2012 : Nil)

30. Inter-Corporate Deposits:

Prior to April 1, 2009 the erstwhile promoters had given certain Inter Corporate Deposits (ICDs) to various companies aggregating to Rs. 343.78. Of the foregoing, documentary evidences had been established that, for an amount of Rs 323.78 the then Satyam Computer Services Limited (SCSL) was the ultimate beneficiary and for which a claim together with interest receivable had been lodged by the Company. During the year, SCSL had merged into Tech Mahindra Limited (TML) pursuant to a Scheme of Arrangement u/s.391-394 of the Companies Act 1956. As provided in the scheme and as per the judgment of Hon'ble High Court of Andhra Pradesh on the said scheme, the aforesaid amount in books of SCSL was now transferred to TML. The Company through its subsidiaries preferred an Appeal before the Division Bench of Hon'ble High Court of A.P. against the single judge's Order approving the merger scheme of SCSL which is pending as on date. TML, in its audited financial results for March 31, 2014 continued to disclose as "Amounts Pending Investigation Suspense Account (Net) Rs.1,230.40" as disclosed by SCSL earlier. Management is of the opinion that the claim made by the Company on SCSL is included in the aforesaid amount disclosed by TML in their Audited Financial Results.

31. Segment Reporting:

The Company's operations fall into a single business segment "Construction and Infrastructure Development" and in accordance with Accounting Standard 17 - Segment Reporting, segment information with respect to geographical segment has been given in the consolidated financial statements of the Company, therefore no separate disclosure on segment information is given in these financial statements.

32. Deferred tax:

The Company has no deferred tax liability as at March 31, 2014. Deferred tax assets on timing differences have not been recognized as at March 31, 2014 in the absence of virtual certainty of future taxable profits.

33. Provision for estimated future loss on projects:

The projects in progress as at March 31, 2014 have been evaluated for future loss, if any, based on estimates relating to cost-to-complete the same. Based on such evaluation, the Company has provided for estimated future losses to an extent of Rs. 26.46 (September 30: 2012 Rs. 34.75) in terms of the requirements of Accounting Standard 7 (revised 2002) "Construction Contracts" notified by Company's (Accounting Standards) Rules, 2006 (as amended). The movement in the balance is as under:

| | As at March 31, 2014 | As at September 30, 2012 |
|--------------------------------|-------------------------|-----------------------------|
| Opening balance | 34.75 | 62.92 |
| Add: Additions during the year | 2.80 | 3.55 |
| Less: Reversal during the year | (11.09) | (31.72) |
| Closing balance | 26.46 | 34.75 |

34. Provision for liquidated damages:

Liquidated damages are levied as per the terms of the contract for delayed execution of works or delayed achievement of agreed milestones. For all projects in progress, the Management has estimated the probability of levy of liquidated damages, if any, based on completion date as per the contract, extension of time granted by the customer, etc. The movement in provision for liquidated damages is as under:

| | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| Opening balance | 14.07 | 17.01 |
| Add: Additions during the year | 2.00 | 3.13 |
| Less: Reversal during the year | (1.53) | (2.63) |
| Less: Adjusted against trade receivables | - | (3.44) |
| Closing balance | 14.54 | 14.07 |

35. Retirement benefits:

(a) Disclosures related to defined contribution plan:

Provident fund contribution and Employees' State Insurance contribution (ESI) recognized as expense in the Statement of profit and loss Rs. 5.72 (September 30, 2012: Rs. 4.36).

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

(b) Disclosures related to defined benefit plan:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days last drawn salary for each completed year of service. The scheme is unfunded.

The following tables summarize the components of net benefit expense recognized in the Statement of profit and loss and amounts recognized in the balance sheet for the plan.

Statement of profit and loss

Net employee benefit expense

| Particulars | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|--|--|
| Current service cost | 1.27 | 1.16 |
| Interest cost on benefit obligation | 0.45 | 0.26 |
| Net actuarial loss recognized in the year | (1.10) | 0.20 |
| Net benefit expense | 0.62 | 1.62 |

Balance sheet

Changes in the present value of the defined benefit obligation

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|---|----------------------|--------------------------|
| Opening defined benefit obligation | 3.25 | 1.92 |
| Interest cost | 0.45 | 0.26 |
| Current service cost | 1.27 | 1.16 |
| Benefits paid | (0.61) | (0.29) |
| Actuarial (gain) / loss on obligation | (1.10) | 0.20 |
| Closing defined benefit obligation | 3.26 | 3.25 |

Amounts for current year and previous four years are as follows:

| | 2012-14 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|---|---------|---------|---------|---------|---------|
| Defined benefit obligation | 3.26 | 3.25 | 1.92 | 1.76 | 2.18 |
| Gain/(loss) on obligation due to change in assumption | (1.10) | (0.20) | - | (0.24) | 0.39 |
| Experience gain on obligation | - | - | 0.14 | 0.88 | - |

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

| | As at March 31, 2014 | | As at September 30, 2012 | |
|-------------------------------|----------------------|------|--------------------------|------|
| Discount rate | 9.14% | | 8.60% | |
| Increase in compensation cost | 5.00% | | 6.00% | |
| Employee turnover | Age (Years) | Rate | Age (Years) | Rate |
| | 18 - 57 | 5% | 18 - 57 | 5% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

36. In terms of the disclosures required to be made under the Accounting Standard 7 (revised 2002) notified by Company's (Accounting Standards) Rules, 2006 (as amended) for "Construction Contracts":

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|--|--|
| Contract revenue recognized for the year | 3,232.38 | 1,954.00 |
| Contract cost incurred and recognized profits (less recognized losses) for contracts in progress up to the reporting date | 6,208.40 | 3,307.57 |
| Advances received for contracts in progress | 427.79 | 293.16 |
| Amount of retention for contracts in progress | 256.24 | 112.08 |
| Gross amount due from customers for contract work (excluding cancelled projects) | 816.25 | 609.70 |
| Gross amount due to customers for contract work | 4.54 | 23.23 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

37. Details of dues to Micro and Small Enterprises as per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006:

| Sl. No. | Particulars | As at March 31, 2014 | As at September 30, 2012 |
|---------|--|-------------------------|-----------------------------|
| (a) | The principal amount remaining unpaid as at the end of the year | | |
| | Long term | - | - |
| | Short term | - | 0.68 |
| (b) | The amount of interest accrued and remaining unpaid at the end of the year | - | 0.09 |
| (c) | Amount of interest paid by the Company in terms of Sec 16, of Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of payments made beyond the appointed date during the year | - | - |
| (d) | Amount of interest due and payable for the year of delay in making payment without the interest specified under the Micro Small and Medium Enterprise Development Act, 2006 | - | - |
| (e) | The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006 | - | - |

38. Related party disclosures:

I. Names of related parties and relationship with the Company (as per the Accounting Standard 18 – “Related Party Disclosures”):

A. Subsidiaries (Related parties where control exists)

1. Maytas Infra Assets Limited
2. Maytas Vasishta Varadhi Limited
3. Maytas Metro Limited
4. Angeerasa Greenfields Private limited
5. Saptaswara Agro - Farms Private Limited
6. Ekadanta Greenfields Private Limited
7. Maytas Infra Saudi Arabia Company (Limited Liability Company)

B. Investing party in respect of which the reporting enterprise is an associate

1. Infrastructure Leasing & Financial Services Limited

C. Joint ventures (JV)

1. Maytas – SNC (JV)*
2. NCC – Maytas (JV) U 1
3. NEC – NCC – Maytas (JV)
4. Maytas – NCC (JV)
5. NCC – Maytas (JV)
6. Maytas – CTR (JV)
7. NCC – Maytas – ZVS (JV)

* During the current year, as per the revision in the arrangement, the Company has amicably settled the liability with the other JV partner and hence ceased to be a Joint Venture of the Company.

D. Associate

Hill County Properties Limited (formerly known as Maytas Properties Limited)

E. Key management personnel

1. Mr. Murlidhar Khattar, Managing Director (Chief executive officer w.e.f. November 14, 2011 and Managing Director w.e.f. December 26, 2013)
2. Vimal Kishore Kaushik, Managing Director*

* Ceased to be Managing Director of the Company (w.e.f. November 13, 2011)

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

II. Transactions with related parties during the year:

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|--|--|
| A. Subsidiaries | | |
| 1. Maytas Infra Assets Limited | | |
| Advances given | - | 1.10 |
| Expenses incurred on behalf of the party | 0.39 | 0.01 |
| Provision for doubtful advances | (0.46) | (0.20) |
| 2. Maytas Vasishtha Varadhi Limited | | |
| Expenses incurred on behalf of the party | 0.01 | 0.11 |
| Provision for doubtful advances | (0.02) | (2.80) |
| 3. Maytas Metro Limited | | |
| Expenses incurred on behalf of the party | 0.01 | 0.03 |
| Provision for doubtful advances | (0.04) | - |
| 4. Angeerasa Greenfields Private Limited | | |
| Expenses incurred on behalf of the party | 0.01 | 0.01 |
| Provision for doubtful advances | (0.01) | - |
| 5. Saptaswara Agro - Farms Private Limited | | |
| Expenses incurred on behalf of the party | 0.01 | 0.26 |
| Provision for doubtful advances | - | (0.26) |
| 6. Ekadanta Greenfields Private Limited | | |
| Expenses incurred on behalf of the party | 0.01 | 0.02 |
| Provision for doubtful advances | (0.03) | - |
| 7. Maytas Infra Saudi Arabia Company (Limited Liability Company) | | |
| Expenses incurred on behalf of the party | 0.02 | 0.39 |
| Equity allotted | - | 33.19 |
| Provision for doubtful advances | (0.64) | - |
| Corporate guarantee given against loan taken* | 165.23 | 145.19 |
| * Outstanding balance of loan disbursed to the subsidiary Rs 58.67(September 30, 2012: Rs. Nil). | | |
| B. Investing party in respect of which the reporting enterprise is an associate | | |
| Infrastructure Leasing & Financial Services Limited | | |
| Interest expenditure | (111.39) | (45.94) |
| Payments made on behalf of the Company | (3.07) | (8.63) |
| Reimbursement of expenses | - | (0.41) |
| Bank Guarantee Commission | (3.20) | (1.82) |
| Loan taken | (650.00) | (346.63) |
| Loan repaid | 484.90 | 115.24 |
| C. Joint Ventures (JV) | | |
| 1. NCC – Maytas (JV) U 1 | | |
| Share of profit / (loss) from joint venture | (0.00) | - |
| Expenses incurred on behalf of the party | 0.00 | - |
| Provision for doubtful advance | (0.03) | - |
| 2. NEC – NCC – Maytas (JV) | | |
| Share of profit / (loss) from joint venture | 0.07 | 0.01 |
| Receipt against share of profit | (0.36) | (0.85) |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|---|---|
| Expenses incurred on behalf of the party | 0.06 | 0.03 |
| 3. Maytas – NCC (JV) | | |
| Share of profit / (loss) from joint venture | 1.41 | 2.25 |
| Other non-operating income | 6.46 | - |
| Receipt against share of profit | (1.60) | (4.07) |
| Expenses incurred on behalf of the party | 0.20 | - |
| Expenses incurred on behalf of the Company | (0.12) | - |
| Revenue from contracts (excluding Project work in progress) | 23.35 | 48.93 |
| Provision for doubtful advances | 4.00 | (4.00) |
| Advances written off | (7.83) | - |
| 4. NCC – Maytas (JV) | | |
| Share of profit / (loss) from joint venture | 0.33 | (0.09) |
| Expenses incurred on behalf of the party | - | 0.10 |
| Receipt against share of profit | (0.33) | - |
| 5. Maytas - CTR JV | | |
| Share of profit / (loss) from joint venture | 0.53 | 0.18 |
| Expenses incurred on behalf of the party | - | 0.53 |
| Interest income | - | 0.47 |
| Advance given | 27.82 | 8.37 |
| Provision for doubtful advances | (2.11) | (6.00) |
| 6. NCC – Maytas – ZVS JV | | |
| Share of profit / (loss) from joint venture | 0.39 | 0.15 |
| Receipt against share of profit | (1.39) | (0.75) |
| 7. Maytas SNC JV | | |
| Investment written-off | (0.10) | - |
| D. Associate | | |
| Hill County Properties Limited | | |
| Loans given | 83.00 | 321.98 |
| Loans repaid | (203.54) | (23.99) |
| Interest income | 67.54 | 49.42 |
| Interest converted into Loan | 48.06 | - |
| Reimbursement of expenses received | 0.58 | 9.43 |
| Mobilization advance received | - | (35.54) |
| Revenue from contracts (excluding Project work in progress) | 194.45 | 154.09 |
| Interest expenses | - | 1.46 |
| Purchase of material | 2.34 | 5.86 |
| Sale of fixed assets | - | 13.83 |
| E. Key management personnel | | |
| 1. Vimal Kishore Kaushik | | |
| Managerial remuneration | - | 1.54 |
| Rent expenditure | - | 0.32 |
| 2. Murli Dhar Khattar | | |
| Professional charges | 1.88 | 0.30 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

III. Balances outstanding debit / (credit):

| | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| A. Subsidiaries (gross) | | |
| 1. Maytas Infra Assets Limited | 19.01 | 18.62 |
| 2. Maytas Vasishtha Varadhi Limited | 2.87 | 2.86 |
| 3. Maytas Metro Limited | 0.09 | 0.08 |
| 4. Angeerasa Greenfields Private Limited | 50.02 | 50.02 |
| 5. Saptaswara Agro - Farms Private Limited | 0.27 | 0.27 |
| 6. Ekadanta Greenfields Private Limited | 0.04 | 0.03 |
| 7. Maytas Infra Saudi Arabia Company (Limited Liability Company)# | 33.83 | 33.58 |
| #Excluding corporate guarantee of Rs. 165.23(September 30, 2012: Rs. 145.19) given by the Company on behalf of the subsidiary. | | |
| B. Investing party in respect of which the reporting enterprise is an associate | | |
| Infrastructure Leasing & Financial Services Limited* | | |
| - Long-term secured loan | (536.60) | (269.50) |
| - Long-term unsecured loan | - | (102.00) |
| - Interest accrued and not due | (58.67) | (17.20) |
| - Trade payables | (0.78) | (1.52) |
| *Excluding performance bank guarantee of Rs.79.62 (September 30, 2012: Rs. 56.53) given on behalf of the Company. | | |
| C. Joint ventures | | |
| 1. NEC – NCC – Maytas (JV) | (0.01) | 0.24 |
| 2. Maytas – NCC (JV) | 9.55 | 23.02 |
| 3. NCC – Maytas (JV) U 1 | 0.03 | 0.03 |
| 4. NCC – Maytas (JV) | 1.01 | 1.01 |
| 5. Maytas SNC (JV) | - | 0.10 |
| 6. Maytas – CTR- JV | 44.17 | 15.83 |
| 7. NCC – Maytas – ZVS | 0.45 | 1.46 |
| D. Associate | | |
| Hill County Properties Limited | | |
| - Inter corporate deposits | 297.38 | 369.85 |
| - Interest accrued | 35.54 | 48.14 |
| - Receivables against sale of fixed asset | - | 13.83 |
| - Mobilization advance payable | - | (18.32) |
| - Other receivables | 0.69 | 0.27 |
| - Trade receivables | 32.87 | 30.17 |
| IV. Provisions against balances outstanding: | | |
| A. Subsidiaries | | |
| 1. Maytas Infra Assets Limited | (11.74) | (11.28) |
| 2. Maytas Metro Limited | (0.09) | (0.05) |
| 3. Saptaswara Agro - Farms Private Limited | (0.26) | (0.26) |
| 4. Maytas Vasishtha Varadhi Limited | (2.82) | (2.80) |
| 5. Ekadanta Greenfields Private Limited | (0.03) | - |
| 6. Angeerasa Greenfields Private Limited | (0.01) | - |
| 7. Maytas Infra Saudi Arabia Company (Limited Liability Company) | (0.64) | - |
| B. Joint Ventures | | |
| 1. Maytas - NCC (JV) | - | (4.00) |
| 2. Maytas - CTR JV | (8.11) | (6.00) |
| 3. NCC – Maytas (JV) U 1 | (0.03) | - |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

39. Disclosure as per Clause 32 of Listing Agreement:

Loans and advances in the nature of loans (including Share Application Money) to Subsidiaries, JointVentures, Associate and Companies in which Directors are interested:

| Particulars | Closing balance as at | | Maximum outstanding amount during the year | |
|--|-----------------------|--------------------|--|--|
| | March 31, 2014 | September 30, 2012 | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
| A. subsidiaries * | | | | |
| Maytas Infra Assets Limited | 18.96 | 18.57 | 18.96 | 18.57 |
| Maytas Vasishta Varadhi Limited | 2.82 | 2.79 | 2.82 | 2.79 |
| Maytas Metro Limited | 0.04 | 0.02 | 0.04 | 0.02 |
| Angeerasa Greenfields Private Limited | 50.01 | 50.01 | 50.01 | 50.01 |
| Saptaswara Agro – Farms Private Limited | 0.26 | 0.26 | 0.26 | 0.26 |
| Ekadanta Greenfields Private Limited | 0.03 | 0.02 | 0.03 | 0.02 |
| Maytas Infra Saudi Arabia Company (Limited Liability Company) | 0.64 | 0.39 | 0.64 | 0.39 |
| B. Joint Ventures * | | | | |
| Maytas - CTR JV | 41.24 | 13.42 | 41.24 | 13.42 |
| C. Associate # | | | | |
| Hill County Properties Limited (formerly known as Maytas Properties Limited) | 297.38 | 369.85 | 369.85 | 369.85 |

* There is no repayment schedule in respect of all the above loans. They are repayable on demand.

The repayment schedule is not beyond 7 years.

40. Interest in joint ventures:

Company's financial interest in jointly controlled entities is as follows:

| Sl. No. | Name of joint venture | Share | Assets | Liabilities | Income | Expenditure | Tax | Profit/ (Loss) after tax |
|---------|----------------------------|--------|--------|-------------|--------|-------------|------|--------------------------|
| 1 | Maytas - NCC JV \$,@ | | | | | | | |
| | March 31, 2014 | 50% | 31.11 | 28.10 | 38.79 | 36.64 | 0.74 | 1.41 |
| | September 30, 2012 | 50% | 35.64 | 32.41 | 49.28 | 45.84 | 1.19 | 2.25 |
| 2 | Maytas - SNC JV # | | | | | | | |
| | March 31, 2014 | - | - | - | - | - | - | - |
| | September 30, 2012 | 40% | 1.91 | 1.31 | - | - | - | - |
| 3 | NEC – NCC – Maytas JV \$,@ | | | | | | | |
| | March 31, 2014 | 25% | 1.20 | 1.20 | 1.19 | 1.09 | 0.03 | 0.07 |
| | September 30, 2012 | 25% | 1.03 | 0.06 | 0.41 | 0.39 | 0.01 | 0.01 |
| 4 | NCC – Maytas JV (U 1) \$ | | | | | | | |
| | March 31, 2014 | 50% | 0.03 | 0.03 | - | 0.00 | - | (0.00) |
| | September 30, 2012 | 50% | 0.04 | 0.01 | - | 0.00 | - | (0.00) |
| 5 | NCC – Maytas JV \$,@ | | | | | | | |
| | March 31, 2014 | 50% | 1.16 | 0.21 | 0.57 | 0.18 | 0.06 | 0.33 |
| | September 30, 2012 | 50% | 1.12 | 0.14 | 0.02 | 0.11 | - | (0.09) |
| 6 | Maytas – CTR JV \$ | | | | | | | |
| | March 31, 2014 | 70% | 36.39 | 7.70 | 9.83 | 9.03 | 0.27 | 0.53 |
| | September 30, 2012 | 70% | 20.79 | 9.71 | 7.39 | 7.13 | 0.08 | 0.18 |
| 7 | NCC – Maytas – ZVS JV \$,@ | | | | | | | |
| | March 31, 2014 | 39.69% | 5.11 | 4.87 | 13.20 | 12.54 | 0.27 | 0.39 |
| | September 30, 2012 | 39.69% | 5.86 | 3.62 | 2.44 | 2.23 | 0.06 | 0.15 |

@ The current year amounts are based on unaudited financial statements.

