

EAST HYDERABAD EXPRESSWAY LIMITED

ANNUAL REPORT

2009 - 10

DIRECTORS' REPORT

The Shareholders,
EAST HYDERABAD EXPRESSWAY LIMITED

Your Directors have pleasure in presenting the Third Annual Report along with the Audited Accounts for the financial year ended March 31, 2010

FINANCIAL RESULTS:

The financial results of the Company are as under:

Particulars	For the year ended 31.03.2010 (Rs.)
Total Income	-
Total Expenses	22,23,924
Profit/(Loss) for the year	(22,23,924)
Profit/(Loss) Before Tax	(22,23,924)
Prior Period Items	(7,60,873)
<u>Less: Provision for Tax</u>	(6,00,000)
Profit/(Loss)After Tax	(35,84,797)
Balance carried forward	(35,84,797)

DIVIDEND:

Your Directors do not recommend dividend for the period under review

OPERATIONS:

Your company has undertaken the project of design, construction, development, finance, operation and maintenance of 8-lane expressway of Outer Ring Road in the Hyderabad city. Your company has achieved the physical progress of 81 % of project. Your company had sought and had been granted extension of time for completion of the project. The total cost of the project is Rs 428 Crores approximately and till 31st March 2010, the project cost incurred is Rs. 333 Crores approximately. The project will be completed in FY 2010-11. This is an annuity project. During the year, your company has received Government Grant of Rs.56.13 Crores.

DIRECTORS:

During the year under review, Mr Harish Mathur and Mr J Prabhakar have been appointed as Additional Directors with effect from August 1, 2009 and March 22, 2010 respectively. In accordance with the provisions of the Companies Act, 1956, resolutions seeking approval of the members for appointment of Mr Mathur and Mr J Prabhakar have been incorporated in the Notice of the forthcoming Annual General Meeting and the explanatory statement thereto

Mr Pruthvi Reddy resigned as Director of the Company with effect from October 30, 2009. The Board placed on record its sincere appreciation for the valuable guidance and support rendered by him

Mr R C Bawa, Director of the Company is due for retirement by rotation and is eligible for re-appointment

AUDITORS:

M/s Luthra & Luthra, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and have expressed their willingness to continue as Statutory Auditors, if re-appointed

DEPOSITS:

Your Company has not accepted any Fixed Deposits during the period under review

CORPORATE GOVERNANCE:

Four Board Meetings were held during the year under review on May 5, 2009, August 1, 2009, November 23, 2009 and March 22, 2010. The numbers of meetings attended by the Directors are as under:

Sr. No.	Name of Directors	No. of Board Meetings held during tenure	Meetings attended
1	Mr Mukund Sapre	4	4
2	Mr RC Bawa	4	2
3	Mr Cherian George	4	4
4	Mr Pruthvi Kumar Reddy (<i>upto 30.10.2009</i>)	2	0
5	Mr Harish Mathur (<i>w.e.f 01.08.2009</i>)	3	3
6	J Prabhakar (<i>w.e.f 22.03.2010</i>)	1	1

The Audit Committee has been constituted by the Company for observing good corporate governance and have focused attention on the affairs of the Company

The Audit Committee is comprised of Mr R C Bawa, Mr Mukund Sapre, Mr Cherian George and Mr Harish Mathur. The Audit Committee met three times during the year under review on May 5, 2009, August 1, 2009 and November 23, 2009

PARTICULARS OF EMPLOYEES:

There are no employees in respect of whom the statement is required to be prepared pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 (“the Act”) the Directors based on the representations received from the Operating Management, confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they 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 at the end of the financial year and of the Loss of the Company for that period;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis

FOREIGN EXCHANGE EARNINGS AND OUTGO:

There was no income/earning or outgo of foreign exchange during the period under review. Since your Company does not have any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable

ACKNOWLEDGMENTS:

The Directors wish to place on records their appreciation for the continued support and co-operation by Relationships with Shareholders, Central and State Government/Agencies, Bankers and Regulatory Authorities remained excellent during the period under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement.

For and on behalf of the Board

Sd /- (Director) Sd /- (Director)

Date : May 10, 2010
Place : Mumbai

Luthra & Luthra

Chartered Accountants

REPORT OF THE AUDITORS' TO THE MEMBERS OF EAST HYDERABAD EXPRESSWAY LIMITED

1. We have audited the attached Balance Sheet of **EAST HYDERABAD EXPRESSWAY LIMITED** (the "Company") as at 31st March, 2010, and the related Profit and loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order 2004 (together 'the Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order on the basis of such checks of the books and records of the company as we considered appropriate and the information and explanation given to us during the course of audit.
4. Further to our comments in para 3 and 4 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books;
 - c) The Balance Sheet, Profit and Loss account and the Cash Flow Statement referred to in this report are in agreement with the books of account.
 - d) In our opinion the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.
 - e) On the basis of written representations received from the directors, as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.



