



38th ANNUAL REPORT
2010 - 11

Andhra Pradesh Industrial Infrastructure Corporation Limited
(A Government of Andhra Pradesh Undertaking)

“Parisrama Bhavanam” 6th Floor, 5-9-58/B, Fateh Maidan Road,
HYDERABAD - 500 004



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GENERAL INFORMATION

a) Chairman:

Sri S.Sivarama Subrahmanyam, Chairman	From 19-01-2010 to 18-01-2012
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b) Vice-Chairman & Managing Director:

Sri Bhambal Ram Meena, IAS	From 24-12-2009 to till date
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c) Directors:

S.No	Name of the Director	Period
1.	Sri Busi Sam Bob , IAS Prl.Secretary to Govt. & CIP Inds. & Com.Department	From 24-05-2007 to 09-08-2010
2.	Sri. B.P.Acharya , IAS Prl.Secretary to Govt. & CIP Inds. & Com. Department	From 09-08-2010 to 19-10-2010
3.	Sri. Ajay Mishra , IAS Prl. Secretary to Govt. Infrastructure & Investment Department	From 19-10-2010 to 29-01-2011
4.	Sri Busi Sam Bob , IAS Prl.Secretary to Govt. & CIP, Inds. & Com. Department	From 29-01-2011 to 17-06-2011
5.	Sri T.S.Appa Rao , IAS Prl.Secretary to Govt. & CIP, Inds. & Com. Department	From 17-06-2011 to till date
6.	Sri. Ajay Mishra , IAS Prl.Secretary to Govt. Infrastructure & Investment Department	From 07-03-2011 to 06-08-2011
7.	Sri. Sutirtha Bhattacharya , IAS Prl.Secretary to Govt. Infrastructure & Investment Department	From 06-08-2011 to till date
8.	Sri T.Satyanarayana Rao , IAS Secretary to Govt. Finance (R&E) Department	From 14-07-2009 to 20-12-2011
9.	Smt.Pushpa Subrahmanyam , IAS Prl. Secretary to Govt. Finance (IF) Department	From 20-12-2011 to till date.
10.	Sri.G.Anantha Ramu , IAS Commissioner of Industries	From 25-05-2010 to 30-11-2010
11.	Sri.R. Karikal Valaven , IAS Commissioner of Industries	From 30-11-2010 to till date.
12.	Sri.K.Madhusudhana Rao , IAS Member Secretary, A.P.Pollution Control Board	From 26-02-2009 to 17-06-2011
13.	Sri.M.Dana Kishore , IAS Member Secretary A.P.Pollution Control Board	From 17-06-2011 to 05-05-2012
14.	Sri Vikas Raj , IAS Managing Director, APSFC	From 20-03-2009 to 02-02-2012
15.	Sri T.Satyanarayana Rao , IAS Managing Director, APSFC	From 02-02-2012 to till date

COMPANY SECRETARY

Sri M.Siva S.Reddy

BANKERS:

Syndicate Bank
State Bank of India
State Bank of Hyderabad
Indian Overseas Bank
HDFC Bank
Ing Vysya Bank Ltd

AUDITORS:

M/s. D.V.Ramana Rao & Company
Chartered Accountants
H.No. 1-1-773/A, Opp: Park - II
Gandhinagar
HYDERABAD-500 080.

REGISTERED OFFICE:

5-9-58/B, Fateh Maidan Road,
6th Floor, Parisrama Bhavanam,
Basheerbagh,
Hyderabad - 500 004.

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

(A Government of Andhra Pradesh Undertaking)

REGISTERED OFFICE: 6th Floor, Parisrama Bhavanam, 5-9-58/B, Fateh Maidan Road,
P.O. Bag No. 5, Basheerbagh, Hyderabad - 500 004

NOTICE

Notice is hereby given that the 38th Annual General Meeting of the Members of Andhra Pradesh Industrial Infrastructure Corporation Limited will be held on Thursday, the 29th day of September 2011 at 3.00 P.M. at the Registered Office of the Company to transact the following ordinary business:

1. To receive and adopt the Balance Sheet as at 31st March, 2011, Profit & Loss Account for the year ended 31st March, 2011, Directors' Report along with the Auditor's Report and the comments of the Comptroller and Auditor General of India and the replies thereon.

**BY ORDER OF THE BOARD
FOR APIIC LIMITED**

Sd/-
M.SIVA S.REDDY
COMPANY SECRETARY

Place: Hyderabad

Date: 09-08-2011.

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

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

(A Government of Andhra Pradesh Undertaking)

REGISTERED OFFICE: 6th Floor, Parisrama Bhavanam, 5-9-58/B, Fateh Maidan Road,
P.O. Bag No. 5, Basheerbagh, Hyderabad - 500 004

NOTICE

Notice is hereby given that the Adjourned 38th Annual General Meeting of the Members of Andhra Pradesh Industrial Infrastructure Corporation Limited will be held on Saturday, the 29th day of September, 2012 at 3.30 P.M. at the Registered Office of the Company to transact the following ordinary business:

1. To receive and adopt the Balance Sheet as at 31st March, 2011, Profit & Loss Account for the year ended 31st March, 2011, Directors' Report along with the Auditor's Report and the comments of the Comptroller and Auditor General of India and the replies thereon.

BY ORDER OF THE BOARD
FOR APIIC LIMITED

Sd/-

M.SIVA S.REDDY
COMPANY SECRETARY

Place: Hyderabad

Date: 07-09-2012

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

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR 2010-11

Dear Members,

The Directors take pleasure in placing before you the 38th Annual Report of your Company together with the audited accounts for the year ended 31st March, 2011 and report of Statutory Auditors M/s. Ramana Rao & Co, Chartered Accountants.

1. FINANCIAL RESULTS:

Your Directors have pleasure in reporting that the Company during the year earned a net profit of Rs 8.52 Crores as against the net profit of Rs.11.98 Crores previous year.

The profit of Rs.8.52 Crores has been arrived at after providing for depreciation (Rs. 2.25 Cr), interest (Rs. 28.00 Cr) and Provision for Income Tax (Rs.4.50 Cr) amounting to Rs. 34.75 Crores.

The difference between the sale price and cost price of the assets sold was taken to Profit & Loss A/c except in certain Industrial Parks where substantial developmental works are to be taken up and the same was kept under the head of account "Provision for Development of IEs/IDAs".

During the year, Profit/Loss is recognised on sale of sheds, land, houses on outright sale or hire-purchase and the difference between sale price and cost price of the assets sold is taken to Profit & Loss A/c.

2. ACCOUNTING SYSTEM :

To comply with the Accounting Standards which are mandatory from 01.04.1999 the Land, Buildings, Sheds and other development works in the Industrial Parks, Industrial Development Areas, Autonagars, etc., of the Corporation are treated as Current Assets, till they are disposed off either on Outright Sale or allotment on Hire Purchase.

All lands and other assets relating to Special Economic Zones are treated as Fixed Assets and were transferred from Current Assets to Fixed Assets and accounted on historical cost (Rs.3192.99 lakhs) and the accumulated depreciation (Rs.244.71 lakhs) are shown separately.

The stale cheques lying for more than 5 years have been transferred to Profit & Loss Account.

Provision for Bad and doubtful debts is made @100% on Interest outstanding on account of Rental, Water, Penal interest on Hire Purchase and maintenance charges principal and interest.

The Government of Andhra Pradesh has entrusted certain local authority powers to the Corporation like collection of Property Tax, maintenance of Common facilities in respect of certain Industrial Parks and Industrial Development Areas. The local authority powers are vested with Industrial Area Local Authority (IALA) for each industrial area and the income and expenditure in this regard is being accounted for in the books of accounts maintained by the respective IALAs and hence not accounted for in the accounts of the Company.

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

In respect of Govt. Lands where alienation orders are not received, an extent of land 44490.06 acres was taken possession up to 31.03.2009. The same was taken to stock in trade during previous years. But the right over these lands (where alienation orders not received) is being pointed out by judiciary during course of legal cases. Therefore, sale deeds for these lands henceforth will be executed after receipt of alienation orders. Further the lands to an extent of 1,870.83 acres of value Rs. 3,313.83 lakhs taken possession during the year 2009-10 at various places are not taken to accounts. On receipt of alienation orders these will be accounted for. However, the Government lands taken possession during the Financial Year 2010-11 were taken into books of accounts during the year.

The accounts of the subsidiary companies are not attached as per the Sec.212 of the Companies Act. 1956 as the schemes are under finalisation. Necessary exemption is being applied for the Ministry of Corporate Affairs.

3. LAND ACQUISITION:

Your Directors are happy to inform that your Company has taken possession of 2121.38 acres of patta land and 5398.79 acres of Government land during the year. The aggregate extent of land taken over by your Company, since its inception is 49,043.41 acres of Patta Land and 86,111.12 acres of Government Land.

4. DEVELOPMENT AND ALLOTMENT OF PLOTS AND SHEDS:

Your Directors are happy to inform that your Company allotted 4,174.88 acres of land, 16 Nos. sheds/shops to various industrial ventures in our State during the year.

5. GOVERNMENT OF INDIA SCHEMES:

Your Directors are happy to inform that various Government of India schemes like Growth Centers, Apparel Parks were also taken up by your Company during the year. By developing these projects, your Company is able to utilize various funds available under Government of India Schemes for development of Industries in the State.

6. CIVIL WORKS & DEPOSIT WORKS:

APIIC having full fledged Engineering Wing supported with Engineers with vast experience. During the year 2010-2011, Civil works to a tune of about Rs.16,901.88 lakhs were executed. Out of this, the Infrastructure development is Rs.7,399.53 lakhs, Annual Maintenance work is Rs.322.12lakhs, IALA work is Rs.3,410.36 lakhs and Deposit work for Rs.5,769.87 lakhs.

APIIC has been undertaking deposit works for various departments of state Government, besides the works for the development of Industrial Parks.