\$ The previous year amounts were based on unaudited financial statements. Management has obtained audited financial statements for the 18 months ended September 30, 2012 and the cumulative impact of Rs 0.04 has been given in the current year.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

Maytas-SNC JV had not prepared its financial statements for the 18 months ended September 30, 2012 and ceased to be a jointly controlled entity as at March 31, 2014.

a) The above joint ventures do not have any contingent liability and capital commitment as at March 31, 2014 and September 30, 2012 except in Maytas - CTR JV amounting to Rs. 11.21 (September 30, 2012 : Rs. 17.11)

b) All the aforesaid entities are incorporated in India.

c) The Company has the following joint ventures, which are in the nature of jointly controlled operations:

- Maytas KBL (JV)
- Maytas KCCPL Flow more (JV)
- Maytas MEIL KBL (JV)
- Maytas MEIL ABB AAG (JV)
- MEIL Maytas ABB AAG (JV)
- MEIL Maytas KBL (JV)
- MEIL Maytas WIPL (JV)
- MEIL Maytas AAG (JV)
- MEIL – SEW – Maytas – BHEL (JV)
- L&T KBL Maytas (JV)
- Maytas – Rithwik (JV)
- Maytas Sushee (JV)
- Maytas Gayatri (JV)
- IL&FS Engg – Kalindee (JV)
- DIPL – IL&FS Engg (JV)

The Company's share in assets, liabilities, income and expenditure are duly accounted for in the accounts of the Company in accordance with such division of work as per the work sharing arrangements and therefore does not require separate disclosures. However, joint venture partners are jointly and severally liable to clients for any claims in these projects.

41. Employee Stock Option Scheme (ESOS):

The Company has provided various share-based payment schemes to its employees. As at March 31, 2014, the following two schemes were in operation:

| Particulars | ESOS - 2007 | ESOS - 2009 | |
|---|---|---|---|
| | | Grant I | Grant II |
| Date of grant | April 14, 2007 | March 23, 2010 | June 28, 2012 |
| Date of Remuneration Committee approval | April 14, 2007 | March 23, 2010 | June 28, 2012 |
| Date of Shareholder's approval | March 30, 2007 | November 09, 2009 | November 09, 2009 |
| Number of options granted | 644,967 | 1,201,407 | 2,849,984 |
| Method of Settlement (Cash / Equity) | Equity | Equity | Equity |
| Vesting Period | Options vest on an annual basis at 20%,20%,30% and 30% over a period of four years. | <p>Vesting Option - 1 Options vest on an annual basis at 30%, 35% and 35% over a period of three years.</p> <p>Vesting Option - 2 Options vest on an annual basis at 20%, 30% and 50% over a period of three years.</p> | <p>Vesting Option 1: Options vest on an annual basis at 30%, 30% and 40% over a period of three years.</p> <p>Vesting Option 2: Options vest on an annual basis at 40% and 60% over a period of two years.</p> <p>Vesting Option 3: Options vest totally after one year from the date of grant</p> |
| Exercise Period | 3 years from the date of vesting | 3 Years from the date of Vesting | 3 Years from the date of vesting |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

(I) The details of activity under ESOS – 2007 have been summarized below:

| Particulars | For the 18 months ended March 31, 2014 | | For the 18 months ended September 30, 2012 | |
|---|--|---|--|---|
| | Number of Options | Weighted Average Exercise Price (Rs. per share) | Number of Options | Weighted Average Exercise Price (Rs. per share) |
| Outstanding at the beginning of the year | 31,294 | 370 | 61,397 | 370 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | 14,439 | 370 | 9,243 | 370 |
| Exercised during the year | - | - | - | - |
| Expired during the year | 8,426 | 370 | 20,860 | 370 |
| Outstanding at the end of the year | 8,429 | 370 | 31,294 | 370 |
| Exercisable at the end of the year | 8,429 | 370 | 31,294 | 370 |
| Weighted average remaining contractual life (in years) | 0.04 | - | 1.54 | - |
| Weighted average fair value of options granted on the date of grant (Rs. per share) | 98.77 | - | 98.77 | - |

The details of exercise price for stock options outstanding at the end of the year for ESOS – 2007 Scheme:

| Year | Range of Exercise prices (Rs. per share) | Number of options outstanding | Weighted average remaining contractual life of options (in years) | Weighted Average Exercise price (Rs. per share) |
|---------|--|-------------------------------|---|---|
| 2012-14 | 370 | 8,429 | 0.04 | 370 |
| 2011-12 | 370 | 31,294 | 1.54 | 370 |

(II) The details of activity under Grant I of ESOS – 2009 have been summarized below:

| Particulars | For the 18 months ended March 31, 2014 | | For the 18 months ended September 30, 2012 | |
|---|--|---|--|---|
| | Number of Options | Weighted Average Exercise Price (Rs. per share) | Number of Options | Weighted Average Exercise Price (Rs. per share) |
| Outstanding at the beginning of the year | 640,095 | 176.90 | 902,214 | 176.90 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | 133,086 | 176.90 | 262,119 | 176.90 |
| Exercised during the year | - | - | - | - |
| Expired during the year | 136,132 | 176.90 | - | - |
| Outstanding at the end of the year | 370,877 | 176.90 | 640,095 | 176.90 |
| Exercisable at the end of the year | 370,877 | 176.90 | 385,002 | 176.90 |
| Weighted average remaining contractual life (in years) | 1.98 | - | 3.48 | - |
| Weighted average fair value of options on the date of grant (Rs. per share) | 95.32 | - | 95.32 | - |

The details of exercise price for stock options outstanding at the end of the year for ESOS-2009 scheme:

| Year | Range of Exercise prices (Rs. per share) | Number of options outstanding | Weighted average remaining contractual life of options (in years) | Weighted Average Exercise price (Rs. per share) |
|---------|--|-------------------------------|---|---|
| 2012-14 | 176.90 | 370,877 | 1.98 | 176.90 |
| 2011-12 | 176.90 | 640,095 | 3.48 | 176.90 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

(III) The details of activity under Grant II of ESOS – 2009 have been summarized below:

| Particulars | For the 18 months ended March 31, 2014 | | For the 18 months ended September 30, 2012 | |
|---|--|---|--|---|
| | Number of Options | Weighted Average Exercise Price (Rs. per share) | Number of Options | Weighted Average Exercise Price (Rs. per share) |
| Outstanding at the beginning of the year | 2,709,024 | 58.90 | - | - |
| Granted during the year | - | - | 2,849,984 | 58.90 |
| Forfeited during the year | 548,176 | 58.90 | 140,960 | 58.90 |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 2,160,848 | 58.90 | 2,709,024 | 58.90 |
| Exercisable at the end of the year | 1,044,752 | 58.90 | - | - |
| Weighted average remaining contractual life (in years) | 4.24 | - | 5.74 | - |
| Weighted average fair value of options on the date of grant (Rs. per share) | 26.18 | - | 26.18 | - |

The details of exercise price for stock options outstanding at the end of the year for ESOS-2009 scheme:

| Year | Range of Exercise prices (Rs. per share) | Number of options outstanding | Weighted average remaining contractual life of options (in years) | Weighted Average Exercise price (Rs. per share) |
|-----------|--|-------------------------------|---|---|
| 2012 – 14 | 58.90 | 2,160,848 | 4.24 | 58.90 |
| 2011 – 12 | 58.90 | 2,709,024 | 5.74 | 58.90 |

The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

| | ESOS 2007 | ESOS 2009 Grant I | ESOS 2009 Grant II |
|---|-----------------|-------------------|--------------------|
| Dividend yield (%) | - | 0.19% | - |
| Expected volatility | - | 68.34% | 54.38% |
| Risk-free interest rate | 7.74%-7.76% | 6.67%-7.38% | 8.38% |
| Weighted average share price (Rs.)* | - | - | - |
| Exercise price (Rs.) | 370 | 176.50 | 58.90 |
| Expected life of options granted in years | 2.5 – 5.5 years | 2.5 – 4.5 years | 2.5 – 5.5 years |

* As no options were exercised during the current year and previous year, the weighted average share price has not been indicated.

Effect of the above ESOS plans on the statement of profit and loss and on its financial position:

| Particulars | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|--|--|--|
| Total employee compensation cost pertaining to share based payment plans | - | - |
| Less: Liability for employee stock options outstanding at the year end | - | - |

In March 2005, the Institute of Chartered Accountants of India has issued a Guidance Note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said Guidance Note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the Financial Statements. Applying the fair value based method defined in the said Guidance Note, the impact on the reported net profit and earnings per share would be as follows as the Company has used intrinsic value method for accounting of employee share based payments:

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| Particulars | For 18 months ended March 31, 2014 | For 18 month ended September 30, 2012 |
|---|---------------------------------------|--|
| Loss considered for EPS (Refer note 26) | (177.09) | (168.72) |
| Add: Employee stock compensation under intrinsic value method | - | - |
| Less: Employee stock compensation under fair value method | (1.50) | (1.62) |
| Pro forma loss | (178.59) | (170.34) |
| Earnings Per Share (Rs.) | | |
| Basic | | |
| - As reported | (19.72) | (21.80) |
| - Pro forma | (19.89) | (22.01) |
| Diluted | | |
| - As reported | (19.72) | (21.80) |
| - Pro forma | (19.89) | (22.01) |

42. CIF value of imports:

| Particulars | For 18 months ended March 31, 2014 | For 18 months ended September 30, 2012 |
|-------------------|---------------------------------------|---|
| Project materials | 15.31 | 6.91 |
| Fixed Assets | 1.69 | - |
| | 17.00 | 6.91 |

43. Earnings in foreign currency (accrual basis):

| | For the 18 months ended March 31, 2014 | For 18 months ended September 30, 2012 |
|------------------------|---|---|
| Revenue from contracts | 310.78 | - |
| | 310.78 | - |

44. Expenditure in foreign currency (accrual basis):

| Particulars | For 18 months ended March 31, 2014 | For 18 months ended September 30, 2012 |
|--------------------------------|---------------------------------------|---|
| Subcontract expense | 265.56 | - |
| Legal and professional charges | 21.72 | 0.05 |
| Material consumed | 10.33 | - |
| Traveling and conveyance | 0.36 | 0.28 |
| Employee benefit expense | 2.88 | - |
| Others | 2.54 | 0.98 |
| | 303.39 | 1.31 |

45. Imported and indigenous materials consumed:

| Particulars | For the 18 months ended March 31, 2014 | | For the 18 months ended September 30, 2012 | |
|--------------|---|---------------|---|---------------|
| | % | Value | % | Value |
| Imported | 2.14 | 15.31 | 1.31 | 6.91 |
| Indigenous | 97.86 | 701.50 | 98.69 | 521.12 |
| Total | 100 | 716.81 | 100 | 528.03 |

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

46. Auditor's remuneration (including Service Tax):

| Particulars | For 18 months ended March 31, 2014 | For 18 months ended September 30, 2012 |
|--|---------------------------------------|---|
| Statutory audit | 0.68 | 0.90 |
| Limited review | 0.45 | 0.56 |
| Certification | 0.21 | 0.07 |
| Audit fees for consolidated financial statements | 0.11 | 0.11 |
| Out of pocket expenses | 0.02 | 0.02 |
| Total | 1.47 | 1.66 |

Note: The above remuneration excludes Rs. 2.16 pertaining to proposed rights issue expenses (Refer note 52).

47. Hedged and un-hedged foreign currency exposure:

The Company has not hedged any of its foreign currency exposures. Particulars of un-hedged foreign currency exposure as at March 31, 2014 are detailed below at the exchange rate prevailing at the reporting date:

| Particulars | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------------------|------------------|----------------------------------|------------------|
| | Amount in Foreign currency | Amount in INR | Amount in Foreign currency | Amount in INR |
| Trade receivables | AED 3.77 | 61.67 | - | - |
| Advances given | AED 1.30 | 21.19 | AED 0.01 | 0.11 |
| Amount due from customers (Project work-in-progress) | AED 0.13 | 2.09 | - | - |
| Margin money deposit | AED 0.40 | 6.59 | - | - |
| Other assets | AED 0.00 | 0.05 | - | - |
| Trade payables | AED 3.97 | 64.86 | - | - |
| Security deposit payable | AED 1.60 | 26.10 | - | - |
| Mobilization advance payable | AED 1.66 | 27.13 | - | - |
| Advance billing | AED 0.10 | 1.71 | - | - |
| Investment | SAR 2.75 | 33.19 | SAR 2.75 | 33.19 |

48. Leases:

In case of assets taken on lease:

Operating lease: Operating leases are mainly in the nature of lease of office premises and machinery with no restrictions and are renewable at mutual consent. There are no restrictions imposed by lease arrangements. There are no subleases.

Minimum lease payments under non-cancellable operating leases are:

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| Minimum Lease Payments | | |
| Not later than one year | 1.38 | 1.42 |
| Later than one year but not later than five years | 1.61 | 4.16 |
| Later than five years | - | - |

Finance lease: The present value of minimum lease rentals is capitalized as fixed assets with corresponding amount shown as lease liability. The principal component in the lease rentals is adjusted against the lease obligation and the finance charges are charged to the Statement of Profit and Loss as they arise. Finance lease was in the nature of office improvements and furniture for leasehold office premises. The lease agreement provides for escalation of lease rents over the period of lease term. The term was for a period of ten years renewable for a further period of ten years at mutual consent. The Company has pre closed the lease agreement and vacated the premises w.e.f. May 13, 2013. The Company has charged off the net book value of lease hold improvements to Statement of Profit and Loss.

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| Total minimum lease payments during the year | 0.54 | 1.07 |
| Less: amount representing finance charges | 0.21 | 0.55 |
| Present value of minimum lease payments (rate of interest 12%) | 0.33 | 0.52 |
| Minimum Lease Payments | | |
| Not later than one year [Present value Rs. Nil (September 30, 2012: Rs. 0.50)] | - | 0.81 |
| Later than one year but not later than five years [Present value Rs. Nil (September 30, 2012: Rs. 2.43)] | - | 2.94 |
| Later than five years [Present value Rs. Nil (September 30, 2012: Nil)] | - | - |

In case of Assets given on lease:

The Company has leased out certain construction equipment on operating lease. The lease term is generally for one year and renewable thereafter. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| Future Minimum Lease Payments | | |
| Not later than one year | 0.76 | - |
| Later than one year but not later than five years | - | - |
| Later than five years | - | - |

Apart from the assets covered above, there are certain other assets which are leased out but have no fixed lease terms. Accordingly, no disclosure regarding future minimum lease payments has been made.

49. Scheme of arrangement:

In the previous year, the Company had undertaken a Scheme of Arrangement ("the Scheme") under Sections 391 to 394 of the Companies Act, 1956 ("the Act") read with Sections 78, 100 to 104 of the Act. The same was sanctioned by the Hon'ble High Court of Andhra Pradesh ("the Court") vide its order dated October 17, 2012, which was further modified on October 19, 2012 and on November 7, 2012 respectively. The said orders of the Court were registered with the Registrar of Companies on November 21, 2012. Pursuant to the Scheme, the securities premium account of the Company of Rs. 612.24 had been adjusted against the gross debit balance of Rs. 728.38 in the Statement Profit and Loss of the Company for the financial years 2008-09 and 2009-10. The unadjusted debit balance of Rs. 116.14 had been adjusted against the gross credit balance of the Statement of Profit and Loss of Rs. 295.96 being balance in the Profit and loss account as on March 31, 2008 and Profit for the year 2010-11 of the Company, leaving Rs. 179.82 in the statement of profit and loss of the Company as on the appointed date. Salient features/conditions of the Scheme are as under:

- The Company shall within four weeks of this order, furnish an unconditional Bank Guarantee for Rs.70.02 and deposit the guarantee with the Registrar (Judicial), Hon'ble High Court of Andhra Pradesh, to be retained to the credit of, and till the final outcome of Company Petition No.199 of 2010, or any directions passed therein. The debt due to the other two unsecured creditors, who voted against the scheme, of Rs.0.08 shall be repaid to them within four weeks from the date of the order, and proof of payment shall be filed by way of an application, supported by an affidavit, in the Company Petition.
- The Company shall add to its name, as its last words "*and reduced*" for the year up to and until the end of the financial year 2012-13; and in the balance sheet, the profit and loss account, and the annexure thereto for the year.

The balance in the statement of profit and loss arising pursuant to the Scheme can be used for payment of dividend to preference shareholders and/or adjustment against losses, if any, in the normal course of business operations from April 2011 onwards or for redemption of preference shares, but not for payment of dividend to equity shareholders.

The Company had complied with the conditions imposed by the order and has given effect of the same in the financial statement. The Company had presented the impact of the scheme in the Statement of profit and loss during the previous year, since such presentation was relevant to the understanding of the effect of the Scheme on the financial position and/or performance.

50. In the earlier years, pursuant to the Debt Restructuring Programme, the Company had settled an irrevocable trust, namely, Maytas Investment Trust (Trust). The objective of the Trust was to dispose certain underlying investments held and settle the liability towards the Pass Through Certificate (PTC)., wherein the Company was also a contributory. Hitherto, the Company was also liable for

Notes to financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

shortfall, if any, in eventual settlement of the PTCs issued by the trust to other contributories. During the year, the terms of the PTCs have been restructured and as per revised arrangement, the Trust has issued fresh PTCs in lieu of erstwhile PTCs wherein the contributories would participate in the realization arising out of disposal of underlying investments in specified order and the Company is no longer liable for the shortfall, if any, towards settlement of PTCs held by other contributories. As at March 31, 2014, the Investment of the Company includes Rs. 259.67 contributed towards these PTCs.

The aforesaid Trust portfolio includes an investment wherein the investee company has gas based power plant, which is facing concerns on account of lower supplies/availability of natural gas. However, based on expert advice, evaluation of few alternates including representations/discussions with various government authorities to secure the gas linkage/supplies, the Management is of the view that the concerns in the industry are temporary in nature and will not have any material impact on the carrying value of the underlying investments held by the Trust and consequently on the carrying value of the PTCs held by the Company.

51. Post induction of IL&FS Group [Consisting of Infrastructure Leasing & Financial Services Limited ("IL&FS"), IL&FS Financial Services Limited ("IFIN") and IL&FS Engineering & Construction Company Limited ("IECCL")] in the Hill County Properties Limited ("HCPL") (formerly known as Maytas Properties Limited) ("MPL"), IL&FS Group has extended loans to HCPL through the Company and amount outstanding as on March 31, 2014 is Rs.201.46 (September 30, 2012 : Rs. 321.98). Such facilities rank as priority debt and will have priority in repayment over other liabilities of HCPL (except existing secured borrowings from banks). In addition, towards security for the same, the Company has entered into an "Articles of Agreement" with HCPL wherein IL&FS Group has been given an option for adjusting the loans, along with accrued interest, against all the unsold villas and apartments of Hill County Phase I project of HCPL.

As per the terms of the said agreement, an option vests with the IL&FS Group to exercise the right to instruct HCPL to execute the conveyance over the villas and apartments, either in its favour or in joint names or in the name of any such person / entity nominated by IL&FS Group, in lieu of repayment of the loans along with all outstanding interest, cost and other amounts due thereon at the time of exercising such option.

The underlying land over which villas and apartments are under construction had Income tax attachment which has since been released by the High Court of Andhra Pradesh, however, there are certain restrictions on the sharing of the sale proceeds. Further, the Company is yet to obtain No Objection Certificate from the existing lenders, whose security includes first charge on inventories of the Company. Accordingly, the receivables were classified as unsecured in the previous year.

During the year, the Company has entered into interse sharing of security provided by HCPL along with other lenders of HCPL in the form of hypothecation of certain identified receivables including inter corporate loans, residual charge against receivables from unsold inventory etc., pledge of investment in Jubilee Hills landmark project and letter of guarantees and Mortgage of title deeds of immovable property from subsidiaries of HCPL. The registration of charges by HCPL is under process. The same has been classified as secured as at March 31, 2014.

52. The Company has incurred Rs. 4.13 up to March 31, 2014 (September 30, 2012: Nil) in connection with the proposed rights issue of its equity shares. This amount shall be adjusted against securities premium arising from the proposed rights issue of equity shares, as permitted under section 78 of the Companies Act, 1956. Accordingly, this amount has been carried forward and disclosed under the head "Other current assets" in the Balance Sheet.
53. All amounts less than Rs. 0.01 have been disclosed as Rs. 0.00. The Company had extended its Last Financial Year 2011-12 by six months and accordingly, had prepared its financial statements for 18 months from April 1, 2011 and ending on September 30, 2012. Further, during the year, the Board of directors of the Company have approved the extension of financial year of the Company ending on September 30, 2013 by a period of six months i.e. upto March 31, 2014, in order to align the financial year of the Company in terms of the Companies' Act, 2013, which has been approved by the Registrar of Companies, Andhra Pradesh. The current year financial statements are for eighteen months from October 01, 2012 to March 31, 2014.
54. Previous year's figures have been regrouped/rearranged to conform to those of the current year.

