

FORM B
Format of covering letter of the annual audit report to be filed with the stock exchanges

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|---|---|--|
| 1 | Name of the company. | IVRCL Limited |
| 2 | Annual standalone financial statements for the period ended | 9 months period ended March 31, 2013 |
| 3 | Type of Audit qualification | <p>Following matter formed the basis for qualified opinion on the financial statements</p> <ul style="list-style-type: none"> • Qualification <p><u>Basis for Qualified Opinion (Page 36 of the annual report)</u></p> <p><i>We refer to Note 26 of the financial statements wherein the Management of the Company has considered Trade Receivables amounting to Rs. 2,157.42 million as good and fully recoverable. In the absence of external balance confirmations from the customers from whom these amounts are due or other alternate audit evidence to corroborate management's assessment of recoverability of these balances and having regard to the age of these balances, we are unable to comment the extent to which these balances are recoverable.</i></p> <p>Consequent to the above following matters reported u/s 227(3) of the Act have been modified:</p> <p>(a) <i>Except for the matter described in the Basis for Qualified Opinion paragraph, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.</i></p> <p>(b) <i>Except for the possible effects of the matter described in the Basis for Qualified Opinion, in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.</i></p> <ul style="list-style-type: none"> • <u>Emphasis of matter (Page 37 of the annual report)</u> <p>Attention is invited to Note 43 to the Financial Statements regarding managerial remuneration for which the Central Government's approval is awaited. Our opinion is not qualified in respect of this matter.</p> |

Comments in the nature of Emphasis of Matter with respect to Annexure to the Independent Auditors' Report

- Paragraph (x) (Page 39 of the annual report) :

According to the information and explanations given to us, in respect of statutory dues:

- (a) The Company has not been regular in depositing undisputed statutory dues, in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax and Service Tax with the appropriate authorities. The Company has been regular in depositing undisputed dues relating to Wealth tax, Customs Duty and Investor Education and Protection Fund. .
- (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Cess and other material statutory dues, except in respect of Sales Tax, which are in arrears as at 31st March, 2013 for a period of more than six months from the date they became payable. The details of the such delays are given below:

| Name of Statute | Nature of dues | Amount (Rs. Million) | Period to which the amount relates to | Due Date | Date of Payment |
|------------------------|-----------------------|-----------------------------|--|-----------------|------------------------|
| Sales Tax and VAT Laws | Works contract tax | 17.03 | August 2012 | Sept 2012 | Not paid |

Paragraph (xii) – (Page 39 & 40 of the annual report)

In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to debenture holders. The Company has defaulted in repayment of certain dues to financial institutions and banks.

| Principal Amount (Rs. in Million) | Period of delay (in days) |
|--|----------------------------------|
| 1,000.00 | 89 |
| 250.00 | 6 |

| | |
|--------|------------|
| 250.00 | 4 |
| 180.00 | 1 |
| 170.00 | 2 |
| 54.61 | 123 to 138 |
| 54.61 | 140 to 215 |
| 54.61 | 46 & 49* |
| 35.00 | 59** |
| 35.00 | 31** |
| 32.50 | 121** |
| 25.00 | 90** |
| 27.50 | 1** |
| 200.00 | 3 |
| 50.00 | 1 |
| 78.19 | 8 |

* Principal amount of Rs. 53.64 million is outstanding for repayment as at March 31, 2013. Period of delay in days as at March 31, 2013 is 49 days.

** Principal amounts are outstanding as at March 31, 2013.

| Interest Amount (Rs. in Million) | Period of delay (in days) |
|---|--------------------------------------|
| 2.23 | 10 |
| 2.24 | 28 |
| 2.30 | 20 |
| 2.24 | 141 |
| 2.18 | 111 |
| 0.58 | 80 |
| 1.41 | 81 |
| 1.99 | 50 |
| 1.60 | 22 |
| 1.54 | 1* |
| 9.89 | 21 |
| 10.15 | 21 |
| 5.00 | 43 |
| 5.00 | 49 |
| 0.11 | 51 |
| 4.89 | 22 |
| 5.07 | 25 |
| 10.11 | 18 |
| 0.18 | 55 |
| 0.02 | 25 |
| 10.44 | 79 |
| 10.30 | 48 |
| 1.70 | 48 |
| 10.31 | 18 |

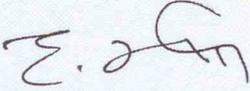
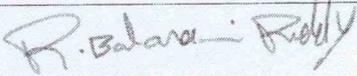
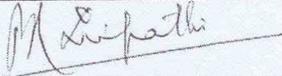
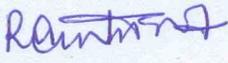
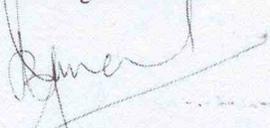
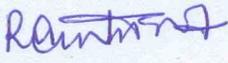
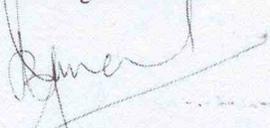
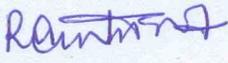
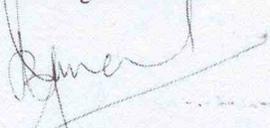
| | |
|-------|-----|
| 1.70 | 18 |
| 10.07 | 8* |
| 7.53 | 31* |
| 9.51 | 1* |
| 1.84 | 28 |
| 1.72 | 20 |
| 1.55 | 150 |
| 1.78 | 120 |
| 1.85 | 89 |
| 1.91 | 58 |
| 1.78 | 30 |
| 1.98 | 1* |
| 1.27 | 1 |
| 1.32 | 2 |
| 1.57 | 1 |
| 11.43 | 4 |
| 11.43 | 12 |
| 10.90 | 4 |
| 0.21 | 5 |
| 11.43 | 19 |
| 11.15 | 4 |
| 12.06 | 68 |
| 11.60 | 37 |
| 10.48 | 9 |
| 11.33 | 1 |
| 8.80 | 2 |
| 8.79 | 60 |
| 7.47 | 30 |
| 8.24 | 4 |
| 9.10 | 53 |
| 8.32 | 22 |
| 9.79 | 7 |
| 9.84 | 1 |
| 1.25 | 1 |
| 2.76 | 1 |
| 2.76 | 1 |
| 0.87 | 7 |
| 11.02 | 2 |

