

ASAHI
INFRASTRUCTURE & PROJECTS LIMITED

25th Annual Report

FOR THE YEAR ENDED 31st MARCH, 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS:

Mr. Laxminarayan Rathi	Chairman & Managing Director
Mr. Paresh Rathi	Whole Time Director
Mr. Venkatarao Karri	Independent Non-Executive Director
Mr. Nilesh M. Bhaiyya	Independent Non-Executive Director
Mrs. Yasmin Khan	Independent Non-Executive Director
Mr. Pradeep Jai Prakash	Additional Independent Non-Executive Director

AUDITORS:

B. M. Gattani & Co.,
Chartered Accountants,
801, Cotton Exchange,
Kalbadevi Road,
Mumbai – 400 002.

BANKERS:

IDBI Bank
State Bank of India
HDFC Bank
Axis Bank

REGISTRAR AND SHARE TRANSFERS AGENTS:

Purva Shareregistry (India) Private Limited

9, Shivshakti Industrial Estate,
Sitaram Mills Compound, J.R. Boricha Marg,
Opp. Kasturba Hospital, Lower Parel (East),
Mumbai – 400 011.

REGISTERED OFFICE:

S-21, Ganga Nagar,*
Washim Bye Pass Road,
Akola – 444 002, Maharashtra.

SHARES LISTED AT:

Bombay Stock Exchange Limited, Mumbai

25th ANNUAL GENERAL MEETING	
Date:	30th September, 2013
Day:	Monday
Time:	12.30 Pm
Place:	.The Vidharbha Chamber of Commerce And Industries.Akola

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,

I take pleasure in presenting the 25th Annual Report of the Company.

We have just crossed one of the toughest years for the company in recent times. As the downward spiral of the national economy continued, in the absence of a favorable environment, the housing and infrastructure sector languished. This has affected the performance of companies in this sector including that of AIPL. However we were able to protect the profitability of the company's operations. We have been able to shore up our margins through internal discipline and efficiency improvement programmes. The strategies we put in place – have helped AIPL remain stable. The operational excellence programme of your company continued in 2012-13. Under the programme, there were improvements in the supply chain, debottlenecking of process and value engineering. As the infrastructure development and housing sector continues to be stymied by a host of issues, the prospects for execution seems to be on the upswing. Your company expects challenging conditions to continue in 2013-14 too. The market conditions are expected to remain the same. However your company has received several small and medium level project orders, the most significant being an order from Govt. of Rajasthan at Jhunjhunu (Rajasthan) for construction of 1536 Flats for EWS/LIG/MIG under its new housing policy.

BUSINESS DEVELOPMENT:

Housing is one of the basic requirements for human survival. Affordable housing is a term we use for residential units in India's urban areas which are affordably priced with respect to households that fall within a specific limited income range. There is no single set of parameters to define what an affordable housing unit should cost in India. As per GOI 60M² BU Area is called affordable House. This is because the pricing and feasibility to developers of affordable housing is a function of the city, location within the city, and type of project being built and also the construction technology employed.

The typical demographic setting of India particularly gets highlighted when we look into the trend over the years. A steep rise in population is a major reason for the increase in demand of residential units, affordable homes and basic infrastructural facilities. India is the second most populous country in the world and at this point the foremost interest is developing the infrastructural facilities of lodging the primary need of housing for the population. Most of the economist across the world opines that a sharp increase in the real estate and property prices in India in the coming years. Our consistent efforts therefore have been to make first hand insight into the pressing problems of housing development.

The company has taken up project for “Affordable Housing under PPP model” with Govt. of Rajasthan at Jhunjhunu (Rajasthan) planned on company's land for construction of 1536 Flats on 52% Land for EWS/LIG/MIG beneficiaries allotted by Govt. there was 50% oversubscription in applications, directly which has been commenced in May 2013. The company has also started construction of Flats and a commercial mall on balance land 48% to be marketed by company. The total built up area will be around 15 lac Sq. Ft to be completed in 3 years.

Installation of Slab/Block Manufacturing

Due to MNAREGA scheme and Food security Bill of Central Govt. high dev in Bihar, Chhattisgarh, getting laborer for construction is difficult day by day. To overcome these problems the company is installing the **Prestress Precast Hollow Core slab** plant by German Technology. The plant is fully automatic require 7 operators yielding 7000 Sq. Ft. Slab/day to be used next applying due to steam curing method.

