

EAST HYDERABAD EXPRESSWAY LIMITED

ANNUAL REPORT

2010-11

DIRECTORS' REPORT

The Shareholders

EAST HYDERABAD EXPRESSWAY LIMITED

Your Directors have pleasure in presenting the Fourth Annual Report along with the Statements of Audited Accounts for the financial year ended March 31, 2011

FINANCIAL RESULTS

The financial results of the Company are as under:

(Amount in ₹)

	Year ended March 31, 2011	Year ended March 31, 2010
Total Income	118,734	-
Total Expenses	1,915,319	2,223,924
Profit/(Loss) Before Tax	(1,796,585)	(2,223,924)
Prior period items	-	(760,873)
Less: Provision for Tax	(1,180,000)	(600,000)
Profit /(Loss)After Tax	(2,976,585)	(3,584,797)
Balance carried forward	(6,561,382)	(3,584,797)

DIVIDEND:

Due to inadequacy of profits, your Directors have not recommended any dividend for the year under review

OPERATIONS:

During the year under review, your Company had completed the construction of 8-lane access control expressway viz. Outer Ring Road in Hyderabad City which was awarded by Hyderabad Urban Development Authority (HUDA) on Design, Construction, Development, Finance, Operation and Maintenance basis upto December 10, 2022. The Company had applied for provisional completion certificate on March 1, 2011. The total cost incurred for the project till date is ₹ 449.97 Crores.

DIRECTORS:

During the year under review, Mr. R. C. Bawa and Mr. Harish Mathur resigned as Directors of the Company with effect from June 14, 2010 and February 11, 2011, respectively. The Directors placed on record their sincere appreciation for the valuable guidance and support rendered by them

Mr. Mukund Sapre, Director of the Company is liable to retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offer himself for re-appointment. Your Directors recommend his re-appointment

AUDITORS:

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

DEPOSITS:

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

CORPORATE GOVERNANCE:

Four Board Meetings were held during the period under review on May 10, 2010, July 23, 2010, October 26, 2010 and January 24, 2011. 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	3
2	Mr. R C Bawa (upto June 14, 2010)	1	1
3	Mr. Cherian George	4	4
4	Mr. Harish Mathur (upto February 11, 2011)	4	4
5	Mr J Prabhakar	4	4

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

The Audit Committee is comprised of Mr. Mukund Sapre and Mr. Cherian George. The Audit Committee met four times during the year under review on May 10, 2010, July 23, 2010, October 26, 2010 and January 24, 2011

PARTICULARS OF EMPLOYEES:

There was no employee 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, as amended from time to time

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 the 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 earning or outgo of foreign exchange during the year 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 place on record their appreciation for the continued support and co-operation received from various Government Authorities including the Hyderabad Urban Development Authority (HUDA) and other Regulatory Authorities, Banks, Financial Institutions and Shareholders of the Company

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For and on behalf of the Board

[Signature]

(Director)

C. George

(Director)

Date : April 15, 2011
Place : Mumbai

Luthra & Luthra

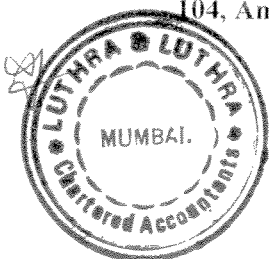
Chartered Accountants

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, 2011, 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 the annexure referred to 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.

104, Amrapali, R. S. Maharaj Marg (Teli Gulli), Andheri(E), Mumbai-400069

Tel. : 2683 0883, 2683 0885 Fax : 2683 0877




Luthra & Luthra

Chartered Accountants

- e) On the basis of written representations received from the directors, as on 31st March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 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, 2011;
 - ii) in the case of the Profit and loss Account, of the loss of the company for the year ended 31st March, 2011; 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


Amit A. Purohit
Partner
Membership No. 101612

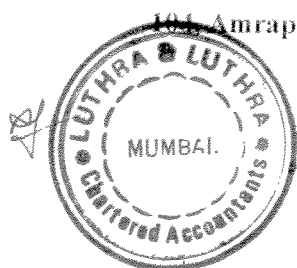
Mumbai: 15/4/2011

Luthra & Luthra

Chartered Accountants

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, 2011

- (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) The fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (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.