A) The following Deposit works have been undertaken:-

1. Construction of Building for Indira Gandhi Center for Animal Research Laboratory at Pulivendula, Kadapa District. Work in progress.
2. Providing to water to Gangavaram Port by tapping Yeleru canal work completed.

3. Construction of Boundary wall along 3 sides of Baba Atomic Research Center at Achuthapuram, work completed.
4. Construction of AP Pollution Control Board, Administrative Building at Visakhapatnam work completed.
5. Construction of SAIL compound wall, Visakhapatnam work completed.
6. Forming of 5th main road of 4 lane 2x90mts with central median 1.8m wide upto 1st cross road in Eastern sector at APSEZ, Visakhapatnam, work completed.
7. Forming of 7th main road 4th & 5th cross roads in Western sector at APSEZ, Visakhapatnam, work completed.
8. W & S of existing Anakapalli-Pudimadaka R & B single road at Atchutapuram Visakhapatnam District completed.
9. Construction of storm water drains in the Eastern sector of APSEZ, Visakhapatnam, work completed.
10. Construction of CC storm water drains alongside part of 6th main road in Western sector of APSEZ, Visakhapatnam completed.
11. Construction of compound wall on northern Boundary of Eastern sector in APSEZ, Visakhapatnam work in progress.
12. Construction of compound wall at Northern boundary of western sector in APSEZ, Visakhapatnam work in progress.
13. Construction of compound wall on Southern Boundary in Eastern sector of APSEZ, Visakhapatnam. Work completed.
14. Construction of compound wall on Southern Boundary of Western sector existing Gremach compound wall at APSEZ, Atchutapuram, Visakhapatnam work in progress.
15. Prov. of 4 nos of 12mts high mast lights. 120nos of 9mts long at APSEZ, Visakhapatnam. Work completed.
16. Construction of one stop service center at APSEZ, Visakhapatnam. Work completed.
17. W & S of external Road including CD works at Parwada (M), Visakhapatnam under ASIDE funds, work completed.
18. Providing of Water to Pharmacy and APSEZ by pumping from Yeluru canal at Parwada Visakhapatnam, work completed.
19. Construction of summer storage tank in Pharmacy premises at Parwada, Visakhapatnam, work completed.
20. Apparel Export Park Visakhapatnam. Work completed.
21. Water Supply to Growth Center, Bobbili completed.
22. 4 laning of Atchutapuram, Pudimadaka road. Work completed.
23. Providing water supply distribution lines to Eastern sector of APSEZ. Work completed.
24. Supply, laying, jointing and testing of HDPE water distribution pipe line system for part of Western sector of APSEZ, Visakhapatnam District, work in progress.
25. Construction of bridge across Indira Sagar canal for approach to the Industrial Park, block-G, Visakhapatnam work completed.

26. Forming of main road with 7.00m carriage way at IT-SEZ, Ghambheeram. Work completed.
27. F & M of 7.00m carriage way at IP Block-F, AN, Visakhapatnam, work in progress.
28. Forming of roads with 7.00m carriage way for northern & eastern sector in IP, Parwada work is completed.
29. Forming of main road MR-2, cross road and smaller roads at Health city, work in progress.
30. F & M of 7.00 carriage way IP, Block-G, AN, Visakhapatnam work completed.
31. Forming of MR-10 with a carriage way at GC, Bobbili, work completed.
32. Construction of compound wall along the boundary of land of M/s TATA memorial centre at IP, Aganampudi, Visakhapatnam work in progress.
33. Lepakshi Handicrafts Emporium building at Guntur District. Work completed.
34. Construction of Center for Good Governances at Gachibowli.
35. Construction of Mark Fed Building for AP Mark Fed.
36. Construction of AP Pollution Control Board, Regional/Zonal office at Begumpet, Hyderabad. Work in progress.
37. Providing interior works to APMDC, Moula Ali Zone, Work completed.
38. APLDA at Banavasi work completed and Nandyal work in progress.
39. Compound wall (260 & 560) at FSBS BANAVASI work completed
40. All works are completed.
41. Internal water supply connection for New Bull Shed & Lab at FSBC, work is in progress.

B) During the year, APIIC has executed Developmental works at various Industrial Parks like:

1. Fabcity, SEZ, 2) (a) Aerospace SEZ, Adibatla. b) IT Park, Adibatla, 3) Biotech Park, Work completed, 4) Knowledge city, Raidurg, Hyderabad, 5) Automotive Park at Muppireddypalli, 6) Development of Industrial Park at Mambathu work completed, 7) Formation of 4 lines approach road for Apache and SEZ Nellore, List of Work completed, 8) Somasila drinking water supply scheme for supply of water for Ananthapur. Work stopped due to funds, 9) IT Park at Manikonda, 10) Development of IT Parks Nanakramguda, 11) Development of Green Industrial Park at Jadcherla at Mahaboob Nagar District. Work completed, 12) Constructions of drains at Kakinada (Vakalapudi) work in progress, 13) Formation of roads at Buchnelly, Medak District, 14) Providing water supply facility to IP, Gullapuram, Ananthapur District, work in progress, 15) Providing BT roads at IP, Gullapuram, Ananthapur District work completed.

Further APIIC has carried out Repairs & maintenance work at various Industrial Parks under Infrastructure Upgradation Fund, Environment Management Plan and Annual Maintenance Funds.

7. SPECIAL ECONOMIC ZONES ANDHRA PRADESH:

Government appointed APIIC as Nodal agency for development of Special Economic Zones in State of Andhra Pradesh. APIIC is developing 21 Nos. of SEZs out of which APIIC owns 17 and APIIC JVs own 4 Nos. Apart from these, APIIC has also assisted 27 Nos. of developers for the establishment of SEZs in various Districts of Andhra Pradesh. All these SEZs are notified by the Government of India.

8. BOARD OF DIRECTORS:

a) Chairman:

Sri. S. Sivarama Subrahmanyam	From 19-01-2010 to 18-01-2012
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b) Vice-Chairman & Managing Director:

Sri Bhambal Ram Meena, IAS	From 24-12-2009 to till date
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c) Directors:

During the Financial Year 2010-11, the following are the Members of the Board.

S.No.	Name of the Director	Period
1.	Sri Busi Sam Bob, IAS Prl.Secretary to Govt. & CIP Inds. & Com.Department	24-05-2007 to 09-08-2010
2.	Sri .B.P. Acharya, IAS Prl.Secretary to Govt. & CIP Inds. & Com.Department	09-08-2010 to 19-10-2010
3.	Sri Ajay Mishra, IAS Prl.Secretary to Govt. Infrastructure & Investment Department	19-10-2010 to 29-01-2011
4.	Sri Busi Sam Bob, IAS Prl.Secretary to Govt. & CIP Inds. & Com.Department	29-01-2011 to 17-06-2011
5.	Sri T.S.Appa Rao, IAS Prl.Secretary to Govt. & CIP Inds. & Com.Department	17-06-2011 to till date
6.	Sri Ajay Mishra, IAS Prl.Secretary to Govt. Infrastructure & Investment Department	07-03-2011 to 06-08-2011
7.	Sri Sutirtha Bhattacharya, IAS Prl.Secretary to Govt. Infrastructure & Investment Department	06-08-2011 to till date
8.	Sri T.Satyanarayana Rao, IAS Secretary to Govt. Finance(R & E) Department	14-07-2009 to 20-12-2011
9.	Smt. Pushpa Subrahmanyam, IAS, Prl. Secretary to Govt. Finance (IF) Department	20-12-2011 to till date
10.	Sri. G.Anantha Ramu, IAS Commissioner of Industries	25-05-2010 to 30-11-2010
11.	Sri. R. Karikal Valaven, IAS Commissioner of Industries	30-11-2010 to till date
12.	Sri. K. Madhusudhana Rao, IAS Member Secretary, AP Pollution Control Board	26-02-2009 to 17-06-2011

S.No.	Name of the Director	Period
13.	Sri. M. Dana Kishore Member Secretary, AP Pollution Control Board	17-06-2011 to 05-05-2012
14.	Sri. Vikas Raj, IAS Managing Director, APSFC	20-03-2009 to 02-02-2012
15.	Sri. T.Satyannarayana Rao, IAS Managing Director, APSFC	02-02-2012 to till date

9. DIRECTORS MEETINGS:

During the year under review, five (5) meetings of the Board of Directors were held on the following dates.

1. 10-06-2010
2. 10-08-2010
3. 19-10-2010
4. 30-12-2010
5. 15-02-2011

10. DIRECTORS RESPONSIBILITY STATEMENT:

The Board of Directors report.

- i. that in the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii. that the directors had taken sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the annual accounts on a going concern basis.

11. STATUTORY AUDITORS:

The Comptroller and Auditor General of India, New Delhi appointed M/s D.V. Ramana Rao & Co, Chartered Accountants, Hyderabad as Statutory Auditors of your Company for the financial year 2010-11 as per the Companies Act, 1956.

12. REPLIES TO RESERVATIONS IN THE STATUTORY AUDITORS REPORT AND COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA:

The explanations of the Board of Directors on the reservations/ qualifications made by the Statutory Auditors and comments of the Comptroller and Auditor General of India are given at Annexure-A & B to this Report.

13. FIXED DEPOSITS FROM THE PUBLIC:

Your Company has not accepted any deposits from the public and as such no amount of principal or interest was outstanding as on March 31, 2011.

14. PARTICULARS OF EMPLOYEES:

There are no employees drawing Rs. 2,00,000/- per month / Rs. 24,00,000/- per annum either partly or fully during year respectively, as required to be furnished under Section 217 (2A) of the Companies Act, 1956.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars required to be furnished pursuant to Section 217(1) (e) of the Companies Act, 1956 are not applicable to your Company.

16. HUMAN RESOURCE DEVELOPMENT:

Your Company's constant endeavor is to retain and keep the relations with the employees of your Company on sound and cordial line. The same was achieved during this year also. Your Directors place on record their appreciation of the dedicated services rendered by employees at all levels without which it would have not been possible to achieve the Company's objectives.