As per report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number : 101049W
Chartered Accountants

per Vikas Kumar Pansari

Partner

Membership No. 093649

Place : New Delhi

Date : May 19, 2014

For and on behalf of the board of directors of

IL&FS Engineering and Construction Company Limited and reduced

Ramchand K

Chairman

Dr. S N Mukherjee

Chief Financial Officer

Place : New Delhi

Date : May 19, 2014

Murli Dhar Khattar

Managing Director

G Venkateswar Reddy

Company Secretary

Schedule pursuant to Section 212 (1) (e) of the Companies Act, 1956 relating to Subsidiary Companies

(All amounts in Rs. Crore except for share data or as otherwise stated)

| Sl No. | Particulars | Maytas Infra Assets Limited | Maytas Vasishta Varadhi Limited | Maytas Metro Limited | Angeerasa Greenfields Private Limited | Saptaswara Agro-Farms Private Limited | Ekadanta Greenfields Private Limited | Maytas Infra Saudi Arabia Company (Limited Liability Company) |
|--------|--|-----------------------------|---------------------------------|----------------------|---------------------------------------|---------------------------------------|--------------------------------------|---|
| 1. | Financial Year of the Subsidiary ended on | 31-03-2014 | 31-03-2014 | 31-03-2014 | 31-03-2014 | 31-03-2014 | 31-03-2014 | 31-12-2013 |
| 2. | Shares of the Subsidiary held on the above date and extent of the holding | | | | | | | |
| | (i) No. of Equity shares | 50,000 | 50,000 | 49,995 | 1,000 | 1,000 | 1,000 | 27,500 |
| | (ii) Face value of the Equity shares and currency | Rs. 10/- each | Rs. 10/- each | Rs. 10/- each | Rs. 100/- each | Rs. 100/- each | Rs. 100/- each | Saudi Riyals . 1,000/- each |
| | (iii) Extent of the holding | 100% | 100% | 99.99% | 100% | 100% | 100% | 55% |
| 3. | Net Aggregate amount of profits/(losses) of the subsidiary for the above financial year so as they concern members of IL&FS Engineering and Construction Company Limited. * | | | | | | | |
| | i. Dealt with in accounts of IL&FS Engineering and Construction Company Limited | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | ii. Not Dealt with in accounts of IL&FS Engineering and Construction Company Limited | (0.06) | Nil | Nil | (0.01) | (0.01) | (0.01) | 10.93 |
| 4. | Net Aggregate amount of profits/(losses) of the subsidiaries for previous financial year so far as it concern members of IL&FS Engineering and Construction Company Limited. | | | | | | | |
| | i. Dealt with in accounts of IL&FS Engineering and Construction Company Limited | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | ii. Not Dealt with in accounts of IL&FS Engineering and Construction Company Limited | 0.09 | Nil | Nil | (0.01) | (0.26) | (0.02) | (11.76) |

There is no change in the items stated in Section 212 (5) of the Company's Act, 1956, except in Maytas Infra Saudi Arabia Company wherein the Fixed Assets have moved from INR equivalent 30.34 to INR equivalent 26.80 between end of the financial year or of the last of the financial years of the Subsidiaries and the end of the financial year of the Holding Company

* Profit/(Losses) considered in the statement are for a period of 18 Months ending on March 31, 2014 which are in line with the extended financial year of the Holding Company

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of IL&FS Engineering and Construction Company Limited and reduced

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of IL&FS Engineering and Construction Company Limited and reduced ("the Company") and its subsidiaries, joint ventures and associate ("IECCL Group") which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the 18 months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation 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 the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

- a. As at March 31, 2014, the Company had certain Inter Corporate Deposits (ICDs) outstanding of Rs 362.36 Crores (September 30, 2012 – Rs 335.36 Crores) and share application money outstanding of Rs Nil (September 30, 2012 – Rs 27.00 Crores). Management has represented that the Company has taken steps to recover the amount and is of the opinion that all ICDs are fully recoverable. Accordingly no adjustments have been made to the accompanying consolidated financial statements in respect of the same. Pending final outcome of the recovery process, we are unable to comment on the extent of

recoverability of the aforesaid amounts. Our audit report on the consolidated financial statements for the 18 months ended September 30, 2012 was also qualified in respect of the aforesaid matter.

- b. As detailed in note 29 to the consolidated financial statements, the accompanying consolidated financial statements include unaudited financial statements of four joint ventures and two subsidiaries, with aggregate assets of Rs. 404.76 Crores as at March 31, 2014, aggregate revenues of Rs.725.74 Crores and cash out flows amounting to Rs.58.33 Crores for the 18 months then ended. The accompanying consolidated financial statements do not include the consequential impacts that may have been required had the audited financial statements of the joint ventures and subsidiaries been made available. Our audit report on the consolidated financial statements for the 18 months ended September 30, 2012 was also qualified in respect of the aforesaid matter.

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects, if any, of the matters described in the Basis for Qualified Opinion paragraph*, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the consolidated Statement of Profit and Loss, of the loss for the 18 months ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the 18 months ended on that date.

Emphasis of Matter

We draw attention to note 48 of the accompanying financial statements regarding Rs. 259.67 Crores investment of the Company in Pass Through Certificate ("PTCs") issued by the Maytas Investment Trust ("the Trust"). As more fully described in the aforesaid note, the portfolio held by the Trust includes an investment where the investee company has gas based power plant wherein uncertainties towards availability of gas has been considered as temporary in nature. Based on the fair valuation of underlying investments held by the Trust, the Company does not currently envisage any diminution in the value of PTCs on this account. Our opinion is not qualified in respect of this matter.

Other Matter

We did not audit total assets of Rs. 105.27 Crores as at March 31, 2014, total revenues of Rs. 9.81 Crores and net cash outflows amounting to Rs.0.37 Crores for the 18 months then ended, included in the accompanying consolidated financial statements in respect of certain subsidiaries and joint ventures, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries and joint ventures is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

For S.R. BATLIBOI LLP & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

per Vikas Kumar Pansari

Partner

Membership Number: 093649

Place of Signature: New Delhi

Date: May 19, 2014

Consolidated Balance sheet as at March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Notes | As at March 31, 2014 | As at September 30, 2012 |
|--|-------|----------------------|--------------------------|
| Equity and liabilities | | | |
| Shareholders' funds | | | |
| Share capital | 4 | 339.65 | 339.65 |
| Reserves and surplus | 5 | (76.87) | 64.40 |
| | | 262.78 | 404.05 |
| Minority interest | | 29.56 | 21.02 |
| Non-current liabilities | | | |
| Long-term borrowings | 6 | 1,036.32 | 992.75 |
| Other long-term liabilities | 7 | 351.92 | 205.47 |
| Long-term provisions | 8 | 8.18 | 15.03 |
| | | 1,396.42 | 1,213.25 |
| Current liabilities | | | |
| Short-term borrowings | 9 | 593.53 | 302.92 |
| Trade payables | 10 | 994.89 | 585.38 |
| Other current liabilities | 11 | 634.64 | 526.65 |
| Short-term provisions | 8 | 42.14 | 86.28 |
| | | 2,265.20 | 1,501.23 |
| | | 3,953.96 | 3,139.55 |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 12 | 194.73 | 236.90 |
| Intangible assets | 12 | 1.39 | 1.86 |
| Capital work-in-progress [including incidental expenditure during construction period (Refer note 41)] | | 5.13 | 1.97 |
| Non-current investments | 13 | 284.17 | 251.19 |
| Deferred tax assets | 35 | 0.01 | 0.01 |
| Long-term loans and advances | 14 | 884.90 | 1,050.44 |
| Other non-current assets | 15 | 487.30 | 335.22 |
| | | 1,857.63 | 1,877.59 |
| Current assets | | | |
| Current investments | 13 | - | 0.70 |
| Inventories | 16 | 919.54 | 621.32 |
| Trade receivables | 17 | 736.47 | 256.05 |
| Cash and bank balances | 18 | 69.67 | 99.37 |
| Short-term loans and advances | 14 | 314.36 | 233.46 |
| Other current assets | 15 | 56.29 | 51.06 |
| | | 2,096.33 | 1,261.96 |
| | | 3,953.96 | 3,139.55 |

Summary of significant accounting policies

3.1

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number : 101049W

Chartered Accountants

per Vikas Kumar Pansari

Partner

Membership No. 093649

For and on behalf of the board of directors of

IL&FS Engineering and Construction Company Limited and reduced

Ramchand K

Chairman

Murli Dhar Khattar

Managing Director

Dr. S N Mukherjee

Chief Financial Officer

G Venkateswar Reddy

Company Secretary

Place : New Delhi

Date : May 19, 2014

Place : New Delhi

Date : May 19, 2014

Consolidated Statement of Profit and Loss for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Notes | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|--|-------|---|---|
| Income | | | |
| Revenue from operations | 19 | 3,991.10 | 2,204.44 |
| Other income | 20 | 157.84 | 100.88 |
| Total revenue (I) | | 4,148.94 | 2,305.32 |
| Expenses | | | |
| Cost of materials consumed | 21 | 979.99 | 556.23 |
| Increase in work-in-progress | 22 | (6.68) | (5.56) |
| Employee benefits expenses | 23 | 415.24 | 222.13 |
| Sub-contractors expenses | | 2,225.44 | 1,238.24 |
| Other expenses | 24 | 222.12 | 139.12 |
| Total expenses (II) | | 3,836.11 | 2,150.16 |
| Earnings before interest, tax, depreciation, amortization and exceptional items (EBITDAE) (I-II) | | 312.83 | 155.16 |
| Finance costs | 25 | 334.36 | 214.20 |
| Depreciation and amortization expense | | 114.05 | 97.61 |
| Loss before tax and minority interest | | (135.58) | (156.65) |
| Exceptional items | 26 | - | (10.26) |
| Loss before tax and prior period items and after exceptional item | | (135.58) | (146.39) |
| Tax expense: | | | |
| Current tax | | 4.26 | 1.23 |
| Taxes for earlier years | | - | 9.02 |
| Total tax expense | | 4.26 | 10.25 |
| Loss after tax and before minority interest | | (139.84) | (156.64) |
| Share of profit / (loss) transferred to minority interest | | 5.21 | (9.63) |
| Loss for the year | | (145.05) | (147.01) |
| Adjustment as per the Scheme of arrangement approved by Hon'ble High Court of Andhra Pradesh (Refer note 47): | | | |
| Debit balance (net) in the Profit and loss account for the Financial Years 2008-09 and 2009-10 | | - | (728.38) |
| Less: Adjustment of balance lying in Securities premium account as on June 30, 2011 | | - | 612.24 |
| Less: Adjustment of gross credit balance in the Profit and loss account as on March 31, 2008 and Profit for the year 2010-11 | | - | 295.96 |
| (Deficit) /Surplus carried to the Balance Sheet | | (145.05) | 32.81 |
| Earnings per share computed on loss for the year(i.e before adjustment of the scheme) | 27 | | |
| [Nominal value of share Rs. 10] | | | |
| Basic and diluted | | (19.06) | (23.31) |

Summary of significant accounting policies

3.1

The accompanying notes are an integral part of the consolidated financial statements
As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number : 101049W
Chartered Accountants

per **Vikas Kumar Pansari**

Partner

Membership No. 093649

Place : New Delhi

Date : May 19, 2014

For and on behalf of the board of directors of

IL&FS Engineering and Construction Company Limited and reduced

Ramchand K

Chairman

Dr. S N Mukherjee

Chief Financial Officer

Place : New Delhi

Date : May 19, 2014

Murli Dhar Khattar

Managing Director

G Venkateswar Reddy

Company Secretary

Consolidated cash flow statement for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|--|---|---|
| Cash flow from operating activities | | |
| Loss before tax before minority interest | (135.58) | (146.39) |
| Non cash adjustments to reconcile loss before tax and before minority interest to net cash flows | | |
| Liabilities no longer required written back | (25.77) | (8.02) |
| Bad debts earlier written-off now written back | - | (19.88) |
| Reversal of Provision for estimated future loss on projects | (15.06) | (21.40) |
| Loss on sale/discard of fixed assets (net) | 1.04 | (7.94) |
| Provision for retirement benefits | 0.16 | 2.36 |
| Depreciation and amortization expense | 114.05 | 97.61 |
| Fixed assets/capital work-in-progress written off | 0.44 | 3.95 |
| Stocks written-off | 0.98 | 1.00 |
| Provision for doubtful advances/trade receivables | 7.16 | 21.32 |
| Bad debts/advances written-off | 12.92 | 1.59 |
| Provision for liquidated damages | 0.47 | 0.50 |
| Interest expense | 313.06 | 202.53 |
| Interest income | (118.47) | (78.04) |
| Income from mutual funds | (0.02) | (0.49) |
| Operating profit before working capital changes | 155.38 | 48.70 |
| Movement in working capital: | | |
| Increase in trade payables | 496.60 | 338.78 |
| Increase in other liabilities | 103.44 | 229.35 |
| (Increase) / decrease in trade receivables | (629.78) | 147.86 |
| Increase in inventories | (301.15) | (487.45) |
| Decrease / (Increase) in loans and advances | 20.31 | (206.33) |
| Decrease in other assets | (5.79) | (7.34) |
| Cash (used in) / generated from operations | (160.99) | 63.57 |
| Direct taxes paid (net of refunds) | (9.34) | 14.29 |
| Net cash (used in) / flow from operating activities (A) | (170.33) | 77.86 |
| Cash flows from investing activities | | |
| Purchase of fixed assets, including intangible assets, capital work-in-progress and capital advances | (75.13) | (43.39) |
| Proceeds from sale of fixed assets | 16.09 | 0.67 |
| Proceeds from sale of non-current investments | 0.02 | (0.66) |
| Proceeds from sale/maturity of current investments | 0.70 | 1.66 |
| Purchase of Pass Through Certificates (Refer note 48) | (33.00) | (76.67) |
| Purchase of non-current investments | - | (3.42) |
| Advances given to associate | (83.00) | (322.16) |
| Refund of advances from associate | 203.54 | 23.99 |
| Refund of advances from joint ventures | - | 14.06 |
| Proceeds from bank deposits (having original maturity of more than three months) | 5.03 | (3.60) |
| Advances to other companies (net) | (15.29) | (76.77) |
| Interest received | 48.90 | 47.16 |
| Income from mutual funds received | 0.02 | 0.49 |
| Net cash flow from / (used in) investing activities (B) | 67.88 | (438.64) |

Consolidated cash flow statement for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|---|---|
| Cash flow from financing activities | | |
| Contribution to minority shareholder | - | 30.65 |
| Proceeds from long-term borrowings | 1,095.91 | 611.92 |
| Repayment of long-term borrowings | (1,017.16) | (96.96) |
| Proceeds from short-term borrowings (net) | 290.61 | 3.98 |
| Interest paid | (262.10) | (156.56) |
| Dividend paid (including dividend distribution Tax) | (34.73) | - |
| Net cash flow from financing activities (C) | 72.53 | 393.03 |
| Foreign currency translation adjustments (D) | 7.11 | 4.55 |
| Net increase / (decrease) in cash and cash equivalents (A + B + C + D) | (22.81) | 36.80 |
| Cash and cash equivalents at the beginning of the year | 71.62 | 34.82 |
| Cash and cash equivalents at the end of the year (refer note 18) | 48.81 | 71.62 |

Summary of significant accounting policies (Refer note 3.1)

The accompanying notes are an integral part of the financial statements

Notes:

- During the previous year, the Company had received a land against settlement of dues from receivables of Rs. 12.48, the same had been considered as non-cash item for the purposes of cash flow statement.
- During the previous year, share application money of Rs. 21.00 has been converted into preference shares and promoters contribution of Rs. 55.00 had been converted into long term borrowings. These had been considered as non-cash item for the purposes of cash flow statement.
- During the previous year, the Company had converted receivables of Rs. 21.05 into sub-debts, the same had been considered as non-cash item for the purposes of cash flow statement.
- During the current year, interest accrued on Inter-Corporate Deposit given to Hill County Properties Limited (formerly known as Maytas Properties Limited) Rs. 48.06 has been converted into Inter-Corporate Deposit. This has been considered as non-cash item for the purpose of cash flow statement.
- During the current year, pursuant to restructuring of the terms of Pass Through Certificates (PTCs), as per revised agreement, Maytas Investment Trust (Trust) issued fresh PTCs in lieu of erstwhile PTCs. This has been considered as non-cash item for the purpose of cash flow statement to the extent of existing PTCs. (Refer note 48).

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number : 101049W
Chartered Accountants

per Vikas Kumar Pansari

Partner
Membership No. 093649

Place : New Delhi
Date : May 19, 2014

For and on behalf of the board of directors of

IL&FS Engineering and Construction Company Limited and reduced

Ramchand K

Chairman

Dr. S N Mukherjee

Chief Financial Officer

Place : New Delhi
Date : May 19, 2014

Murli Dhar Khattar

Managing Director

G Venkateswar Reddy

Company Secretary

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

1. Change of the Registered office:

IL&FS Engineering and Construction Company Limited *and reduced* ("IECCL" or "The Company") has shifted its Registered Office from 6-3-1186/1&2, IL&FS Engineering House, Begumpet, Hyderabad - 500 016 to D. No. 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers, Road No. 2, Banjara Hills, Hyderabad - 500 033 with effect from May 13, 2013.

2. Corporate Information:

IECCL is a Company domiciled in India and incorporated under the Companies Act, 1956. The Company along with its subsidiaries, joint ventures and its associate (collectively termed as "the Group" or "the consolidated entities") is primarily engaged in the business of erection / construction of roads, irrigation projects, buildings, oil & gas infrastructure, railway infrastructure, power plants, power transmission & distribution lines including rural electrification and development of airports. The equity shares of the Company are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").

3. Basis for preparation of Consolidated financial statements:

The consolidated financial statements of the group for the 18 months ended March 31, 2014, have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The group has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs. The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

3.1 Statement of significant accounting policies:

a) Principles of consolidation

The consolidated financial statements of the Group have been prepared using uniform accounting policies for like transactions and other events in similar circumstances, except as referred in note 28 below.

Investments in consolidated entities, except where such investments are acquired with a view to their subsequent disposal in the immediate future, are accounted in accordance with accounting principles as defined under Accounting Standard ('AS') 21 "Consolidated Financial Statements", on a line by line basis, AS 23 "Accounting for Investment in Associates in Consolidated Financial Statements", under Equity method and AS 27 "Financial Reporting of Interests in Joint Ventures", using proportionate consolidation method notified by Companies Accounting Standards Rules, 2006 (as amended).

The results of operations of a subsidiary are included in the consolidated financial statements from the date on which the parent subsidiary relationship came into existence.

All material inter-company balances and inter-company transactions and resulting unrealized profits or losses are eliminated in full on consolidation of subsidiaries and proportionately (to the extent it pertains to the Group) on consolidation of joint ventures.

Minorities' interest in net profits/losses of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same is accounted for by the holding company.

The difference between the cost to the Group of investment in Subsidiaries and Joint Ventures and the proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the consolidated financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill arising on consolidation is tested for impairment annually.

The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company, i.e., 18 months ended March 31, 2014.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

The Consolidated Financial Statements for the 18 months ended March 31, 2014 have been prepared on the basis of the financial statements of the following subsidiaries, associate and joint venture entities:

| Name of the Consolidated Entities | Country of Incorporation | % of Interest as at | |
|--|--------------------------|---------------------|--------------------|
| | | March 31, 2014 | September 30, 2012 |
| Subsidiaries | | | |
| Maytas Infra Assets Limited (MIAL) | India | 100.00% | 100.00% |
| Maytas Metro Limited | India | 99.99% | 99.99% |
| Maytas Vashista Varadhi Limited | India | 100.00% | 100.00% |
| Angeerasa Greenfields Private limited | India | 100.00% | 100.00% |
| Saptaswara Agro-Farms Private Limited | India | 100.00% | 100.00% |
| Ekadanta Greenfields Private Limited | India | 100.00% | 100.00% |
| Maytas Infra Saudi Arabia Company (Limited liability Company) (MISA) | Saudi Arabia | 55.00% | 55.00% |
| Joint Ventures (AOPs) | | | |
| Maytas-SNC (JV) (Refer Note I) | India | - | 40.00% |
| NCC-Maytas (JV) - U1 | India | 50.00% | 50.00% |
| NEC-NCC-Maytas(JV) | India | 25.00% | 25.00% |
| Maytas-NCC (JV) | India | 50.00% | 50.00% |
| NCC-Maytas (JV)Pocharam | India | 50.00% | 50.00% |
| Maytas-CTR (JV) | India | 70.00% | 70.00% |
| NCC-Maytas-ZVS (JV) | India | 39.69% | 39.69% |
| Associate | | | |
| Hill County Properties Limited (formerly known as Maytas Properties Limited) (Refer Note II) | India | 31.00% | 40.00% |

Note I:

During the current year, as per the revision in the arrangement, the Company has amicably settled the liability with the other JV partner. Accordingly the Company's share in net assets, revenues and cash flows in Maytas SNC (JV) has not been included in the consolidated financial statements as at and for the 18 months ended March 31, 2014.