Similarly Company is planning to install Automatic concrete Block making plant capacity 70,000 Blocks per day company's own requirement will be 4 core blocks in next three years & will also market part in the area.

These two major raw materials will be used (75%) for captive use will result in improvement of bottom line along with quality products & time saving in construction period.

Construction of Godowns For Grains: The company has planned to construct Godowns for grains , which is prime need of time as our Ag. Minister admitted in LS that 44000 Cr good grain wasted due to non storage. Company is also planning for cold storage for Tomato (which is @Rs 2/- in yielding season. This way the company is thinking for overall development of this area.

ORGANISATIONAL DEVELOPMENT:

Organization development (OD) is a deliberately planned, organization-wide effort to increase an organization's effectiveness and/or efficiency. The primary purpose of OD is to develop the organization, not to train or develop the staff. To deliver a sustainable environment for performance there are a number of organizational development and design elements that may be relevant to delivering the performance outcomes required. The company will get involved in any number of intervention including; organization diagnostic, evaluation, strategic thinking, culture change, change management, coaching, mentoring, leadership development, team building, organizational design, evaluation, performance management, talent management, HR processes, learning and development, sales effectiveness, and customer services as part of a holistic OD intervention. Therefore the Company continues to give prime attention to them and build them as demand for housing activity is growing exponentially and to meet the new challenges.

The Company's major focus continues to be "Dedicated to slum development and service to poor class people and its Endeavors to create and nurture a long lasting relationship during the entire period of our association.

ACKNOWLEDGEMENTS:

Your Company remains committed to the underlying values of providing exemplary customer service, achieving business objectives with social responsibility and enhancing stakeholder value.

My thanks for the faith that you have reposed on your Company and I urge you to continue to do so. India needs better housing and infrastructure and AIPL will deliver for the nation and its shareholders with the experience gained from tough times, supported by the goodwill of its customers and dedicated work of its employees, your company expects to stay on course during these turbulent times and resume the growth trajectory it has chosen for itself.

With best regards,

Thanking You,

L.J.RATHI

(CHAIRMAN & MANAGING DIRECTOR)

1. EXPANSION PROGRAMMES:

The Company has received final sanction with NA from the Govt. of Rajasthan for executing Affordable Housing Project 2009 under PPP. The project detail is constructing 1800 houses on 52% land to be handed to Avas Vikas Ltd. (Govt. of Rajasthan U/T) & 500 flats, commercial complex & Mini theatre will be installed separately on 48% land to be developed as per company choice. The total project will be Rs.200 Cr.

Further the company has taken up project for “Affordable Housing under PPP model” with Govt. of Rajasthan at Jhunjhunu (Rajasthan) for construction of 1500 Flats on 52% Land for EWS/LIG/MIG beneficiaries allotted by Govt. directly. The company will construct same no. of Flats on balance land 48% to be marketed by company. The total built up area will be are 14 lac Sq. Ft to be completed in 3 years. The project was delayed by Govt. due to some problems by Govt. The construction has commenced and plinth of 200 flat is completed.

Installation of Slab/Block Manufacturing

Due to MNAREGA scheme high dev in Bihar, Chhattisgarh, getting laborer for construction is difficult day by day. To overcome these problems the company is installing the **Prestress Precast Hollow Core slab** plant by German Technology. The plant is fully automatic require 7 operators yielding 7000 Sq. Ft. Slab/day to be used next day due to steam curing.

Similarly Company is planning to install Automatic concrete Block making plant capacity 70,000 Blocks per day with German Machinery.

These two major raw materials will be used (75%) for captive use will result in improvement of bottom line along with quality products & time saving in construction period.

2. FUTURE PROSPECTS:

The robustness of the Indian Economy is reflected in the fact that despite challenging headwinds, the Euro zone crisis and a substantially weaker rupee, India GDP is expected to grow by about 6.5% in 2013-14.

The Company's is optimistic of growth through continued network expansion and innovation.

3. DIVIDEND:

The Company has not declared any dividend during the year.

4. SHARE CAPITAL:

There is no change in Authorised Capital and Issued Share Capital during the financial year.