17. ACKNOWLEDGEMENTS:

Your Board of Directors place on record their deep sense of gratitude to the Government of Andhra Pradesh, Government of India, Financial Institutions, Banks and all other Agencies connected with the industrial development activities in the State for their continued guidance, interest and support.

The Board places on record its appreciation of the confidence reposed in your Company by the entrepreneurs who help in the industrial development of the State.

The Board thanks its Shareholders, who continue to extend their support.

For and on behalf of the Board
of APIIC Ltd

sd/-

K. PRADEEP CHANDRA, IAS
Chairman of the Meeting

Place : Hyderabad
Date : 07-09-2012

OBSERVATIONS OF STATUTORY AUDITORS AND REPLY OF THE COMPANY FOR THE YEAR 2010-11		
Sl.No.	Comments of Statutory Auditors	Reply of Corporation
4(d).	The Company's Investments (Long term and unquoted) are quoted at Cost. As per the Accounting Standard (AS-13) – "Accounting for Investment", the carrying values of Long term investments are to be adjusted for any diminution in value of Investment. Further, the indicators of the value of investments are to be obtained by reference to the Investee's Assets and liabilities, results and the expected cash flows. However, in absence of all the required details of Investees, we are not in a position to verify the carrying value of investments and consequent provision, if any, for diminution in value of Investment.	The company made certain investments in various companies by virtue of Government directions or to facilitate infrastructure projects under Public Private Partnership (PPP). The nature of the company is not to invest in the enterprises but to facilitate the infrastructure projects under PPP Mode. From the reading of the Accounting Standard 13 it may be observed that the same is applicable mainly to the enterprises, which are in the business of making "Investments". Hence, it is felt that Accounting Standard -13 is not applicable.
4(e)	The management is of the view that the carrying values of fixed assets are higher than the recoverable amount. In the absence of adequate documentation in respect thereof, we are unable to comment on impairment loss, if any, as required by the accounting standards "Impairment of Assets"-(AS-28) issued by the Institute of Chartered Accountants of India.	The reading of the Accounting Standard 28 – Impairment of Assets, indicates that Impairment of Assets is necessary for the enterprises which are covered under 8 categories indicated in AS 28. As the Company is not falling under any of the 8 categories indicated under AS 28, it is felt that AS 28 is not applicable to the Company.

Sl.No.	Comments of Statutory Auditors	Reply of Corporation
4(f)	<p>The Company is taking possession of government lands on the basis of instructions received from Government without any details of cost of alienated land or any payments to be made by the Company. The Company is accounting the cost of land transferred by Government to it on the basis of estimated cost. Consequently, we are unable to comment on correctness of Stock in Trade (land) carried in books and consequent impact on profit, if any, either on account of upward or downward revision of land cost by the Government.</p>	<p>The company has taken possession of the Government lands at various places. Pending receipt of alienation orders from the Government, a provision is made towards land cost in the books of accounts. On receipt of the final land cost particulars, the difference, if any, will be accounted for.</p>

For and on behalf of the Board
of APIIC Ltd

sd/-
K. PRADEEP CHANDRA, IAS
Chairman of The Meeting

Place: Hyderabad
Date: 07-09-2012

ANNEXURE : B

**REPLIES TO COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF
INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE REVIEW OF
ACCOUNTS FOR THE FINANCIAL YEAR 2010-11**

Sl. No.	Audit Enquiry	Reply of the Company
1.	<p>Balance Sheet : Sources of Funds</p> <p>Loan Funds</p> <p>Unsecured Loans (Schedule-3)- Rs. 540.93 crore</p> <p>Interest accrued and due :Rs 190.93 crore</p> <p>As a nodal agency between (I) the consortium of Vishakhapatnam Municipal Corporation (VMC), Rashtriya Ispat Nigam limited (RINL) & NTPC and (II) VIWSCO (a joint venture company of APIIC and VMC), the company availed a loan of Rs 350 Crore from the consortium and transferred the same to VIWSCO to complete Godavari water supply project. The repayment liability for both principal and interest is with VIWSCO and not with APIIC. However, the company recognized both the liability for principal and interest repayment to the consortium and also the asset/ interest receivable from VIWSCO. Any difference between these two accounts would affect the profit of the company. It was observed that there was a difference of Rs 2.18 crore between accrued interest payable (Rs 190.22 crore) to the consortium and the accrued interest receivable (Rs 188.04 crore) from VIWSCO. This has resulted in understatement of interest accrued and due from VIWSCO and the General reserve by Rs 2.18 crore.</p>	<p>The observation of the audit is noted.</p> <p>The reasons for the difference between the outstanding balances of accrued interest receivable and accrued interest payable and necessary rectification entries were passed during the Financial Year 2011-12.</p>

Sl. No.	Audit Enquiry	Reply of the Company
2.	<p>Current Liabilities & Provisions Provisions (Schedule 11B) Provision for development of IEs/IDAs : Rs.262.87 Cr</p> <p>(i) The above includes Rs.59.56 crore towards Provision for development works of IP Pashamylaram (Estate No. 227). As against the total estimated expenditure of Rs 8.82 crore for IDA Pashamylaram (Phase I to III), the Company had already incurred an expenditure of Rs.17.86 crore. Though substantial development works were already completed, the profit on sale of industrial Plots in IP Pashamylaram should have been recognized. Instead, the Company has created the above provision for development of Rs.59.56 crore. This has resulted in overstatement of 'Provision for development of IPs and understatement of Profit by Rs.59.56 crore</p> <p>(ii) During the year 2010-11, the company made sales in the Estate Nos 416, 458 and 601 and recognized the profit/loss in the books of accounts (P&L Account) though the development works in these estates were not completed. The margin on such sales should have been transferred to 'Provision for development of IEs/IDAs' (Sch 11B). Not doing so is contrary to its own accounting policy (No 3) and has resulted in understatement of the above head of Provision for development and overstatement of profit by Rs 1.95 crore.</p>	<p>The observation of the audit is noted.</p> <p>The same has been examined and necessary action was taken during the Financial Year 2011-12.</p> <p>The observation of the audit is noted.</p> <p>The cost of sales in the mentioned estates will be adjusted against future sales and necessary provision will be created wherever required during the F.Y. 2011-12.</p>

Sl. No.	Audit Enquiry	Reply of the Company
3.	<p>Profit & Loss Account: Income Rentals: Rs 9.75 crore</p> <p>The above is understated by Rs 54.40 lakh being non accountal of lease rentals receivable from Vishakhapatnam Industrial Water Supply Company Limited (VIWSCO) for the year 2010-11, as per the concession agreement dt.03-04-2004. Further, lease rentals receivable for the year 2009-10 also have not been accounted for. This has resulted in understatement of Rentals by Rs 54.40 lakh, Prior Period income by Rs 54.40 lakh and consequent understatement of Profit and Sundry Debtors by Rs. 108.80 lakh.</p>	<p>The lease rentals of Rs. 54.40 lakhs per annum for the F.Y.s 2009-10 and 2010-11 was not provided in the books of accounts due to oversight and the same were provided during the Financial Year 2011-12.</p>
4.	<p>Profit and Loss account: Expenses Administration and Other Expenses Rs.28.29 Crore (Schedule-18) Rebate on land cost Rs. 1,49,43,146/-</p> <p>(a) The above is overstated by Rs. 1.10 crore being the employment related rebate allowance allowed to M/s Ananth Technologies Ltd as per the IC & T Policy of the Government of Andhra Pradesh which is accounted for as receivable from GoAP. As this was incorrectly accounted for as expenditure, rebate on land cost is overstated and profit for the year is understated by Rs 1.10 crore. This also resulted in understatement of 'Due from Government – Rebate on land cost' by a similar amount.</p>	<p>The observation of the audit is noted.</p> <p>The same will be examined and necessary rectification entries will be passed during the Financial Year 2011-12.</p>

Sl. No.	Audit Enquiry	Reply of the Company
	<p>(b) The above is also overstated by Rs. 0.36 crore being the employment related rebate allowed to M/s Pioneer Online Private Ltd which was already accounted for earlier in 2003-04 was wrongly accounted for again during the current year. This resulted in overstatement of Rebate on Land cost and understatement of profit for the year by Rs.0.36 crore. This has also resulted in overstatement of 'Deposit towards sale of Land' by an equal amount.</p>	<p>The observation of audit is noted.</p> <p>The same will be examined and necessary rectification entries will be passed during the Financial Year 2011-12.</p> <p>In view of the above, the audit para may be dropped.</p>
<p>5.</p>	<p>Accounting Policies and Notes Forming Part of Accounts Schedule-21</p> <p>I Accounting Policies</p> <p>During the current year (2010-11), the Company has changed the accounting policy No. 5 relating to Fixed Assets by incorporating "All lands and other assets relating to SEZs are treated as fixed assets and accounted on Historical cost and the accumulated depreciation are shown separately". However, the effect of change in the accounting policy on the Fixed Asset, Depreciation, and Profit as required to be disclosed as per AS 1- 'Disclosure of Accounting Policies' was not disclosed in the Notes to Accounts. The Statutory Auditors have also not pointed out the same.</p>	<p>The assets relating to Special Economic Zones were transferred from Current Assets to Fixed Assets as per the guidelines on accounting for Special Economic Zones Development Activities issued by ICAI and as per the suggestion given by the AG Party during the audits. The depreciation on these assets was calculated with retrospective effect and accounted for accordingly. All the changes were effected in the Financial statements accordingly during the F.Y. 2010-11 and the same was disclosed in Accounting Policies and Notes to Accounts.</p> <p>In view of the above, the audit Para may be dropped.</p>

Sl. No.	Audit Enquiry	Reply of the Company
	<p>II. Notes to Accounts : Contingent Liabilities</p> <p>During the year 2010-11, the company provided bank guarantee for Rs.9.79 crore on behalf of APGIC and IREDA for MW Solar power Project. This has not been disclosed in the Contingent Liabilities which is in violation of AS-29 on "Provisions, Contingent Liabilities and Contingent Assets'. The Statutory Auditors have also not pointed out this important issue.</p>	<p>The observation of the audit is noted.</p> <p>The bank guarantees given by the company will be disclosed as contingent liability in Notes to Accounts during the F.Y. 2011-12.</p> <p>In view of the above, the audit Para may be dropped.</p>