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Luthra & Luthra

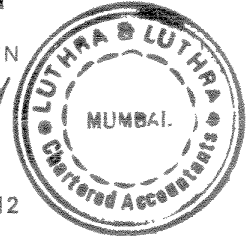
Chartered Accountants

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2010;
 - ii) in the case of the Profit and loss Account, of the loss of the company for the year ended 31st March, 2010; and
 - ii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Luthra & Luthra
Chartered Accountants
Firm Registration No. 002081N

AP

Amit A. Purohit
Amit A. Purohit
Partner
Membership No. 101612



Mumbai: 10/5/2010

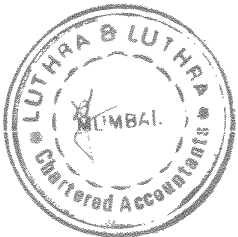
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Annexure referred to in paragraph (3) of the Auditors' Report of even date to the members of EAST HYDERABADEXPRESSWAY LIMITED on the financial statements for the year ended 31st March, 2010

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year as per the programme of verification adopted by the management of the Company, which, in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies between book records and the physical inventory have been noticed in respect of the assets physically verified.
- (c) Since no part of the fixed assets has been disposed off by the Company during the year, paragraph 4(i)(c) of the Order is not applicable.
- (ii) As the company does not have any Inventory, paragraph 4(ii)(a),(b) and (c) of the Order are not applicable.
- (iii) (a) In our opinion and according to the information and explanations given to us, the Company has not granted any loan, secured or unsecured, to Companies, firms or other parties covered in the Register maintained under Section 301 of the Act. As such, paragraph 4(iii) (a), (b), (c), (d) of the Order are not applicable.
- (b) In our opinion and according to the information and explanations given to us, the Company has not taken any loan, secured or unsecured, from Companies, firms or other parties covered in the Register maintained under Section 301 of the Act. As such paragraph 4(iii) (e), (f), (g) of the Order are not applicable.
- (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 nature of its business for purchase of fixed assets. The activities of the Company during the financial year under audit do not involve purchase of inventory and sale of goods or services. Further, on the basis of the information and explanations given to us, we have neither observed nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not entered into any transaction referred to in Section 301 of the Act. Hence paragraph 4(v)(a) and (b) of the said Order are not applicable.
- (vi) As the Company has not accepted any deposits from the public, paragraph 4(vi) the Order is not applicable.



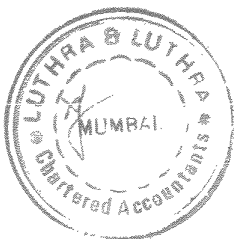
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- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and as explained to us, the company has not maintained any cost records under Clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, as these have not been prescribed by the Central Government.
- (ix) (a) According to the information and explanations given to us and according to the books and records examined by us, the company has been generally regular in depositing with the appropriate authorities undisputed statutory dues including income tax and other material statutory dues as applicable to it. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such Statutory dues which have remained outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no disputed statutory dues payables by the Company.
- (x) As the Company has been registered for a period less than five years, paragraph 4(x) dealing with accumulated losses and cash losses is not applicable to the Company.
- (xi) Based on our audit procedures and on the basis of information and explanations given by management, we are of the opinion that the Company has not defaulted in repayment of its dues to any financial institution or bank. As the company has not issued any Debentures the question of examining the repayment of same does not arise.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly Paragraph 4 (xii) of the Order is not applicable.
- (xiii) The Company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly paragraph 4 (xiii) of the Order is not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other Investments. Accordingly, Paragraph 4 (xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, Company has not given any guarantee in respect of loans taken by others from banks or financial institutions.



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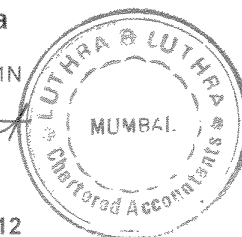
Chartered Accountants

- (xvi) In our opinion and according to the information and explanations given to us and records examined by us, the Company has applied the term loan for the purpose for which the loan was obtained.
- (xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) The Company has not issued any debentures. Accordingly, paragraph 4 (xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issue during the year. Accordingly, paragraph 4 (xx) of the Order is not applicable.
- (xxi) During the course of our examination of the books of account and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