101, Amrapali, R. S. Maharaj Marg (Teli Gulli), Andheri(E), Mumbai-400069

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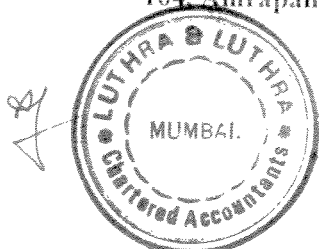
Luthra & Luthra

Chartered Accountants

- (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, 2011 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.
- (xvi) In our opinion and according to the information and explanations given to us

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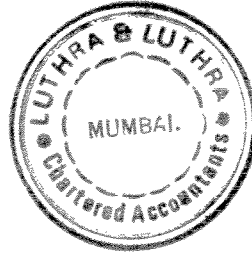


Luthra & Luthra

Chartered Accountants

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.



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

Amit A. Purohit
Partner

Membership No. 101612

Mumbai: 15/4/2011

East Hyderabad Expressway Limited

Balance Sheet as at 31st March, 2011

	Schedule	As at 31st March	As at 31st March	As at 31st	As at 31st
		2011	2011	March, 2010	March, 2010
		(₹.)	(₹.)	(₹.)	(₹.)
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		660,025,000
LOAN FUNDS:					
Secured Loans	B		3,112,439,000		2,500,000,000
Unsecured Loan			519,400,000		-
TOTAL			4,584,964,000		3,453,125,000
II. APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	C	3,189,600		3,439,963	
Less : Depreciation		1,836,578		1,510,295	
Net Block		1,353,022		1,929,668	
Capital Work-in Progress		4,689,579,962	4,690,932,984	3,237,085,451	3,239,015,119
CURRENT ASSETS, LOANS & ADVANCES					
(a) Sundry Debtors	D	10,667,723		100,561,229	
(b) Cash and Bank balances		71,651,219		106,681,893	
(c) Loans and advances		28,409,089		264,436,912	
		110,728,031		471,680,034	
LESS: CURRENT LIABILITIES & PROVISIONS					
(a) Current Liabilities	E	223,258,397		261,154,950	
(b) Provisions		-		-	
		223,258,397		261,154,950	
NET CURRENT ASSETS			(112,530,366)		210,525,084
PROFIT AND LOSS ACCOUNT			6,561,382		3,584,797
TOTAL			4,584,964,000		3,453,125,000

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

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

Amit A. Purohit
Partner
Membership No. 101612



Place : Mumbai
Date : 15/4/2011

For and on behalf of the Board

Director

Company Secretary




 Director

 Company Secretary

East Hyderabad Expressway Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

		For the year ended 31st March 2011 (₹.)	For the year ended 31st March 2010 (₹.)
INCOME			
Interest on Income Tax Refund [Gross, TDS Rs. NIL]		118,734	-
Total Income		118,734	-
EXPENSES			
Administrative Expenses	F	1,915,319	2,201,030
Preliminary Expenses written off		-	22,894
Total Expenses		1,915,319	2,223,924
Profit / (Loss) before tax		(1,796,585)	(2,223,924)
Prior Period Items		-	(760,873)
Provision for Taxation			
Current Tax		(1,180,000)	(600,000)
<i>(including Rs.2,80,000/- (Rs. NIL) for Pervious years)</i>			
Deferred Tax		-	-
Net Profit / (Loss) after tax		(2,976,585)	(3,584,797)
Balance Brought Forward		(3,584,797)	-
Balance Profit / (Loss) carried forward to the balance sheet		(6,561,382)	(3,584,797)

Earning Per Share

Basic & Diluted	(0.10)	(0.12)
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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

