

**KPMB & Associates [Estd.1935]
Chartered Accountants,**

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Kolkata-700 029.
email:kpmb.associates@gmail.com**

INDEPENDENT AUDITORS' REPORT

To
The Members
Kanchan Janga Integrated Infrastructure Development Pvt Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of M/s.Kanchan Janga Integrated Infrastructure Development Pvt Ltd which comprise the Balance Sheet as at 31st March , 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

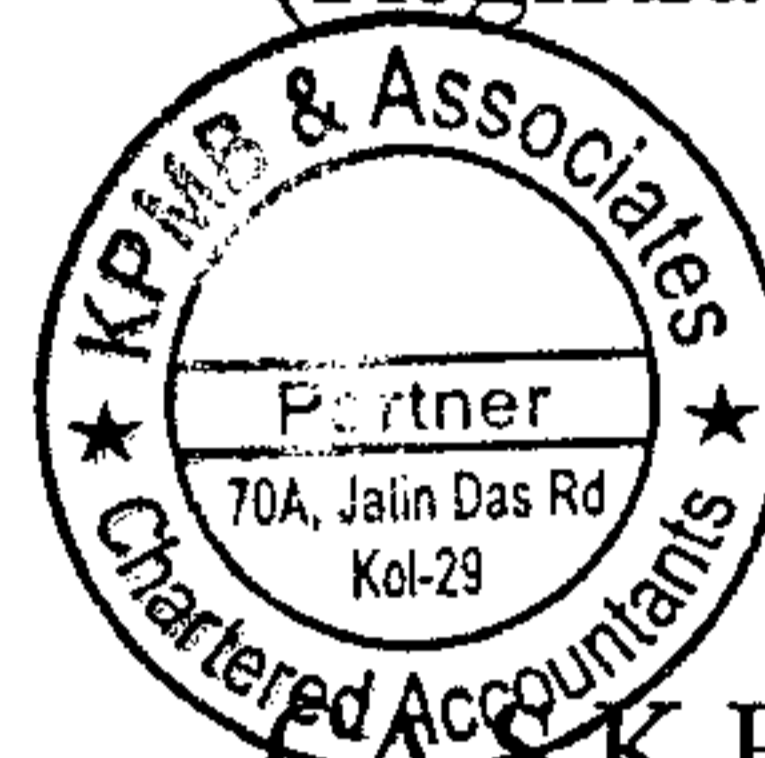
(d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.

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

Place: Kolkata

Date: 28.05.2014

For **KPMB & Associates**
Chartered Accountants
(Registration No. 301019E)



S.K. Bhattacharyya

S.K. Bhattacharyya

Partner

Membership No. 014178

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in our report to the members of M/s. Kanchan Janga Integrated Infrastructure Development Pvt. Ltd for the year ended 31 March 2014. We report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Certain fixed assets were verified during the year on test check basis and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) None of the fixed assets were disposed off during the year.

(ii) The Company has taken unsecured loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act.1956.

(iii)(a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (iii)(a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(iv) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

(v) The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.

(vi) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(vii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society.

(viii) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(ix) The Company did not have any term loans outstanding during the year.

(x) The Company has not raised any funds on short-term basis.

(xi) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

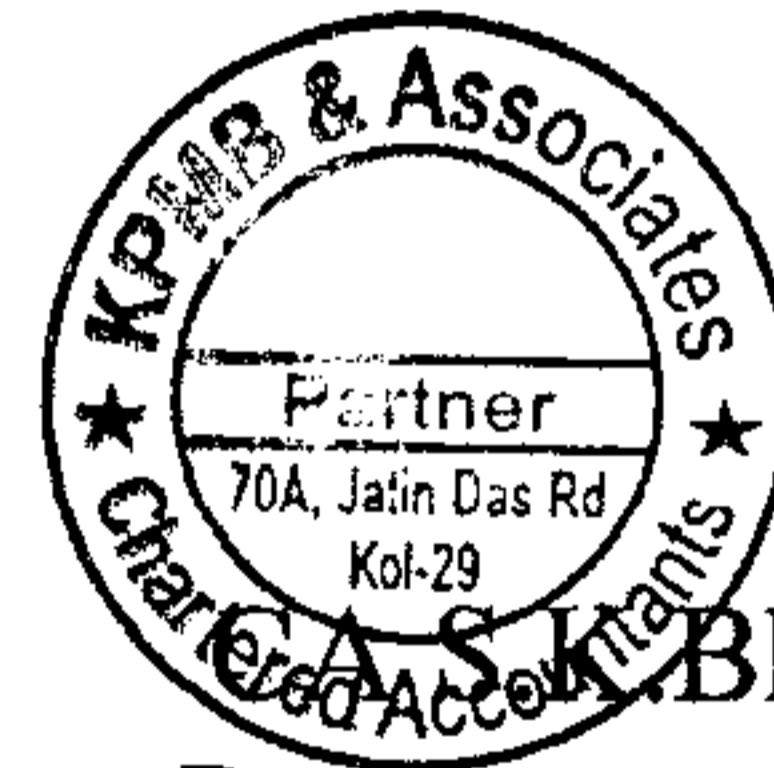
(xii) The Company has not raised any money by public issues during the year.

