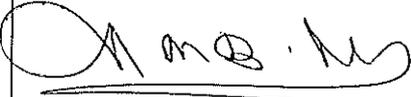
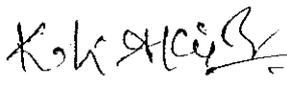
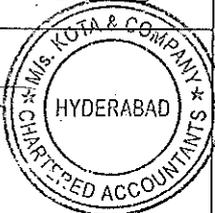


FORM A

Format of covering Letter of the Annual Audit Report to be filed with the Stock Exchanges

1	Name of Company	Madhucon Projects Limited (CIN L74210AP1990PLC011114)
2	Annual Financial Statements for the year ended	31 st March 2013
3	Frequency of Observation	N.A.
4	To be signed by :	
i)	Managing Director	 (N. Seethaiah)
ii)	Chief General Manager (Finance & Accounts)	 (UM Bhakthavalsalan)
iii)	Statutory Auditor	 M/s Kota & Company Chartered Accountants Firm Registration No. 011982S K. Siva Ramakrishna Prasad Partner M. No. 022964 
iv)	Chairman of the Audit Committee	 (Dr. C. Venkateswar Rao) Independent Director & Chairman of Audit Committee



INDEPENDENT AUDITORS' REPORT

To the Members of
Madhucon Projects Limited.

Report on Financial Statements

We have audited the accompanying financial statements of Madhucon Projects Limited ("the Company") which comprise the Balance Sheet as at 31st March 2013, Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation of these financial statements that give true and fair view of the financial position, financial performance cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(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 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 disclosures in the financial statements. The Procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers 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 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

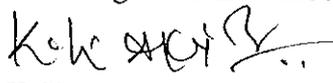
In our opinion, and to the best of our information and according to the explanations given to us, the afore said financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

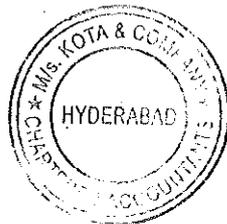
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, ("the Order) issued by Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said 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 purpose of the audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act; and
 - e. on the basis of the written representations received from the directors as on 31st March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For Kota & Company
Chartered Accountants
Firm Registration Number : 011982S


K.Siva Ramakrishna Prasad
PARTNER
Membership Number : 022964



Date : 30/05/2013
Place: Hyderabad

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date:

To the Members of Madhucon Projects Limited.

- (i) In respect of its fixed assets:
 - (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on the verification.
 - (c) During the year, the company has not disposed any substantial part of fixed assets so as to affect the going concern.
- (ii) In respect of its inventories:
 - (a) As explained to us, the inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
- (iii) (a) According to the information and explanations given to us, the Company has granted loans to eight companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.13366.36 lakhs and the year-end balance of loans granted to such parties was Rs.13366.36 lakhs.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest on which the unsecured loan has been granted is prima facie not prejudicial to the interest of the Company. Since the company has not entered into a formal agreement for loans given, we are not in a position to comment whether the other terms and conditions on which the loans are taken are prima facie not prejudicial to the interests of the Company.

Chartered Accountants

- (c) & (d) Since the repayment schedule for such loans is not stipulated, we are unable to comment on the regularity of receipt of principal and interest payment as well as the adequacy of steps taken to recover the amount.
- (e) The company has not taken loans from parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence sub-clauses (f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure or major weaknesses in internal controls.
- (v) According to the information and explanations given to us, the transactions made in pursuance of contracts or agreements entered in the register maintained under Sec. 301 of the Companies Act and exceeding the value of Rs. 5 lakhs in respect of any party during the year have been made at price which are reasonable having regard to prevailing market price at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public and therefore, the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and Rules there under are not applicable to the Company.
- (vii) *In our opinion, the Company has an internal audit system which needs to be improved so as to commensurate with the size and nature of its business.*
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Cost Accounting Record Rules 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) a) *According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of applicable undisputed statutory dues including provident fund, income-tax, sales-tax, wealth tax, service tax, professional tax, customs duty, excise duty, cess have not been regularly deposited with the appropriate authorities and there have been significant delays in payments. According to the information and explanations given to us, undisputed amount payable in respect of statutory dues out standing for more than six months as at 31st March 2013 are as follows:*

Statement of Arrears of Statutory Dues Outstanding for More than Six Months:

Name of the Statute	Nature of the Dues	Amount (Rs. Lakhs)	Period to which the amount relates
<i>Provident fund</i>	<i>Employee & Employer Contribution</i>	48.64	2012-13
<i>Professional Tax</i>	<i>Of Employees</i>	25.93	2011-12
		10.58	2012-13
<i>Service Tax</i>	<i>Service Tax</i>	95.60	2012-13
<i>Income Tax</i>	<i>Tax Deducted At Source</i>	360.95	2012-13

b) According to the information and explanations given to us, disputed statutory dues that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Name of the Statute	Amount (Rs. Lakhs)	Period to which it relates	Forum where dispute is Pending
Sales Tax	974.03	2001-02 to 2004-05	Hon'ble AP High Court
Sales Tax	4821.49	2009-10	Hon'ble AP High Court
Entry Tax	538.55	2006-07 to 2007-08	Hon'ble Rajasthan High Court
Income Tax	5602.00	2009-10 AY to 2011-12 AY	CIT (Appeals), Hyderabad

(x) In our opinion, the Company has no accumulated losses at the end of the financial year. The Company has not incurred cash loss in the current financial year or immediately preceding financial year.

(xi) *Based on the examination of the books of account and related records and according to the information and explanations provided to us, the Company has defaulted in repayment of dues to the banks in some cases. Period and amount of default existing at the balance sheet date are as follows:*

<i>Delay in days</i>	<i>Principal Amount In Rs. Lakhs</i>	<i>Interest Amount In Rs. Lakhs</i>
01-30	1395.09	159.22
31-60	460.07	227.19
61-90	163.81	15.43
91-120	54.33	11.82

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

(xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

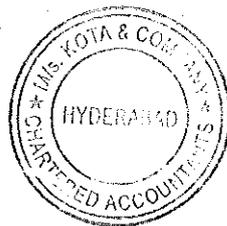
Chartered Accountants

- (xiv) In our opinion, the company is not dealing in or trading in shares securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions. In our opinion, the terms and conditions are not prejudicial to the interest of the Company.
- (xvi) According to the information and explanations given to us, term loans raised during the year have been applied for the purposes for which they were raised.
- (xvii) *According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the company has used part of funds raised on short-term basis for long-term investment.*
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to a company covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us during the period covered by our audit report, the company has not issued debentures.
- (xx) According to the information and explanations given to us during the period covered by our audit report, the company had not raised money by public issue.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Kota & Company
Chartered Accountants
Firm Registration Number : 011982S



K.Siva Ramakrishna Prasad
PARTNER
Membership Number: 022964



Date : 30/05/2013
Place: Hyderabad