For and on behalf of the Board
of APIIC Ltd

sd/-
K. PRADEEP CHANDRA, IAS
Chairman of The Meeting

Place: Hyderabad
Date: 07-09-2012

ACCOUNTS

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
BALANCE SHEET AS AT MARCH 31, 2011

	Sch. No.	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
SOURCE OF FUNDS			
SHAREHOLDERS FUNDS			
a) Share Capital	1	163,275,000	163,275,000
b) Reserves and Surplus	2	4,154,717,474	4,069,516,386
		4,317,992,474	4,232,791,386
LOAN FUNDS			
a) Unsecured Loans	3	5,409,316,572	5,129,251,264
		5,409,316,572	5,129,251,264
TOTAL		9,727,309,046	9,362,042,650
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	5,652,219,632	106,153,644
Less: Depreciation		92,307,292	47,560,113
Net Block		5,559,912,340	58,593,531
INVESTMENTS	5	3,214,259,372	3,006,021,740
CURRENT ASSETS, LOANS AND ADVANCES			
a) Inventories	6	69,593,078,189	72,517,946,702
b) Sundry Debtors	7	276,523,088	190,455,201
c) Cash and Bank Balances	8	2,573,099,613	1,425,189,861
d) Loans and Advances	9	12,262,534,628	11,716,063,039
e) Other Current Assets	10	44,606,694	21,195,853
		84,749,842,212	85,870,850,656
LESS:			
CURRENT LIABILITIES AND PROVISIONS			
a) Liabilities	11-A	80,842,798,631	77,798,896,562
b) Provisions	11-B	2,968,388,242	1,798,662,100
		83,811,186,873	79,597,558,662
NET CURRENT ASSETS		938,655,339	6,273,291,995
Miscellaneous Expenditure (to the extent not written off or adjusted)	12	14,481,995	24,135,384
TOTAL		9,727,309,046	9,362,042,650
Notes to Accounts	21		

The schedules referred to above form an integral part of the financial statements

AS PER OUR REPORT OF EVEN DATE
for D.V.RAMANA RAO & CO.,,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
M V SARMA
Partner
Membership No.205313

Sd/-
B.R. MEENA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

Sd/-
R. KARIKAL VALAVEN, IAS
DIRECTOR

Date : 23.05.2012
Place: HYDERABAD

Sd/-
M SIVA S REDDY
COMPANY SECRETARY

**ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Sch. No	For the year ended March 31, 2011 Rs	For the year ended March 31, 2010 Rs.
<u>INCOME</u>			
Sales	13	1,648,598,077	2,398,705,732
Rentals		97,502,892	52,124,302
Water Charges		98,211,005	93,939,020
Interest	14	467,618,145	649,366,623
Other Income	15	200,549,022	152,729,981
Liability No Longer Required Written Back		0	185,000
Centage Charges		24,287,990	30,244,540
		<hr/>	<hr/>
		2,536,767,131	3,377,295,198
<u>EXPENSES</u>			
Cost of Sales	16	1,351,084,233	1,964,334,836
Salaries and Other Benefits to Employees	17	461,623,049	552,229,099
Administration and Other Expenses	18	282,867,382	469,926,693
Administration Charges on Deposit Works		78,292,523	110,936,497
Interest Expense	20	280,000,000	376,541,567
Depreciation	4	22,209,289	6,716,151
Arrears of deprecation	4	0	0
Minor Assets written off	4	294,505	378,131
Expenditure on Social Welfare		23,600,000	11,640,763
Miscellaneous Expenditure Written Off-VRS		0	1,273,785
Miscellaneous Expenditure Written Off on ERP		21,328,622	11,817,693
Bad Debts		0	433,393
		<hr/>	<hr/>
		2,521,299,603	3,506,228,608
LESS: Expenditure during construction period		160,497,373	249,804,977
		<hr/>	<hr/>
		2,360,802,230	3,256,423,631
Profit for the year		175,964,901	120,871,567
Prior Period Adjustments (Net)	19	-45,763,813	4,014,314
Profit before Taxation		130,201,088	124,885,881
Provision for Income-tax		45,000,000	5,000,000
Profit after Tax		85,201,088	119,885,881
Balance carried to General Reserve		85,201,088	119,885,881
Balance of profit		<hr/>	<hr/>
Earnings Per Share		0	0
- Basic and Diluted (Rs.)		522	734
Notes to Accounts	21		

The schedules referred to above form an integral part of the financial statements

AS PER OUR REPORT OF EVEN DATE
for D.V.RAMANA RAO & CO.,,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
M V SARMA
Partner
Membership No.205313

Sd/-
B.R. MEENA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

Sd/-
R. KARIKAL VALAVEN, IAS
DIRECTOR

Date : 23.05.2012
Place: HYDERABAD

Sd/-
M SIVA S REDDY
COMPANY SECRETARY

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

Sch. No.		As at March 31, 2011 Rs.	As at March 31, 2010 Rs
1	SHARE CAPITAL		
	<i>AUTHORISED</i>		
	2,00,000 equity shares of Rs.1,000/- each	200,000,000	200,000,000
	ISSUED, SUBSCRIBED AND PAID-UP: 163,275 Equity shares of Rs.1,000/- each fully paid-up <i>(Rs.862.10 lakh shares were allotted for cash and Rs.770.65 lakh shares were allotted pursuant to a contract without payment being received in cash)</i>	163,275,000	163,275,000
		163,275,000	163,275,000
2	RESERVES AND SURPLUS		
	<i>GENERAL RESERVE</i>		
	As at the commencement of the Year	4,069,516,386	3,949,630,505
	Add: Transfer from Profit and Loss Account	85,201,088	119,885,881
		4,154,717,474	4,069,516,386
3	UNSECURED LOANS		
	Other Loans and Advances		
	From Others		
	Loans	3,500,000,000	3,500,000,000
	Interest accrued and due	1,909,316,572	1,629,251,264
		5,409,316,572	5,129,251,264

SCHEDULE - 4 FIXED ASSETS as at 31st March 2011

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2010	Additions & Adjustments	Total	Sales and Adjustments	As at 31st March, 2011	As at 1st April, 2010	For the Year	On Sales & Adjustments	As at 31st March, 2011	As at 31st March, 2010
Land	330,344	0	330,344	0	330,344	0	0	0	330,344	330,344
Buildings	32,926,955	968,713	33,895,668	0	33,895,668	6,376,537	575,978	0	26,943,153	26,550,418
Land - SEZ	0	4,747,766,403	4,747,766,403	0	4,747,766,403	0	0	0	4,747,766,403	0
Land Development - SEZ	0	8,846,650	8,846,650	0	8,846,650	0	314,149	0	8,532,501	0
Buildings - SEZ	0	1,039,262	1,039,262	0	1,039,262	0	48,407	0	990,855	0
Water Supply - SEZ	0	91,844,103	91,844,103	0	91,844,103	0	13,486,370	0	78,357,733	0
Sewerage - SEZ	0	11,982,741	11,982,741	0	11,982,741	0	1,163,311	0	10,819,430	0
External Electrification - SEZ	0	19,022,280	19,022,280	0	19,022,280	0	2,316,757	0	16,705,523	0
Roads and Bridges - SEZ	0	661,956,130	661,956,130	0	661,956,130	0	23,895,582	0	638,060,548	0
Refrigerators & ACs	1,542,761	21,000	1,563,761	39,231	1,524,530	790,532	46,153	39,233	727,078	752,229
Furniture & Fixtures	7,326,638	3,714,170	11,040,808	182,653	10,858,155	5,019,891	369,157	182,653	5,651,760	2,306,747
Office Equipment	10,830,973	1,113,885	11,944,858	354,107	11,590,751	5,949,970	442,644	152,532	5,350,669	4,881,003
Vehicles	3,376,122	0	3,376,122	0	3,376,122	2,170,991	307,432	0	897,699	1,205,131
Electrical Equipment	2,372,924	83,048	2,455,972	15,419	2,440,553	555,233	97,255	15,419	1,803,484	1,817,691
Drawing Equipment	213,624	0	213,624	0	213,624	169,302	5,869	0	38,453	44,322
Computers	46,691,513	201,916	46,893,429	1,902,903	44,990,526	26,012,956	3,899,388	1,837,438	16,915,620	20,678,557
Quality Control Equipment	541,790	0	541,790	0	541,790	514,701	6,002	0	21,087	27,089
Total	106,153,644	5,548,560,301	5,654,713,945	2,494,313	5,652,219,632	47,560,113	46,974,454	2,227,275	92,307,292	58,593,531
As at 31st March, 2010	80,198,299	25,955,345	106,153,644	0	106,153,644	40,465,830	7,094,282	0	58,593,531	39,732,469