(xiii) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For **KPMB & Associates**
Chartered Accountants
(Registration No. 301019E)

Place: Kolkata

Date: 28.05.2014



S. K. Bhattacharyya

S. K. Bhattacharyya

Partner

Membership No. 014178

Kanchan Janga Integrated Infrastructure Development Private Limited

Balance Sheet as at March 31, 2014

	Note No.	As at 31.03.2014 Amount (in Rs.)	As at 31.03.2013 Amount (in Rs.)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share Capital	2	5,000,000	5,000,000
Reserve and Surplus	2	-	-
Non-Current Liabilities			
Long term Borrowings	3	38,981,573	121,300,000
Long term Provisions	4	1,898,506	1,386,800
Current Liabilities			
Trade payable		9,142,202	9,070,197
Other Current liabilities	5	325,403,912	180,137,737
Short Term Provisions	6	145,916	145,916
		380,572,110	317,040,650
ASSETS			
Non-Current Assets			
Tangible Assets	7	684,866	664,559
Development right		116,402,819	116,402,819
Other Non Current Assets	8	294,290	294,290
		117,381,975	117,361,668
Current Assets			
Inventories	9	236,003,429	176,307,586
Trade Receivables		-	-
Cash and cash equivalents	10	5,370,985	20,171,196
Short Term Loans & Advances	11	21,815,722	3,200,200
		263,190,136	199,678,982
		380,572,110	317,040,650
Summary of significant accounting policies	1		

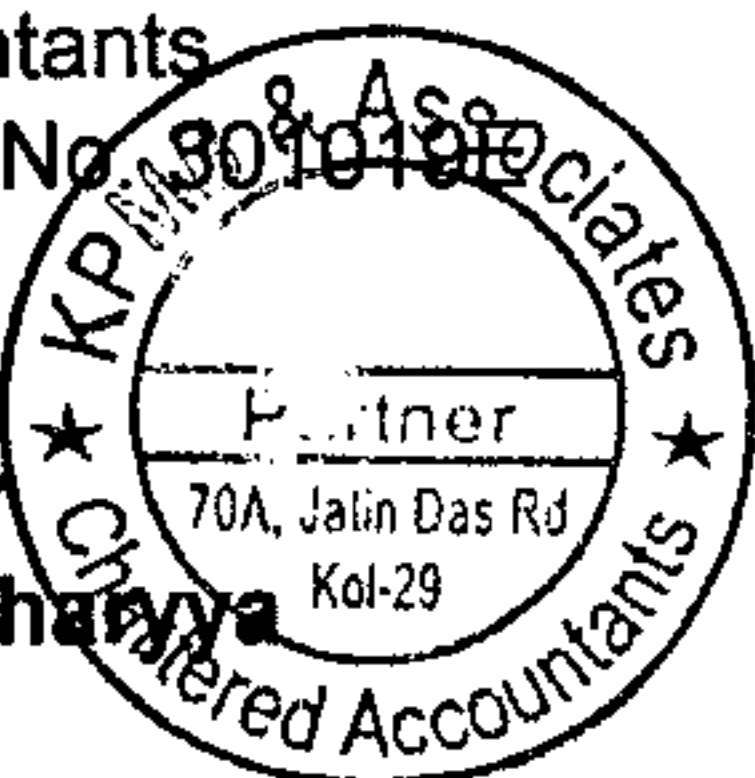
The accompanying notes are an integral part of the financial statements