For Luthra and Luthra

Chartered Accountants

Firm Registration No : 002081N

Amit A. Purohit

Partner

Membership No. 101612

Place : Mumbai

Date : 15/4/2011

For and on behalf of the Board

Director

Director

Company Secretary

East Hyderabad Expressway Limited

Cash Flow Statement for the year ended 31st March, 2011

Particulars		For the year ended 31st March 2011	For the year ended 31st March 2010
		Amount (Rs.)	Amount (Rs.)
Cash Flows From Operating Activities			
Net Profit Before Tax		(1,796,585)	(3,584,797.00)
Adjustments for :-			
Preliminary Expenses written off		-	22,894
Operating profit before Working Capital Changes		(1,796,585)	(3,561,903)
Adjustments changes in working capital:			
Increase / (Decrease) in Trade & other payables		419,694	243,953
Cash Generated from Operating Activities		(1,376,891)	(3,317,950)
Net Cash Flow from Operations	[A]	(1,376,891)	(3,317,950)
Cash Flows from Investing Activities			
Purchase of Fixed Assets		(15,899)	(113,949)
Sale of Fixed Assets		129,858	-
Increase in Capital Work in Progress (net)		(1,452,031,824)	(1,819,813,397)
(Increase) /Decrease in Trade & other receivables		325,593,384	236,520,122
Increase / (Decrease) in Trade & other payables		(38,316,247)	150,374,064
Direct Taxes paid		(852,055)	(453,052)
Net Cash used in Investing Activities	[B]	(1,165,492,783)	(1,433,486,212)
Cash Flows from Financing Activities			
Increase in Long Term Borrowings (net)		612,439,000	999,988,000
Increase in Short Term Borrowings		609,400,000	-
Repayment of short Term Borrowings		(90,000,000)	-
Grant Received		-	289,562,500
Net Cash generated from Financing Activities	[C]	1,131,839,000	1,289,550,500
Net Increase / (Decrease) in Cash and Cash Equivalents	[A+B+C]	(35,030,674)	(147,253,662)
Cash and Cash Equivalents at the beginning of the Period		106,681,893	253,935,555
Cash and Cash Equivalents at the end of the Period		71,651,219	106,681,893
Net Increase / (Decrease) in Cash and Cash Equivalents		(35,030,674)	(147,253,662)
Notes:			
Components of Cash & Cash Equivalent			
Balance with Scheduled Banks - Current Accounts		11,630,976	106,659,235
- In Deposit Account (Maturity less than 3 months)		60,004,932	-
Cash on Hand		15,311	22,658
Total		71,651,219	106,681,893

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

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

Amit A. Purohit
Partner
Membership No. 101612

For and on behalf of the Board


Director


Director


Company Secretary

Place : Mumbai
Date : 15/4/2011

EAST HYDERABAD EXPRESSWAY LIMITED

Schedules forming Part of the Accounts for the year ended 31st March 2011

SCHEDULE A : SHARE CAPITAL

	As At 31-Mar-11 ₹.	As At 31-Mar-10 ₹.
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 : LOAN FUNDS

SECURED LOANS	As At 31-Mar-11 ₹.	As At 31-Mar-10 ₹.
Loans from Banks	2,685,639,000	2,157,200,000
Loan from Others	426,800,000	342,800,000
<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 favour 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>		
	3,112,439,000	2,500,000,000

UNSECURED LOANS	As At 31-Mar-11 ₹.	As At 31-Mar-10 ₹.
Short Term Loan from the holding company	519,400,000	-
	519,400,000	-

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EAST HYDERABAD EXPRESSWAY LIMITED

Schedule forming Part of the Accounts for the year ended 31st March 2011

SCHEDULE C : FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1-Apr-10	Additions	Deductions	As at 31-Mar-11	As at 1-Apr-10	For the period	Deductions	As at 31-Mar-11	As at 31-Mar-11	As at 31-Mar-10
Computers	470,730	13,400	93,190	390,940	201,243	115,302	63,615	252,830	138,010	269,487
Furniture & Fixtures	633,232	-	52,164	581,068	308,205	65,793	34,855	339,143	241,925	325,027
Office Equipments	730,333	2,499	120,908	611,924	287,422	58,837	46,180	300,079	311,845	442,911
Vehicles	1,605,668	-	-	1,605,668	713,425	231,001	-	944,426	661,242	892,243
Total of Fixed Assets (A)	3,439,963	15,899	266,262	3,189,600	1,510,295	470,933	144,650	1,836,578	1,353,022	1,929,668
As at 31st March, 2010	3,336,014	113,949	10,000	3,439,963	921,778	598,517	10,000	1,510,295	1,929,668	-
Capital Work in Progress (B)										
Total [(A)+(B)]									4,689,579,962	3,237,085,451
									4,690,932,984	3,239,015,119