Note II:

During the year 2010-11, the Company had invested Rs. 0.10 in equity shares of Hill County Properties Limited (HCPL) (formerly known as Maytas Properties Limited) constituting 40% of the post issue paid up share capital of HCPL pursuant to the order passed by the Honorable Company Law Board on January 13, 2011 allowing IL&FS Group (consisting of Infrastructure Leasing and Financial Services Limited, IL&FS Financial Services Limited and the Company) to be the new promoters of HCPL. During the year, the Company had sold Rs. 0.02 in equity shares (2,250 Equity Shares of Rs. 100 each) of HCPL constituting 9% of the paid up share capital of HCPL to Infrastructure Leasing and Financial Services Limited. HCPL is under the direct supervision of the Company Law Board, represented by a nominee director, hence is operating under severe long-term restrictions that significantly impair its ability to transfer funds to the investor therefore instead of applying equity method in accounting for investments in an associate the same has been accounted in accordance with Accounting Standard 13 "Accounting for Investments".

b) Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Revenue recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. Revenue recognized is net of taxes.

Revenue from construction contracts

Revenue from construction contracts is recognized on the percentage of completion method as mentioned in Accounting Standard (AS 7) "Construction Contracts" notified by the Companies Accounting Standards Rules, 2006 (as amended). The percentage of completion is determined by the proportion that contract costs incurred for work performed up to the balance sheet date bear to the estimated total contract costs. However, profit is not recognized unless there is reasonable progress on the contract. If total cost of a contract, based on technical and other estimates, is

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

estimated to exceed the total contract revenue, the foreseeable loss is provided for. The effect of any adjustment arising from revision to estimates is included in the income statement of the period in which revisions are made. Contract revenue earned in excess of billing has been reflected under "Inventories" and billing in excess of contract revenue has been reflected under "other current liabilities" in the balance sheet. Revenue recognized is net of taxes.

Price escalation and other claims/or variations in the contract works are included in contract revenue only when:

- (1) Negotiations have reached to an advanced stage such that it is probable that customer will accept the claim; and
- (2) The amount that is probable will be accepted by the customer and can be measured reliably.

Revenue from design and consultancy services

Revenue from the design and consultancy services is recognized as and when services are rendered in accordance with the terms of the agreement with the customers. Revenue recognized is net of taxes.

Revenue from hire charges

Revenue from hire charges is accounted for in accordance with the terms of agreement with the customers. Revenue recognized is net of taxes.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

d) Tangible fixed assets and depreciation:

- (i) Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price, freight, duties, taxes and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for use are included to the extent they relate to the year till such assets are ready for intended use.
- (ii) Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.
- (iii) Assets acquired under finance lease are depreciated on straight-line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower.
- (iv) Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.
- (v) Depreciation on fixed assets other than those mentioned in S No (vi) below, is provided on straight

line method, based on useful life of the assets as estimated by the management which coincides with rates prescribed under Schedule XIV to the Companies Act, 1956.

- (vi) Depreciation on the following fixed assets is provided on a straight-line basis, at the rates that are higher than those specified in Schedule XIV to the Companies Act, 1956 and are based on useful lives as estimated by the management:

| Category of asset | Useful life |
|---|--|
| Plant and Machinery | |
| - construction equipment at project sites consisting of shuttering/ scaffolding material and equipments given on hire | 6 years |
| - construction equipment (other than earth moving equipments, shuttering/scaffolding material and equipments given on hire) | 15 years |
| Temporary erections – site offices | over the expected life of the respective project |
| Lease hold improvements | over the period of lease |
| Site Infrastructure | 6 years |
| Tools and implements | Fully in the year of purchase |

- (vii) Assets costing five thousand rupees or less are fully depreciated in the year of purchase.

- (viii) Depreciation on the following tangible assets of an overseas subsidiary is charged on straight line basis, at the rates based on useful life of the assets as estimated by the Management, which are higher than the rates prescribed under Schedule XIV to the Companies Act, 1956:

| Category of asset | Useful life |
|---|-------------|
| Buildings | 4 years |
| Plant, and machinery - construction equipment | 2-4 years |
| Vehicles | 4 years |
| Furniture and fixtures | 2-4 years |
| Office equipment | 4 years |
| Data Processing equipment | 2 years |

- (ix) The net block and depreciation charge respectively of overseas subsidiary is 13.76% of total net block of tangible assets at the Group as at March 31,2014(September 30, 2012: 8.17%) and 25.29% of the total depreciation expense for the Group for the year ended March 31,2014 (September 30, 2012: 3.64%).

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

e) Intangible Assets - Software:

Computer software license cost is expensed in the year of purchase as there is no expected future economic benefit, except for enterprise wide/project based software license cost which is amortized over the period of license or six years, whichever is lower.

f) Investments:

Investments that are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long term investments. On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

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

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

g) Inventories:

- (i) Materials at site are valued at the lower of cost and estimated net realizable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, reduced by the estimated costs of completion and costs to effect the sale.
- (ii) Work-in-progress related to project and construction is valued at cost till such time the outcome of the related project is ascertained reliably and at contractual rates thereafter.
- (iii) Amount due from customers (Project – Work-in-progress) represents contract revenue earned in excess of billing.

h) Retirement and other employee benefits:

- (i) Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit

payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

Accumulated Gratuity liability which is expected to be paid on account of retirement within 12 months is treated as Short term employee benefit. Accordingly the Group presents the liability as current liability. Accumulated Gratuity liability in respect of which the Group has no obligation before 12 months is treated as long term employee benefit. Accordingly the Group presents the liability as non-current liability.

- (iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation on projected unit credit method made at the end of each financial year. The Group presents the entire leave encashment as Current Liability in the balance sheet, since the Group does not have an unconditional right to defer its settlement for the 12 months after the expiry date.
- (iv) Actuarial gains / losses are immediately taken to Statement profit and loss and are not deferred.

i) Segment reporting

Identification of segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

j) Income taxes:

Tax expense consists of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 and tax laws prevailing in the respective tax jurisdictions where the entities in the Group operates. Deferred income tax reflect the impact of current year timing

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date, the Group re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

k) Foreign currency transactions:

• **Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

• **Conversion**

Foreign currency monetary items are reported using the closing rate. Non – monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

• **Exchange differences**

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

• **Forward exchange contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts are amortized as expense

or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

• **Accounting for derivative instruments**

As per the announcement of the Institute of Chartered Accountants of India (ICAI) on accounting for derivative contracts, derivative contracts, other than those covered under AS-11, are marked to market on a transaction basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are not accounted on the basis of prudence.

• **Translation of non-integral foreign operation**

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. The statement of profit and loss is translated at exchange rates prevailing at the dates of transaction or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

• **Translation of integral foreign operation**

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Group itself.

l) Leases:

• **Where the Group is a Lessee**

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are recognized as finance cost in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule XIV to the Companies Act, 1956.

Leases where the lessor effectively retain substantially all the risks and benefits of ownership of the leased

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

- **Where the Group is a Lessor**

Assets under operating leases are included in fixed assets. Lease income is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

m) Borrowing costs:

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

n) Accounting for Jointly controlled operations:

In respect of joint venture contracts which are executed under work sharing arrangements, the Group's share of revenues, expenses, assets and liabilities are included in the consolidated financial statements as revenues, expenses, assets and liabilities respectively. In case of certain construction contracts in the irrigation sector, the share of work executed by the Group has been determined on the basis of certification by lead partner.

o) Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and taxes applicable) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue that have changed the number of outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

p) Impairment:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable

amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

q) Provisions, contingent liabilities and contingent assets:

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A Contingent Liability is disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent assets are neither recognised nor disclosed in consolidated financial statements.

r) Cash and cash equivalents:

Cash and cash equivalents comprise cash at bank and in hand and short term investments with original maturity of three months or less.

s) Employee stock compensation cost:

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Group measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortized over the vesting period of the option on a straight line basis.

t) Measurement of EBITDAE:

As permitted by the Guidance Note on Revised Schedule VI to the Companies Act, 1956, the Group has opted to present earnings before interest, tax, depreciation, amortization and exceptional items (EBITDAE) as a separate line item on the face of Statement of profit and loss. The Group measures EBITDAE on the basis of profit/(loss) from continuing operations. In its measurement, the Group does not include depreciation and amortisation expense, finances costs, tax expense, exceptional items and minority interest.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | As at September 30, 2012 |
|---|----------------------|--------------------------|
| 4 Share capital | | |
| Authorized shares (Nos.) | | |
| 350,000,000 (September 30, 2012 : 150,000,000) equity shares of Rs. 10 each | 350.00 | 350.00 |
| 35,000,000 (September 30, 2012 : 35,000,000) preference shares of Rs. 100 each | 350.00 | 350.00 |
| Issued, subscribed and paid-up shares (Nos.) | | |
| 89,787,243 (September 30, 2012 : 89,787,243) equity shares of Rs. 10 each fully paid-up | 89.79 | 89.79 |
| 7,485,780 (September 30, 2012 : 7,485,780) 6% cumulative redeemable preference shares (CRPS) of Rs. 100 each fully paid-up | 74.86 | 74.86 |
| 17,500,000 (September 30, 2012 : 17,500,000) 6% optionally convertible cumulative redeemable preference shares (OCCRPS) of Rs. 100 each fully paid-up | 175.00 | 175.00 |
| | 339.65 | 339.65 |

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

| | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------|--------------------------|--------------|
| | Number | Amount | Number | Amount |
| At the beginning of the year | 89,787,243 | 89.79 | 77,370,025 | 77.37 |
| Issued during the year on conversion of 6% OCCRPS | - | - | 12,417,218 | 12.42 |
| Outstanding at the end of the year | 89,787,243 | 89.79 | 89,787,243 | 89.79 |

6% cumulative redeemable preference shares

| | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------|--------------------------|--------------|
| | Number | Amount | Number | Amount |
| At the beginning of the year | 7,485,780 | 74.86 | 5,749,500 | 57.50 |
| Issued during the year - bonus issue | - | - | 1,736,280 | 17.36 |
| Outstanding at the end of the year | 7,485,780 | 74.86 | 7,485,780 | 74.86 |

6% optionally convertible cumulative redeemable preference shares

| | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|---------------|--------------------------|---------------|
| | Number | Amount | Number | Amount |
| At the beginning of the year | 17,500,000 | 175.00 | 25,000,000 | 250.00 |
| Converted during the year | - | - | (7,500,000) | (75.00) |
| Outstanding at the end of the year | 17,500,000 | 175.00 | 17,500,000 | 175.00 |

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a face value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

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

(c) Restrictions attached to equity shares

- Nil (September 30, 2012: 6,169,000) equity shares are under lock in as at year end.
- As per the Master Restructuring Agreement (MRA) entered into by the Company with its bankers, the promoter's share holding would be retained at a minimum of 26% of issued equity share capital of the Company at any point of time for a minimum period of four years from the effective date i.e. September 27, 2010.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

(d) Terms of 6% cumulative redeemable preference shares

On December 06, 2010, the Company had allotted 5,749,500 6% CRPS of Rs. 100 each fully paid as per the terms of MRA entered with Bankers.

The Company had further allotted 236,280 CRPS of Rs. 100 each as fully paid bonus shares to the holders of initial CRPS in the ratio of 1:24.33 (i.e. one fully paid CRPS of Rs. 100 each for every 24.33 CRPS held) on September 29, 2011.

All the aforesaid CRPS will be redeemed at par on March 31, 2015.

The Company had also allotted 1,500,000 CRPS to the holders of OCCRPS on September 29, 2011 as fully paid bonus shares in the ratio of 1:16.67 (i.e. one fully paid CRPS of Rs. 100 each for every 16.67 OCCRPS held). The redemption schedule of this bonus CRPS is - 30% on September 30, 2012; 15% each on September 30, 2013 and September 30, 2015; 20% each on September 30, 2014 and September 30, 2016. The 30% bonus CRPS (450,000 CRPS of Rs. 100 each) which were due for redemption on September 30, 2012 were purchased by IL&FS Trust Company Limited (ITCL), being the Trustee of Maytas Investment Trust (MIT), on September 29, 2012. The Company has extended the redemption period of these preference shares by a period of 3 years with an early redemption right with the Company before the extended period of 3 years by giving 30 days notice period to the shareholders. The 15% Bonus CRPS (225,000 CRPS of Rs. 100 each) which were due for redemption on September 30, 2013 were purchased by ITCL being the Trustee of MIT, on September 30, 2013. The Company has extended the redemption period of these preference shares by a period of 6 years with an early redemption right with the Company before the extended period of 6 years by giving 30 days notice period to the shareholders.

CRPS carry cumulative dividend of 6% p.a. The Company declares and pays dividends in Indian rupees. Each holder of 6% CRPS is entitled to one vote per share only on resolutions placed before the Company which directly affect the rights attached to CRPS. In the event of liquidation of the Company during the existence of CRPS, the holders of CRPS will have priority along with holders of OCCRPS over equity shares in the payment of dividend and repayment of capital.

(e) Terms of 6% optionally convertible cumulative redeemable preference shares

On March 31, 2011, the Company had allotted 25,000,000 OCCRPS of Rs. 100 each fully paid as per the terms of MRA entered with bankers.

OCCRPS carry cumulative dividend of 6%. The Company declares and pays dividend in Indian rupees. Each holder of OCCRPS is entitled to one vote per share only on resolutions placed before the Company which directly affect the rights attached to OCCRPS. In the event of liquidation of the Company during the existence of OCCRPS, the holders of OCCRPS will have priority along with holders of CRPS over equity shares in the payment of dividend and repayment of capital. Out of total 25,000,000 OCCRPS of Rs. 100 each, 30% i.e. 7,500,000 OCCRPS of Rs. 100 each have been converted into 12,417,218 equity shares on September 30, 2012, as per the terms of MRA. There is no further conversion option attached to these OCCRPS. The balance 17,500,000 OCCRPS of Rs. 100 each shall be redeemed at par in four tranches from September 30, 2013 to September 30, 2016. The schedule of redemption is as below:"

| Date of redemption | Number of shares to be redeemed | Amount to be redeemed |
|--------------------|---------------------------------|-----------------------|
| 30-Sep-13 * | 3,750,000 | 37.50 |
| 30-Sep-14 | 5,000,000 | 50.00 |
| 30-Sep-15 | 3,750,000 | 37.50 |
| 30-Sep-16 | 5,000,000 | 50.00 |
| Total | 17,500,000 | 175.00 |

* The OCCRPS which were due for redemption on September 30, 2013 were purchased by IL&FS Trust Company Limited (ITCL), being the Trustee of Maytas Investment Trust, on September 30, 2013. The Company has extended the redemption period of these preference shares by a period of 6 years with an early redemption right with the Company before the extended period of 6 years by giving 30 days notice period to the shareholders.

(f) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

- The Company has allotted 236,280 6% CRPS of Rs. 100 each in 2011-12 as fully paid up bonus shares to the holders of initial CRPS in the ratio of 1:24.33 (i.e. one fully paid CRPS of Rs. 100 each for every 24.33 CRPS held) by capitalizing securities premium.
- The Company has allotted 1,500,000 6% CRPS of Rs. 100 each in 2011-12 as fully paid up bonus shares to the holders of Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) in the ratio of 1:16.67 (i.e. one fully paid Bonus CRPS of Rs. 100 each for every 16.67 OCCRPS held) by capitalizing securities premium.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

Note: Shares issued by the Company pursuant to Corporate Debt Restructuring scheme have not been considered for above disclosures.

(g) List of shareholders holding more than 5% shares in the Company

Equity shares of Rs. 10 each, fully paid

| Name of the Shareholder | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------------|--------------------------|--------------------|
| | Number of shares | Percentage holding | Number of shares | Percentage holding |
| SBG Projects Investments Limited | 25,059,881 | 27.91% | 25,059,881 | 27.91% |
| IL&FS Financial Services Limited (IFIN) | 13,497,381 | 15.03% | 13,497,381 | 15.03% |
| Infrastructure Leasing and Financial Services Limited (IL&FS) | 13,245,250 | 14.75% | 13,245,250 | 14.75% |
| ICICI Bank Limited | 5,971,979 | 6.65% | 5,971,979 | 6.65% |
| SNR Investments Private Limited | 5,250,000 | 5.85% | 5,250,000 | 5.85% |
| Veeyas Investments Private Limited | 5,250,000 | 5.85% | 5,250,000 | 5.85% |

6% cumulative redeemable preference shares of Rs. 100 each, fully paid

| Name of the Shareholder | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------------|--------------------------|--------------------|
| | Number of shares | Percentage holding | Number of shares | Percentage holding |
| ICICI Bank Limited | 409,288 | 5.47% | 496,462 | 6.63% |
| IDBI Bank Limited | 881,604 | 11.78% | 909,090 | 12.14% |
| State Bank of India | 827,804 | 11.06% | 855,524 | 11.43% |
| State Bank of Hyderabad | 606,518 | 8.10% | 627,551 | 8.38% |
| Allahabad Bank | 532,425 | 7.11% | 549,435 | 7.34% |
| Indian Overseas Bank Limited | 471,599 | 6.30% | 486,359 | 6.50% |
| IL&FS Financial Services Limited | 2,631,500 | 35.15% | - | - |
| IL&FS Trust Company Limited (c/o Maytas Investment Trust) * | 225,000 | 3.01% | 2,631,500 | 35.15% |

* includes Nil (September 30, 2012: 441,954) shares which were purchased by the shareholder prior to balance sheet date but were transferred subsequent to balance sheet date

6% optionally convertible cumulative redeemable preference shares of Rs. 100 each, fully paid

| Name of the Shareholders | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|--------------------|--------------------------|--------------------|
| | Number of shares | Percentage holding | Number of shares | Percentage holding |
| ICICI Bank Limited | 5,327,300 | 30.44% | 6,780,200 | 38.74% |
| State Bank of India | 1,694,000 | 9.68% | 2,156,000 | 12.32% |
| IDBI Bank Limited | 1,679,700 | 9.60% | 2,137,800 | 12.22% |
| State Bank of Hyderabad | 1,285,350 | 7.34% | 1,635,900 | 9.35% |
| Allahabad Bank | 1,039,500 | 5.94% | 1,323,000 | 7.56% |
| Indian Overseas Bank Limited | 902,000 | 5.15% | 1,148,000 | 6.56% |
| Bank of Maharashtra | 743,600 | 4.25% | 946,400 | 5.41% |
| IL&FS Trust Company Limited (c/o Maytas Investment Trust) * | 3,750,000 | 21.43% | - | - |

As per the records of the Company, including its register of shareholders/ members, the above shareholding represents legal ownership of the shares.