As per our report of even date

KPMB & Associates

Chartered Accountants

Firm Registration No. 3010197

C.A.S.K. Bhattacharya


C A S.K. Bhattacharya

Partner

Membership No. 014178

Place : Kolkata

Date : 28.05.2014

For and on Behalf of the Board

[Signature]

Director

[Signature]

Director

Kanchan Janga Integrated Infrastructure Development Private Limited

Statement of Profit & Loss Statement for the year ended March 31, 2014

	Note No.	Year ended March 31, 2014 (Rs.)	Year ended March 31, 2013 (Rs.)
INCOME			
Revenue from operations		-	-
Other Income		-	-
Total Revenue (I)		-	-
EXPENSES			
(Increase)/Decrease in Stock	12	(59,695,843)	(62,708,832)
Amortization of development rights		-	-
Direct Project Expenses	13	20,524,029	13,594,348
Employee benefit expense	14	23,074,844	23,530,795
Finance cost	15	4,254,646	15,836,340
Depreciation and amortization expense	7	166,778	116,523
Other expenses	16	11,675,546	9,630,826
Total Expenses (II)		-	-
Profit/(Loss) before tax		-	-
Tax Expenses			
- Current tax			
- Earlier tax			
- Deferred tax			
Total tax expenses		-	-
Profit/(Loss) for the year		-	-
Earning per Equity Share (Face value of Rs. 10 each)			
(1) Basic			
(2) Diluted			

Summary of significant accounting policies

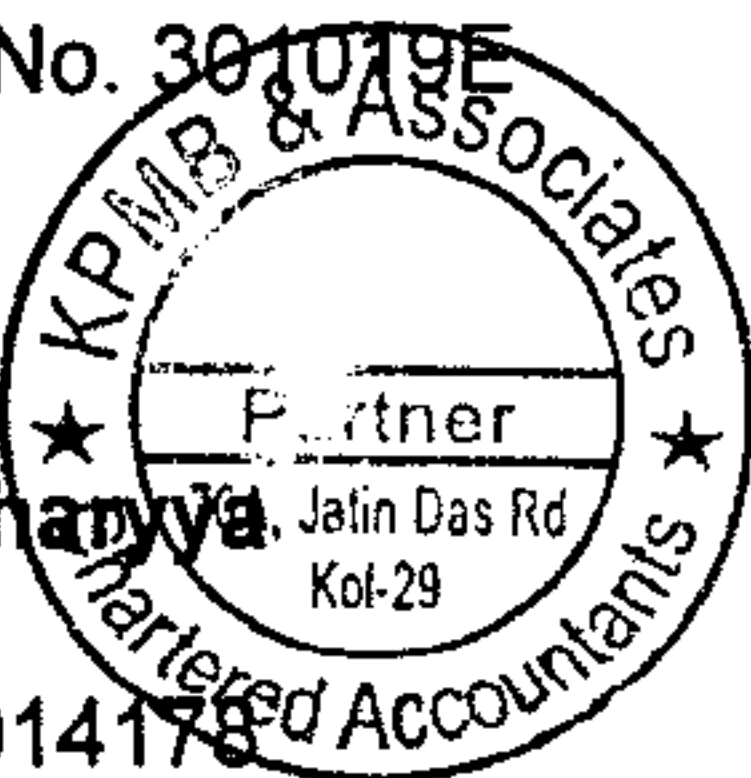
The accompanying notes are an integral part of the financial statements

As per our report of even date

KPMB & Associates

Chartered Accountants

Firm Registration No. 301019E

C A S.K. Bhattacharya


C A S.K. Bhattacharya

Partner

Membership No. 014176

Place : Kolkata

Date : 28.05.2014

For and on Behalf of the Board

[Signature]

Director

[Signature]

Director

Kanchan Janga Integrated Infrastructure Development Private Limited
Cash Flow Statement Annexed to the Balance Sheet for the 31st March, 2014