Mumbai: 10/5/2010

For Luthra & Luthra
Chartered Accountants
Firm Registration No. 002081N


Amit A. Purohit
Partner
Membership No. 101612



East Hyderabad Expressway Limited

Balance Sheet as at 31st March, 2010

	Schedule	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009	As at 31st March, 2009
I. SOURCES OF FUNDS					
SHARE HOLDERS' FUNDS:					
Share Capital	A		293,100,000		293,100,000
DEFERRED GOVERNMENT GRANT <i>(Refer note B-4 of schedule G)</i>			660,025,000		271,775,000
LOAN FUNDS:					
Secured Loans	B		2,500,000,000		1,500,012,000
TOTAL			3,453,125,000		2,064,887,000
II. APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	C	3,439,963		3,336,014	
Less : Depreciation		1,510,295		921,778	
Net Block		1,929,668		2,414,236	
Capital Work-in Progress		3,237,085,451	3,239,015,119	1,025,164,993	1,027,579,229
INCIDENTAL EXPENDITURE DURING CONSTRUCTION PENDING ALLOCATION TO FIXED ASSETS	D		-		391,508,544
CURRENT ASSETS, LOANS & ADVANCES					
(a) Sundry Debtors	E	100,561,229		9,190,046	
(b) Cash and Bank balances		106,681,893		253,935,555	
(c) Loans and advances		264,436,912		493,787,665	
		471,680,034		756,913,266	
LESS: CURRENT LIABILITIES & PROVISIONS					
(a) Current Liabilities	F	261,154,950		111,136,933	
(b) Provisions		-		-	
NET CURRENT ASSETS		261,154,950	210,525,084	111,136,933	645,776,333
MISCELLANEOUS EXPENDITURE <i>(To the extent not written off or adjusted)</i>					
PROFIT AND LOSS ACCOUNT			-		22,894
			3,584,797		-
TOTAL			3,453,125,000		2,064,887,000

Significant accounting policies and Notes forming part of accounts
The schedules referred to above form an integral part of the accounts

G

As per our report of even date attached

For Luthra & Luthra
Chartered Accountants
Firm Registration No : 002081N

For and on behalf of the Board

Amit A. Purohit
Partner
Membership No. 101612

Director

Director

Manager

Place : Mumbai
Date : May 10, 2010

East Hyderabad Expressway Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	For the year ended 31st March 2010 (Rs.)
<u>INCOME</u>	
Total Income	-
<u>EXPENSES</u>	
Legal & Professional Fees	82,725
Auditors' Remuneration	1,439,385
Rates & Taxes	8,920
Directors' Sitting Fees	170,000
Donation	500,000
Preliminary Expenses written off	22,894
Total Expenses	2,223,924
Profit / (Loss) before tax	(2,223,924)
Prior Period Items (Refer note C-1 of Schedule G)	(760,873)
Provision for Taxation	
Current Tax	(600,000)
Deferred Tax	-
Net Profit / (Loss) after tax	(3,584,797)
Balance Profit / (Loss) carried forward to the balance sheet	(3,584,797)
<u>Earning Per Share</u>	
Basic & Diluted	(0.12)
Significant accounting policies and Notes forming part of accounts refer to Schedule 'G' The schedules referred to above form an integral part of the accounts	
As per our report of even date attached	
For Luthra and Luthra Chartered Accountants Firm Registration No : 002081N	For and on behalf of the Board
Amit A. Purohit Partner Membership No. 101612 Place : Mumbai Date : May 10, 2010	Director Director Manager

