

# Walker, Chandiook & Co

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## Auditors' Report

To  
The Members of Arasmeta Captive Power Company Private Limited

1. We have audited the attached Balance Sheet of Arasmeta Captive Power Company Private Limited (the 'Company') as at 31 March 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in Annexure referred to 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 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 appears from our examination of those books;
  - c. The financial statements dealt with by this report are in agreement with the books of account;
  - d. On the basis of written representations received from the directors, as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

Chartered Accountants

Offices in Bangalore, Chandigarh, Chennai, Gurgaon, Hyderabad, Mumbai, New Delhi and Pune



# Walker, Chandiook & Co

e. In our opinion and to the best of our information and according to the explanations given to us the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and the Rules framed there under and 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, in the case of:

- i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;
- ii) the Profit and Loss Account, of the profit for the year ended on that date; and
- iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

Walker, Chandiook & Co

For Walker, Chandiook & Co

Chartered Accountants

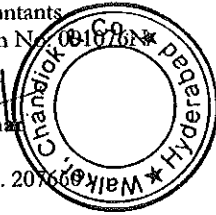
Firm Registration No. 0010726\*



per Sanjay Kumar

Partner

Membership No. 207669



Place: Hyderabad

Date: 3 May 2011

# Walker, Chandiook & Co

Annexure to the Auditors' Report of even date to the members of Arasmeta Captive Power Company Private Limited, on the financial statements as at and for the year ended 31 March 2011.

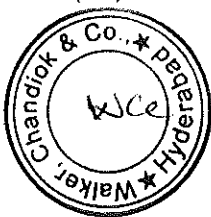
Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and in terms of the information and explanations given to us and the books and records examined by us in the normal course of audit, we report that:

- (i) (a) The Company is in the process of updating its fixed assets register with a view towards reflecting full particulars including quantitative details, situation and accumulated depreciation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification once in two years 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 such verification.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The inventory has been physically verified during the year by management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (b) to (d) of the Order are not applicable.
- (e) The Company had taken loans from two companies covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year and the year-end balance was ₹ 594,900,000
- (f) In our opinion, the rate of interest and other terms and conditions for such loans are not, *prima facie*, prejudicial to the interest of the Company.
- (iv) In our opinion, certain items purchased are of a special nature for which suitable alternative sources do not exist for obtaining comparative quotations. However there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. Further, we have not come across any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.



# Walker, Chandiook & Co

- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government under section 209(1)(d) of the Act for the maintenance of cost records in respect of Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the yearend for a period of more than six months from the date they became payable.
- (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to a bank during the year. There were no dues to a financial institution or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (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 Order are not applicable.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) *In our opinion, the Company has used funds amounting to ₹ 653,983,801 raised on short-term basis for long-term investment. These short term funds are loans against deposits and loans and advances from related parties, which are payable on demand.*



# Walker, Chandiook & Co

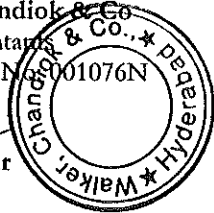
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

*Walker, Chandiook & Co*

For Walker, Chandiook & Co  
Chartered Accountants  
Firm Registration No. 901076N

*Sanjay Kumar*  
per Sanjay Kumar  
Partner

Membership No. 207660



Place: Hyderabad

Date: 3 May 2011

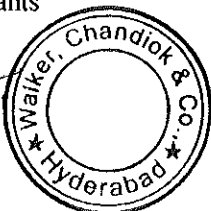
**Arasmeta Captive Power Company Private Limited**  
**Balance Sheet as at 31 March 2011**  
(All amounts in Indian Rupees, except otherwise stated)