Particulars	Year Ended 31.03.2014 Amount (Rs.)	Year Ended 31.03.2013 Amount (Rs.)
A. CASH FLOW OPERATING ACTIVITIES	Nil	Nil
Net Profit/(Loss) before Taxation and Extraordinary activities	-	-
Adjustments for Profit & Loss A/c	-	-
Increase / (Decrease) in depreciation		
Operating Profit Before Working Capital Changes	-	-
Adjustments for:		
Increase /(Decrease) in Trade Receivable	-	-
Increase /(Decrease) in Inventories	(59,695,843)	(62,708,832)
(Increase) / Decrease in short term loans & advances	(18,615,522)	(2,268,373)
Increase / (Decrease) in Trade Payable	72,005	(822,206)
Increase / (Decrease) in other current liabilities	145,266,175	52,711,983
Long term Provisions	511,706	688,607
Net Cash From Operating Activities	67,538,521	(12,398,820)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(20,307)	(583,927)
Purchase of Development Rights	-	-
	(20,307)	(583,927)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of Borrowings	(82,318,427)	-
Increase / (Decrease) in Share Capital	-	-
	(82,318,427)	-
D. Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(14,800,213)	(12,982,747)
Opening Cash and cash equivalents	20,171,196	33,153,944
Closing Cash and cash equivalents	5,370,984	20,171,196
Closing Cash and cash equivalents as per Balance Sheet	5,370,985	20,171,196

The accompanying notes are an integral part of the financial statements

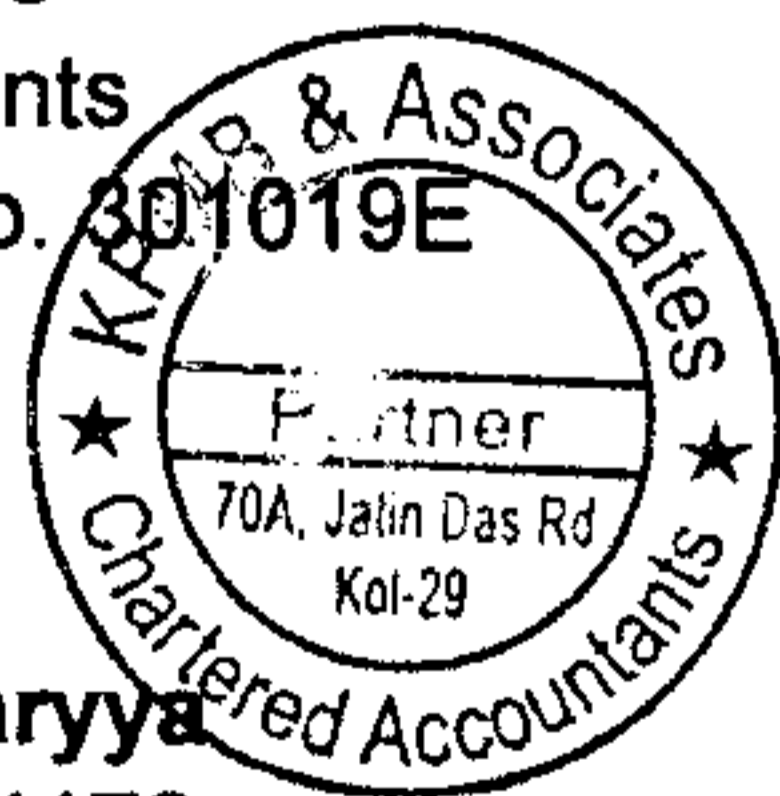
As per our report of even date

KPMB & Associates

Chartered Accountants

Firm Registration No. 301019E

C. A. S. K. Bhattacharyya



C A S.K. Bhattacharyya

Membership No. 014178

Place : Kolkata

Date : 28.05.2014

For and on behalf of Board of Directors

[Signature]

Director

[Signature]

Director

Kanchan Janga Integrated Infrastructure Development Private Limited

Notes to financial statements for the year ended 31st March, 2014

As at 31.03.2014 **As at 31.03.2013**
Amount (in Rs.) **Amount (in Rs.)**

1) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company prepares its financial statements in accordance with generally accepted accounting practices and also in accordance with requirements of Companies Act, 1956.

Revenue Recognition

Income from construction activities shall be provided on the basis of percentage of completion method, if completion of project is more than 25% of the project cost.