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

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EAST HYDERABAD EXPRESSWAY LIMITED

Schedules forming Part of the Accounts for the year ended 31st March 2011

SCHEDULE D : CURRENT ASSETS AND LOANS AND ADVANCES

	As At 31-Mar-11 ₹.	As At 31-Mar-10 ₹.
(A) Sundry Debtors (unsecured, considered good)		
Outstanding for more than six months	4,657,651	3,498,729
<i>[including Rs. Nil (Rs. 16,25,000/-) receivable towards Grant]</i>		
Other debts	6,010,072	97,062,500
	10,667,723.00	100,561,229
(B) Cash & Bank Balances		
(a) Cash on hand	15,311	22,658
(b) Balances with Scheduled Banks :		
- In Current Account	11,630,976	106,659,235
- In Fixed Deposit Account	60,004,932	-
<i>(including Interest accrued thereon)</i>		
	71,651,219	106,681,893
(C) Loans and Advances : (Unsecured, Considered Good)		
(a) Advances recoverable in cash or in kind for value to be received	48,387	467,042
(b) Advances against Capital Expenditure	27,311,759	262,342,982
(c) Deposits	54,500	304,500
(d) Tax Payments less relative provisions, if any	994,443	1,322,388
	28,409,089	264,436,912

SCHEDULE E : CURRENT LIABILITIES AND PROVISIONS

	As At 31-Mar-11 ₹.	As At 31-Mar-10 ₹.
(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	221,311,602	247,906,702
<i>(Refer Note C-10 of Schedule 'G')</i>		
(b) Other Liabilities	1,946,795	13,248,248
	223,258,397	261,154,950
(B) Provisions :		
Tax Provisions less relative payments, if any	-	-
	223,258,397	261,154,950

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SCHEDULE F : ADMINISTRATIVE EXPENSES

	As At 31-Mar-11 ₹.	As At 31-Mar-10 ₹.
Legal & Professional Fees	82,725	82,725
Auditors' Remuneration	898,945	1,439,385
Rates & Taxes	42,824	8,920
Directors' Sitting Fees	180,000	170,000
Donation	-	500,000
Interest on TDS	710,825	-
	1,915,319	2,201,030



EAST HYDERABAD EXPRESSWAY LIMITED

Schedule – G: Significant Accounting Policies and Notes forming part of Financial Statement for the year ending March 31, 2011

(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.

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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 less interest income on temporary deployment of funds and other incidental income, if any. The Capital Work-in-progress 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.



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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:**

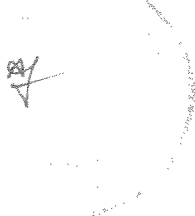
Cash flows are reported using the indirect method, whereby net profits / loss before tax are adjusted for the effect of transaction of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The Cash flows from regular revenue generating; investing and financing activities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



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(C) Notes to Accounts

1. 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.

2. Related Party Disclosure:

Related Party Disclosures as per the AS-18 on "Related Party Disclosure" in respect of the Company as on March 31, 2011 are as follows:

(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 period).