5. FIXED DEPOSITS:

During the year your Company has not accepted any deposits from the public.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDIAN INFRASTRUCTURE OVERVIEW:

India's extensive infrastructure needs are well known. Decades of underinvestment have left the country with dire deficits in such critical areas as railways, roads, ports, airports, telecommunications and electricity generation. In the World Economic Forum's Global Competitiveness Report for 2013-2014, India ranked 85th out of 142 countries for its infrastructure. "The Indian business community continues to cite infrastructure as the single biggest hindrance to doing business in the country." Indeed, the nation's infrastructure challenges are a major drag on economic growth. During the halcyon years of India's boom, it was easier to overlook this threat. Lately, however, India's GDP growth has slipped to around 4.5%. The economy has been hobbled by high interest rates, inflation and a lack of reform. Meanwhile, the government is mired in a slow-moving system of coalition politics, and it's further constrained by a hefty fiscal deficit and a deepening current account deficit. Given this environment of fading growth, political gridlock and the high cost of capital, it's not surprising that infrastructure spending has slowed in the past year or so. Yet India's vast infrastructure needs are expanding all the time, and this presents enormous opportunities. The population has already surpassed 1.2 billion, and it continues to grow at a heady rate. Global trade is placing acute pressure on India's inefficient ports. Rapid industrialization is intensifying the strain on the nation's unreliable networks for electricity and water. The railway system — already infamously overcrowded — faces rising demand for freight capacity. And the government has fallen far short of its plans to build 20 km of roads each day — an urgent requirement in a nation where 65% of all freight is transported by road, and where traffic is so severe that the maximum highway speed for trucks and buses is only 30-40 km per hour. The need to upgrade India's infrastructure is especially acute in huge cities such as Mumbai, New Delhi, Kolkata and Bangalore. India's urban population of around 375 million is projected to reach 500 million by 2017.

By 2030, the country is expected to have 68 cities with over 1 million residents. And the government has set ambitious goals for wind, solar and nuclear energy, all of which will be needed to supplement power from coal and gas. Given the scale of this infrastructure gap, it's small wonder that India is one of the world's most attractive markets for companies in the infrastructure business. A recent report by Business Monitor International predicted that India's infrastructure sector will grow by 7.9% in the 2013 fiscal year — down from a previous estimate of 9.4%, but still a formidable rate of growth. The opportunities are so extensive that money has poured in from overseas, among other things; they complain about unpredictable regulations; bureaucratic delays in approving projects; endless struggles to secure land rights; and the government's stalled attempts at reform. For India, it seems, both the challenges and the opportunities are immense.

OPPORTUNITIES & THREATS:

In today's India, taking an early decision that is helpful to the rapid execution of any major infrastructure project carries with it a high risk of censure from the country's executive and judicial watchdogs. Not taking a decision carries no such risk. Therefore, civil servants have found it expedient to hold back decision-making irrespective of the damage that such risk aversion causes to the infrastructural growth of the nation. Quite honestly, our central and state governments will have to rework the rules of business to give comfort to decision makers, so that building infrastructure and ensuring good governance go hand in hand. The third issue has to deal with prompt payment for infrastructure projects. All construction contracts involve changes of scope, variations, and delays due to one reason or the other. All over the world, when these instances occur, contractors put in place claims to recover the extra costs so incurred.

RISK:

The risks for infrastructure projects have a wide range of sources and can be classified into the following broad categories (This is based on speech of Dr. Montek S. Ahluwalia, Deputy Planning Commission,

1. Technical, quality or performance risk--such as employment of inexperienced designers, changes to the technology used or to industry standards during the project.
2. Organizational risks--such as cost, time and scope objectives that are internally inconsistent, lack of prioritization of projects, inadequacy or interruption of funding, and resource conflicts with other projects in the organization.
3. External risks--such as shifting legal or regulatory environment (including institutional changes), poor geological conditions and weather, force majeure risks such as earthquake and floods.

4. Project management risks--such as poor allocation of time and resources, inadequate quality of the project plan, poor use of project management disciplines. The experience of private investment in infrastructure in India over past years indicates that risks and pitfalls go together with opportunities. Proper identification, therefore, of the risks associated with investment in infrastructure in India and planning for effective responses thereto are essential for the 8 private investors to be successful. In general, in order to be successful all capital projects shall meet the criteria and have the characteristics as listed below.