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

Sch. No.	ACCOUNT	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
5	INVESTMENTS : UNQUOTED (AT COST)		
I	8,900 equity shares of Rs.10/- each fully paid-up in Fab City SPV (India) P Ltd	89,000	89,000
II	2,50,000 equity shares of Rs.10/- each fully paid-up in Patancheru Envirotech Ltd	2,500,000	2,500,000
III	29,70,000 equity shares of Rs.10/- each fully paid-up in L&T Infocity Ltd (includes 9,90,000 Bonus shares issued on May 12, 2003)	19,800,000	19,800,000
IV	20,825 (2007- 42,500) equity shares of Rs.10/- each fully paid-up in Hyderabad Information Technology Venture Enterprises Ltd	208,250	208,250
V	770 Units of Rs.25,000/- each fully paid-up in Cyberabad Trustee Company (P) Ltd (HIVE FUND)	19,250,000	19,250,000
VI	4,165 equity shares of Rs.10/- each fully paid-up in Cyberabad Trustee Company (P) Ltd	41,650	41,650
VII	19,80,000 equity shares of Rs.10/- each fully paid-up in Ramky Pharma City (India) Ltd	19,800,000	19,800,000
VIII	2,20,27,064 equity shares of Rs.10/- each fully paid-up in Visakhapatnam Industrial Water Supply Company Ltd	220,270,640	220,270,640
IX	1,10,000 equity shares of Rs.10/- each fully paid-up in K Raheja IT Park Ltd	1,100,000	1,100,000
	6050 equity shares of Rs.10/- each fully paid in Sundew Properties (P) Ltd., amounting to Rs. 60,500/- vide A.P. High Court's Order dated 23.03.2007 in the scheme of arrangement with K. Raheja IT Park (Hyd) Ltd.,	0	0
	6050 equity shares of Rs.10/- each fully paid in Intime Properties (P) Ltd., amounting to Rs. 60,500/- vide A.P. High Court's Order dated 23.03.2007 in the scheme of arrangement with K. Raheja IT Park (Hyd) Ltd.,	0	0
X	44,000 equity shares of Rs.10/- each fully paid-up in Vizag IT Park Ltd	440,000	440,000
XI	4,70,800 equity shares of Rs.10/- each fully paid-up in Nano Tech Silican India Ltd	4,708,000	4,708,000
XII	3,84,80,000 equity shares of Rs.10/- each fully paid-up in Cyberabad Convention Center (P) Ltd	384,800,000	384,800,000
XIII	1,97,49,698 equity shares of Rs.10/- each fully paid-up in Boulder Hills Leisure (P) Ltd	197,496,980	197,496,980
XIV	2,50,32,202 equity shares of Rs.10/- each fully paid-up in Emmar Hills Leisure (P) Ltd	250,322,020	250,322,020
XV	500 equity shares of Rs.10/- each fully paid-up in Hyderabad Pharma Infrastructure & Technologies Ltd	5,000	5,000
XVI	50,00,000 equity shares of Rs.10/- each fully paid up in L&T Hitech City Ltd	50,000,000	50,000,000
XVII	15,00,000 equity shares of Rs.10/- each full pad-up in Bharatiya International SEZ Ltd	15,000,000	15,000,000
XVIII	2,08,20,806 equity shares of Rs.10/- each full paid up in CBD Tower (P) Ltd	208,208,060	202,321,090
XIX	15,91,79,194 Fully Secured Convertible Debentures of Rs.10/- each in CBD Tower (P) Ltd	1,591,791,940	1,597,678,910
XX	5,10,000 equity shares of Rs.10/- each fully paid up in A P Gas Infrastructure Corporation P Ltd	5,100,000	5,100,000
XXI	Deposit towards share application money		
	UoH Knowledge and Innovation Park (P) ltd	11000	
	Krishnapatnam International Leather Park (P) Ltd	510000	
	Bhagyanagar Gas Ltd	23906832	
	A P Gas Infrastructure Corporation P Ltd	198900000	
		<u>223,327,832</u>	<u>15,090,200</u>
		<u>3,214,259,372</u>	<u>3,006,021,740</u>

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

Sch. No.	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
6 INVENTORIES (As verified, valued & Certified by Management)		
a) Construction materials at cost	4,569,431	4,664,064
b) Stock in Trade at IEs/IDAs	66,219,907,529	69,195,983,881
c) Housing stock at cost	2,661,070	2,661,070
d) Work- in-Progress	3,359,776,989	3,308,451,201
e) HP Stock at cost	6,163,170	6,186,486
	69,593,078,189	72,517,946,702
7 SUNDRY DEBTORS (UNSECURED)		
Considered Good		
Debts Outstanding for a period not exceeding six months	6,784,683	86,822,447
Other debts	323,961,539	153,586,893
Considered Doubtful		
Debts Outstanding for a period exceeding six months	-	-
Other debts		
Total	330,746,222	240,409,340
Less: Provision for Bad and Doubtful Debts	54,223,134	49,954,139
	276,523,088	190,455,201
8 CASH AND BANK BALANCES (As certified by Management)		
Cash on hand	5,668	6,675
Cheques and D.D.s on hand	14,042,176	791,687
Balance with Scheduled Banks		
- In Current Accounts	349,768,894	314,386,935
- Non - Operative Collection Accounts	100,306,203	27,190,478
- Personal Deposit Account [SBH]	0	0
- Remittance in Transit		7,575,000
- i) Short Term Deposits	2,062,901,200	1,039,988,000
- ii) Accrued interest on Deposits	46,075,472	35,251,086
	2,573,099,613	1,425,189,861

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

Sch. No.	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
9 LOANS AND ADVANCES		
Advances recoverable in cash or kind for the value to be received Secured [includes accrued interest of Rs.1,07,96,395/- (2009-10 Rs. 1,96,26,499/-)]	34,370,879	38,754,661
Unsecured: [includes accrued interest of Rs.1890751782/- (2009-10 Rs. 160,24,15,486/-)] [includes advances due from Directors & other Officers of the Company Maximum -Nil]	12,228,163,749	11,677,308,378
	12,262,534,628	11,716,063,039
10 OTHER CURRENT ASSETS		
Tax Deducted at Source	41,163,491	18,981,463
Expenditure on Projects	3,443,203	2,214,390
	44,606,694	21,195,853
11 A) LIABILITIES		
Sundry creditors		
"total outstanding dues of micro enterprises and small enterprises	0	0
"total outstanding dues of creditors other than micro enterprises and small enterprises	50,120,325	75,744,514
Sundry Advances due to Govt.of Andhra Pradesh	16,052,164,139	16,088,789,798
Stale Cheques	25,431,750	21,823,577
Deposits received from allottees of plots/sheds etc	59,658,111,811	56,591,151,971
Amounts received in advance towards rent,water etc.	6,517,443	4,739,686
Other Liabilities	5,046,142,713	5,012,336,566
Unpaid Dividend	4,310,450	4,310,450
	80,842,798,631	77,798,896,562
11 B) PROVISIONS		
Development of IEs/IDAs/Houses	2,628,738,966	1,605,950,322
Bonus	9623	7,581
PS Charges	20,247,043	28,163,833
Earned Leave Salary	140,340,369	128,207,618
Group Gratuity Premium to LIC	41,818,060	31,332,746
Provision for Taxation	137,234,181	5,000,000
	2,968,388,242	1,798,662,100
12 Miscellaneous Expenditure		
Opening Balance	24,135,384	27,638,631
Add: Additions during the year	11,675,233	9,588,231
Less: Charged off during the year	21,328,622	13,091,478
	14,481,995	24,135,384

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

Sch. No.	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
13 SALES		
Land	1,628,380,128	2,379,541,102
Sheds	15,795,893	17,431,140
Houses	3,665,382	1,588,590
Buildings	756,674	144,900
	1,648,598,077	2,398,705,732
14 INTEREST ON :-		
Loans and advances	280,000,000	376,541,567
Fixed deposits	130,066,579	54,009,056
Debentures	31,860,170	191,721,469
Mobilisation Advance	0	2,141,660
Out Right Sales	16,815,295	18,617,319
Hire Purchase	131,383	115,732
Rentals	1,641,727	1,547,206
Water Charges	4,278,071	1,762,764
Advances to Staff	2,824,920	2,909,850
	467,618,145	649,366,623
15 OTHER INCOME		
Miscellaneous Receipts	182,661,843	130,140,574
Maintenance Charges	250	4,100
Local Authority	17,886,929	22,585,307
	200,549,022	152,729,981
16 COST OF SALES		
Land	1,343,423,057	1,957,943,102
Sheds	436,451	4,796,235
Houses	1,980,282	1,448,637
Buildings	5,244,443	146,862
	1,351,084,233	1,964,334,836
17 SALARIES AND AND OTHER BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	321,161,144	278,289,230
Contribution to Provident and other Funds	27,980,540	256,011,335
Group Gratuity Premium	103,207,927	10,072,123
Staff Welfare Expenses	9,273,438	7,856,411
	461,623,049	552,229,099

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

Sch. No.		As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
18	ADMINISTRATIVE AND OTHER EXPENSES		
	Travelling Expenses :		
	Directors	1,375,663	
	Employees	<u>12,366,751</u>	
		13,742,414	13,175,462
	Rent	1,523,379	925,710
	Rates and Taxes	549,611	587,192
	Electricity Charges	6,000,881	5,525,435
	Water Charges	64,728,401	61,274,786
	<u>Repairs and Maintenance</u>		
	Estates	8,019,084	109,998,555
	IALA	4,328,368	1,297,103
	Vehicles	22,398,676	22,168,160
	Office	12,763,628	8,501,380
	Environmental Management	27,042,607	60,577,263
	Up-gradation of Infrastructure	12,025,477	61,407,771
	Industrial Forestry	610,039	3,031,063
	Others	1,098,185	1,116,884
	Audit expenses (outsource)	89,116	0
	Insurance	58,765	88,283
	Printing and Stationery	3,553,752	2,894,900
	Publicity Expenses	23,798,513	10,336,164
	Postage, Telegrams and Telephones	3,935,414	3,558,121
	Legal and Professional Expenses	32,787,164	48,515,580
	Recruitment and Training Expenses	6,373,127	1,897,919
	Auditor's Remuneration		
	- Audit	150,000	
	- Tax Audit	20,000	
	- Service tax	<u>17,510</u>	
		187,510	239,652
	Provision for Bad and doubtful debts	4,268,995	0
	<u>Expenses Written Off</u>		
	Preliminary Land Survey	1,236,269	3,671,832
	Staff Advances	181,100	103,260
	Donations	0	30,000,000
	Waiver of Interest	54,282	105,336
	Loss on sale of Fixed Assets	215,381	0
	Miscellaneous Expenses	16,354,098	18,858,610
	Rebate on Land Cost	14,943,146	70,272
		<u>282,867,382</u>	<u>469,926,693</u>