Sr No	Name of Company
1	IL&FS Trust Company Limited (ITCL)
2	Gujarat Road & Infrastructure Company Limited (GRICL)
3	Andhra Pradesh Expressway Limited (APEL)
4	ITNL Road Infrastructure Development Company Limited (IRIDCL)

E) Enterprises having Significant Influence over EHEL :

KMC Constructions Limited – (KMC)

F) Key Managerial Personnel:

Mr. Mihir Panchmatiya- Manager (till 16th December 2010)

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

Transaction during the period:						
Account head	(ITNL)	(ITCL)	(GRICL)	(IRDCL)	(APEL)	(KMC)
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Project Management Fees	3,84,72,648 (3,84,72,648)	-	-	-	-	-
EPC Contract and related payments	-	-	-	-	-	99,99,88,319 (1,48,38,21,118)
Security Trusteeship Fees	-	1,10,300 (1,10,300)	-	-	-	-
Short term Loan Taken	60,94,00,000 (8,00,00,000)	-	-	-	-	-
Short term Loan repaid	9,00,00,000 (8,00,00,000)	-	-	-	-	-
Interest paid on the Loan Taken	2,24,61,548 (6,55,342)	-	-	-	-	-
Expenses recoverable of KMC	-	-	-	-	-	17,50,52,442 (33,74,433)

Balances:

Account head	(ITNL)	(ITCL)	(GRICL)	(IRDCL)	(APEL)	(KMC)
Project Management Fees	1,44,27,245 (28,85,449)	-	-	-	-	-
O&M Startup fees	- (3,60,00,000)	-	-	-	-	-
Reimbursement of Expenses	48,27,976 (17,71,414)	-	19,143 (33,914)	- (11,000)	-	-
Interest Payable on STL	1,29,00,295 -	-	-	-	-	-
Milestone & Other Payments	-	-	-	-	-	49,30,699 (,784,42,547)
Retention payable against Milestone & Other payments	-	-	-	-	-	17,63,67,750 (12,63,68,326)
Mobilization Advance & Expenses Recoverable	-	-	-	-	3,015 -	2,73,11,759 (26,23,42,982)

Note : Figure in the bracket represents comparative for the previous period/year.

(Handwritten mark)

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3. 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 in Capital Work in Progress: ₹.4,43,100/-. (Previous Year ₹. 7,57,796/-).
- (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>March -11</u> | <u>March -10</u> |
|---|------------------|------------------|
| | (Rs.) | (Rs.) |
| -Not later than one year | NIL | 1,98,450 |
| -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.

4. Earning per Share

Particulars	For the year ended March 31, 2011 (₹)	For the year ended March 31, 2010 (₹)
Profit / (Loss) for the year	(29,76,585)	(35,84,797)
Weighted average no of Equity Shares in calculating Basic & Diluted Earning EPS	2,93,10,000	2,93,10,000
Nominal Value of Equity Shares	10/-	10/-
Basic & Diluted Earnings EPS	(0.10)	(0.12)

5. Directors' Remuneration:

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

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6. 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.

7. Auditors' Remuneration (including Service Tax):

Particulars	For the year ended 31 st March 2011	For the year ended 31 st March 2010
Audit fees	1,65,450	1,65,450
Tax Audit Fees	82,725	1,37,875
Certification Matters	60,665	1,43,360
Other Services	5,90,105	9,92,700
Total	8,98,945	14,39,385

8. Contingent Liabilities and commitments not provided for:

Particulars	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)
Capital Commitments in respect of Capital-work-in progress (Net of advances paid)	4,37,13,741	80,86,70,837/-
Guarantee given by the Company in respect of loan obtained by M/s KMC Constructions Limited (An enterprises having significant influence over the Company)	NIL	35,00,00,000/-
Total	4,37,13,741	1,15,86,70,837

9. Capital Work in Progress is net of Rs. 39,44,157/- towards interest on Fixed Deposits earned during the current period (Rs. 1,61,75,137/- up to 31st March 2010). The tax provision in respect of the said income has been debited to the Profit & Loss account.

10. 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.

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11. 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.
12. Additional information pursuant to Part II of Schedule VI of the Companies Act, 1956 have been given to the extent applicable.
13. 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.
14. Previous year's figures have been rearranged / regrouped wherever necessary to make them comparable with current year's figures.

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



Amit A. Purohit
Partner
Membership No- 101612
Place: Mumbai
Date: 15/4/2011

For East Hyderabad Expressway Limited



Director



Director



Company Secretary