(h) Shares reserved for issue under options

Refer note 42 for details of shares reserved for issue under the Employee Stock Option Scheme (ESOS) of the Company.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------|-----------------|--------------------------|---------------|
| | | | | |
| 5. Reserves and surplus | | | | |
| Securities premium account | | | | |
| Balance as per last financial statements | | 62.59 | | 629.60 |
| Add: Addition on conversion of OCCRPS during the year | | - | | 62.59 |
| Less: Utilization towards issue of 236,280 6% CRPS as bonus to the initial holders of CRPS | | - | | (2.36) |
| Less: Utilization towards issue of 1,500,000 6% CRPS as bonus to the initial holders of OCCRPS | | - | | (15.00) |
| Less : Adjustment as per the Scheme of arrangement (Refer note 47) | | - | | (612.24) |
| | | 62.59 | | 62.59 |
| Foreign currency translation reserve | | | | |
| Balance as per last financial statement | | 4.55 | | - |
| Add: for the current year | | 3.78 | | 4.55 |
| | | 8.33 | | 4.55 |
| Balance carried forward to Balance Sheet | | | | |
| Surplus/(deficit) in the statement of profit and loss | | | | |
| Balance as per last financial statement | | (2.74) | | (433.24) |
| Adjustment as per the Scheme of arrangement approved by Hon'ble High Court of Andhra Pradesh (Refer note 47) | | | | |
| Debit balance (net) in the profit and loss account for the Financial Years 2008-09 and 2009-10 | | - | 728.38 | |
| Less: Gross credit balance in the profit and loss account as on March 31, 2008 and Profit for the year 2010-11 | | - | (295.96) | 432.42 |
| | | (145.05) | | 32.81 |
| Surplus / (deficit) brought forward from the Statement of Profit and Loss | | | | |
| Less : Proposed dividend on preference shares (Refer note 47) | | - | | (29.89) |
| Less : Provision for tax on proposed dividend on preference shares | | - | | (4.84) |
| | | (147.79) | | (2.74) |
| Net deficit in the statement of profit and loss | | | | |
| Total reserves and surplus | | (76.87) | | 64.40 |

| | Non-current | | Current Maturities | |
|---|----------------------|--------------------------|----------------------|--------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 6. Long-term borrowings | | | | |
| Term loans | | | | |
| - From banks | | | | |
| Indian rupee working capital term loans (secured) | 37.69 | 127.70 | 59.84 | 52.36 |
| Indian rupee term loans (secured) | 239.86 | 299.86 | 60.00 | - |
| - From others | | | | |
| Vehicle loans (secured) | 0.71 | 0.76 | 0.63 | 0.53 |
| Other loans | | | | |
| From related parties (secured) (Refer note 40 III A) | 536.60 | 235.00 | - | 34.50 |
| From others (secured) | 221.46 | 225.00 | - | - |
| From related parties (unsecured) (Refer note 40 III A) | - | 102.00 | - | - |
| Finance lease obligation (unsecured) | - | 2.43 | - | 0.50 |
| | 1,036.32 | 992.75 | 120.47 | 87.89 |
| The above amount includes | | | | |
| Secured borrowings | 906.32 | 888.32 | 120.47 | 87.39 |
| Unsecured borrowings | 130.00 | 104.43 | - | 0.50 |
| Amount disclosed under the head "other current liabilities" (Refer note 11) | - | - | (120.47) | (87.89) |
| | 1,036.32 | 992.75 | - | - |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

- (a) The Company had obtained an approval for the Corporate Debt Restructuring (CDR) from the CDR Empowered Group in earlier years and the impact of the CDR scheme had been given in the financial statements of the year 2009-10.
- (b) Indian rupee working capital term loans from banks carry interest @ 9% p.a. (September 30, 2012 : 8% to 9% p.a.) and are repayable by March 31, 2016 as per schedule given below:

| Particulars | % | Due dates |
|-------------|----|---|
| FY 2010-11 | 32 | September 30, 2011 |
| FY 2012-13 | 15 | Quarterly installments due on June 30, September 30, December 31 and March 31 every year. |
| FY 2013-14 | 20 | |
| FY 2014-15 | 20 | |
| FY 2015-16 | 13 | |

These loans are secured by pari passu first mortgage and charge on the Company's immovable properties, both present and future and pari passu first charge by way of hypothecation of all the movable assets including movable equipments, machinery spares, tools, accessories, current assets both present and future except to the extent of assets exclusively hypothecated against vehicle loans from others.

These loans have additionally been secured by personal guarantee given by the Ex-Vice Chairman of the Company, Mr. B Teja Raju.

- (c) Indian rupee term loans from banks carries an interest rate of 11% p.a. (September 30, 2012 : 11%). The loan is repayable in 20 quarterly installments commencing from June 30, 2014. These loans are secured by pari passu first mortgage and charge on the Company's immovable properties both present and future and pari passu first charge by way of hypothecation of all the movable assets including movable equipments, machinery spares, tools, accessories, current assets both present and future except to the extent of assets exclusively hypothecated against vehicle loans from others.
- (d) Vehicle loans from Non-Banking Financial Companies carry interest @ 14.70% to 20.90% p.a. (September 30, 2012 : 15.8% to 21%). These loans are repayable in equated monthly installments over the tenure of 36 months to 48 months from the date of disbursement of loan. Vehicle loans are secured by hypothecation of vehicles purchased out of the loan taken.
- (e) Secured loans from related party carry interest @ 12.70% to 13% p.a. (September 30, 2012 : 12.70% to 15.50% p.a.). These loans (September 30, 2012 : Rs. 205) carry an option to reset the interest rate after every 12 months from the date of first disbursement and 12 months thereafter by giving 30 days clear notice to the Company. These loans are repayable within 57 months to 84 months from the date of first disbursement. Further, interest on Rs. 130 (September 30, 2012: Rs. Nil) loan from the drawdown date till March 2015 would be accrued and converted into Funded Interest Term Loan (FITL) and shall be repaid in June 2016. FITL shall carry interest @ 0.01% p.a. and will be paid along with FITL. Additionally, premium of Rs. 18 is payable on redemption of this loan.

Of the above, loan to the extent of Rs. 356.60 (September 30, 2012 : Nil) is secured by way of pledge of investments in preference shares of Bangalore Elevated Tollway Limited, sharing of charge with IL&FS Financial Services Limited on a pari passu basis on the equity shares of Gautami Power Limited and Pass Through Certificates issued by Maytas Investment Trust and negative lien on sub-loan given to Bangalore Elevated Tollway Limited. Out of the above, loan of Rs. 97 (September 30, 2012 : Rs. 219.50) is additionally secured by second charge on Inter-Corporate Deposits given to Hill County Properties Limited (HCPL) along with accumulated interest thereon and second charge on loans given to and equipment hire charges receivable from Terra Infra Limited along with accumulated interest thereon.

The remaining balance Loan of Rs. 180 (September 30, 2012 : Rs. 50) is secured by way of pari passu lien on cashflows from HCPL to the Company and are additionally secured by interse sharing of security provided by HCPL along with other lenders of HCPL in the form of hypothecation of certain identified receivables including inter corporate loans, residual charge against receivables from unsold inventory etc., pledge of investment in Jubilee Hills landmark project and letter of guarantees and Mortgage of title deeds of immovable property from subsidiaries of HCPL.

Loan to the extent of Rs. Nil (September 30, 2012 : Rs. 219.50) is secured by way of pledge of investments in pass through certificates issued by Maytas Investment Trust.

- (f) Secured loans from others carry interest @ 12.70% p.a to 13% p.a. (September 30, 2012 : 12% to 12.70%). These loans carry an option to reset the interest rate after every 12 months from the date of first disbursement and every 12 months thereafter by giving 30 days clear notice to the Company. These loans are repayable within 60 months from the date of first disbursement.

Of the above, loan of Rs. 200 (September 30, 2012 : Nil) is secured by way of pledge of investments in preference shares of Bangalore Elevated Tollway Limited, sharing of charge with IL&FS Financial Services Limited on a pari passu basis on the equity shares of Gautami Power Limited and Pass Through Certificates issued by Maytas Investment Trust and negative lien on sub-

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

loan given to Bangalore Elevated Tollway Limited. Loan of Rs 21.46 (September 30, 2012 : Rs. 225) is secured by way of pari passu lien on cashflows from Hill County Properties Limited (HCPL) to the Company and additionally secured by interse sharing of security provided by HCPL along with other lenders of HCPL in the form of hypothecation of certain identified receivables including inter corporate loans, residual charge against receivables from unsold inventory etc., pledge of investment in Jubilee Hills landmark project and letter of guarantees and Mortgage of title deeds of immovable property from subsidiaries of HCPL.

- (g) Unsecured loans from related party amounting to Rs. Nil (September 30, 2012 : Rs. 47) carry interest rate @ 12.70% p.a. This loan carries an option to reset the interest rate after every 12 months from the date of first disbursement and every 12 months thereafter by giving 30 days clear notice to the Company. This loan is repayable within 57 months from the date of first disbursement. Interest on this loan from the drawdown date till March 2015 would be accrued and converted into Funded Interest Term Loan (FITL) and shall be repaid in June 2016. FITL shall carry interest @ 0.01% p.a. and will be paid along with FITL. Additionally, premium of Rs. 18 is payable on redemption of this loan.

Unsecured loan of Rs. Nil (September 30, 2012 : Rs.55) carries an interest rate of 15% p a with an option to reset the interest rate any time in case of change in the lenders bench mark rate.

- (h) The details of continuing defaults as at March 31, 2014 and September 30, 2012 are as follows:

| Particulars | Nature of Dues | March 31, 2014 | | September 30, 2012 | |
|--------------------------------------|----------------|----------------|-----------------|--------------------|-----------------|
| | | Amount | Period of delay | Amount | Period of delay |
| Long-term loans from others | Interest | Nil | Nil | 4.28 | upto 123 days |
| Long-term loans from related parties | Interest | Nil | Nil | 15.15 | upto 123 days |

| | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| 7 Other long-term liabilities | | |
| Trade payables * | 156.21 | 85.88 |
| Interest accrued but not due on borrowings | 69.48 | 2.04 |
| Mobilization advance | 117.64 | 112.60 |
| Statutory dues | 3.62 | 3.62 |
| Others | 4.97 | 1.33 |
| | 351.92 | 205.47 |

* represents retention money

| | Long term | | Short term | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 8 Provisions | | | | |
| Provision for employee benefits | | | | |
| Provision for gratuity (Refer note 38) | 3.02 | 2.88 | 0.24 | 0.37 |
| Provision for compensated absences | - | - | 2.72 | 2.57 |
| | 3.02 | 2.88 | 2.96 | 2.94 |
| Other provisions | | | | |
| Provision for estimated future loss on projects (Refer note 36) | 5.16 | 12.15 | 21.30 | 29.37 |
| Provision for liquidated damages (Refer note 37) | - | - | 14.54 | 14.07 |
| Proposed dividend on preference shares | - | - | - | 29.89 |
| Provision for tax on proposed dividend on preference shares | - | - | - | 4.84 |
| Provision for tax (Net of Advance tax) | - | - | 3.34 | 5.17 |
| | 5.16 | 12.15 | 39.18 | 83.34 |
| | 8.18 | 15.03 | 42.14 | 86.28 |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| 9 Short-term borrowings | | |
| Cash credit facilities from banks (secured) | 316.27 | 204.33 |
| Cash credit and other facilities from banks (unsecured) | 58.67 | - |
| Loans from others (unsecured) | 218.59 | 98.59 |
| | 593.53 | 302.92 |
| The above amount includes | | |
| Secured borrowings | 316.27 | 204.33 |
| Unsecured borrowings | 277.26 | 98.59 |
| | 593.53 | 302.92 |

(a) Cash credit from banks are repayable on demand and carries interest @ 9% p.a. to 14.50% p.a. (September 30, 2012 : 8% to 9% p.a.). These loans are secured by pari passu first mortgage and charge on the Company's immovable properties both present and future and pari passu first charge by way of hypothecation of all the movable assets including movable equipments, machinery spares, tools, accessories, current assets both present and future, except to the extent of assets exclusively hypothecated against vehicle loans from others.

Loans aggregating to Rs. 233.49 (September 30, 2012 : Rs.204.33) have additionally been secured by personal guarantee given by the Ex-Vice Chairman of the Company, Mr. B Teja Raju.

Loans aggregating to Rs 82.77 (September 30, 2012 : Rs. Nil) carry letter of comfort from Infrastructure Leasing and Financial Services Limited.

(b) Cash credit and other facilities from banks, are repayable on demand and carries interest @ 4% p.a. These loans which have been classified as unsecured, are secured by way of promissory note and corporate guarantees from the parent and minority shareholders.

(c) Unsecured loans from others of Rs. 200 (September 30, 2012 : Rs. Nil) carries interest @ 15% p.a to 16.50% p. a. with a tenor of 4 to 5 months repayable by June 26, 2014. Interest on these facilities are payable at monthly rests.

Unsecured loan from others of Rs. Nil (September 30, 2012 : Rs. 80) carries interest rate @ 15% p.a which are variable and linked with lender's benchmark rate and are repayable within 12 months from the first date of disbursement.

(d) Unsecured loans from others to the extent of Rs. 18.59 (September 30, 2012: Rs. 18.59) are interest free loans and repayable on demand.

| | As at March 31, 2014 | As at September 30, 2012 |
|--------------------------|-------------------------|-----------------------------|
| 10 Trade payables | | |
| Trade payables * | 994.89 | 585.38 |
| | 994.89 | 585.38 |

* includes retention money payable of Rs. 30.84 (September 30, 2012: Rs. 101.30)

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| 11 Other current liabilities | | |
| Current maturities of long-term borrowings (Refer note 6) | 120.47 | 87.89 |
| Interest accrued and due on borrowings* | 1.48 | 16.26 |
| Interest accrued but not due on borrowings / mobilization advance | 28.43 | 29.19 |
| Interest accrued and due on advance from customers | - | 5.27 |
| Unclaimed dividend (Investor education and protection fund shall be credited as and when due) | 0.00 | 0.00 |
| Mobilization advance | 407.40 | 262.93 |
| Advance from customers | 38.55 | 69.74 |
| Dues to Joint venturers | 1.18 | 2.11 |
| Advance billing | 4.54 | 23.23 |
| Others | | |
| Capital creditors | 7.51 | 3.96 |
| Statutory dues | 25.08 | 26.07 |
| | 634.64 | 526.65 |

* Includes Rs. 1.48 (September 30, 2012: Rs. 2.14) not debited by bankers in the cash credit accounts, inspite of instructions issued by the Company.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014
(All amounts in Rs. Crore except for share data or as otherwise stated)
12. Tangible assets and intangible assets

| | Land | Buildings | Temporary erections-site offices | Leasehold Improvements* | Plant, and machinery-construction equipment** | Site infra-structure | Office equip-ment | Tools and implements | Data processing equipments | Furniture and fixtures | Vehicles | Total tangible assets | Computer software | Total intangible assets |
|------------------------------------|-------------|-------------|----------------------------------|-------------------------|---|----------------------|-------------------|----------------------|----------------------------|------------------------|--------------|-----------------------|-------------------|-------------------------|
| Cost | | | | | | | | | | | | | | |
| At April 1, 2011 | 6.75 | 0.17 | 27.01 | 4.19 | 483.72 | 3.07 | 4.78 | 4.32 | 6.36 | 3.73 | 8.04 | 552.14 | 1.33 | 1.33 |
| Additions | 2.51 | 0.62 | 5.65 | - | 34.51 | - | 1.64 | 0.47 | 1.98 | 2.15 | 1.82 | 51.35 | 2.06 | 2.06 |
| Other adjustments | - | 0.02 | - | 0.02 | 0.33 | - | 0.02 | - | 0.01 | 0.02 | - | 0.42 | - | - |
| - Exchange difference | (4.66) | - | - | - | (7.67) | - | - | - | - | - | (0.36) | (12.69) | - | - |
| Disposals | 4.60 | 0.81 | 32.66 | 4.21 | 510.89 | 3.07 | 6.44 | 4.79 | 8.35 | 5.90 | 9.50 | 591.22 | 3.39 | 3.39 |
| At September 30, 2012 | 0.18 | 1.66 | 12.64 | - | 48.85 | - | 1.12 | 1.04 | 1.39 | 2.61 | 2.39 | 71.88 | 0.10 | 0.10 |
| Additions | - | 0.13 | - | - | 3.46 | - | 0.15 | - | 0.12 | 0.19 | 0.04 | 4.09 | - | - |
| Other adjustments | - | - | - | (4.04) | (11.40) | - | 0.00 | - | (3.08) | (0.64) | (0.35) | (19.51) | - | - |
| - Exchange difference | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | 4.78 | 2.60 | 45.30 | 0.17 | 551.80 | 3.07 | 7.71 | 5.83 | 6.78 | 8.06 | 11.58 | 647.68 | 3.49 | 3.49 |
| At March 31, 2014 | | | | | | | | | | | | | | |
| Depreciation / amortization | | | | | | | | | | | | | | |
| At April 1, 2011 | - | - | 23.54 | 1.70 | 220.33 | 1.74 | 1.50 | 4.18 | 3.98 | 2.18 | 3.83 | 262.98 | 1.33 | 1.33 |
| Charge for the year | - | 0.12 | 6.08 | 0.68 | 84.35 | 0.70 | 0.83 | 0.58 | 2.09 | 0.90 | 1.08 | 97.41 | 0.20 | 0.20 |
| Other adjustments | - | - | - | - | 0.04 | - | 0.01 | - | 0.01 | 0.01 | - | 0.09 | - | - |
| - Exchange difference | - | - | - | - | (5.96) | - | (0.01) | - | (0.01) | - | (0.18) | (6.16) | - | - |
| Disposals | - | - | - | - | 298.76 | 2.44 | 2.33 | 4.76 | 6.07 | 3.09 | 4.73 | 354.32 | 1.53 | 1.53 |
| At September 30, 2012 | - | 0.14 | 29.62 | 2.38 | 99.07 | 0.47 | 0.95 | 1.04 | 1.52 | 1.42 | 1.51 | 113.48 | 0.57 | 0.57 |
| Charge for the year | - | 1.05 | 6.20 | 0.25 | - | - | - | - | - | - | - | - | - | - |
| Other adjustments | - | - | - | - | 1.07 | - | 0.06 | - | 0.09 | 0.07 | 0.02 | 1.36 | - | - |
| - Exchange difference | - | 0.05 | - | (2.49) | (9.96) | - | (0.01) | - | (3.08) | (0.49) | (0.18) | (16.21) | - | - |
| Disposals | - | - | - | - | 388.94 | 2.91 | 3.33 | 5.80 | 4.60 | 4.09 | 6.08 | 452.95 | 2.10 | 2.10 |
| At March 31, 2014 | 4.60 | 0.67 | 3.04 | 1.83 | 212.13 | 0.63 | 4.11 | 0.03 | 2.28 | 2.81 | 4.77 | 236.90 | 1.86 | 1.86 |
| At September 30, 2012 | 4.78 | 1.36 | 9.48 | 0.03 | 162.86 | 0.16 | 4.38 | 0.03 | 2.18 | 3.97 | 5.50 | 194.73 | 1.39 | 1.39 |

* Leasehold improvements represent fixtures taken on finance lease.