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

Sch. No.	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
19	Prior Period Adjustments (Net)	
	Debits - 5380	
	Interest on Advance to Staff	16,091
	Waival of Penal Interest	35,913
	Miscellaneous Rentals	-
	Travelling Expenses	17,279
	Telephones and Trunk Calls	1,862
	Sundry Debtors - Water	24,600
	Sundry Debtors - Rentals	425,184
	Sundry Debtors - Hire Purchase - Housing	645
	Sundry Debtors - Water Supply - Housing	1,856
	Accrued interest on staff advances	631
	Deposit towards Sale of Land	22,228
	EMD - Plots and Sheds	87,142
	Contribution towards PF - Employer - Others	24
	Bonus - Others	9,040
	Expenditure on ERP	1,606,519
	Depreciation	24,470,660
	Process Fee	100,000
	Lease Premium	20,340,000
	Fine for change in name	10,000
	Salaries and Other benefits to employees	-
	Administration and Other Expenses	-
	Other Expenditure	-
	Sundry Debtors Rentals	-
	Fines from contractors	-
	Bank charges	-
	R&M Estates	-
	Professional & Technical Services	-
	Establishment Expenses of SDC(LA)	-
	R & M Estates	-
	Sub- total I	47,169,674
	Credits- 4210	
	Interest	468
	Maintenance Charges	6,570
	Water Demands - Estates	2,072
	R&M Estates	-
	Rental demands	378,436
	Salaries and Other Benefits to Employees	1,809
	Administration and Other Expenses	-
	Lease Rentals	-
	Sundry Debtors - Hire Purchase - Housing	1,805
	Collections received in Advance - Rent	4,051
	Leave Travel Concession - Others	5,000
	Staff Advances written off	450
	Process Fee	1,000,000
	Depreciation	5,200
	Deposit towards works under taken	-
	Sub- total II	1,405,861
	Prior Period Adjustments (Net) (I-II)	-45,763,813
20	INTEREST EXPENSES	
	Interest on loan from VMC	48,000,000
	Interest on loan from RINL	192,000,000
	Interest on loan from NTPC	40,000,000
	Sub- total	280,000,000

Schedule – 21 ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS

I. ACCOUNTING POLICIES:

1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The Financial Statements of the Company have been prepared based on Historical cost convention in accordance with Indian Generally Accepted Accounting Principles (GAAP) and provisions of the Companies Act 1956, as adopted consistently by the Company. The company follows the mercantile system of accounting.

2) ESTIMATES:

The preparation of Financial Statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of Financial Statements and reported amounts of income and expenses during the period. Examples of such estimates include provision for doubtful debts, employee retirement benefit plan, provision for gratuity etc.

3) REVENUE RECOGNITION:

Profit/Loss is recognized on allotment and transfer of sheds, land, houses on outright sale or hire-purchase and the difference between sale price and cost price of the assets sold is taken to Profit & Loss Account, wherever the developmental works are completed substantially.

The dividend revenue is recognized on receipt basis.

4) VALUATION OF INVENTORIES:

Inventories such as land, HP stock, construction material, stock in trade at IPs/IDAs, housing stock and work in progress are valued at cost.

5) FIXED ASSETS:

Fixed assets are accounted on historical cost and are shown net of accumulated depreciation. Historical cost includes purchase price and all attributable costs (freight and non refundable duties and taxes) for bringing the asset to working condition for intended use.

All lands and other assets relating to Special Economic Zones are treated as Fixed Assets and accounted on historical cost and the accumulated depreciation are shown separately.

Any profit/loss on sale, discard /disposal of an asset is charged to profit & loss account in that year.

In the case of any purchase/addition to assets, it is taken into account after receiving the certification from the competent authority.

The cost of fixed assets written down to \leq Rs.5000/- and in case of purchase / addition valued \leq Rs.5000/- charged to Profit & Loss Account.

6) DEPRECIATION:

Depreciation on assets is charged on Straight Line method at the rates prescribed in schedule XIV of Companies Act, 1956.

In the case of any addition/transfer/deletion of an asset, depreciation is charged proportionately based on number of days, from the date when the asset is ready for intended use or till the date of disposal or transfer, as the case may be.

7) INVESTMENTS:

All the long-term investments (unquoted) are stated at cost of acquisition. Cost of the investment includes all direct cost incurred for acquisition of investments such as purchase price (Land transferred or Cash), brokerage, commission, stamp duty etc.

8) EMPLOYEE BENEFITS:

A) PROVIDENT FUND:

Company's contribution to the Provident Fund is deposited with the Trust formed by the Company under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952 and which is recognized by the Income Tax authorities. Such contributions are charged to Profit & Loss account each year.

B) GRATUITY:

The Group Gratuity for the employees of the Company is covered under a policy taken from Life Insurance Corporation of India. The premium paid is charged off in the accounts. The amounts paid in certain cases in excess of amounts reimbursed by LIC are also charged off in the accounts.

C) PENSION SCHEME:

The company has introduced Group Superannuation scheme to the employees towards retirement benefit by way of pension. This scheme is taken up under a policy with Life Insurance Corporation of India.

D) LEAVE ENCASHMENT:

In respect of Leave Salary payable to employees on retirement, provision is made in the accounts based on salary drawn at the end of the year.

E) No provision of Leave Salary contribution, Pension contribution is made in respect of employees working on deputation, as quantum of amount is not known. On demand from the respective Departments, the amount so paid is charged off to revenue during the year of payment.

9) PROVISION FOR BAD AND DOUBTFUL DEBTS:

Provision for bad and doubtful debts is made @ 100% on Interest receivable on account of Rentals, Penal interest on Hire purchase, water charges etc.

10) GOVERNMENT GRANTS:

Government grants received for execution/development of projects (Growth Centers etc.) are adjusted against the expenditure incurred on projects concerned and the balance is shown under the deposits and grouped under other liabilities Schedule 11-A current liabilities – other liabilities.

11) STALE CHEQUES:

The amount lying under Stale cheques for more than five years is treated as “ Revenue” during the year.

12) CONTINGENT LIABILITIES:

Contingent liabilities not provided for are indicated by way of notes to accounts

13) TREATMENT OF EXPENDITURE DURING CONSTRUCTION/DEVELOPMENT PERIOD:

The civil works expenditure during construction period is treated as Works in progress. Like wise, the administrative expenditure on engineering personnel/officers of the Company engaged on civil works is treated as works in progress. On completion of works and on receipt of completion reports, the works are capitalised or taken as current assets of the Company.

14) MISCELLANEOUS:

The liability on account of leave travel facilities available to the employees, liability towards electricity and water charges for which bills are not received and property tax etc., leviable on land and sheds for which assessments are not completed, will be provided on payment basis

15) TREATMENT OF INTEREST ON LOANS OR ADVANCES TO STAFF:

Interest accrued on loans or advances given to the staff is treated as interest accrued but not due and shown as current asset. Recovery of the interest will commence after the recovery of principal amount.

16) TAXES ON INCOME:

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

II. Notes on Accounts

1. The Company has been executing civil works on behalf of various departments of State and Central Governments. These works which are in various stages of completion are in possession of the Company and they are to be handed over to the respective Departments after their completion. The amount excess spent/balance advance outstanding are shown in Sundry debtors/Deposits – Other Liabilities depending on their nature.

2. Contingent Liabilities:

a) CIVIL WORKS :

S.No	Particulars	For the year 2010-11 (Rs.in Lakhs)	Previous Year 2009-10 (Rs. in Lakhs)
i)	Estimated amount of contracts remaining to be executed on capital account not provided for	4033.69	3950.37
ii)	Claims against the company not acknowledged as debts	57.53	57.53
iii)	Arbitration & Court cases Contingent liabilities: Works Contracts Etc.	25.44	34.90

b) LAND ACQUISITION :

S.No	Particulars	FOR THE YEAR 2010-11		PREVIOUS YEAR 2009-10	
		AREA (in acres)	AMOUNT (Rs in lac)	AREA (in acres)	AMOUNT (Rs in lac)
i)	Claims made by pattadars but being contested in lower Courts	990.17	5223.71	942.68	5267.92
ii)	Claims decreed by lower courts, but being contested in higher Courts	1131.85	891.39	807.65	816.37

Note: The amounts indicated at 2(b) above are excluding Solatium, Additional Market Value and Interest.

3. The total Income Tax demanded by IT Department from Financial Years 1978-79 to 2005-06 amounted to Rs.6926.40 lakhs and Rs. 7.59 Crores for the Financial Year 2008-09. The Income Tax Appellate Tribunal vide its ITA No. 1472/HYD/2010 for the Assessment Year 2003-04 and ITA No. 1471/HYD/2010 for the Assessment Year 2007-08 dismissed the grounds raised by the Revenue and issued the decision in favour of the Company. The above amount of Rs. 7685.40 lakhs was not taken into books of accounts and accordingly no provision was made as the cases are pending in the Income Tax Appellate Tribunal and High Court.

4. Lands:

Name of the area	Details
AIE Bodhan	Current Assets include land, sheds, buildings etc., amounting to Rs.16.01 lakhs acquired by Company for which sale deed is yet to be executed.
IDA Jeedimetla, Phase.V	86.725 acres of land was taken possession from Government on lease for 99 years for which no liability was created pending fixation of lease rentals.
IE Gudur	10 acres of land was taken possession along with super structures as per G.O.Ms.No.703, Health, dt.29.6.1977 which was not included in the assets of the Company pending finalization of the cost and other formalities by Government.
Izzatnagar (v), Serilingampalli mandal, R R District	An extent of 15.139 acres of Government land in survey No5/9(p),5/10(p) and 5/11(p) at Izzatnagar (v), Serilingampalli mandal of R R District was taken possession by the Corporation on 10.10.2005 as per G O Ms No133, TR & B (R III) Department dated 22.06.2005. The same was not taken to books of account pending finalisation of land cost and other formalities by Government.
Krishnapatanam(v), Nellore district	An extent of 1021.67 acres of ceiling surplus land was leased out to the Company by Go AP vide G O Ms No.241 dated 28.02.2005 for a period of 25 years. This land was not taken to books of accounts as the lease terms and conditions are not finalised by GoAP.
Raidurg(v), Serilingampalli mandal, R R District	An extent of 470.825 acres of surplus land in survey No.83 of Raidurg(v),Serilingampalli mandal, R R District was taken possession on 14.02.2006 and 11.09.2008 as per the directions in G O Ms No.161 dated 13.02.2006 and G O Ms No.1077 dated 02.09.2008 of Revenue(UC.II) Department. An amount of Rs.4,892.27 crores was taken to books towards cost of the above lands. A litigation is pending in various courts against this land.