East Hyderabad Expressway Limited

Cash Flow Statement for the year ended 31st March, 2010

Particulars		For the year ended 31st March 2010 Amount (Rs.)	For the year ended 31st March 2009 Amount (Rs.)
Cash Flows From Operating Activities			
Net Profit Before Tax		(3,584,797)	-
Adjustments for :- Preliminary Expenses w/off		22,894	-
Operating profit before Working Capital Changes		(3,561,903)	-
Adjustments changes in working capital: Increase / (Decrease) in Trade & other payables		243,953	196,030
Cash Generated from Operating Activities		(3,317,950)	196,030
Net Cash Flow from Operations	[A]	(3,317,950)	196,030
Cash Flows from Investing Activities			
Purchase of Fixed Assets		(113,949)	(1,995,250)
Increase in Capital Work in Progress (net)		(1,819,813,397)	(942,058,964)
Receipts from Ancillary Project Work		-	9,190,046
Incidental Expenditure During Construction Pending allocation to Fixed Assets		-	(178,564,657)
(Increase) /Decrease in Trade & other receivables		236,520,122	(249,288,294)
Increase / (Decrease) in Trade & other payables		150,374,064	(30,925,704)
Direct Taxes paid		(453,052)	(1,319,336)
Net Cash used in Investing Activities	[B]	(1,433,486,212)	(1,394,962,159)
Cash Flows from Financing Activities			
Increase in Long Term Borrowings		999,988,000	749,920,421
Grant Received		289,562,500	271,775,000
Net Cash generated from Financing Activities	[C]	1,289,550,500	1,021,695,421
Net Increase / (Decrease) in Cash and Cash Equivalents	[A+B+C]	(147,253,662)	(373,070,708)
Cash and Cash Equivalents at the beginning of the Year		253,935,555	627,006,263
Cash and Cash Equivalents at the end of the Year		106,681,893	253,935,555
Net Increase / (Decrease) in Cash and Cash Equivalents		(147,253,662)	(373,070,708)
COMPONENTS OF CASH & CASH EQUIVALENT- BEGINNING OF THE YEAR			
Balances with Scheduled Banks :			
- In Current Account		1,523,038	626,990,421
- In Deposit Account		252,362,120	-
Cash on Hand		50,397	15,842
Total		253,935,555	627,006,263
COMPONENTS OF CASH & CASH EQUIVALENT- END OF THE YEAR			
Balances with Scheduled Banks :			
- In Current Account		106,659,235	1,523,038
- In Deposit Account		-	252,362,120
Cash on Hand		22,658	50,397
Total		106,681,893	253,935,555

Significant accounting policies and Notes forming part of accounts refer to Schedule 'G'

As per our report of even date attached

For Luthra & Luthra
Chartered Accountants
Firm Registration No - 002081N

Amit A. Purohit
Partner
Membership No. 101612

Place : Mumbai
Date : May 10, 2010

For and on behalf of the Board

Director Director

Manager

EAST HYDERABAD EXPRESSWAY LIMITED

Schedules forming Part of the Accounts for the year ended 31st March 2010

SCHEDULE A : SHARE CAPITAL

	As At 31-Mar-10 Rs.	As At 31-Mar-09 Rs.
Authorised : 3,00,00,000 (3,00,00,000) Equity Shares of Rs. 10/- each	300,000,000	300,000,000
	300,000,000	300,000,000
Issued, Subscribed and Fully Paid - up : 2,93,10,000 (2,93,10,000) Equity Shares of Rs. 10/- each <i>Note: (Of the above, 2,16,89,400 Equity Shares are held by IL&FS Transportation Networks Limited, the Holding Company)</i>	293,100,000	293,100,000
	293,100,000	293,100,000

SCHEDULE B : SECURED LOANS

	As At 31-Mar-10 Rs.	As At 31-Mar-09 Rs.
Loans from Banks	2,157,200,000	1,294,412,000
Loan from Others	342,800,000	205,600,000
<i>(Secured by hypothecation of:</i>		
<i>(i) All monies including Annuity receivables from Hyderabad Urban Development Authority ("HUDA") to the credit of the Escrow Account.</i>		
<i>(ii) All rights, title, interest, benefits, claims, and demands of the Company under Project Agreements subject to the provisions of the Concession Agreement.</i>		
<i>(iii) Assignment of rights, title and interest to or in favor of the lenders pursuant to and in accordance with the Substitution Agreement as per the provisions of the Financing Documents of the Project.</i>		
<i>(iv) Assignment of Insurance policies in favour of Lenders</i>		
	2,500,000,000	1,500,012,000

EAST HYDERABAD EXPRESSWAY LIMITED

Schedule forming Part of the Accounts for the year ended 31st March 2010

SCHEDULE C : FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1-Apr-09	Additions	Deductions	As at 31-Mar-10	As at 1-Apr-09	For the year	Deductions	As at 31-Mar-10	As at 31-Mar-10	As at 31-Mar-09
Computers	416,480	54,250	-	470,730	106,915	94,328	-	201,243	269,487	309,565
Furniture & Fixtures	612,858	20,374	-	633,232	227,636	80,569	-	308,205	325,027	385,222
Office Equipments	701,006	39,325	10,000	730,333	185,504	111,918	10,000	287,422	442,911	515,504
Vehicles	1,605,668	-	-	1,605,668	401,723	311,702	-	713,425	892,243	1,203,945
Total of Fixed Assets (A)	3,336,014	113,949	10,000	3,439,963	921,778	598,517	10,000	1,510,295	1,929,668	2,414,236
As at 31st March, 2009	1,340,764	1,995,250	-	3,336,014	140,366	781,412	-	921,778	2,414,236	-
Capital Work in Progress (B)										
Total [(A)+(B)]									3,237,085,451	1,025,164,993
									3,239,015,119	1,027,579,229

"Depreciation on Fixed Asset is treated as a part of the Cost of the Project and hence included in "Capital Work in Progress".