	Schedules	As at 31 March	
		2011	2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	525,500,000	525,500,000
Share application money		197,045,000	197,045,000
Reserves and surplus	2	423,942,147	293,439,545
		<u>1,146,487,147</u>	<u>1,015,984,545</u>
<b>Loan funds</b>			
Secured loans	3	2,585,509,363	2,350,797,163
Unsecured loans	4	613,951,103	177,077,237
		<u>3,199,460,466</u>	<u>2,527,874,400</u>
<b>Deferred tax liability</b>	19(II)(9)(b)	71,887,741	56,765,741
	<b>Total</b>	<u><u>4,417,835,354</u></u>	<u><u>3,600,624,686</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	5	1,960,996,082	1,736,069,189
Less: Depreciation		372,914,349	280,473,347
Net block		<u>1,588,081,733</u>	<u>1,455,595,842</u>
Capital works-in-progress (including capital advances)	19(II)(4)	2,547,321,923	2,030,321,344
		<u>4,135,403,656</u>	<u>3,485,917,186</u>
<b>Current assets, loans and advances</b>			
Inventories	6	113,391,525	89,033,257
Sundry debtors	7	185,987,941	118,986,430
Cash and bank balances	8	18,457,480	133,861,786
Other current assets	9	482,121	418,386
Loans and advances	10	250,508,885	142,312,069
		<u>568,827,952</u>	<u>484,611,928</u>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	11	277,903,198	365,568,965
Provisions	12	8,493,056	4,335,463
		<u>286,396,254</u>	<u>369,904,428</u>
<b>Net current assets</b>		<u>282,431,698</u>	<u>114,707,500</u>
	<b>Total</b>	<u><u>4,417,835,354</u></u>	<u><u>3,600,624,686</u></u>
<b>Significant accounting policies and notes to accounts</b>	19		

The Schedules referred to above form an integral part of the Balance Sheet.  
This is the Balance Sheet referred to in our report of even date.

*Walker, Chandiook & Co*  
For Walker, Chandiook & Co  
Chartered Accountants

*Sanjay Kumar*  
per Sanjay Kumar  
Partner



For and on behalf of the Board

*K A Sastry*  
K A Sastry  
Managing Director

*S Kishore*  
S Kishore  
Director

*Prajakta Shintre*  
Prajakta Shintre  
Company Secretary

Place: Hyderabad  
Date: 3 May 2011

**Arasmeta Captive Power Company Private Limited**  
**Profit and Loss Account for the year ended 31 March 2011**  
(All amounts in Indian Rupees, except otherwise stated)

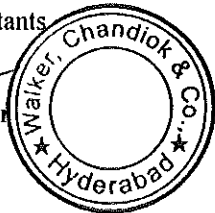
	Schedules	For the year ended 31 March	
		2011	2010
<b>Income</b>			
Sales	13	1,036,332,658	930,653,929
Other income	14	3,871,744	2,241,867
		<u>1,040,204,402</u>	<u>932,895,796</u>
<b>Expenditure</b>			
Generation expenses	15	625,683,127	577,740,946
Personnel expenses	16	33,416,919	27,822,559
Administration and other expenses	17	55,202,080	64,112,305
Interest and finance charges	18	90,871,136	83,566,345
Depreciation	5	92,702,567	84,068,587
		<u>897,875,829</u>	<u>837,310,742</u>
<b>Profit before tax</b>		<b>142,328,573</b>	<b>95,585,054</b>
<b>Provision for taxation</b>			
- Current tax			
for the period		28,368,418	16,988,000
in respect of earlier years		(3,573,023)	-
- MAT credit entitlement		(28,180,733)	(28,940,396)
- Deferred tax expense		15,122,000	16,670,000
- Wealth tax		89,309	-
<b>Profit after tax</b>		<b>130,502,602</b>	<b>90,867,450</b>
Balance brought forward		293,439,545	202,572,095
<b>Balance carried to Balance Sheet</b>		<b>423,942,147</b>	<b>293,439,545</b>
<b>Earnings per share</b>			
	19(II)(8)		
Basic - face value of Rs.10 per share - Class A		0.01	0.01
Basic - face value of Rs.10 per share - Class B		4.86	3.38
Diluted - face value of Rs.10 per share - Class A		0.01	0.01
Diluted - face value of Rs.10 per share - Class B		2.80	1.96

**Significant accounting policies and notes to accounts** 19

The Schedules referred to above form an integral part of the Profit and Loss Account.  
This is the Profit and Loss Account referred to in our report of even date.

*Walker, Chandiook & Co*  
For Walker, Chandiook & Co  
Chartered Accountants

*Sanjay Kumar*  
per Sanjay Kumar  
Partner



For and on behalf of the Board

*K.A. Sastry*  
K.A. Sastry  
Managing Director

*S Kishore*  
S Kishore  
Director

*Prairakta Shintre*  
Prairakta Shintre  
Company Secretary

Place: Hyderabad  
Date: 3 May 2011

Arasmeta Captive Power Company Private Limited  
Cash Flow Statement for the year ended 31 March 2011  
(All amounts in Indian Rupees, except as otherwise stated)