5. Assam Company Ltd along with four others filed a Civil Suit No.284 of 2001 against Government of AP, Corporation and L&T Ltd for recovery of an amount of Rs.396.45 crores towards damages and compensation. Hon'ble High Court of Kolkata has passed orders in favour of the Company. However, Assam Company Ltd has filed an appeal against the orders. The Company is contesting the appeal. No provision is made in the books of Account.

6. Expenditure on Enterprise Resource Planning (ERP):

The Company has implemented Enterprise Resource Planning (ERP) for better results and improving its services. In this process an amount of Rs. 370.64 lakhs (including future expenditure for which provision has been made during the year 2009-10) was incurred up to the end of the year. As the package was implemented during the F.Y. 2009-10, the

expenditure incurred on the same is being amortised over a period of 3 years starting from the Financial Year 2009-10 as per Accounting Standard – 26 and the balance unamortized expenditure is shown under “ Miscellaneous Expenditure (to the extent not written off or adjusted)” – Schedule – 12.

7. MANAGERIAL REMUNERATION:

	For the year 2010-11 Rs.	For the year 2009-10 Rs.
Honorarium to Chairman	45,000	4,960
Rent to Chairman	30,000	0
Vice Chairman & Managing Director:		
Salaries & Allowances	13,28,302	18,89,971
Contribution to leave salary	0	3,64,635
Contribution to Pension	0	7,96,181
Medical expenses	6,670	29,784
Leave Travel Concession	0	0

8. Government Grants

The grants received from government for the development of growth centres etc have been adjusted against the cost of providing infrastructure and the balance is shown under the deposits and grouped under other liabilities Schedule 11-A current liabilities – other liabilities.

9. Assistance to States For Developing Export Infrastructure & Allied Activities (ASIDE)

Government of India have launched a scheme “Assistance to States For Developing Export Infrastructure & Allied Activities (ASIDE)” for involvement of States in export efforts. Under this scheme, funds to the State are directly disbursed to State Level Nodal Agency by Government of India. In this process an amount of Rs.1835.89 lakhs (Previous year Rs. 1020.50 lakhs) was released by Government of India during the year 2010-11.

10. Industrial Infrastructure Development Fund (IIDF):

Government of Andhra Pradesh created a fund called IIDF for taking up infrastructure works wherever there is no provision to take up such works under regular budget.

Under this scheme an amount of Rs. NIL was received during F.Y. 2010-11 (Previous year Rs.2,000.00 lakhs). The Company has spent an amount of Rs. NIL (Previous year Rs. 3184.95 lakhs) by utilising the same for laying approach roads, provision of water supply for FAB City, BioTech Park, Textile Park etc., in the State of AP) on various projects for the development of infrastructure facilities during F.Y. 2010-11.

11. The Government of Andhra Pradesh has entrusted certain Local Authority powers to the Company like collection of Property Tax, maintenance of Common facilities in respect of certain Industrial Parks and Industrial Development Areas. The local authority powers are vested with Industrial Area Local Authority (IALA) for each industrial area and the income and expenditure in this regard is being accounted for in the books of accounts maintained

by the respective IALAs and hence not accounted for in the accounts of the Company.

12. Sundry debtors, loans and advances, creditors and deposits are subject to confirmation.
13. Pending registration of the floor area purchased from APSSIDC in respect of 4th floor of Parisrama Bhavanam, the amount of Rs.1.50 crores paid to APSSIDC during 1998-99 has been shown under Buildings in Schedule-4 Fixed Assets.
14. Land allotted under IT Policy of Government of A.P.:

As per G.O.Ms.No.114 dated 25.05.1999 of Finance and Planning (Plg.IT&C) Department, the cost of rebate/incentives granted to IT Companies will be adjusted against cost of Government lands alienated to APIIC.

In that process an area of NIL acres (previous year NIL acres) was allotted during the year to various companies at a total consideration of Rs. NIL (Previous year Rs. NIL) to be adjusted against cost for Government lands alienated to the company.

In pursuance of the above GO, the amount of Rs. 44,95,05,854/- (Previous year Rs.44,95,05,854/-) is exhibited as Unsecured Loans under Schedule 10 (Loans & Advances) of Balance Sheet as alienation orders for various Government lands are awaited.

15. Bank Guarantee:

For availing the rebate on cost of lands, Bank Guarantee has to be furnished for the rebate amount for the periods as per terms of the MoU between the IT Company and the Government of AP. Accordingly, the Company is holding the performance Guarantees to the tune of Rs. 8785.00 lakhs (Previous year Rs.9182.32 lakhs) which was not taken to books of accounts.

16. Opening & Closing Stocks:

The details under Schedule VI – Part II of the Companies Act,1956 are not furnished as the paras in that provision deal with Manufacturing and Trading sector and not directly related to this Company.

17. Investment in Fab City SPV(India) P Ltd:

As per the directions of Government of AP in G O Ms.No.94 of Industries & Commerce (INF) Department dated 28.04.2007, the Corporation has acquired 89% of equity (Rs.89,000/-) in Fab City SPV(India) P Ltd. Consequently the Fab City SPV(India) P Ltd has become a subsidiary company to the Corporation. The amounts due from the subsidiary company towards land cost and infrastructure and the amounts received for on behalf of the subsidiary company are shown under 'Due from Fab City SPV(India) P Ltd' and grouped under Current Assets in the books of Accounts.

18. Investment in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd.:

As per the directions of Government of AP in G O Ms.No. 222 of Industries & Commerce (INF) Department dated 09.10.2009, the Corporation has acquired 51% of equity

(Rs.51,00,000/-) in Andhra Pradesh Gas Infrastructure Corporation (P) Ltd. During the year 2010-11, the company further invested an amount of Rs.19.89 crores towards 51% share due to increase in paid up capital of 40.00 cores of APGICPL. Consequently the APGICPL has become a subsidiary company to the Corporation. The amounts due from the subsidiary company are shown under 'Due from APGICPL' and grouped under Current Assets in the books of Accounts.

The Accounts of the subsidiary companies are not attached as per Section 212 of the Companies Act,1956, as the same are under finalisation.

19. SPECIAL ECONOMIC ZONES (SEZ):

The company was appointed as Nodal Agency for development of Special Economic Zones (SEZs) in Andhra Pradesh. 17 Nos of SEZs were notified by Govt of India as on 31.3.2011 which are being developed by the company as Developer. In respect of the allotments made under lease basis during the year and lease deeds executed, the income on lease premium is taken proportionately depending upon the lease period and lease rentals are accounted for as revenue.

The assets relating to Special Economic Zones are shown under the head Fixed Assets.

20. Investments in CBD Towers (P) Ltd:

The Company has allotted land admeasuring 80.27 acres in Sy.Nos.283 and 311 of Manchirevula village, Rajendranagar Mandal, R R District to M/S C B D Towers (P) Ltd. In consideration of allotment of land for construction of trade towers, the investee company has issued 15,97,67,891 (12%) fully convertible Debentures of Rs.10/- each. 5,88,697 No. of debentures were converted into equity shares out of the total convertible debentures of 15,97,67,891 upto 31.03.2011. Also the coupon rate was reduced to 2% from 12% w.e.f. 01.04.2010.

21. Investment in M/s Emaar Hills Township Pvt. Ltd., & K. Raheja IT Park Pvt.Ltd:

The shares allotted to the Corporation for the investments made against the allotment of land at the time of incorporation is being continued in the above two joint venture companies. The Board noted the return of cheque of Rs. 2.09 Crores for restoration of 11% equity in respect of K. Raheja IT Park Pvt. Ltd.,

22. Government Lands:

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

b) In respect of Govt. Lands where alienation orders are not received, an extent of land 44,490.06 Acs was taken possession up to 31.03.2009. The same was taken to stock in trade during previous years. But the right over these lands (where alienation orders not received) is being pointed out by judiciary during course of legal cases. Therefore, sale deeds for these lands henceforth will be executed after receipt of alienation orders. Further the lands to an extent of 1,870.83 Acs of value Rs. 3,313.83 lakhs taken possession during the year 2009-10 at various places are not taken to accounts. On receipt of alienation orders these will be accounted for.

23. Land Conversion Charges:

The Government had demanded for an amount of Rs. 785.21 Crores (to be examined) towards conversion fee on 44,201.25 acres of land held by the Corporation as on the commencement of A.P. Agricultural Land (Conversion for Non – agricultural Purposes) Act, 2006. The Corporation has requested for exemption from payment of the same. No provision was made in the books of accounts.

24. Previous year figures have been regrouped wherever necessary for better comparison and to confirm to current year's classification.