1. A credit risk rather than an equity risk is involved.
2. A satisfactory feasibility study and financial plan have been prepared.
3. The cost of product or raw material to be used by the project is assured.
4. A supply of energy at reasonable cost has been assured.
5. A market exists for the product, commodity or service to be produced
6. The best way to appreciate the concerns of investors in infrastructure in India is to review and consider some of the common causes for their failures as shown below.

Delay in completion, with consequential increase in the interest expense on construction financing and delay in the contemplated revenue flow, Capital cost overrun, Technical failure, Financial failure of the contractor, Government interference, inactions, Uninsured casualty losses, Increased price or shortages of raw materials, Technical obsolescence of the plant, Loss of competitive position in the market place, Expropriation, Poor management, Overly optimistic appraisals of the value of pledged security, such as oil and gas reserves, Financial insolvency of the host government. In particular, for private investors to be successful in their infrastructure projects, these risks must be Properly considered, monitored and avoided throughout the life of the projects.

Three issues plague the infrastructure and construction industry today. These have been in force in the last two years and, unfortunately, have only intensified over time. First, environmental clearances have been a major hurdle to new infrastructure projects. In fact, the judiciary on two separate occasions has subsequently viewed and most of the projects are now cleared for development. But at a huge cost of delay. However, there should be well dined norms and mechanisms for obtaining environmental clearances. Unfortunately, the norms are often not denied in a clear and objective manner; there are significant differences in such norms between the level of the state and the MoEF; and there is too much centralization which delays decision making. Add to that a huge increase in risk aversion within the civil service over the last couple of years the attitude is now one where many civil servants believe that it is

better to do nothing than to take much needed executive decisions that may attract attention of these authorities.” This scenario is even more prevalent today. The sad part about corruption and scams is not the money which governments lose, but the public trust that is destroyed. Every time such trust is destroyed, each decision-maker wants bilaterally recognized ‘Engineer to the Contract’. There are no easy solutions to these issues, except to say that these all stem from bad governance. Having said so, it is imperative for all stakeholders in the infrastructure space to come to a common platform and work towards ending answers. Such a collaborative approach with a common will to sort out the mess is vital. There are odd bits of good news. The Finance Minister has recently taken it on himself to re-start stalled infrastructure projects and create mechanisms for releasing the held back payments to industry. In the meanwhile, India’s infrastructure just does not get its dues; and the country remains bereft of what it needs to fuel higher growth. It is now overcoming a dip in its performance, while continuing to build long term value for India and its shareholders.

INTERNAL CONTROL SYSTEM & THEIR ADEQUACY:

A comprehensive system of internal controls exist in the company to safeguard the assets against loss from any unauthorized use or disposition and to ensure proper authorization of transactions are recorded and reported suitably. The Company maintains a system of internal control designed to provide a high degree of effectiveness and efficiency of operations, accuracy and promptness of financial reporting and observance with laws and regulations.

HUMAN RESOURCES:

As the construction industry is expanding rapidly, the demand for talented and experienced manpower is also going up rapidly. Our Company has well qualified and experienced staff. There was no industrial arrest during the year.

NOTICE

NOTICE IS HEREBY GIVEN THAT THE **25th ANNUAL GENERAL MEETING** ("the meeting") OF THE MEMBERS OF ASAHI INFRASTRUCTURE AND PROJECTS LIMITED("the Company") WILL BE HELD ON **MONDAY THE 30th SEPTEMBER, 2013 AT 12.30 P.M. AT THE VIDHARBH CHAMBER OF COMMERCE AND INDUSTRIES** TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March 2013, the Profit and Loss account for the year ended on that date and the Reports of the Directors' and Independent Auditors Report' thereon.
2. To re-appoint Mr. Venkatarao Karri, as a director who retires by rotation and being eligible offers himself for re-appointment.
3. To re-appoint Mr. Nilesh Bhaiyya, as a director who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s B.M. Gattani & Co., Chartered Accountants, retiring Auditors as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS:

Nil

By the Order of the Board
ASAHI INFRASTRUCTURE AND PROJECTS LIMITED

DATE: 6 th Sep, 2013
PLACE: AKOLA

L.J.RATHI
(CHAIRMAN & MANAGING DIRECTOR)