East Hyderabad Expressway Limited

Schedule D : Statement of Incidental Expenditure during construction period pending allocation to fixed assets as at 31st March 2010

	As on March 31, 2009 Rs.	Transferred to Capital Work in Progress (refer note C-1 of Schedule G) Rs.	Transferred to Profit & Loss Account (refer note C-1 of Schedule G) Rs.	As on March 31, 2010 Rs.
EXPENSES				
Expenses on ancillary contract work	9,190,046	(9,190,046)	-	-
Project Management Fees	217,312,038	(217,312,038)	-	-
Legal & Professional Fees	19,690,473	(19,607,748)	(82,725)	-
Auditors' Remuneration	500,985	-	(500,985)	-
Concession Fees	2	(2)	-	-
Directors' Sitting Fees	165,000	-	(165,000)	-
Rent	616,330	(616,330)	-	-
Travel and Conveyance	3,099,112	(3,099,112)	-	-
Telephone Expenses and Internet Charges	298,666	(298,666)	-	-
Electricity Charges	74,411	(74,411)	-	-
Entertainment Expenses	168,870	(168,870)	-	-
Guest House Expenses	572,851	(572,851)	-	-
Insurance Premium	867,842	(867,842)	-	-
Brokerage and Commission	28,250	(28,250)	-	-
Lenders' Site Visit Expenses	158,937	(158,937)	-	-
Rates & Taxes	2,493,763	(2,481,600)	(12,163)	-
Office Maintenance Expenses	479,018	(479,018)	-	-
Postage and Courier	25,986	(25,986)	-	-
Printing and Stationery	267,787	(267,787)	-	-
Repair & Maintenance -Others	9,593	(9,593)	-	-
Gifts and Business Promotion	308,350	(308,350)	-	-
Miscellaneous Expenses	42,042	(42,042)	-	-
Depreciation	921,778	(921,778)	-	-
Bank Charges	344,869	(344,869)	-	-
Interest and Financing Costs	154,706,209	(154,706,209)	-	-
TOTAL (A)	412,343,207	(411,582,334)	(760,873)	-
Less: Income				
Interest On Fixed Deposits (Gross, TDS Rs 4,52,883/- (Rs. 13,19,336/-))	11,644,617	(11,644,617)	-	-
Receipt from ancillary contract work	9,190,046	(9,190,046)	-	-
TOTAL (B)	20,834,663	(20,834,663)	-	-
Net Total (A-B)	391,508,544	(390,747,671)	(760,873)	-

EAST HYDERABAD EXPRESSWAY LIMITED

Schedules forming Part of the Accounts for the year ended 31st March 2010

SCHEDULE E : CURRENT ASSETS AND LOANS AND ADVANCES

	As At 31-Mar-10 Rs.	As At 31-Mar-09 Rs.
(A) Sundry Debtors (unsecured, considered good) Outstanding for more than six months <i>(including Rs. 16,25,000/-receivable towards Grant)</i> Other debts <i>(towards Grant)</i>	3,498,729 97,062,500	- 9,190,046
	100,561,229	9,190,046
(B) Cash & Bank Balances		
(a) Cash on hand	22,658	50,397
(b) Balances with Scheduled Banks :		
- In Current Account	106,659,235	1,523,038
- In Fixed Deposit Account	-	252,362,120
<i>(including Interest accrued thereon)</i>		
(a) + (b)	106,681,893	253,935,555
(C) Loans and Advances : (Unsecured, Considered Good)		
(a) Advances recoverable in cash or in kind for value to be received	467,042	2,044,212
(b) Advances against Capital Expenditure	262,342,982	489,910,117
(c) Deposits	304,500	364,000
(d) Tax Payments less relative provisions, if any	1,322,388	1,469,336
	264,436,912	493,787,665

SCHEDULE F : CURRENT LIABILITIES AND PROVISIONS

	As At 31-Mar-10 Rs.	As At 31-Mar-09 Rs.
(A) Current Liabilities :		
(a) <u>Sundry Creditors</u> -Total Outstanding dues of Micro and Small Enterprises -Total Outstanding dues of Creditors other than Micro and Small Enterprises <i>(Refer Note C-10 of Schedule 'G')</i>	- 247,906,702	- 96,640,088
(b) Other Liabilities	13,248,248	14,496,845
(B) Provisions :	261,154,950	111,136,933
	-	-
	261,154,950	111,136,933

EAST HYDERABAD EXPRESSWAY LIMITED

Schedule – G: Significant Accounting Policies and Notes forming part of Accounts as at 31st March 2010

(A) Background:

The Company was incorporated under the Companies Act, 1956 on July 5, 2007. It was issued “Certificate of Commencement of Business” on September 28, 2007. The Company is a special purpose vehicle promoted by IL&FS Transportation Networks Limited. The Company entered into a Concession Agreement with Hyderabad Urban Development Authority (“HUDA”) on August 3, 2007. Under the terms of Agreement, the Company has obtained concession to Design, Construct, Develop, Finance, Operate and Maintain eight lane access control expressway under Phase II A programme as an extension of Phase I for outer ring road to Hyderabad city in the State of Andhra Pradesh on Build, Operate and Transfer (Annuity) basis (hereinafter referred to as the Project).