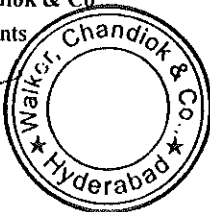
	For the year ended 31 March	
	2011	2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	142,328,573	95,585,054
Adjustments for:		
Depreciation	92,702,567	84,068,587
Interest income	(749,003)	(604,897)
Liabilities no longer required written back	(1,920,883)	(974,138)
Interest and finance charges	90,871,136	83,566,345
Loss on insurance claim	-	1,112,509
Loss on disposal of asset	55,864	-
Provision for doubtful debts	-	4,221,134
Provision for gratuity	1,605,567	754,266
Bad debts written off	-	2,164,048
<b>Operating profit before working capital changes</b>	<b>324,893,821</b>	<b>269,892,908</b>
Adjustments for:		
Increase in inventories	(24,358,268)	(22,654,529)
(Increase)/decrease in sundry debtors	(67,001,511)	27,230,365
Increase in loans and advances	(79,811,920)	(58,580,228)
Increase in current liabilities	49,642,800	144,216,416
Cash generated from operations	203,364,922	360,104,932
Income tax paid	(22,536,842)	(20,499,886)
<b>Net cash from operating activities</b>	<b>180,828,080</b>	<b>339,605,046</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(649,176,147)	(1,119,359,733)
Interest received	685,268	1,168,713
Insurance claim received	-	909,858
Increase in restricted bank deposits including margin money	(1,595,150)	1,567,849
<b>Net cash used in investing activities</b>	<b>(650,086,029)</b>	<b>(1,115,713,313)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest and finance charges	(304,379,994)	(249,748,523)
Receipt of share application money	-	50,000,000
Proceeds from borrowings	657,197,858	2,096,805,579
Repayment of borrowings	(259,892,475)	(924,581,385)
Bank borrowings/(repayments) for working capital (net)	259,333,104	(108,761,024)
<b>Net cash from financing activities</b>	<b>352,258,493</b>	<b>863,714,647</b>
Net (decrease)/increase in cash and cash equivalents	(116,999,456)	87,606,380
Cash and cash equivalent at the beginning of the year	129,119,532	41,513,152
<b>Cash and cash equivalent at the end of the year</b>	<b>12,120,076</b>	<b>129,119,532</b>
<b>Supplementary information</b>		
Cash and bank balances	18,457,480	133,861,786
Less: Restricted bank deposits (including margin money)	6,337,404	4,742,254
<b>Balance considered for cash flow statement</b>	<b>12,120,076</b>	<b>129,119,532</b>

This is the Cash Flow Statement referred to in our report of even date.

Walker, Chandiook & Co  
For Walker, Chandiook & Co

Chartered Accountants

per Sanjay Kumar  
Partner



For and on behalf of the Board

K A Sastry  
Managing Director

S Kishore  
Director

Prajakta Shintre  
Company Secretary

Place: Hyderabad  
Date: 3 May 2011

**Arasmeta Captive Power Company Private Limited**  
(All amounts in Indian Rupees, except share data and where otherwise stated)

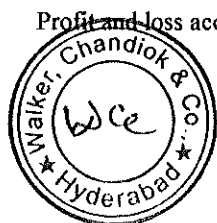
**Schedules to the Financial Statements**

	As at 31 March	
	2011	2010
<b>1. Share capital</b>		
<b>Authorised :</b>		
37,240,000 (31 March 2010 - 37,240,000) Class A Equity Shares of Rs.10 each	372,400,000	372,400,000
38,760,000 (31 March 2010 - 38,760,000) Class B Equity Shares of Rs.10 each	387,600,000	387,600,000
	<u>760,000,000</u>	<u>760,000,000</u>
<b>Issued and Subscribed :</b>		
24,500,000 (31 March 2010 - 24,500,000) Class A Equity Shares of Rs.10 each fully paid-up	245,000,000	245,000,000
12,495,000 (31 March 2010 - 12,495,000) Class A Equity Shares of Rs.10 each, Re.1 per share called up	12,495,000	12,495,000
25,500,000 (31 March 2010 - 25,500,000) Class B Equity Shares of Rs.10 each fully paid-up	255,000,000	255,000,000
13,005,000 (31 March 2010 - 13,005,000) Class B Equity Shares of Rs.10 each, Re.1 per share called up	13,005,000	13,005,000
	<u>525,500,000</u>	<u>525,500,000</u>