Retirement Benefit

Retirement Benefit with respect to gratuity and leave encashment is provided in the books of accrual basis.

Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation has been provided on WDV method as per Companies Act, 1956.

Development rights for land are amortised in proportion to the percentage of completion of the total project.

Miscellaneous Expenditure

Miscellaneous Expenditure to the extent not written off is carried forward to be charged to revenue over five years starting from the year of commencement of commercial activity.

Contingent Liability

No provision is made for liabilities which are contingent in nature, unless it is probable that future events will confirm that an asset has been impaired or a liability incurred as at the balance sheet date and a reasonable estimate of the revenue loss can be made. However, all known material contingent liabilities are disclosed by way of separate note.

2) Share Capital

Authorised and Issued Share Capital

5,00,000 Equity Shares of Rs. 10/- each	5,000,000	5,000,000
	5,000,000	5,000,000

Paid up Share Capital

5,00,000 Equity Shares of Rs. 10/- each fully paid up (Out of above 369700 Equity Shares held by Shristi Housing Development Limited - Holding Co.)	5,000,000	5,000,000
	5,000,000	5,000,000

1) The company has only one class of equity shares having a par value of Rs 10 per share. Each holder of equity shares is entitled to have one vote per share.

2) Shares held by its holding company M/S Shrsiti Housing Development Limited, the ultimate holding company Shristi Infrastructure Development Corporation Limited.

	369,700	369,700
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3) Shareholder holding more than 5% of the total shares-
Shristi Housing Development Limited
West Bengal Industrial Infrastructure Development Corporation

	369,700	369,700
	130,000	130,000




Kanchan Janga Integrated Infrastructure Development Private Limited

Notes to financial statements for the year ended 31st March, 2014

	As at 31.03.2014 Amount (in Rs.)	As at 31.03.2013 Amount (in Rs.)
Note 2 : Reserve & Surplus		
Surplus / (deficit) in the statement of profit and loss		
Balance as per last financial statements	-	-
Add: Profit for the year	-	-
	<u>-</u>	<u>-</u>
3) Long Term Borrowings		
Unsecured		
14% Non Convertible Debenture	-	121,300,000
From Holding Company	38,981,573	-
	<u>38,981,573</u>	<u>121,300,000</u>
4) Long Term Provisions		
Provision for Gratuity	907,909	618,941
Provision for Leave Encashment	990,597	767,859
	<u>1,898,506</u>	<u>1,386,800</u>
5) Other Current Liabilities		
Liability For Expenses	2,077,228	1,395,286
Interest Accrued But Not Due	-	46,480,140
Income received in advance	294,242,722	129,523,196
Other Liabilities	29,083,962	2,739,115
	<u>325,403,912</u>	<u>180,137,737</u>
6) Short Term Provisions		
Provision for LTA	66,763	66,763
Provision for Ex-gratia	79,153	79,153
	<u>145,916</u>	<u>145,916</u>




Kanchan Janga Integrated Infrastructure Development Pvt. Ltd.

Note - 7

(Amount in Rs.)

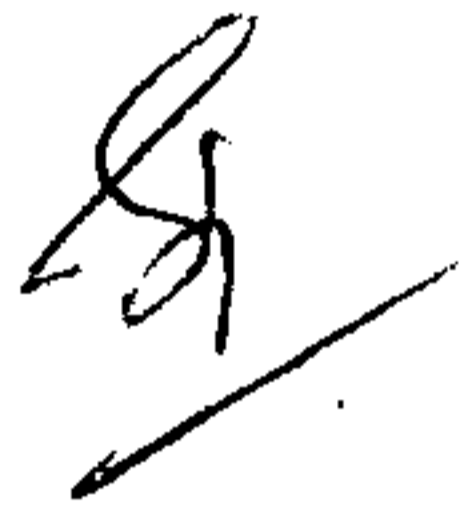
Tangible Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	NET BLOCK
	As at 01.04.2013	Additions	Deduction	As at 31.03.2014	As at 01.04.2013	Deprn. for the year	Adj. for the year	As at 31.03.2014	As At 31.03.2014	As At 01.04.2013
Computer	155,569	6,825	-	162,394	109,969	19,150	-	129,119	33,275	45,600
Computer Software		140,860	-	140,860		35,504	-	35,504	105,356	-
Office Equipment	57,880	39,400	-	97,280	10,634	8,644	-	19,278	78,002	47,246
Furniture & Fixture	663,178	-	-	663,178	91,466	103,480	-	194,946	468,232	571,712
Total	876,627	187,085	-	1,063,712	212,068	166,778	-	378,846	684,866	664,559
Previous Years	176,177	700,450	-	876,627	95,545	116,523	-	212,068	664,559	