**Plant and machinery - construction equipment includes:

1. Shuttering and scaffolding material - [Rs. 104.72 (September 30, 2012; Rs 74.66)]. Net block value of this shuttering and scaffolding material is Rs. 29.23 (September 30, 2012; Rs. 26.33)
2. Equipment given on operating lease:

| Description | March 31, 2014 | September 30, 2012 |
|---|----------------|--------------------|
| Cost | 36.25 | 96.26 |
| Opening balance of accumulated depreciation | 21.83 | 44.58 |
| Depreciation for the year | 7.33 | 22.27 |
| Net book value | 7.09 | 29.41 |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| 13 Investments | | |
| (A) Non-current investments, unquoted trade investments (valued at cost unless stated otherwise) | | |
| Investment in Associates - equity shares (fully paid-up) | | |
| 7,750 (September 30, 2012: 10,000) equity shares of Rs. 100 each in Hill County Properties Limited (formerly known as Maytas Properties Limited) | 0.08 | 0.10 |
| Investment in other entities | | |
| In equity shares (fully paid) | | |
| 4,000,000 (September 30, 2012: 4,000,000) equity shares of Rs. 10 each in KVK Power and Infrastructure Private Limited (at cost less provision for other than temporary diminution in value Rs. 4.00 (September 30, 2012: Rs. 4.00)) | - | - |
| 2,600 (September 30, 2012: 2,600) equity shares of Rs. 10 each in Gulbarga Airport Developers Private Limited | 0.00 | 0.00 |
| 2,600 (September 30, 2012: 2,600) equity shares of Rs. 10 each in Shimoga Airport Developers Private Limited | 0.00 | 0.00 |
| In preference shares (fully paid-up) | | |
| 4,550,000 (September 30, 2012: 4,550,000) Zero coupon convertible preference shares of Rs. 10 each in KVK Power and Infrastructure Private Limited (at cost less provision for other than temporary diminution in value Rs. 4.55 (September 30, 2012: Rs 4.55)) | - | - |
| 2,441,850 (September 30, 2012: 2,441,850) 9% cumulative optionally convertible redeemable preference shares of Rs. 100 each in Bangalore Elevated Tollway Limited * | 24.42 | 24.42 |
| In Pass Through Certificates (Refer note 31(h) and 48) | | |
| 2,596,675.29 (September 30, 2012 : 2,045,175.86) pass through certificates of Rs. 1,000 each in Maytas Investment Trust * | 259.67 | 226.67 |
| | 284.17 | 251.19 |
| Aggregate amount of provision for diminution in value of investments is Rs. 8.55 (September 30, 2012: Rs. 8.55) | | |
| * Pledged in favour of Infrastructure Leasing and Financial Services Limited. | | |
| (B) Current investments | | |
| Valued at lower of cost and fair value, unless otherwise stated | | |
| Unquoted investments | | |
| Nil (September 30, 2012: 17,834) units of LIC Mutual Fund - Growth plan | - | 0.04 |
| Nil (September 30, 2012: 614.50) units of SBI-SHF-Ultra Short Term Fund | - | 0.60 |
| Nil (September 30, 2012: 5,753.31) units of SBI Premium Liquid Fund | - | 0.06 |
| | - | 0.70 |
| Aggregate net asset value as at March 31, 2014: Rs. Nil (September 30, 2012: Rs. 0.70) | | |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Long term | | Short term | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 14. Loans and advances | | | | |
| Capital advances | | | | |
| Unsecured, considered good | 5.17 | 4.80 | - | - |
| (A) | 5.17 | 4.80 | - | - |
| Deposits (others) | | | | |
| Unsecured, considered good | 6.19 | 3.84 | 1.10 | 8.90 |
| Considered doubtful | 0.67 | 0.47 | - | - |
| | 6.86 | 4.31 | 1.10 | 8.90 |
| Provision for doubtful deposits (others) | (0.67) | (0.47) | - | - |
| (B) | 6.19 | 3.84 | 1.10 | 8.90 |
| Loans and advances to related parties | | | | |
| Secured, considered good (Refer note 49) | 201.46 | - | - | - |
| Unsecured, considered good | 96.07 | 369.85 | 9.41 | 5.57 |
| Considered doubtful | 8.13 | 10.00 | - | - |
| | 305.66 | 379.85 | 9.41 | 5.57 |
| Provision for doubtful advances | (8.13) | (10.00) | - | - |
| (C) | 297.53 | 369.85 | 9.41 | 5.57 |
| Advances recoverable in cash or kind | | | | |
| Unsecured, considered good | 23.18 | 125.66 | 228.02 | 179.43 |
| Considered doubtful | 25.06 | 28.51 | - | - |
| | 48.24 | 154.17 | 228.02 | 179.43 |
| Provision for doubtful advances | (25.06) | (28.51) | - | - |
| (D) | 23.18 | 125.66 | 228.02 | 179.43 |
| Other loans and advances, unsecured, considered good unless otherwise stated | | | | |
| Share application money | - | 27.00 | - | - |
| Advance to Suppliers/ Sub-contractors | - | - | 10.52 | - |
| Loan to other companies | | | | |
| Secured, considered good | 38.96 | 56.22 | 4.97 | - |
| Unsecured, considered good | 57.02 | 37.62 | 27.48 | 19.31 |
| Inter-corporate deposits (Refer note 33) | 362.36 | 335.36 | - | - |
| Balances with statutory/government authorities | 4.78 | 10.31 | 27.06 | 7.77 |
| Advance income tax/ TDS Receivable (net of provision for taxation) | 89.71 | 79.78 | 5.80 | 12.48 |
| (E) | 552.83 | 546.29 | 75.83 | 39.56 |
| Total (A + B + C + D + E) | 884.90 | 1,050.44 | 314.36 | 233.46 |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

Loans and advances to related parties include

| | Long term | | Short term | |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| Other advances | | | | |
| Hill County Properties Limited (formerly known as Maytas Properties Limited) | 0.15 | - | - | 0.17 |
| Dues from joint ventures | 8.13 | 10.00 | 9.41 | 5.40 |
| Inter-corporate deposits | | | | |
| Hill County Properties Limited (formerly known as Maytas Properties Limited) | 297.38 | 369.85 | - | - |
| | 305.66 | 379.85 | 9.41 | 5.57 |

| | Non-current | | Current | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 15. Other assets | | | | |
| Interest accrued on deposits and others | | | | |
| Considered good | 62.04 | 48.33 | 31.51 | 23.71 |
| Considered doubtful | 41.92 | 41.92 | - | - |
| Provision for doubtful interest accrued | 103.96 (41.92) | 90.25 (41.92) | 31.51 - | 23.71 - |
| (A) | 62.04 | 48.33 | 31.51 | 23.71 |
| Claim for performance bank guarantee | | | | |
| Considered doubtful | 21.12 | 21.12 | - | - |
| Less: Provision for doubtful bank guarantee | (21.12) | (21.12) | - | - |
| (B) | - | - | - | - |
| Unsecured, considered good unless otherwise stated | | | | |
| Non-current bank balances (Refer note 18) | 13.23 | 11.37 | - | - |
| Non-current trade receivables (Refer note 17) | 294.87 | 154.84 | - | - |
| Non-current inventories (Refer note 16) | 112.52 | 110.57 | - | - |
| Others | | | | |
| Fixed assets held for sale | - | - | 12.48 | 12.48 |
| Receivables against sale of fixed asset | - | - | - | 13.83 |
| Other receivables | | | | |
| Considered good | 4.64 | 10.11 | 12.30 | 1.04 |
| Doubtful | 0.82 | 1.06 | - | - |
| | 426.08 | 287.95 | 24.78 | 27.35 |
| Provision for doubtful other receivables | (0.82) | (1.06) | - | - |
| (C) | 425.26 | 286.89 | 24.78 | 27.35 |
| Total (A + B + C) | 487.30 | 335.22 | 56.29 | 51.06 |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | Non-current | | Current | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 16. Inventories [Refer note 3.1 (g) and 28] | | | | |
| Project materials | - | - | 60.02 | 65.09 |
| Work-in-progress | - | - | 13.29 | 6.61 |
| Amount due from customers (project work-in-progress) | 112.52 | 110.57 | 846.23 | 549.62 |
| | 112.52 | 110.57 | 919.54 | 621.32 |
| Amount disclosed under non-current assets (Refer note 15) | (112.52) | (110.57) | - | - |
| Total | - | - | 919.54 | 621.32 |
| 17. Trade receivables | | | | |
| Outstanding for a period exceeding six months from the date they are due for payment # | | | | |
| Unsecured, considered good | 32.82 | 21.33 | 88.22 | 80.47 |
| Doubtful | 46.90 | 41.22 | - | - |
| | 79.72 | 62.55 | 88.22 | 80.47 |
| Provision for doubtful receivables | (46.90) | (41.22) | - | - |
| (A) | 32.82 | 21.33 | 88.22 | 80.47 |
| Other receivables * | | | | |
| Unsecured, considered good | 262.05 | 133.51 | 648.25 | 175.58 |
| Doubtful | - | 1.54 | - | - |
| | 262.05 | 135.05 | 648.25 | 175.58 |
| Provision for doubtful receivables | - | (1.54) | - | - |
| (B) | 262.05 | 133.51 | 648.25 | 175.58 |
| Amount disclosed under non-current assets (Refer note 15) | | | | |
| (C) | (294.87) | (154.84) | - | - |
| Total (A + B + C) | - | - | 736.47 | 256.05 |

includes Non-current retention money of Rs. 6.70, net of provision of Rs. 0.27 (September 30, 2012: Rs. 0.24, net of provision of Rs. 4.98) and Current retention money of Rs. 4.82, net of provision of Rs. Nil (September 30, 2012: Rs. 21.54, net of provision of Rs. Nil).

* includes Non-current retention money of Rs. 263.31, net of provision of Rs. Nil (September 30, 2012: Rs. 131.42, net of provision of Rs. 1.54) and Current retention money of Rs. 81.50, net of provision of Rs. Nil (September 30, 2012: Rs. 21.84, net of provision of Rs. Nil).

| | Non-current | | Current | |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | As at March 31, 2014 | As at September 30, 2012 | As at March 31, 2014 | As at September 30, 2012 |
| 18. Cash and bank balances | | | | |
| Cash and cash equivalents | | | | |
| Balances with banks: | | | | |
| On current accounts | - | - | 47.84 | 69.96 |
| On unpaid dividend account | - | - | 0.00 | 0.00 |
| Cash on hand | - | - | 0.97 | 1.66 |
| | - | - | 48.81 | 71.62 |
| Other bank balances | | | | |
| Deposits with original maturity for more than 12 months * | 4.89 | 4.37 | - | 2.43 |
| Deposits with original maturity for more than 3 months but less than 12 months * | - | - | 0.40 | 1.44 |
| Margin money deposits ** | 8.34 | 7.00 | 20.46 | 23.88 |
| | 13.23 | 11.37 | 20.86 | 27.75 |
| Amount disclosed under non-current assets (Refer note 15) | (13.23) | (11.37) | - | - |
| Total | - | - | 69.67 | 99.37 |

* Deposits under lien

** Lodged with authorities

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|--|---|---|
| 19 Revenue from operations | | |
| Revenue from contracts | 3,949.54 | 2,122.65 |
| Revenue from equipment hiring services | 22.04 | 30.39 |
| Revenue from other services | 4.46 | 30.00 |
| Other operating revenue | | |
| Reversal of provision for estimated future loss on projects (net) (refer note 36) | 15.06 | 21.40 |
| | 3,991.10 | 2,204.44 |
| 20 Other income | | |
| Interest income on | | |
| Bank deposits | 5.59 | 4.48 |
| Inter corporate deposits and others | 109.80 | 73.43 |
| Income tax refunds | 3.08 | 0.23 |
| Dividend from mutual funds | 0.02 | 0.49 |
| Gain on exchange fluctuation (net) | 0.44 | 0.09 |
| Liabilities no longer required written back | 25.77 | 4.84 |
| Profit on sale of Fixed Assets (net) | - | 7.94 |
| Other non-operating income | 13.14 | 9.38 |
| | 157.84 | 100.88 |
| 21 Cost of materials consumed | | |
| Materials at the beginning of the year | 65.09 | 61.90 |
| Add: Purchases during the year | 976.34 | 560.60 |
| | 1,041.43 | 622.50 |
| Less: Stocks written-off | 0.98 | 1.00 |
| Less: Cost of materials sold | 0.44 | 0.18 |
| | 1,040.01 | 621.32 |
| Less: Materials at the end of the year | 60.02 | 65.09 |
| | 979.99 | 556.23 |
| 22 Increase in work-in-progress | | |
| Opening Work-in-progress | 6.61 | 1.05 |
| Closing Work-in-progress | 13.29 | 6.61 |
| | (6.68) | (5.56) |
| 23 Employee benefits expenses | | |
| Salaries, wages and bonus | 401.31 | 207.74 |
| Contribution to provident fund and other funds | 5.73 | 4.36 |
| Gratuity | 0.62 | 1.62 |
| Compensated absences | 1.75 | 2.58 |
| Staff welfare expenses | 5.83 | 5.83 |
| | 415.24 | 222.13 |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|---|---|
| 24 Other expenses | | |
| Rent | 12.94 | 11.79 |
| Rates and taxes | 11.68 | 10.14 |
| Office maintenance | 7.99 | 5.85 |
| Communication expenses | 3.08 | 2.51 |
| Printing and stationery | 2.11 | 1.90 |
| Legal and professional charges | 48.67 | 15.34 |
| Travelling and conveyance | 17.85 | 13.73 |
| Business promotion | 0.56 | 0.54 |
| Donation | 0.05 | 0.02 |
| Auditor's remuneration (refer note 43) | 1.47 | 1.66 |
| Loss on sale/discard of fixed assets (net) | 1.04 | - |
| Site expenses | 16.50 | 12.67 |
| Hire charges | 39.07 | 14.49 |
| Freight and transportation | 4.30 | 9.75 |
| Insurance | 10.84 | 7.47 |
| Power and fuel | 5.94 | 2.66 |
| Repairs | | |
| Plant and machinery | 7.19 | 4.90 |
| Buildings | 0.31 | 0.60 |
| Others | 3.96 | 3.50 |
| Provision for doubtful advances/trade receivables | 7.16 | 12.32 |
| Stock written off | 0.98 | - |
| Bad debts/advances written-off (net of reversal of provision Rs. 8.38) | 12.92 | 1.59 |
| Fixed assets/capital work in progress written off | 0.44 | 1.15 |
| Provision for liquidated damages (net) | 0.47 | 0.50 |
| Miscellaneous expenses | 4.60 | 4.04 |
| | 222.12 | 139.12 |
| 25 Finance cost | | |
| Interest expense | 312.83 | 201.98 |
| Lease finance charges | 0.23 | 0.55 |
| Bank charges | 21.30 | 11.67 |
| | 334.36 | 214.20 |
| 26 Exceptional items (net) | | |
| Liabilities no longer required written back | - | (3.18) |
| Bad debts earlier written-off now written back | - | (19.88) |
| Stock written-off | - | 1.00 |
| Fixed assets/capital work in progress written off | - | 2.80 |
| Provision for doubtful debtors/advances/interest accrued on deposits/other receivables (net) | - | 9.00 |
| | - | (10.26) |
| 27 Earnings per share (EPS): | | |
| The following reflects the loss and share data used in the basic and diluted EPS computation: | | |
| Loss for the year | (145.05) | (147.01) |
| Less: Dividend payable to preference shareholders & tax thereon | (26.11) | (33.41) |
| Loss for calculation of EPS | (171.16) | (180.42) |
| Weighted average number of equity shares considered for calculation of basic and diluted earnings per share | 89,787,243 | 77,392,643 |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

28. Uniform accounting policies:

As per the requirements of AS-21, AS-23 and AS-27, in the preparation of consolidated financial statements, the accounting policies of the consolidated entities are required to be aligned with those of the Company to the extent practicable. The following accounting policy followed by various consolidated entities is not aligned with those of the Company:

As per the Group accounting policy, revenue from construction contracts is recognised on the percentage of completion method as mentioned in Accounting Standard (AS 7) "Construction Contracts" notified by the Companies Accounting Standards Rules, 2006 (as amended). The percentage of completion is determined by the proportion that contract costs incurred for work performed up to the balance sheet date bear to the estimated total contract costs. However, NCC-Maytas (JV) and Maytas CTR (JV), joint venture entities have determined stage of completion on the basis of "Surveys performed" wherein the Group has determined the stage of completion of the project by the proportion that contract costs incurred for work performed upto the balance sheet date bear to the estimated total contract costs. The proportion of the aggregate work-in-progress of the above joint venture entities as compared to the Company's consolidated work-in-progress is 1.37% as at March 31, 2014 (0.99% as at September 30, 2012).

The Group has estimated the impact of such differential accounting policies on the consolidated results for the year end financial position of the Group as at March 31, 2014 and based on such estimates, has determined that the difference is not material. Management is of the opinion that, such alignment of accounting policies is not practicable and that the cumulative impact of such alignment, if made, would not be significant to the consolidated financial statements.

29. (a) Following entities were consolidated based on unaudited financials and the assets, revenues and cashflows of these entities considered in consolidated financial statements are given below:

| S. No | Name of the entity | Assets | Revenues | Cash flows |
|-------|--|---------------|---------------|----------------|
| i. | Maytas Infra Saudi Arabia Company (Limited liability Company) | 358.86 | 672.68 | (56.11) |
| ii. | Maytas Infra Assets Limited (MIAL) | 7.32 | - | - |
| iii. | Maytas-NCC (JV) # | 31.11 | 38.77 | (3.17) |
| iv. | NEC-NCC-Maytas(JV) # | 1.20 | 1.13 | 0.81 |
| v. | NCC-Maytas (JV) # | 1.16 | - | 0.10 |
| vi. | NCC-Maytas-ZVS (JV) # | 5.11 | 13.16 | 0.04 |
| | | 404.76 | 725.74 | (58.33) |

#amounts represent Company's share.

(b) In the previous year, the following entities were consolidated based on unaudited financials, the Company's share of assets, revenues and cash flows of these entities considered in consolidated financials are given below:

| S. No | Name of the entity | Assets | Revenues | Cash flows |
|-------|--|---------------|---------------|--------------|
| i. | Maytas Infra Saudi Arabia Company (Limited liability Company) | 195.50 | 134.78 | 65.56 |
| ii. | Maytas Infra Assets Limited (MIAL) | 7.39 | - | (0.11) |
| iii. | Maytas Metro Limited | 0.00 | - | - |
| iv. | Maytas Vashista Varadhi Limited | 0.25 | - | - |
| v. | Angeerasa Greenfields Private Limited | 30.01 | - | - |
| vi. | Saptaswara Agro Farms Private Limited | 20.01 | - | - |
| vii. | Ekadanta Greenfields Private Limited | 18.58 | - | - |
| viii. | NCC-Maytas (JV) - U1 # | 0.05 | - | 0.00 |
| ix. | NEC-NCC-Maytas(JV) # | 2.36 | 0.40 | 0.00 |
| x. | Maytas-NCC (JV) # | 35.64 | 48.88 | 1.89 |
| xi. | NCC-Maytas (JV) # | 1.19 | - | 0.00 |
| xii. | Maytas-CTR (JV) # | 20.79 | 7.38 | 0.47 |
| xiii. | NCC-Maytas-ZVS (JV) # | 5.93 | 2.34 | (0.05) |
| | | 337.70 | 193.78 | 67.76 |

#amounts represent Company's share.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

During the year, Management has obtained audited financial statements for the 18 months ended September 30, 2012, as a result, the current year revenue from operations is higher by Rs. 8.95, other non operating income is higher by Rs. 0.04, cost of materials consumed is higher by Rs. 8.20, loss before minority interest and tax is lower by Rs. 0.79 and minority interest is higher by Rs. 0.33.

- (c) During the previous year, management has consolidated the Maytas – SNC JV based on the audited financial statements as at and for the year ended March 31, 2010. Details of transactions between April 1, 2010 and September 30, 2012 were not available. The details are:

| S. No | Name of the entity | Assets | Revenues | Cash flows |
|-------|--------------------|--------|----------|------------|
| i. | Maytas - SNC (JV)* | 1.91 | - | - |
| | | 1.91 | - | - |

*amount represents Company's share

The entity is ceased to be jointly controlled entity as at March 31, 2014.

30. Going concern:

The Group has recorded a net loss of Rs. 145.05 (September 30, 2012: net loss of Rs. 147.01) for the 18 months ended March 31, 2014, resulting into accumulated loss of Rs 147.79 as at March 31, 2014. Though, the Company has incurred significant loss during the year, based on the business plan and following mitigating factors, the management is confident that the Company will be able to generate profits in future years and meet its financial obligations as they arise:

- The Company has an order book of Rs. 10,050 approximately as at March 31, 2014.
- Management has taken significant steps for revival and restoration of operations of the Company.
- The promoter group comprising of Infrastructure Leasing and Financial Services Limited (IL&FS) and IL&FS Financial Services Limited (IFIN), has advanced loans to the tune of Rs. 536.60 and Rs. 221.46 respectively to support the liquidity position of the Company upto March 31, 2014 and the Company also has an unutilized limit of Rs. 65.00 from IL&FS and Rs. 45.00 from IFIN as at March 31, 2014. Further the promoter group has advanced loans to the extent of Rs.200 through its group companies.
- During the previous year, CDR lenders had sanctioned additional Cash Credit limits to the extent of Rs.113.99 and non fund based limits to the extent of Rs. 249.25. The Company has unutilized Cash Credit limit of Rs. 46.76 and non fund based limits to the extent of Rs. 196.75 respectively.
- The Company has also received a report from an independent Credit Rating Agency (CRA) on its long-term and short-term banking facilities, wherein the CRA has assigned BBB- and A3 ratings for its long-term and short-term banking facilities respectively.
- During the year, the Company has opened an overseas branch to undertake works outside India, which has commenced its operations.
- The Board of Directors of the Company in their meeting held on October 09, 2013 resolved, subject to statutory and other approvals, to issue further equity shares to the existing shareholders of the Company on rights basis to the extent of Rs. 300.00 and Draft Letter of Offer (DLOF) has been filed on March 28, 2014.

Keeping in view, the above mentioned mitigating factors, the accompanying financial statements have been prepared on a going concern basis.