(B) Significant Accounting Policies:

1. Basis of Accounting:

The financial statements have been prepared under the historical cost convention and comply with the Accounting Standards (‘AS’) specified in the Companies (Accounting Standard) Rules, 2006 notified by the Central Government in terms of Section 211(3C) of the Companies Act, 1956 to the extent applicable. The Company generally follows the mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties or otherwise accounted for on cash basis.

2. Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires the Management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosures of an item or information in the financial statements have been made relying on these estimates to a greater extent.

3. Revenue Recognition:

The Concession Agreement envisages Revenue in the form of semi-Annual payments of Annuity of a fixed sum on pre-determined dates. The Annuity payment will start accruing to the Company after the Commercial Operation Date (“COD”). As the Project is still under construction and is not ready for commercial operation, no revenue has been recognised.

EAST HYDERABAD EXPRESSWAY LIMITED

4. **Grant:**

Grant from Hyderabad Urban Development Authority under the Concession Agreement towards project cost is treated as deferred income, which will be recognized in the Profit & Loss Account in proportion to the depreciation charge over the useful life of the asset upon capitalization of the same.

Grant is not recognised in the financial statements until there is a reasonable assurance that (i) the company will comply with the conditions attached to it; and that (ii) the grant will be received.

5. **Fixed Assets:**

All fixed assets are stated at cost less accumulated depreciation. For this purpose, cost includes purchase price and all other attributable costs of bringing the assets to working condition for intended use. Assessment of indication of impairment of an asset is made as at the reporting date and impairment loss, if any is recognised.

6. **Depreciation:**

- (a) Assets individually costing Rs. 5,000 or less, mobile phones and items of soft furnishing are depreciated fully in the period when such assets are put to use.
- (b) Depreciation is provided pro-rata for the period of use of the Fixed Assets, under the Written Down Value Method in the manner and as per the rates prescribed under Schedule XIV to the Companies, Act, 1956, as amended from time to time except in the case of following assets. Company follows Straight Line Method of depreciation so as to write off 100% of the cost of the assets at rates higher than those prescribed under Schedule XIV to the Companies Act 1956, based on the Managements estimate of useful life of such assets:

Asset Type	Useful Life
Computers	4 Years
Specialised Office Equipment	3 Years
Assets Provided to Employees	3 Years
Licensed Software	Over the license period

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7. Capital Work-in-Progress:

Capital Work-in-progress includes direct and attributable expenses for construction project and the same shall be capitalized on completion of the construction of the road project and it being available for commercial use.

8. Preliminary Expenditure:

Preliminary Expenses incurred on incorporation of the Company are fully written off to the Profit & Loss Account.

9. Borrowing Costs:

Borrowing Costs attributable to the construction of road are treated as a part of Capital Work in progress and the same are capitalized once the project is ready for commercial operations.

10. Accounting for Taxes on Income

Provision for current income tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between book and tax profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets are recognized and carried forward only if there is a virtual/ reasonable certainty that the assets will be realized in future.

Deferred tax assets are recognized on unabsorbed depreciation and carry forward of losses only to the extent that there are timing difference, the reversal of which will result in sufficient income or there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

11. Impairment of Assets:

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the company makes an estimate of the assets recoverable amount.

Impairment Loss is recognized whenever the carrying amount of an asset is in excess of its recoverable amount as an expense. The Impairment loss is recognized as an expense in the statement of Profit and Loss and carrying amount of the asset is reduced to its recoverable value.

EAST HYDERABAD EXPRESSWAY LIMITED

12. Provisions, Contingent Liabilities and Assets:

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources. Contingent Assets are neither recognized nor disclosed.

13. Cash Flow Statement:

Cash flows are reported using the indirect method, whereby net profits / loss before tax are adjusted for the effect of transaction of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The Cash flows from regular revenue generating; investing and financing activities are segregated.

Cash and cash equivalents in the cash flow statement comprises of cash at bank and in hand and term deposits with banks, if any.