Kanchan Janga Integrated Infrastructure Development Private Limited

Notes to financial statements for the year ended 31st March, 2014

	Year ended 31.03.2014 Amount (in Rs.)	Year ended 31.03.2013 Amount (in Rs.)
8) Other Non Current Assets		
Preliminary Expenses.	120,290	120,290
Security Deposit	174,000	174,000
	<u>294,290</u>	<u>294,290</u>
9) Inventories		
Development Work In Progress	236,003,429	176,307,586
	<u>236,003,429</u>	<u>176,307,586</u>
10) Cash & Bank Equivalentents		
Balance with Scheduled Banks		
- in Current Accounts	970,759	5,086,562
- in Fixed Deposit Account	4,400,000	15,000,000
Cash in Hand	226	84,634
	<u>5,370,985</u>	<u>20,171,196</u>



Kanchan Janga Integrated Infrastructure Development Private Limited

Notes to financial statements for the year ended 31st March, 2014

	Year ended 31.03.2014 Amount (in Rs.)	Year ended 31.03.2013 Amount (in Rs.)
11) Short loans & advances		
Advances recoverable in cash or in kind or value to be received	2,535,227	2,151,617
Prepaid Expense	17,438	12,703
TDS Receivable	17,227,839	209,989
Service Tax Input	2,035,217	182,696
Interest on FD Receivable	-	643,195
	21,815,722	3,200,200
Note - : Other Income		
Other Income	-	-
12) INCREASE/ (DECREASE) IN STOCK		
Closing Stock:		
Development Work in Progress	236,003,429	176,307,586
Less: Opening Stock:		
Development Work in Progress	176,307,586	113,598,754
	59,695,843	62,708,832
13) Direct Project Expenses		
Construction Cost	20,518,943	13,555,901
Insurance Premium	5,086	6,386
Survey Charges	-	6,400
Electricity Charges Site	-	25,661
	20,524,029	13,594,348
14) Employee Benefit Expense		
Salary, Incentive, Ex gratia etc	17,266,232	19,705,438
Conveyance and Other Allowances	5,288,241	3,091,150
Gratuity and Leave encashment	520,371	734,207
	23,074,844	23,530,795
15) Finance Cost		
Bank Charges	7,555	9,371
Interest Expense	5,267,864	16,982,000
Less: Interest Income	(1,020,773)	(1,155,031)
	4,254,646	15,836,340

Kanchan Janga Integrated Infrastructure Development Private Limited

Notes to financial statements for the year ended 31st March, 2014

	Year ended 31.03.2014 Amount (in Rs.)	Year ended 31.03.2013 Amount (in Rs.)
16) Other Expenses		
Audit Fees	10,112	10,112
Advertisement Charges	725,539	416,631
Rent	360,000	1,260,000
Electricity Charges	461,308	424,433
Printing & Stationary	283,070	94,261
Professional Fees	3,916,757	2,236,153
Rates & Taxes	297,699	367,863
Telephone Expenses	190,653	140,580
Repairs & Maintenance	140,084	279,773
Postage & telegram	24,286	23,337
Travelling & Coveyance exp	6,473,909	4,031,986
Security Service	1,188,000	
Miscellaneous Expenditure	656,994	285,697
Subscription	24,920	60,000
Less: Other Income	(3,077,786)	
	11,675,546	9,630,826

- 17) The Company had entered into a development agreement with M/S West Bengal Industrial Development Corporation dated 6th July 2009. According to the said agreement, the company will develop an integrated industrial hub at Fatapukur as per terms & conditions mentioned in the said agreement.
- 18) Since the company has completed its construction activities below 25% of the total project, all the expenses are treated as Construction Work In Progress.
- 19) During the year the company is not having any profit/loss. Accordingly disclosure required under AS 20 with respect to EPS is not given.
- 20) Contingent liabilities not provided for – NIL.
- 21) Since the company is not having any timing difference and permanent difference as prescribed under Accounting Standard – 22 issued by ICAI hence, provision of Deferred Tax is not required.