31. Contingent liabilities not provided for:

| S. No. | Particulars | As at March 31, 2014 | As at September 30, 2012 |
|--------|---|----------------------|--------------------------|
| (a) | Claims against the Group not acknowledged as debts (interest, if any, not ascertainable after date of order) | 22.50 | 18.09 |
| (b) | Guarantees issued by bankers and financial institutions (excluding performance obligations) and letters of credit | 313.91 | 298.00 |
| (c) | Guarantees issued by bankers, financial institutions on behalf of the Group towards performance obligations | 552.47 | 453.90 |
| (d) | Corporate Guarantees(including guarantees towards performance obligations of the Group) | 160.77 | 61.13 |
| (e) | Direct and indirect taxes under dispute | 116.59 | 91.66 |
| (f) | Liquidated Damages | 27.45 | 30.47 |
| (g) | Preference dividend (including dividend tax) | 26.11 | - |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

- (h) Till the previous year, the Company had guaranteed to make good the short fall, if any, on redemption of Pass Through Certificates issued by Maytas Investment Trust as per the CDR terms to the lenders. As per the revised arrangement during the year, the Company is no longer liable for any short fall (Refer note 48).
- (i) Consequent to announcement by erstwhile chairman of Satyam Computers Services Limited on January 7, 2009, Serious Fraud Investigation Office (SFIO) has initiated investigations on various matters pertaining to the Company which are ongoing. The SFIO has submitted its reports relating to various findings and has issued notices for prosecution for alleged violations against the Company and others. While the Company has not accepted these violations, in order to settle these issues, the Company had filed compounding applications for these alleged violations, which are yet to be concluded.
- (j) The Company had received a Show Cause Notice (SCN) on June 19, 2009 from Securities and Exchange Board of India (SEBI) alleging insider trading by the Company in the scrip of Satyam Computer Services Limited in the years 2001-2002 and 2004-2005. After the aforementioned SCN no further communication was made in this regard until February 2013 when SEBI directed the Company for a personal hearing before whole time member of SEBI. The Company has filed its detailed reply against the SCN, the next date of hearing is not yet communicated to the Company.
- (k) The Company had entered into a share transfer agreement dated July 9, 2010 towards disposal of its stake in two BOT projects. Subsequently, on July 2, 2012, on the pretext of certain acts/alleged breaches by the Company, the transferee made certain unsubstantiated allegations and nominated an arbitrator, which was refuted by the Company for lack of any disputable ground and no loss on part of transferee for the breaches alleged. The transferee appointed arbitrator and High Court of Karnataka appointed arbitrator on our behalf and in turn both the arbitrators appointed presiding arbitrator. The matter stands for adjudication by the arbitral panel as per the rules of the Arbitration centre, Bangalore. Separately during the financial year ended March 31, 2014, the transferee also filed petition under Section 9 of the Arbitration & Conciliation Act, 1996. The aforesaid matter is yet to be concluded.
- (l) The Company formed Himachal Joint Venture (HJV) to execute an EPC project with National Hydro Power Corporation (Client). HJV subcontracted this work to SSJV Projects Private Limited (SSJV) and the work has been executed to the extent of Rs. 262.45 by SSJV. Due to the geographical conditions at site, work could not be done at the rates prescribed in the contract. HJV invoked arbitration clause for delays and extra-ordinary geological occurrence in executing the project. The Client en-cashed bank guarantees for an amount of Rs. 216.40 provided by SSJV and issued winding up notice to the Company as well as other joint venture partners. The Company vide its letter dated July 29, 2013 replied to the said notice stating that the matter is disputed and subjudice and would not be legally tenable. Client has filed a winding-up petition against Company and Joint venture partner vide CP 73/2014, which are pending for hearing. SSJV has provided indemnity in favour of the Company against all claims, losses etc. that may arise out of this Contract.

Based on the internal assessment and / or legal opinion, the Management is confident that for the above mentioned contingent liabilities, no provision is required to be made as at March 31, 2014.

32. Commitments:

(a) Capital Commitments:

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs. 7.81 (September 30, 2012 Rs. 2.24).

(b) Other Commitments: Nil (September 30, 2012 : Nil).

33. Inter-Corporate Deposits:

Prior to April 1, 2009 the erstwhile promoters had given certain Inter Corporate Deposits (ICDs) to various companies aggregating to Rs. 362.36. Of the foregoing, documentary evidences had been established that, for an amount of Rs 342.11 the then Satyam Computer Services Limited (SCSL) was the ultimate beneficiary and for which a claim together with interest receivable had been lodged by the Company. During the year, SCSL had merged into Tech Mahindra Limited (TML) pursuant to a Scheme of Arrangement u/s.391-394 of the Companies Act 1956. As provided in the scheme and as per the judgment of Hon'ble High Court of Andhra Pradesh on the said scheme, the aforesaid amount in books of SCSL was now transferred to TML. The Company through its subsidiaries preferred an Appeal before the Division Bench of Hon'ble High Court of A.P. against the single judge's Order approving the merger scheme of SCSL which is pending as on date. TML, in its audited financial results for March 31, 2014 continued to disclose the same as "Amounts Pending Investigation Suspense Account (Net) Rs.1,230.40" as disclosed by SCSL earlier. Management is of the opinion that the claim made by the Company on SCSL is included in the aforesaid amount disclosed by TML in their Audited Financial Results.

34. Segment Reporting:

Business segment:

The Group's operations fall into a single business segment "Construction and Infrastructure Development". Therefore, segment reporting in terms of Accounting Standard 17 on Segmental Reporting is not required to be disclosed.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

Geographical segments:

Although the Company's major operating divisions are managed on a worldwide basis, they operate in two principal geographical areas of the world, in India, its home country, and rest of the world.

| Segment | Segment revenue | | Carrying amount of segment assets | | Carrying amount of additions to segment assets | |
|-------------------|-----------------|-----------------|-----------------------------------|-----------------|--|--------------|
| | 2014 | 2012 | 2014 | 2012 | 2014 | 2012 |
| India | 3,007.64 | 2,076.43 | 3,503.33 | 2,944.04 | 38.38 | 30.86 |
| Rest of the world | 983.46 | 128.01 | 450.63 | 195.51 | 33.60 | 22.55 |
| Total | 3,991.10 | 2,204.44 | 3,953.96 | 3,139.55 | 71.98 | 53.41 |

35. Deferred tax:

The Group has no deferred tax liability as at March 31, 2014. Deferred tax assets on account of timing differences have not been recognized as at March 31, 2014 in the absence of virtual certainty of future taxable profits, except for Maytas-NCC (JV), a joint venture for Rs.0.01 since there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

| Particulars | March 31, 2014 | September 30, 2012 |
|------------------------|----------------|--------------------|
| Depreciation | 0.00 | 0.00 |
| Provision for Gratuity | 0.00 | 0.00 |
| Total | 0.01 | 0.01 |

36. Provision for estimated future loss from projects:

The projects in progress as at March 31, 2014 have been evaluated for future loss, if any, based on estimates relating to cost-to-complete the same. Based on such evaluation, the Company has provided for estimated future losses to an extent of Rs. 26.46 (September 30: 2012 Rs. 41.52) in terms of the requirements of Accounting Standard 7 (revised 2002) "Construction Contracts" notified by Company's (Accounting Standards) Rules, 2006 (as amended). The movement in the balance is as under:

| | As at March 31, 2014 | As at September 30, 2012 |
|--------------------------------|-------------------------|-----------------------------|
| Opening balance | 41.52 | 62.92 |
| Add: Additions during the year | 2.80 | 10.32 |
| Less: Reversal during the year | (17.86) | (31.72) |
| Closing balance | 26.46 | 41.52 |

37. Provision for liquidated damages:

Liquidated damages are levied as per the terms of the contract for delayed execution of works or delayed achievement of agreed milestones. For all projects in progress, the Management has estimated the probability of levy of liquidated damages, if any, based on completion date as per the contract, extension of time granted by the customer, etc. The movement in provision for liquidated damages is as under:

| | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| Opening balance | 14.07 | 17.01 |
| Add: Additions during the year | 2.00 | 3.13 |
| Less: Reversal during the year | (1.53) | (2.63) |
| Less: Adjusted against trade receivables | - | (3.44) |
| Closing balance | 14.54 | 14.07 |

38. Retirement benefits:

(a) Disclosures related to defined contribution plan:

Provident fund contribution and Employees' State Insurance contribution (ESI) recognized as expense in the Statement of profit and loss Rs. 5.73 (September 30, 2012 Rs. 4.36).

(b) Disclosures related to defined benefit plan:

The Company has a defined benefit gratuity plan wherever applicable. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days last drawn salary for each completed year of service. The scheme is unfunded.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

The following tables summarize the components of net benefit expense recognized in the Statement of profit and loss and amounts recognized in the balance sheet for the plan.

Consolidated Statement of profit and loss

Net employee benefit expense

| Particulars | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|--|--|
| Current service cost | 1.27 | 1.16 |
| Interest cost on benefit obligation | 0.45 | 0.26 |
| Net actuarial loss recognized in the year | (1.10) | 0.20 |
| Net benefit expense | 0.62 | 1.62 |

Balance sheet

Changes in the present value of the defined benefit obligation

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|---|----------------------|--------------------------|
| Opening defined benefit obligation | 3.25 | 1.92 |
| Interest cost | 0.45 | 0.26 |
| Current service cost | 1.27 | 1.16 |
| Benefits paid | (0.61) | (0.29) |
| Actuarial (gain)/ loss on obligation | (1.10) | 0.20 |
| Closing defined benefit obligation | 3.26 | 3.25 |

Amounts for current year and previous four years are as follows:

| | 2012-14 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|---|---------|---------|---------|---------|---------|
| Defined benefit obligation | 3.26 | 3.25 | 1.92 | 1.76 | 2.18 |
| Gain/(loss) on obligation due to change in assumption | (1.10) | (0.20) | - | (0.24) | 0.39 |
| Experience gain on obligation | - | - | 0.14 | 0.88 | - |

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

| | As at March 31, 2014 | | As at September 30, 2012 | |
|-------------------------------|----------------------|------|--------------------------|------|
| Discount rate | 9.14% | | 8.60% | |
| Increase in compensation cost | 5.00% | | 6.00% | |
| Employee turnover | Age (Years) | Rate | Age (Years) | Rate |
| | 18 - 57 | 5% | 18 - 57 | 5% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

39. In terms of the disclosures required to be made under the Accounting Standard 7 (revised 2002) notified by Company's (Accounting Standards) Rules, 2006 (as amended) for "Construction Contracts":

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|--|--|
| Contract revenue recognized for the year | 3,949.54 | 2,122.65 |
| Contract cost incurred and recognized profits (less recognized losses) for contracts in progress up to the reporting date | 7,970.85 | 4,372.46 |
| Advances received for contracts in progress | 503.85 | 375.04 |
| Amount of retention for contracts in progress | 342.87 | 131.81 |
| Gross amount due from customers for contract work (excluding cancelled projects) | 970.87 | 659.69 |
| Gross amount due to customers for contract work | 4.54 | 23.23 |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

40. Related party disclosures:

I. Names of related parties and description of relationship with the Group as per the Accounting Standard – 18 “Related Party Disclosures”:

- **Investing party in respect of which the reporting enterprise is an associate**

Infrastructure Leasing & Financial Services Limited

- **Joint Ventures (JV)**

1 Maytas-SNC (JV)*

2 NCC-Maytas (JV) U1

3 NEC-NCC-Maytas(JV)

4 Maytas-NCC (JV)

5 NCC-Maytas (JV)

6 Maytas-CTR (JV)

7 NCC-Maytas-ZVS (JV)

*During the current year, as per the revision in the arrangement, the Company has amicably settled the liability with other JV partner and hence ceased to be a joint venture of the Company. (Refer Note I above in para 3.1.a)

- **Associate**

HillCounty Properties Limited (formerly known as Maytas Properties Limited)

- **Key management personnel**

1. Mr. Murli Dhar Khattar, Managing Director (Chief executive officer w.e.f November 14, 2011 and Managing Director w.e.f December 26, 2013)

2. Mr. Vimal Kishore Kaushik, Managing Director*

* Ceased to be Managing Director of the Company (w.e.f. November 13, 2011)

II. Transactions with related parties during the year:

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|--|---|---|
| A. Investing party in respect of which the reporting enterprise is an associate | | |
| Infrastructure Leasing & Financial Services Limited | | |
| Interest expenditure | (111.39) | (45.94) |
| Payments made on behalf of the Company | (3.07) | (8.63) |
| Reimbursement of expenses | - | (0.41) |
| Bank Guarantee Commission | (3.20) | (1.82) |
| Loan taken | (650.00) | (346.63) |
| Loan repaid | 484.90 | 115.24 |
| B. Joint ventures (JV)** | | |
| 1. NCC – Maytas (JV) U1 | | |
| Expenses incurred on behalf of the party | 0.00 | - |
| Provision for doubtful advances | (0.02) | - |
| 2. NEC – NCC – Maytas (JV) | | |
| Receipt against share of profit | (0.27) | (0.37) |
| Expenses incurred on behalf of the party | 0.05 | 0.02 |
| 3. Maytas – NCC (JV) | | |
| Expenses incurred on behalf of the party | 0.10 | - |
| Reimbursement of expenses | (0.06) | - |
| Other non-operating income | 3.23 | - |
| Receipt against share of profit | (0.80) | (2.04) |
| Contract revenue | 11.68 | 24.47 |
| Provision for doubtful advances | 2.00 | (2.00) |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|---|---|
| Advance written off | (3.92) | - |
| 4. NCC – Maytas (JV) | | |
| Expenses incurred on behalf of the party | - | 0.05 |
| Receipt against share of profit | (0.17) | - |
| 5. Maytas CTR JV | | |
| Expenses incurred on behalf of the party | - | 0.16 |
| Interest Income | - | 0.14 |
| Advance given | 8.34 | 2.51 |
| Provision for doubtful advances | (0.63) | (1.80) |
| 6. NCC – Maytas – ZVS JV | | |
| Receipt against share of profit | (0.84) | (0.41) |
| 7. Maytas SNC JV | | |
| Investment written off | (0.59) | - |
| ** Represents other venture's share in the transactions with the joint ventures | | |
| C. Associate | | |
| Hill County Properties Limited (formerly known as Maytas Properties Limited) | | |
| Loans given | 83.00 | 321.98 |
| Loans repaid | (203.54) | (23.99) |
| Interest income | 67.54 | 49.42 |
| Interest converted into Loan | 48.06 | - |
| Reimbursement of expenses received | 0.58 | 9.43 |
| Revenue from Contracts (excluding project work in progress) | 194.45 | 154.09 |
| Mobilisation Advance received | - | (35.54) |
| Interest expenses | - | 1.46 |
| Purchase of material | 2.34 | 5.86 |
| Sale of fixed assets | - | 13.83 |
| D. Key Management Personnel | | |
| Vimal Kishore Kaushik | | |
| Managerial Remuneration | - | 1.54 |
| Rent Expenditure | - | 0.32 |
| Murli Dhar Khattar | | |
| Professional charges | 1.88 | 0.30 |

III. Balances outstanding debit / (credit):

| | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| A. Investing party in respect of which the reporting enterprise is an associate | | |
| Infrastructure Leasing & Financial Services Limited* | | |
| - Long-term secured loan | (536.60) | (269.50) |
| - Long-term unsecured loan | - | (102.00) |
| - Interest accrued and not due | (58.67) | (17.20) |
| - Trade payables | (0.78) | (1.52) |

*Excluding performance bank guarantee of Rs. 79.62(September 30, 2012: Rs. 56.53) given on behalf of the Company.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

| | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| B. Joint ventures | | |
| 1. NEC – NCC – Maytas (JV) | (1.18) | (0.73) |
| 2. Maytas – NCC (JV) | 1.98 | 8.18 |
| 3. NCC – Maytas (JV) U1 | 0.01 | 0.00 |
| 4. NCC – Maytas (JV) | 0.05 | 0.03 |
| 5. Maytas SNC (JV) | - | (0.60) |
| 6. Maytas – CTR- JV | 15.52 | 7.19 |
| 7. NCC – Maytas – ZVS | 0.21 | (0.78) |
| C. Associate | | |
| Hill County Properties Limited (formerly known as Maytas Properties Limited) | | |
| - Inter corporate deposits | 297.38 | 369.85 |
| - Interest accrued | 35.54 | 48.14 |
| - Receivables against sale of fixed asset | - | 13.83 |
| - Mobilization advance payable | - | (18.32) |
| - Others | 0.69 | 0.27 |
| - Trade receivables | 32.87 | 30.17 |

IV. Provisions against balances outstanding:

| | As at March 31, 2014 | As at September 30, 2012 |
|--------------------------|-------------------------|-----------------------------|
| A. Joint Ventures | | |
| 1. Maytas - NCC (JV) | - | (4.00) |
| 2. Maytas - CTR JV | (8.11) | (6.00) |
| 3. NCC – Maytas (JV) U1 | (0.02) | - |

41. Incidental Expenditure during Construction Period (Pending capitalization) included in capital work in progress:

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| Opening balance of incidental expenditure: | - | 8.03 |
| Less: On disposal* | - | 7.14 |
| | - | 0.89 |
| Rates & taxes | 0.00 | - |
| Legal and professional charges | 0.01 | 0.04 |
| Miscellaneous (receipts)/expenses | - | 0.02 |
| Bank charges | - | 0.04 |
| Total | 0.01 | 0.99 |
| Less: Amount written off | - | 0.99 |
| Total | 0.01 | - |

*Consists of incidental expenditure relating to joint ventures and subsidiaries which were transferred during the previous year.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

42. Employee Stock Option Scheme (ESOS):

The Company has provided various share-based payment schemes to its employees. As at March 31, 2014, the following two schemes were in operation:

| Particulars | ESOS - 2007 | ESOS - 2009 | |
|---|---|---|---|
| | | Grant I | Grant II |
| Date of grant | April 14, 2007 | March 23, 2010 | June 28, 2012 |
| Date of Remuneration Committee approval | April 14, 2007 | March 23, 2010 | June 28, 2012 |
| Date of Shareholder's approval | March 30, 2007 | November 09, 2009 | November 09, 2009 |
| Number of options granted | 644,967 | 1,201,407 | 2,849,984 |
| Method of Settlement (Cash / Equity) | Equity | Equity | Equity |
| Vesting Period | Options vest on an annual basis at 20%,20%,30% and 30% over a period of four years. | <p>Vesting Option - 1 Options vest on an annual basis at 30%, 35% and 35% over a period of three years.</p> <p>Vesting Option - 2 Options vest on an annual basis at 20%, 30% and 50% over a period of three years.</p> | <p>Vesting Option 1: Options vest on an annual basis at 30%, 30% and 40% over a period of three years.</p> <p>Vesting Option 2: Options vest on an annual basis at 40% and 60% over a period of two years.</p> <p>Vesting Option 3: Options vest totally after one year from the date of grant</p> |
| Exercise Period | 3 years from the date of vesting | 3 Years from the date of Vesting | 3 Years from the date of vesting |

I The details of activity under ESOS - 2007 have been summarized below:

| Particulars | For the 18 months ended March 31, 2014 | | For the 18 months ended September 30, 2012 | |
|---|--|---|--|---|
| | Number of Options | Weighted Average Exercise Price (Rs. per share) | Number of Options | Weighted Average Exercise Price (Rs. per share) |
| Outstanding at the beginning of the year | 31,294 | 370 | 61,397 | 370 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | 14,439 | 370 | 9,243 | 370 |
| Exercised during the year | - | - | - | - |
| Expired during the year | 8,426 | 370 | 20,860 | 370 |
| Outstanding at the end of the year | 8,429 | 370 | 31,294 | 370 |
| Exercisable at the end of the year | 8,429 | 370 | 31,294 | 370 |
| Weighted average remaining contractual life (in years) | 0.04 | - | 1.54 | - |
| Weighted average fair value of options granted on the date of grant (Rs. per share) | 98.77 | - | 98.77 | - |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

The details of exercise price for stock options outstanding at the end of the year for ESOS - 2007 Scheme:

| Year | Range of Exercise prices (Rs. per share) | Number of options outstanding | Weighted average remaining contractual life of options (in years) | Weighted Average Exercise price (Rs. per share) |
|---------|--|-------------------------------|---|---|
| 2012-14 | 370 | 8,429 | 0.04 | 370 |
| 2011-12 | 370 | 31,294 | 1.54 | 370 |

II) The details of activity under Grant I of ESOS – 2009 have been summarized below

| Particulars | For the 18 months ended March 31, 2014 | | For the 18 months ended September 30, 2012 | |
|---|--|---|--|---|
| | Number of Options | Weighted Average Exercise Price (Rs. per share) | Number of Options | Weighted Average Exercise Price (Rs. per share) |
| Outstanding at the beginning of the year | 640,095 | 176.90 | 902,214 | 176.90 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | 133,086 | 176.90 | 262,119 | 176.90 |
| Exercised during the year | - | - | - | - |
| Expired during the year | 136,132 | 176.90 | - | - |
| Outstanding at the end of the year | 370,877 | 176.90 | 640,095 | 176.90 |
| Exercisable at the end of the year | 370,877 | 176.90 | 385,002 | 176.90 |
| Weighted average remaining contractual life (in years) | 1.98 | - | 3.48 | - |
| Weighted average fair value of options on the date of grant (Rs. per share) | 95.32 | - | 95.32 | - |

The details of exercise price for stock options outstanding at the end of the year for ESOS-2009 scheme:

| Year | Range of Exercise prices (Rs. per share) | Number of options outstanding | Weighted average remaining contractual life of options (in years) | Weighted Average Exercise price (Rs. per share) |
|---------|--|-------------------------------|---|---|
| 2012-14 | 176.90 | 370,877 | 1.98 | 176.90 |
| 2011-12 | 176.90 | 640,095 | 3.48 | 176.90 |

III) The details of activity under Grant II of ESOS – 2009 have been summarized below:

| Particulars | For the 18 months ended March 31, 2014 | | For the 18 months ended September 30, 2012 | |
|---|--|---|--|---|
| | Number of Options | Weighted Average Exercise Price (Rs. per share) | Number of Options | Weighted Average Exercise Price (Rs. per share) |
| Outstanding at the beginning of the year | 2,709,024 | 58.90 | - | - |
| Granted during the year | - | - | 2,849,984 | 58.90 |
| Forfeited during the year | 548,176 | 58.90 | 140,960 | 58.90 |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 2,160,848 | 58.90 | 2,709,024 | 58.90 |
| Exercisable at the end of the year | 1,044,752 | 58.90 | - | - |
| Weighted average remaining contractual life (in years) | 4.24 | - | 5.74 | - |
| Weighted average fair value of options on the date of grant (Rs. per share) | 26.18 | - | 26.18 | - |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

The details of exercise price for stock options outstanding at the end of the year for ESOS-2009 scheme:

| Year | Range of Exercise prices (Rs. per share) | Number of options outstanding | Weighted average remaining contractual life of options (in years) | Weighted Average Exercise price (Rs. per share) |
|-----------|--|-------------------------------|---|---|
| 2012 – 14 | 58.90 | 2,160,848 | 4.24 | 58.90 |
| 2011 – 12 | 58.90 | 2,709,024 | 5.74 | 58.90 |

The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

| | ESOS 2007 | ESOS 2009 | ESOS 2009 |
|---|-----------------|-----------------|-----------------|
| | | Grant I | Grant II |
| Dividend yield (%) | - | 0.19% | - |
| Expected volatility | - | 68.34% | 54.38% |
| Risk-free interest rate | 7.74%-7.76% | 6.67%-7.38% | 8.38% |
| Weighted average share price (Rs.)* | - | - | - |
| Exercise price (Rs.) | 370 | 176.50 | 58.90 |
| Expected life of options granted in years | 2.5 – 5.5 years | 2.5 – 4.5 years | 2.5 – 5.5 years |

* As no options were exercised during the current year and previous year, the weighted average share price has not been indicated.