(Of the above, 25,500,000 fully paid-up Class B equity shares of Rs.10 each and 13,005,000 partly paid-up Class B equity shares of Rs.10 each, Re.1 per share called up, are held by KSK Electricity Financing India Private Limited, the holding company)

**2. Reserves and surplus**

Profit and loss account	423,942,147	293,439,545
	<u>423,942,147</u>	<u>293,439,545</u>



**Arasmeta Captive Power Company Private Limited**  
(All amounts in Indian Rupees, except share data and where otherwise stated)

**Schedules to the Financial Statements**

As at 31 March

**3. Secured loans**

**Rupee Term Loans**

From banks

732,563,185

748,060,515

From financial institutions

1,343,571,413

1,492,736,648

From others

107,250,000

110,000,000

**Working capital loan**

From banks

259,333,104

-

**Other loans and advances from banks**

142,791,661

-

**2,585,509,363**

**2,350,797,163**

**Notes:**

a) Rupee Term Loans are secured by joint mortgage by deposit of title deeds in respect of the immovable properties on pari-passu basis with other lenders and pari passu first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, both present and future rights, title, interest, benefits etc in respect of project documents. Further secured by way of pledge of 25,500,000 Class B equity shares held by the holding company, KSK Electricity Financing India Private Limited ("the Sponsors") in the equity share capital of the Company. Additionally Secured by a charge and assignment of the cash flows from the Phase II Project and Project Documents pertaining to Phase II Project (except the construction contracts).

b) Working Capital loan is secured by pari passu first charge (1) on all the Company's immovable properties present and future (2) hypothecation of all the Company's movables (3) company's book debts, operating cash flows etc (4) all intangibles of goodwill, uncalled capital (5) project documents, clearances and L/C, guarantee, performance bond provided by any party to the project documents & insurance contracts / insurance proceeds.

c) Other loans and advances is secured by pledge of fixed deposits.

**4. Unsecured loans**

**Short-term loans and advances:**

From others

613,951,103

177,077,237

**613,951,103**

**177,077,237**

**6. Inventories\***

Stores and spares

55,368,638

44,141,679

Fuel (indigeneous)

58,022,887

44,891,578

**113,391,525**

**89,033,257**

\* at cost or below

**7. Sundry debtors**

*(Unsecured, considered good)*

(Refer note II(2) of Schedule 19)

Debts outstanding for a period exceeding six months

83,296,035

54,166,647

Other debts

102,691,906

64,819,783

**185,987,941**

**118,986,430**

*Considered doubtful*

Debts outstanding for a period exceeding six months

-

4,221,134

**185,987,941**

**123,207,564**

Less: Provision for doubtful debts

-

4,221,134

**185,987,941**

**118,986,430**



**Arasmeta Captive Power Company Private Limited**  
(All amounts in Indian Rupees, except otherwise stated)  
Schedules to the Financial Statements

**5. Fixed assets**

	Gross Block			Depreciation			Net Block	
	As at	Additions	Deletions	For the year	Deletions/	Up to	As at	As at
	1 April 2010	during the	during the	For the year	Adjustments	31 March 2011	31 March 2011	31 March 2010
Freehold land	4,007,597	-	-	-	-	-	4,007,597	4,007,597
Leasehold land	2,259,498	-	-	23,114	-	86,827	2,172,671	2,195,785
Buildings	212,566,428	118,147,612	-	9,628,369	-	31,764,655	298,949,385	190,430,142
Plant and machinery	1,504,060,055	105,063,220	-	81,686,744	-	337,072,772	1,272,050,503	1,248,674,027
Furniture and fittings	2,653,236	397,182	-	198,140	-	1,024,685	2,025,733	1,826,691
Computers	2,842,241	593,387	-	552,290	-	1,198,556	2,237,072	2,195,975
Office equipment	4,778,784	626,964	12,300	311,600	3,142	1,220,446	4,173,002	3,866,796
Vehicles	2,901,350	592,107	481,279	302,310	258,423	546,408	2,465,770	2,398,829
<b>Total</b>	<b>1,736,069,189</b>	<b>225,420,472</b>	<b>493,579</b>	<b>92,702,567</b>	<b>261,565</b>	<b>372,914,349</b>	<b>1,588,081,733</b>	<b>1,455,595,842</b>
As at 31 March 2010	1,657,591,478	80,872,070	2,394,359	84,068,587	371,992	280,473,347	1,455,595,842	

**Capital works-in-progress\* 19(II)(4)**

	<b>2,547,321,923</b>	<b>2,030,321,344</b>
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\* Note :

1. Includes Rs.450,112,717 (March 2010 - Rs.222,381,028) interest capitalised as per Accounting Standard 16, Borrowing Cost
2. Includes Capital advances Rs.48,345,527 (March 2010 -Rs.39,826,461), unsecured and considered good.