Kanchan Janga Integrated Infrastructure Development Private Limited

Notes to financial statements for the year ended 31st March, 2014

Year ended 31.03.2014 Amount (in Rs.)	Year ended 31.03.2013 Amount (in Rs.)
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22) Related Party Transactions:

As per Accounting Standard – 18 issued by companies ICAI, the Company's related parties and transactions are discussed below:

a. List of related parties & relationships, where control exists:

Joint Venture company of Reporting Enterprise: West Bengal Industrial Infrastructure Development Corporation.
Shristi Housing Development Limited

b. Related parties & relationships with whom transactions have taken place during the year:

Key Management Personnel Mr. Sunil Jha - Director
Mr. Rahul Varma – Director
Mr. Badri Kumar Tulsyan - Director
Mr. Gautam Malik - CEO

c. Transactions with related parties

Holding Company (SHDL)

Nature of Expenses -

Share Capital	3,697,000	3,697,000
14% Non-Convertible Debenture	(121,300,000)	121,300,000
Unsecured Loan		
Opening balance	-	-
Received during the year	35,050,000	-
Paid during the year	50,000	-
Closing Balance	35,000,000	-
Interest Expense	5,267,864	16,982,000



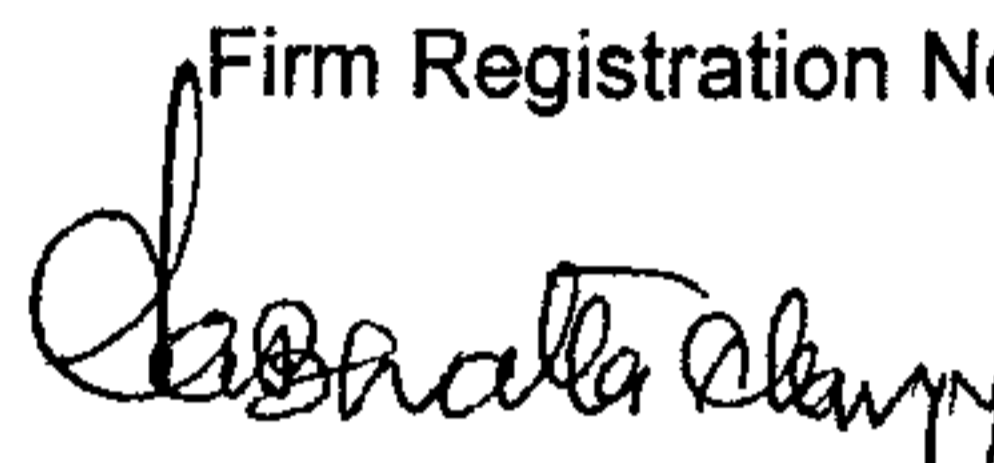
- 23) The company has entered into a Development Rights agreement with its JV partner WBIIDC on 6 July, 2009 for development of 124.50 acres of land near Fatapukur in the district of Jalpaiguri, West Bengal for a period of 99 years. The total amount payable to them towards the value of Development Rights is Rs. 20,59,92,720/- which is paid / payable as follows :-

Particulars	Amount (Rs)	Due date
Upfront payment	105,056,287	Paid on 04.07.2009
1st installment	10,299,636	Paid on 07.07.2011
2nd installment	10,299,636	Payable on 05.07.2011
3rd installment	10,299,636	Payable on 05.07.2012
4th installment	20,599,272	Payable on 05.07.2013
5th installment	49,438,253	Payable on 05.07.2014
Total	<u>205,992,720</u>	

- 24) Previous year figures have been regrouped / rearranged wherever necessary.

As per our attached Report of even date

KPMB & Associates
Chartered Accountants
Firm Registration No. 301019F


C A S.K. Bhattacharya
Partner
Membership No. 014178
Place : Kolkata
Date : 28.05.2014



For and on Behalf of the Board


Director


Director