14. Earnings per Share (EPS):

Basic Earnings per share is calculated by dividing the net profit/(loss) after tax for the year attributable to equity shareholders of the Company by the weighted average number of equity shares in issue during the year.

The number of shares used in computing Diluted EPS comprises the weighted average number of equity shares considered for deriving Basic EPS and also the weighted average number of equity shares that could have issued on the conversion of all Dilutive potential equity shares. Dilutive potential shares are deemed to be converted as at the beginning of the period unless issued at a later date.

EAST HYDERABAD EXPRESSWAY LIMITED

(C) Notes to Accounts

- 1 Upon withdrawal of the Guidance Note on “Treatment of Expenditure during Construction Period” by the Institute of Chartered Accountants of India, the Company has segregated indirect expenditure carried forward by it in the previous year under the head “Incidental Expenditure During Construction Pending Allocation to Fixed Assets” in to (i) expenditure attributable to the project and (ii) administrative and general expenditure. Indirect expenditure aggregating to Rs.33,87,28,553/-attributable to the project has been included as a part of “Capital Work in Progress” and the balance sum of Rs. 22,23,924/-, being expenditure in the nature of administrative and general overheads has been charged to the Profit and Loss Account as a “Prior Period Items”. The details of the same is as under:

<u>Sr. no.</u>	<u>Nature of expense</u>	<u>Amount (Rs.)</u>
1.	Directors’ Sitting Fees	1,70,000/-
2.	Auditors’ Remuneration	14,39,385/-
3.	Legal & Professional Fees	82,725/-
4.	Rates & Taxes	8,920/-
5.	Preliminary Expenses w/off	22894/-
6.	Donation	5,00,000/-
	Total	22,23,924/-

- 2 Indirect income in the form of interest on fixed deposits from temporary deployment of surplus funds is netted out against the expenditure on Project and the balance amount is reflected under the head “Capital Work in Progress”. During the year, such interest amounting to Rs. 45,30,520/- has been credited to “Capital Work in Progress”.

3 Segment Reporting

The Company is a special purpose vehicle and is engaged in the business of construction of road as mentioned in para A above, and thus operates in a single business and geographical segment. As a result, disclosures required under AS-17 on “Segment Reporting” have not been given.

4. Related Party Disclosure:

Related Party Disclosures as per the AS-18 on “Related Party Disclosure” in respect of the Company as on **March 31, 2010** are as follows:

EAST HYDERABAD EXPRESSWAY LIMITED

(a) Names of Related Parties and nature of Relationship:

A) Ultimate Holding Company :

Infrastructure Leasing & Financial services Limited.

B) Holding Company:

IL&FS Transportation Networks Limited

C) Subsidiaries:

NIL

D) Fellow Subsidiaries : (with whom Company has transacted during the year).

Sr No	Name of Company
-------	-----------------

1. IL&FS Trust Company Limited
2. Gujarat Road & Infrastructure Company Limited
3. Andhra Pradesh Expressway Limited
4. ITNL Road Infrastructure Development Company Limited

E) Associates:

NIL

F) Enterprises having Significant Influence over EHEL :

KMC Constructions Limited

G) Key Managerial Personnel:

Mr Mihir Panchmatiya- Manager

EAST HYDERABAD EXPRESSWAY LIMITED

(b) The Nature and volume of transactions during the year with the above related parties were as follows:

Nature of Transaction	Holding Company	Fellow Subsidiaries	Company Having Significant Influence (Net)	Total for year ended 31/03/2010
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Project Management Fees	3,84,72,648 (39,131,295)	- -	- -	3,84,72,648 (39,131,295)
O&M Start up Fees	4,00,00,000 -	- -	- -	4,00,00,000 -
EPC Contract and related payments	- -	- -	1,48,38,21,118 (96,36,75,039)	1,48,38,21,118 (96,36,75,039)
Reimbursement of Expenses	1,94,58,713 (9,271,940)	1,42,015 (144,872)	- -	1,96,00,728 (9,416,812)
Expenses incurred on behalf of the parties	- -	60,36,636 -	- -	60,36,636 -
Addition to Fixed Asset	- (497,768)	- (447,556)	- -	- (945,324)
Security Trusteeship Fees	- -	1,10,300 (112,360)	- -	1,10,300 (112,360)
Short term Loan Taken	8,00,00,000 -	- -	- -	8,00,00,000 -
Short term Loan repaid	8,00,00,000 -	- -	- -	8,00,00,000 -
Interest paid on the Loan Taken	6,55,342 -	- -	- -	6,55,342 -
Receivable/ (Payable) as on March 2010	(4,06,56,863)	(44,914)	5,75,32,109	
March 2009	(64,96,141)	(2,000)	40,13,68,056	

EAST HYDERABAD EXPRESSWAY LIMITED

Note : Figure in the bracket represents comparative for the year ended 31st March 2009.