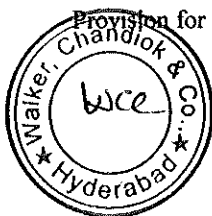


**Arasmeta Captive Power Company Private Limited**  
(All amounts in Indian Rupees, except share data and where otherwise stated)

**Schedules to the Financial Statements**

**As at 31 March**

	<b>2011</b>	<b>2010</b>
<b>8. Cash and bank balances</b>		
Cash balance on hand	303,567	64,934
Balances with scheduled banks :		
in Current accounts	11,816,509	129,054,598
in Margin money accounts #	6,332,404	4,737,254
in Deposit accounts*	5,000	5,000
	<b>18,457,480</b>	<b>133,861,786</b>
# Pledged with the Banks for availing credit facilities		
* lodged with government authorities		
<b>9. Other current assets</b> (Unsecured, considered good)		
Interest accrued on deposits	482,121	418,386
	<b>482,121</b>	<b>418,386</b>
<b>10. Loans and advances</b> (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	182,373,770	65,724,039
MAT credit entitlement	57,121,129	28,940,396
Excise duty receivable	-	31,302,711
Advance tax and tax deducted at source [net of provision for taxation]	4,030,331	3,826,168
Deposits	6,983,655	12,518,755
	<b>250,508,885</b>	<b>142,312,069</b>
<b>11. Current liabilities</b>		
Sundry creditors		
Dues to micro and small enterprises (Refer Note 10 of Schedule 19(II))	-	-
Dues to other than mirco and small enterprises	267,648,282	355,035,051
Other liabilities	5,115,284	4,669,534
Interest accrued but not due on loans	5,139,632	5,864,380
	<b>277,903,198</b>	<b>365,568,965</b>
<b>12. Provisions</b>		
Provision for taxation (net of advance tax)	6,128,262	3,576,236
Provision for gratuity	2,364,794	759,227
	<b>8,493,056</b>	<b>4,335,463</b>



**Arasmeta Captive Power Company Private Limited**  
(All amounts in Indian Rupees, except otherwise stated)

**Schedules to the Financial Statements**

	For the year ended 31 March	
	2011	2010
<b>13. Sales</b>		
Income from sale of electrical energy	1,036,332,658	930,653,929
	<u>1,036,332,658</u>	<u>930,653,929</u>
<b>14. Other income</b>		
Interest (Gross)	749,003	604,897
(Tax deducted at source Rs.66,702 (31 March 2010 - Rs.88,126))		
Liabilities no longer required written back	1,920,883	974,138
Miscellaneous income	1,201,858	662,832
	<u>3,871,744</u>	<u>2,241,867</u>
<b>15. Generation expenses</b>		
Consumption of fuel for power generation (all indigeneous)	541,178,559	477,114,320
Operations and maintenance expense	32,226,973	32,361,658
Consumption of stores and spares (all Indigeneous)	30,339,581	39,034,614
Repairs and maintenance - plant and machinery	2,981,429	4,688,689
Start up power	7,324,093	12,066,544
Freight	7,875,742	9,597,305
Water charges	3,756,750	2,877,816
	<u>625,683,127</u>	<u>577,740,946</u>
<b>16. Personnel expenses</b>		
Salaries, wages and bonus	30,341,605	25,847,673
Contribution to provident fund and other funds	2,857,095	1,680,114
Staff welfare expenses	218,219	294,772
	<u>33,416,919</u>	<u>27,822,559</u>