Signature to schedule 1 to 21

AS PER OUR REPORT OF EVEN DATE
for D.V.RAMANA RAO & CO.,,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
M V SARMA
Partner
Membership No.205313

Sd/-
B.R. MEENA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

Sd/-
R. KARIKAL VALAVEN, IAS
DIRECTOR

Date : 23.05.2012
Place: HYDERABAD

Sd/-
M SIVA S REDDY
COMPANY SECRETARY

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED, HYDERABAD

Cash Flow Statement for the Year Ended March 31, 2011

Particulars	For the year ended March 31st 2011 Rs.	For the year ended March 31st 2010 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per Profit and Loss Account before Prior period Adjustments	175,964,901	120,871,567
Adjustments:		
Depreciation for the year(minor assets written off not included)	22,209,289	6,716,151
Minor Assets Written off	294,505	378,131
Depreciation on sales and adjustments	(2,227,275)	-
Prior period Depreciation	24,470,660	-
Miscellaneous Expenses written off (ERP & VRS)	21,328,622	13,091,478
Interest received on Loans & advances Granted	(280,000,000)	(376,541,567)
Interest Income on Fixed Deposits	(130,066,579)	(54,009,056)
Provision for Doubtful debts	4,268,995	-
Interest on Advances to Staff	(2,824,920)	-
Interest on Debentures	(31,860,170)	(191,721,469)
Dividend Income Received	(36,799,560)	(239,920)
Interest Expenses	280,000,000	376,541,567
Loss on sale of Fixed Assets	215,381	-
Operating profit before changes in Working Capital	44,973,849	(104,913,118)
Adjustments for:		
Decrease in Inventories	2,924,868,513	(2,505,204,293)
(Increase)/Decrease in Sundry Debtors	(90,336,881)	(40,397,659)
(Increase)/Decrease in Other Current Assets	(23,410,841)	6,023,192
(Increase)/Decrease in Unsecured Loans	280,065,308	-
(Increase)/Decrease in Loans and Advances	(546,471,589)	(657,615,416)
Increase/ (Decrease) in Liabilities	3,043,902,069	2,637,707,457
Increase/ (Decrease) in Provisions	1,169,726,142	638,455,357
Cash generated before Miscellaneous Expenditure & Prior period Items	6,803,316,570	(25,944,480)
Miscellaneous Expenditure written off	(21,328,622)	(13,091,478)
Prior Period Adjustment	(45,763,813)	4,014,314
Miscellaneous Expenditure (ERP)	9,653,389	(22,861,599)
Net Cash Flow from Operating Activity before Income Tax	6,745,877,524	(57,883,243)
Provision for Income Tax	(45,000,000)	(5,000,000)
NET CASH FLOW FROM OPERATING ACTIVITIES AFTER INCOME TAX B. CASH FLOW FROM INVESTING ACTIVITIES	A	(62,883,243)
Purchase of Fixed Assets	(5,548,560,301)	(25,955,345)
Interest on Debentures	31,860,170	191,721,469
Interest Income on Fixed Deposits	130,066,579	54,009,056
Purchase of Investments	(208,237,632)	(13,919,200)
Dividend Income	36,799,560	239,920
Sale of Fixed Assets	2,278,932	-
NET CASH FLOW FROM INVESTING ACTIVITIES C. CASH FLOW FROM FINANCING ACTIVITIES	B	206,095,900
Interest received on Loans & advances Granted	280,000,000	376,541,567
Interest on Advances to Staff	2,824,920	-
Increase/(Decrease) in Loans and Advances	(280,065,308)	(376,541,567)
Increase/(Decrease) in Unsecured Loans	280,065,308	376,541,567
Interest Expenses	(280,000,000)	(376,541,567)
NET CASH (USED IN) / FLOW FROM FINANCING ACTIVITIES	C	-
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(A+B+C)	143,212,657
CASH AND CASH EQUIVALANTS AT THE BEGINNING OF THE YEAR	1,425,189,861	1,281,977,204
CASH AND CASH EQUIVALANTS AT THE END OF THE YEAR	2,573,099,613	1,425,189,861

Notes:

1. Cash Flow Statement has been prepared under the Indirect method as set out in Accounting Standard AS (3) - "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
2. Cash & Cash equivalents at the year end includes interest accrued on Fixed Deposits
3. Previous years figures have been regrouped or reclassified wherever necessary.

AS PER OUR REPORT OF EVEN DATE
for D.V.RAMANA RAO & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
M V SARMA
Partner
Membership No.205313

Sd/-
B.R. MEENA, IAS
VICE CHAIRMAN &
MANAGING DIRECTOR

Sd/-
R. KARIKAL VALAVEN, IAS
DIRECTOR

Date : 23.05.2012
Place: HYDERABAD

Sd/-
M SIVA S REDDY
COMPANY SECRETARY

D.V. RAMANA RAO & CO.,
Chartered Accountants

AUDITOR'S REPORT

TO
THE MEMBERS OF ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

1. We have audited the attached Balance Sheet of THE ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED as at 31st March, 2011 and also the Profit and Loss Account and the 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 misstatement. 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 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 and the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section 4(A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 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 our Audit.
 - (b) In our opinion, proper books of accounts as required by law have been kept by the company as far as appears from our examination of those books.
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account maintained.
 - (d) The Company's investments (Long Term quoted and unquoted) are quoted at cost. As per the accounting standards (AS-13) "Accounting for Investment" the carrying values of long term investments are to be adjusted for any diminution in the value of investment. Further, the indicators of the value of investments are to be obtained, by the management, with reference to the investee's assets and liabilities, results and the expected cash flows. However in the absence of all the required details of the investees we are not in a position to verify the carrying value of investments and consequent provision, if any, for diminution in value of investment.
 - (e) The management is of the view that the carrying values of fixed assets are higher than the recoverable amount. In the absence of adequate documentation in respect thereof, we are unable to comment on impairment loss, if any, as required by the accounting standards "Impairment of Assets"-(AS-28) issued by the Institute of Chartered Accountants of India.

- (f) The company is taking possession of Government lands on the basis of instructions received from Government without any details of final cost of land and alienation orders upto the financial year 2008-09. The company is accounting the cost of land transferred by the Government to it on the basis of estimated cost. Consequently, we are unable to comment on correctness of the stock in trade (Land) carried in the books and consequent impact on profit, if any, either on account of upward or downward revision of the cost of land by the Government. (Refer point No. 22 of Notes on accounts)
- (g) In our opinion, the Balance Sheet and the Profit & Loss account and Cash Flow statement dealt with this report subject to standards specified in para 4(d) and para 4(e) above comply with the accounting standards referred to in Sub-Section (3C) of 211 of the Companies Act, 1956.
- (h) In view of the clarification issued by the department company affairs vide its general circular no. 8/2002 of 22.03.2002, we are of the opinion that the provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 does not apply to the Directors of this company, as they are appointed by the State Government.
- (i) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and subject to paragraphs 4(d) to 4(f) give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in case of the Balance Sheet, of the state of affairs of the company, as at 31st March 2011,
 - (ii) in case of the Profit and Loss Account, of the profit for the year ended on that date, and
 - (iii) in case of the Cash Flow statement, of the cash flows for the year ended on that date.

For D.V.RAMANA RAO & CO.,
Chartered Accountants.

Sd/-
(M.V.SARMA)
Partner
(M.No.205313)

Place: Hyderabad
Date: 23.05.2012

D.V. RAMANA RAO & CO.,
Chartered Accountants

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 3 of our Report of even date

1. The company has to update its records to show full particulars including quantitative details and the situation of fixed assets. The management during the year has not physically verified all the assets except vehicles. The company has to device a regular programme of verification, wherein all the fixed assets are verified in a phased manner at least over a period of three years. In respect of assets other than vehicles, in the absence of physical verification and proper records, we are unable to report on discrepancies, if any. Substantial part of fixed assets has not been disposed off during the year, which will effect its status as going concern.
2. As explained to us, the stock of inventory (excluding HP Stock, Sheds & House buildings) has been physically verified by the management at the year-end. As stock records were not updated, we have relied on certification from management. As per explanations given to us, the physical verification of plots and land could not be done, as the same would involve unduly heavy labour and expenditure.

In our opinion, the procedure of the physical verification of inventory followed by the management is reasonable but it has to be at regular intervals considering the size of the company and the nature of its business. The company has to update its stock records of inventory (i.e., quantity of unsold plots holding in the inventory).As informed, the discrepancies noticed on verification were properly dealt in the accounts.

3. The company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
4. In our opinion, on the basis of selective checks carried out during the course of audit, the Company has to strengthen the internal control procedures relating to accounting/ recording procedures to commensurate with the size of the company and 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 assessment, no major weakness in internal control had come to our notice.
5. According to information and explanation given to us, there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Act.
6. As informed, the Company has not accepted any deposits from the public during the year.
7. The Internal audit of the company was not satisfactory due to insufficient in house audit team. In our opinion, the internal audit wing is to be strengthened commensurate with the size and nature of business.

8. As informed, the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 for the activities of the Company.
9. (a) The company is generally regular in depositing undisputed statutory dues including employees provident fund, sales tax, tax deducted at source and other statutory dues with appropriate authorities. However, amount payable to various local authorities are outstanding for a period of more than six months from the date they became payable. As the Company is ascertaining the amount due to be remitted, the amount could not be quantified.

(b) According to the information and explanation given to us, the following dues of tax have not been deposited on account of dispute:

Name of Statute	Nature of disputed Dues	Amount	Period	Forum where Dispute is pending
The Income Tax Act 1961	Income Tax	76.85 Crore	1978-79 to 2005-06 & 2008-09	Various Authorities
The Income Tax Act 1961	Fringe Benefit Tax	No Tax	2006-07	High Court

10. The company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit and also in the immediately preceding financial year.
11. As per the information and explanations given to us the company has not taken any loans from Banks & Financial Institutions.
12. As per 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 or other securities.
13. The provisions of any special statute applicable to a Chit Fund or a Nidhi or Mutual Benefit Fund / Societies are not applicable to the company.
14. The company is not dealing in or trading in shares, securities, debentures and other investments. Hence this clause is not applicable.
15. As informed, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. As per the information and explanations given to us, the company has not obtained any term loan during the year.
17. As per the information and explanations given to us and on the basis of overall examination of financial statements of the company, we are of the opinion that, prima facie, short term funds has not been utilized for long term investments and vice-versa.

18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956 during the year.
19. The company has not issued any debentures during the year and hence this clause is not applicable.
20. The company has not raised any money by way of public issue during the year and hence this clause is not applicable.
21. During the course of our examination of books and records of the company, carried out in accordance with generally accepted auditing practices in India and in accordance with the information and explanations given to us, we have not come across any instances of fraud during the year.

For D.V.RAMANA RAO & CO.,
Chartered Accountants.

Sd/-
(M.V.SARMA)
Partner
(M.No.205313)

Place: Hyderabad
Date: 23.05.2012