5. Disclosures under Lease Arrangements:

- (i) The Company has entered into operating lease arrangement for certain premises along with furniture and fixtures in certain cases. Lease rentals included Capital Work in Progress: Rs.7,57,796/-. (Previous Year Rs. 5,19,556/-).
- (ii) Under these agreements, the company has given refundable interest free security deposit.
- (iii) These agreements
- Provide for increase in rent during the tenure of the lease period
 - Contain renewal clause
 - Contain clause for restrictions on sub-leasing
- (iv) Future minimum lease payments under non-cancellable leases:
- | | <u>2009-10</u> | <u>2008-09</u> |
|---|----------------|----------------|
| | (Rs.) | (Rs.) |
| -Not later than one year | 1,98,450 | 1,67,226/- |
| -Later than one year but not more than five years | NIL | NIL |
| -Later than five years | NIL | NIL |
- (v) No asset has been acquired on Finance Lease during the period.

6. Earning per Share

Particulars	For the year ended March 31, 2010 (Rs)
Profit / (Loss) for the year	(35,84,797)
Weighted average no of Equity Shares in calculating Basic & Diluted Earning EPS	2,93,10,000
Nominal Value of Equity Shares	10/-
Basic & Diluted Earnings EPS	(0.12)

7. Directors' Remuneration:

During the period, Company has appointed a Manager. As per the terms of appointment, the Manger is not entitled to any remuneration. The Directors have

EAST HYDERABAD EXPRESSWAY LIMITED

been paid only sitting fees for the Board Meetings attended by them and not entitled to any remuneration from the Company.

8. Deputation costs:

The Company does not have any employee on its payroll. Salaries and other benefits of deputed personnel are recognised as expenses based on amounts charged by the employers of these deputed personnel for the period for which services are rendered to the Company.

9. Auditors' Remuneration (including Service Tax):

Particulars	2009-2010	2008-2009
Audit fees	1,65,450	1,65,450
Tax Audit Fees	1,37,875	-
Certification Matters	1,43,360	50,562
Other Services	9,92,700	1,38,905
Total	14,39,385	3,54,917

10. Contingent Liabilities and commitments not provided for:

Particulars	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
Capital Commitments in respect of Capital-work-in progress (Net of advances paid)	80,86,70,837/-	206,42,11,908/-
Guarantee given by the Company in respect of loan obtained by M/s KMC Constructions Limited (An enterprises having significant influence over the Company)	35,00,00,000/-	NIL
Total	1,15,86,70,837	2,06,42,11,908

11. Dues to Micro, Small and Medium Enterprises:

There is no supplier covered under the Micro, Small and Medium Enterprises Development Act, 2006 ("the Act"). This information has been determined based on the details regarding the status of suppliers obtained by the Company and the same has been relied upon by the Auditors.

EAST HYDERABAD EXPRESSWAY LIMITED

12. In the opinion of the Board of Directors, Current Assets, Loans and Advances are realizable at a value, which is at least equal to the amount at which these are stated in the ordinary course of business and provision made for all known and determined liability are adequate and not in excess of the amount stated.
13. Additional information pursuant to Part II of Schedule VI of the Companies Act, 1956 have been given to the extent applicable.
14. The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. Further, at the year end there is no outstanding foreign currency exposure in respect of receivables and payables.
15. Previous year's figures have been rearranged / regrouped wherever necessary to make them comparable with current year's figures.

As per our report of even date

For Luthra & Luthra
Chartered Accountants
Firm Registration No. 002081N

For East Hyderabad Expressway Limited

Amit A. Purohit
Partner
Membership No- 101612
Place: Mumbai
Date: May 10, 2010

Director

Director

Manager

East Hyderabad Expressway Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousand)

Public Issue
N A
Bonus Issue
N A

Rights Issue
N A
Private Placement
N A

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities

Total Assets

Sources of Funds

Paid-Up Capital

Reserve and Surplus
N I L

Secured Loans

Unsecured Loans
N I L

Deferred Tax Liability

Application of Funds

Net Fixed Assets

Investments
N I L

Net Current Assets

Misc. Expenditure
N I L

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousand)

Turnover
N I L

Total Expenditure

+ - Profit / Loss before Tax

+ - Profit / Loss after Tax

(Please tick Appropriate box + for Profit - for Loss)

Earning Per Share in Rs.
(.)

Dividend Rate %
(.)

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Items Code No. (ITC Code)

Product Description

Director

Director

Place : Mumbai
Date : 10-May-2010

Manager