Effect of the above ESOS plans on the statement of profit and loss and on its financial position:

| Particulars | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|--|--|--|
| Total Employee Compensation Cost pertaining to share based payment plans | - | - |
| Less: Liability for employee stock options outstanding at the year end | - | - |

In March 2005, the Institute of Chartered Accountants of India has issued a Guidance Note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said Guidance Note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the Financial Statements. Applying the fair value based method defined in the said Guidance Note, the impact on the reported net profit and earnings per share would be as follows as the Company has used intrinsic value method for accounting of employee share based payments

| Particulars | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---|--|--|
| Loss considered for EPS (Refer note 27) | (171.16) | (180.42) |
| Add: Employee stock compensation under intrinsic value method | - | - |
| Less: Employee stock compensation under fair value method | (1.50) | (1.62) |
| Proforma loss | (172.66) | (182.04) |
| Earnings Per Share (Rs.) | | |
| Basic | | |
| - As reported | (19.06) | (23.31) |
| - Proforma | (19.23) | (23.52) |
| Diluted | | |
| - As reported | (19.06) | (23.31) |
| - Proforma | (19.23) | (23.52) |

43. Auditor's remuneration (including Service Tax):

| Particulars | For the 18 months ended March 31, 2014 | For 18 months ended September 30, 2012 |
|--|--|--|
| Statutory audit | 0.68 | 0.90 |
| Limited review | 0.45 | 0.56 |
| Certification | 0.21 | 0.07 |
| Audit fees for consolidated financial statements | 0.11 | 0.11 |
| Out of pocket expenses | 0.02 | 0.02 |
| Total | 1.47 | 1.66 |

Note: The above remuneration excludes Rs. 2.16 pertaining to proposed rights issue expenses (Refer note 50).

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

44. The aggregate amount of the gross assets, liabilities, income and expenses related to the Group's share in the joint ventures included in these consolidated financial statements as of and for the year ended March 31, 2014 are given below:

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|--|-------------------------|-----------------------------|
| Consolidated Balance Sheet: | | |
| Non-current assets | | |
| Tangible assets | 0.12 | 0.18 |
| Deferred tax assets (net) | 0.01 | 0.01 |
| Long-term loans and advances | 1.42 | 8.21 |
| Other non-current assets | 13.67 | 13.59 |
| Total Non-current assets (A) | 15.22 | 21.99 |
| Current assets | | |
| Inventories | 13.31 | 6.65 |
| Trade receivables | 15.39 | 9.61 |
| Cash and bank balances | 1.40 | 4.00 |
| Short-term loans and advances | 29.68 | 24.14 |
| Total current assets (B) | 59.78 | 44.40 |
| Total Assets (A+B) | 75.00 | 66.39 |
| Non-current liabilities | | |
| Other long-term liabilities | 22.71 | 20.57 |
| Total Non-current liabilities (C) | 22.71 | 20.57 |
| Current liabilities | | |
| Trade payables | 12.34 | 17.00 |
| Other current liabilities | 38.76 | 23.66 |
| Short-term provisions | 1.19 | 5.16 |
| Total Current liabilities (D) | 52.29 | 45.82 |
| Total Liabilities (C+D) | 75.00 | 66.39 |

Consolidated Statement of profit and Loss :

| Particulars | For the 18 months ended March 31, 2014 | For the 18 months ended September 30, 2012 |
|---------------------------------------|---|---|
| Income | | |
| Revenue from operations | 62.90 | 59.00 |
| Other income | 0.68 | 0.53 |
| Total Income (A) | 63.58 | 59.53 |
| Expenditure | | |
| Increase in Work-in-progress | (6.68) | 0.28 |
| Cost of material consumed | - | 39.10 |
| Employee benefits expense | 0.34 | 2.78 |
| Sub-contract expenses | 65.48 | 12.90 |
| Other expenses | 0.28 | 0.44 |
| Financial costs | 0.03 | 0.15 |
| Depreciation and amortization expense | 0.03 | 0.04 |
| Total Expenditure (B) | 59.48 | 55.69 |
| Profit before tax (C = A-B) | 4.10 | 3.84 |
| Provision for taxation | | |
| - Current tax | 1.37 | 1.23 |
| - Deferred tax credit | - | (0.01) |
| - Tax for earlier years | - | 0.12 |
| Total tax expense (D) | 1.37 | 1.34 |
| Profit after tax (C-D) | 2.73 | 2.50 |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

45. Hedged and un-hedged foreign currency exposure:

The Company has not hedged any of its foreign currency exposures. Particulars of un-hedged foreign currency exposure as at March 31, 2014 are detailed below at the exchange rate prevailing at the reporting date:

| Particulars | As at March 31, 2014 | | As at September 30, 2012 | |
|---|----------------------------|---------------|----------------------------|---------------|
| | Amount in Foreign currency | Amount in INR | Amount in Foreign currency | Amount in INR |
| Trade receivables | AED 3.77 | 61.67 | - | - |
| Advances given | AED 1.30 | 21.19 | AED 0.01 | 0.11 |
| Amount due from customers (Project work-in-progress) | AED 0.13 | 2.09 | - | - |
| Margin money deposit | AED 0.40 | 6.59 | - | - |
| Other assets | AED 0.00 | 0.05 | - | - |
| Trade payables | AED 3.97 | 64.86 | - | - |
| Security deposit payable | AED 1.60 | 26.10 | - | - |
| Mobilization advance payable | AED 1.66 | 27.13 | - | - |
| Advance billing | AED 0.10 | 1.71 | - | - |

46. Leases:

In case of assets taken on lease:

Operating lease: Operating leases are mainly in the nature of lease of office premises and machinery with no restrictions and are renewable at mutual consent. There are no restrictions imposed by lease arrangements. There are no subleases

Minimum lease payments under non-cancellable operating leases are:

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| Minimum Lease Payments | | |
| Not later than one year | 1.38 | 1.42 |
| Later than one year but not later than five years | 1.61 | 4.16 |
| Later than five years | - | - |

Finance lease: The present value of minimum lease rentals is capitalized as fixed assets with corresponding amount shown as lease liability. The principal component in the lease rentals is adjusted against the lease obligation and the finance charges are charged to the Statement of Profit and Loss as they arise. Finance lease was in the nature of office improvements and furniture for leasehold office premises. The lease agreement provides for escalation of lease rents over the period of lease term. The term was for a period of ten years renewable for a further period of ten years at mutual consent. The Company has pre closed the lease agreement and vacated the premises w.e.f. May 13, 2013. The Company has charged off the net book value of lease hold improvements to Statement of Profit and Loss.

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| Total minimum lease payments during the year | 0.54 | 1.07 |
| Less: amount representing finance charges | 0.21 | 0.55 |
| Present value of minimum lease payments (rate of interest 12%) | 0.33 | 0.52 |
| Minimum Lease Payments | | |
| Not later than one year [Present value Rs. Nil (September 30, 2012: Rs. 0.50)] | - | 0.81 |
| Later than one year but not later than five years [Present value Rs. Nil (September 30, 2012: Rs. 2.43)] | - | 2.94 |
| Later than five years [Present value Rs. Nil (September 30, 2012: Nil)] | - | - |

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

In case of Assets given on lease:

The Company has leased out certain construction equipment on operating lease. The lease term is generally for one year and renewable thereafter. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

| Particulars | As at March 31, 2014 | As at September 30, 2012 |
|---|-------------------------|-----------------------------|
| Future Minimum Lease Payments | | |
| Not later than one year | 0.76 | - |
| Later than one year but not later than five years | - | - |
| Later than five years | - | - |

Apart from the assets covered above, there are certain other assets which are leased out but have no fixed lease terms. Accordingly, no disclosure regarding future minimum lease payments has been made.

47. Scheme of arrangement:

In the previous year, the Company had undertaken a Scheme of Arrangement ("the Scheme") under Sections 391 to 394 of the Companies Act, 1956 ("the Act") read with Sections 78, 100 to 104 of the Act. The same was sanctioned by the Hon'ble High Court of Andhra Pradesh ("the Court") vide its order dated October 17, 2012, which was further modified on October 19, 2012 and on November 7, 2012 respectively. The said orders of the Court were registered with the Registrar of Companies on November 21, 2012. Pursuant to the Scheme, the securities premium account of the Company of Rs. 612.24 had been adjusted against the gross debit balance of Rs. 728.38 in the Statement Profit and Loss of the Company for the financial years 2008-09 and 2009-10. The unadjusted debit balance of Rs. 116.14 had been adjusted against the gross credit balance of the Statement of Profit and Loss of Rs. 295.96 being balance in the Profit and loss account as on March 31, 2008 and Profit for the year 2010-11 of the Company, leaving Rs. 179.82 in the statement of profit and loss of the Company as on the appointed date. Salient features/conditions of the Scheme are as under:

- The Company shall within four weeks of this order, furnish an unconditional Bank Guarantee for Rs.70.02 and deposit the guarantee with the Registrar (Judicial), Hon'ble High Court of Andhra Pradesh, to be retained to the credit of, and till the final outcome of Company Petition No.199 of 2010, or any directions passed therein. The debt due to the other two unsecured creditors, who voted against the scheme, of Rs.0.08 shall be repaid to them within four weeks from the date of the order, and proof of payment shall be filed by way of an application, supported by an affidavit, in the Company Petition.
- The Company shall add to its name, as its last words "*and reduced*" for the year up to and until the end of the financial year 2012-13; and in the balance sheet, the profit and loss account, and the annexure thereto for the year.

The balance in the statement of profit and loss arising pursuant to the Scheme can be used for payment of dividend to preference shareholders and/or adjustment against losses, if any, in the normal course of business operations from April 2011 onwards or for redemption of preference shares, but not for payment of dividend to equity shareholders.

The Company had complied with the conditions imposed by the order and has given effect of the same in the financial statement. The Company had presented the impact of the scheme in the Statement of profit and loss during the previous year, since such presentation was relevant to the understanding of the effect of the Scheme on the financial position and/or performance.

48. In the earlier years, pursuant to the Debt Restructuring Programme, the Company had settled an irrevocable trust, namely, Maytas Investment Trust (Trust). The objective of the Trust was to dispose certain underlying investments held and settle the liability towards the Pass Through Certificate (PTC), wherein the Company was also a contributory. Hitherto, the Company was also liable for shortfall, if any, in eventual settlement of the PTCs issued by the trust to other contributories. During the year, the terms of the PTCs have been restructured and as per revised arrangement, the Trust has issued fresh PTCs in lieu of erstwhile PTCs wherein the contributories would participate in the realization arising out of disposal of underlying investments in specified order and the Company is no longer liable for the shortfall, if any, towards settlement of PTCs held by other contributories. As at March 31, 2014, the Investment of the Company includes Rs. 259.67 contributed towards these PTCs.

The aforesaid Trust portfolio includes an investment wherein the investee company has gas based power plant, which is facing concerns on account of lower supplies/availability of natural gas. However, based on expert advice, evaluation of few alternates including representations/discussions with various government authorities to secure the gas linkage/supplies, the Management is of the view that the concerns in the industry are temporary in nature and will not have any material impact on the carrying value of the underlying investments held by the Trust and consequently on the carrying value of the PTCs held by the Company.

Notes to Consolidated financial statements for the 18 months ended March 31, 2014

(All amounts in Rs. Crore except for share data or as otherwise stated)

49. Post induction of IL&FS Group [Consisting of Infrastructure Leasing & Financial Services Limited ("IL&FS"), IL&FS Financial Services Limited ("IFIN") and IL&FS Engineering & Construction Company Limited ("IECCL")] in the Hill County Properties Limited ("HCPL") (formerly known as Maytas Properties Limited) ("MPL"), IL&FS Group has extended loans to HCPL through the Company and amount outstanding as on March 31, 2014 is Rs. 201.46 (September 30, 2012 : Rs. 321.98). Such facilities rank as priority debt and will have priority in repayment over other liabilities of HCPL (except existing secured borrowings from banks). In addition, towards security for the same, the Company has entered into an "Articles of Agreement" with HCPL wherein IL&FS Group has been given an option for adjusting the loans, along with accrued interest, against all the unsold villas and apartments of Hill County Phase I project of HCPL.

As per the terms of the said agreement, an option vests with the IL&FS Group to exercise the right to instruct HCPL to execute the conveyance over the villas and apartments, either in its favour or in joint names or in the name of any such person / entity nominated by IL&FS Group, in lieu of repayment of the loans along with all outstanding interest, cost and other amounts due thereon at the time of exercising such option.

The underlying land over which villas and apartments are under construction had Income tax attachment which has since been released by the High Court of Andhra Pradesh, however, there are certain restrictions on the sharing of the sale proceeds. Further, the Company is yet to obtain No Objection Certificate from the existing lenders, whose security includes first charge on inventories of the Company. Accordingly, the receivables were classified as unsecured in the previous year.

During the year, the Company has entered into interse sharing of security with other lenders of HCPL in the form of hypothecation of certain identified receivables including inter corporate loans, residual charge against receivables from unsold inventory etc., pledge of investment in Jubilee Hills landmark project and letter of guarantees and Mortgage of title deeds of immovable property from subsidiaries of HCPL. The registration of charges by HCPL is under process. The same has been classified as secured as at March 31, 2014.

50. The Company has incurred Rs. 4.13 up to March 31, 2014 (September 30, 2012: Nil) in connection with the proposed rights issue of its equity shares. This amount shall be adjusted against securities premium arising from the proposed rights issue of equity shares, as permitted under section 78 of the Companies Act, 1956. Accordingly, this amount has been carried forward and disclosed under the head "Other current assets" in the Balance Sheet.

51. All amounts less than Rs. 0.01 have been disclosed as Rs. 0.00. The Company had extended its Last Financial Year 2011-12 by six months and accordingly, had prepared its financial statements for 18 months from April 1, 2011 and ending on September 30, 2012. Further, during the year, the Board of directors of the Company have approved the extension of financial year of the Company ending on September 30, 2013 by a period of six months i.e. up to March 31, 2014, in order to align the financial year of the Company in terms of the Companies' Act, 2013, which has been approved by the Registrar of Companies, Andhra Pradesh. The current year financial statements are for eighteen months from October 01, 2012 to March 31, 2014.

52. Previous year's figures have been re grouped/re arranged to conform to those of the current year.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number : 101049W
Chartered Accountants

per Vikas Kumar Pansari

Partner

Membership No. 093649

Place : New Delhi

Date : May 19, 2014

For and on behalf of the board of directors of

IL&FS Engineering and Construction Company Limited and reduced

Ramchand K

Chairman

Dr. S N Mukherjee

Chief Financial Officer

Place : New Delhi

Date : May 19, 2014

Murli Dhar Khattar

Managing Director

G Venkateswar Reddy

Company Secretary

ATTENDANCE SLIP

I/Wehereby record my/our presence at the 25th Annual General Meeting being held on Friday the 08th day of August, 2014 at 12.00 Noon at KLN Prasad Auditorium, 3rd Floor, the Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad - 500 004.

Name of the Shareholder / Proxy*No. of Shares held.....

| | | |
|------------|------------|--------|
| Folio No.: | Client Id: | DP Id: |
|------------|------------|--------|

| | |
|--------------------------|--|
| Signature of Shareholder | |
|--------------------------|--|

*Strikeout whichever is not applicable

Note:

1. Shareholder/Proxy intending to attend the meeting must bring the duly signed Attendance Slip to the Meeting and handover at the entrance.
2. Shareholder/Proxy should bring his/her copy of the Annual Report.

PROXY

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: L45201AP1988PLC008624

Name of the company: IL&FS Engineering and Construction Company Limited

Registered office: 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers, Road No.2, Banjara Hills, Hyderabad-500033.

| | | | |
|---|---|---|--|
| Name of the member (s): | | E-mail Id : | |
| Registered address : | | Folio No. / Client Id No. : | |
| | | DP No. : | |
| 1. Name: Address: E-mail Id: Signature:....., or failing him | 2. Name: Address: E-mail Id: Signature:....., or failing him | 3. Name: Address: E-mail Id: Signature:..... | |

And whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 25th Annual general meeting of the company, to be held on the August 8, 2014 at 12.00 Noon at KLN Prasad Auditorium, 3rd Floor, The Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad – 500 004 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution | For | Against |
|------------|-----|---------|
| | | |
| | | |

Signed thisthe day of2014

| |
|-------------------------------------|
| Affix Re 1/- Revenue Stamp |
|-------------------------------------|

.....
 Signature of the first proxy holder Signature of the second proxy holder Signature of the Third proxy holder

Note :

- 1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- 2) A proxy need not be a member of the Company

Members who have not registered their e-mail addresses so far are requested to register their email address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.



National Guard Villas at
Saudi Arabia National Guard Housing Project (SANG), Dammam, KSA



Palm Terraces Select Residential Towers Project, Gurgaon



Tie in Point with Jettylines (Fujairah Jettyline Works)



Precast Erection in Progress at Dighi Port, Raigadh, Maharashtra

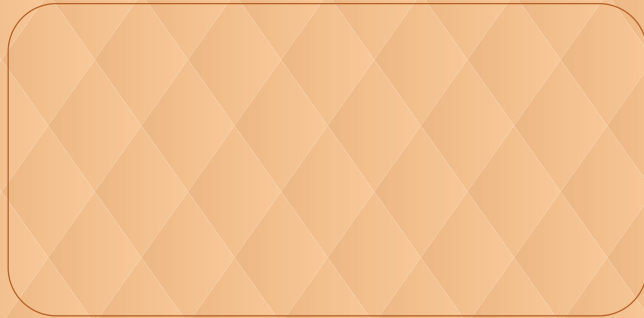


Bhupathipalem Reservoir Project (BPRP),
East Godavari District, Andhra Pradesh



Down Stream View of Anuppur Barrage Project
at Son River, Anuppur District, Madhya Pradesh

BOOK-POST



If undelivered, please return to:

 **Engineering Services**

IL&FS Engineering and Construction Company Limited
CIN - L45201AP1988PLC008624

Registered Office: Door No. 8-2-120/113/3/4F, Sanali Info Park
Cyber Towers, Road No. 2, Banjara Hills, Hyderabad - 500 033
Phone: +91-40-4040 9333
Fax: +91-40-4040 9444
www.ilfsengg.com / info@ilfsengg.com