* Interest amounts are outstanding as at March 31, 2013.

Paragraph (xvi) – (Page 41)

As more fully described in Note 42 to the financial statements, in terms of the proceedings before the Income Tax Settlement Commission pursuant to search and seizure operations carried out by the Income Tax Authorities in earlier years, the Company has filed a Settlement Application

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| | | <p>during the period under audit, submitting unexplained expenditure aggregating to Rs. 1,387.74 million, which inter alia include amounts relating to misappropriation of materials and certain expenditure which could include possible diversion of funds by an employee for purposes other than business, resulting in consequential undisclosed income and taxes thereon (including interest) of Rs. 579.56 million. Other than the above, to the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the period.</p> |
| 4 | Frequency of Qualification | <ul style="list-style-type: none"> The subject matter of qualification was first qualified in the limited review report for the six months period ended December 31, 2012. |
| 5 | Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report: | <ul style="list-style-type: none"> Qualification Note 26 referred in the Basis for Qualified Opinion (Page 65 of the annual report): Trade Receivables as at March 31, 2013 include amounts aggregating to: a) Rs 347.07 million relating to claims receivable from certain contractee clients. The claims are on account of deviation in design, additional overheads, interest due to overstay and idle cost. The claims are considered realizable based on favourable developments arising out of continuous contract management steps taken by the Company, and b) Rs 1,810.35 million (including Rs 717.58 million which are under arbitration) outstanding for a period of more than three years. The Company is in continuous engagement with the customers for realisation of dues. The Board of Directors is of the view that the receivables covered by (a) and (b) above are good and fully recoverable <p><u>Management Response (Page 16 of the annual report):</u> The amounts are considered realisable based on favorable developments arising out of continuous contract management steps taken and continuous engagement with the customers for realisation of dues by the Company. The Board of Directors is of the view that the receivables amount covered in auditors report are good and fully recoverable.</p> <ul style="list-style-type: none"> Emphasis of Matter Note 43 referred in Emphasis of Matter (Page 79 of the annual report): The shareholders of the Company, through a special resolution, have approved the remuneration of executive directors in the Annual General Meeting held on December 24, 2012. Due to inadequate profits during the period, managerial remuneration paid to the executive directors aggregating to Rs. 15.19 million is in excess of the |

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| | | prescribed limits specified under Schedule XIII of the Companies Act, 1956, and is subject to the Central Government approval. Pending approval from the Central Government, the excess amount of Rs. 26.51 million (including Rs. 18.52 million relating to the previous period) has been included under due from directors in 'Short-term Loans and Advances (Note 18) | | | | | | |
| 6 | Additional comments from the board/audit committee chair: | None | | | | | | |
| 7 | Signed by | | | | | | | |
| | Mr. E.Sudhir Reddy Chairman & Managing Director |  | | | | | | |
| | Mr. R.Balarami Reddy Executive Director - Finance & Group CFO |  | | | | | | |
| | Mr. B.Subrahmanyam Company Secretary | | | | | | | |
| | Mr.P.R.Tripathi Audit Committee Chairman |  | | | | | | |
| | Statutory Auditors of the company | <p>Refer our Audit Report dated May 30, 2013 on the standalone financial statements of the Company.</p> <table border="0"> <tr> <td>For Chaturvedi & Partners Chartered Accountants (Firm Registration No 307068E) 008072S)</td> <td>For Deloitte Haskins & Sells Chartered Accountants (Firm Registration No 008072S)</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>R.N.Chaturvedi Partner (Membership No 092087) Place: HYDERABAD</td> <td>Ganesh Balakrishnan Partner (Membership No 201193)</td> </tr> </table> <p>Date: 7 SEPTEMBER 2013</p> | For Chaturvedi & Partners Chartered Accountants (Firm Registration No 307068E) 008072S) | For Deloitte Haskins & Sells Chartered Accountants (Firm Registration No 008072S) |  |  | R.N.Chaturvedi Partner (Membership No 092087) Place: HYDERABAD | Ganesh Balakrishnan Partner (Membership No 201193) |
| For Chaturvedi & Partners Chartered Accountants (Firm Registration No 307068E) 008072S) | For Deloitte Haskins & Sells Chartered Accountants (Firm Registration No 008072S) | | | | | | | |
|  |  | | | | | | | |
| R.N.Chaturvedi Partner (Membership No 092087) Place: HYDERABAD | Ganesh Balakrishnan Partner (Membership No 201193) | | | | | | | |