**Arasmeta Captive Power Company Private Limited**  
(All amounts in Indian Rupees, except otherwise stated)

**Schedules to the Financial Statements**

	For the year ended 31 March	
	2011	2010
<b>17. Administration, selling and other expenses</b>		
Rent	546,997	538,622
Rates and taxes	1,029,701	1,754,376
Repairs and maintenance		
- Buildings	73,448	2,409,295
- Others	2,035,346	2,263,340
Insurance	4,442,226	4,412,776
Selling and distribution expenses	4,139,315	1,375,036
Travelling and conveyance	1,740,527	2,038,340
Communication expenses	1,591,025	1,896,033
Consultancy and other professional charges	8,856,294	7,327,797
Transmission and electricity charges	22,145,582	26,142,602
Provision for doubtful debts	-	4,221,134
Bad debts written-off	-	2,164,048
Auditors' remuneration (inclusive of service tax)		
- Audit fees	1,047,850	1,331,873
- Others	23,828	-
Miscellaneous expenses	7,529,941	6,237,033
	<u>55,202,080</u>	<u>64,112,305</u>
<b>18. Interest and finance charges</b>		
Interest on fixed loans	46,238,136	61,396,958
Interest - others	38,003,938	15,961,769
Bank /other finance charges	6,629,062	6,207,618
	<u>90,871,136</u>	<u>83,566,345</u>



**Arasmeta Captive Power Company Private Limited**  
**Schedules to the Financial statements**  
(All amounts in Indian Rupees, unless otherwise stated)

**Schedule 19: Significant accounting policies and notes to accounts**

**I Significant accounting policies**

**1. Basis of preparation of financial statements**

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") prescribed in the Companies (Accounting Standard) Rules, 2006 as amended by the Companies (Accounting Standard) Amendment Rules, 2009 ("the Rules") and with the relevant provisions of the Companies Act, 1956 ("the Act").

**2. Estimates**

The preparation of financial statements in conformity with Indian GAAP requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. The changes in estimates are dealt prospectively. Examples of such estimates include provisions for doubtful debts, impairment of assets, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets.

**3. Revenue recognition**

Revenues are recognised when persuasive evidence of an arrangement exists, sales prices are fixed or determinable and when the collectibility is reasonably assured.

Revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement ("PPA") and includes unbilled revenue accrued up to the end of the accounting year based on the units of energy delivered.

Claims for delayed payment charges and other items, which the Company is entitled to, under the explicit and implicit terms of PPA are accounted in the year of acceptance.

Interest is recognized on a time proportion basis taking into account the amount outstanding and the applicable rates of interest on deposits.

Insurance claims are accounted on finalization and acceptance.

**4. Operations and maintenance**

The Company has entered into Long Term Service Agreement ("LTSA") for operation and maintenance of plant including regular and major maintenance over the term of the agreement. Amounts payable under the agreements are charged to the profit and loss account.

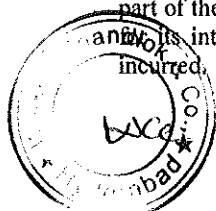
**5. Fixed assets and depreciation**

Fixed assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition.

Depreciation is provided on straight-line method at the rates and in the manner specified in Schedule XIV to the Act. Individual asset costing less than or up to Rs.5,000 are fully depreciated in the year of acquisition. Leasehold land is amortised on straight-line basis over the lease period.

**6. Borrowing costs**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended sale or use. All other borrowing costs are recognised as an expense in the period in which they are



**Arasmeta Captive Power Company Private Limited**  
**Schedules to the Financial statements**  
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**Schedule 19: Significant accounting policies and notes to accounts**

**7. Impairment of assets**

The carrying amounts of fixed assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) loss is charged to the profit and loss account. Recoverable amount is higher of the net selling price of an asset and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**8. Inventories**

Inventories are valued at cost or below. Cost is determined on first-in-first-out basis for stores and spares and on weighted average basis for fuel. Items held for use in the generation of electricity are not written down below cost if the electricity is expected to be sold at or above cost. Goods in transit are valued at cost.

**9. Employee benefits**

**a) Short-term benefits**

Short-term employee benefits are recognised as expense as per the Company's scheme based on expected obligations on undiscounted basis.

**b) Long-term post retirement**

Long-term post retirement benefits comprise of provident fund, superannuation and gratuity which are accounted as follows:

**i. Provident fund**

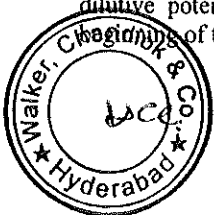
This is a defined contribution plan and contributions remitted to provident fund authorities in accordance with the relevant statute/rules are charged to profit and loss account as and when due. The Company has no further obligations for future provident fund benefits other than its annual contributions.

**ii. Gratuity**

This is a defined benefit plan. The Company makes annual contributions to a gratuity fund administered by trustees and managed by Life Insurance Corporation of India. The liability is determined based on the actuarial valuation using projected unit credit method. Actuarial gains and losses, comprising of experience adjustments and the effects of changes in actuarial assumptions are recognised immediately in the profit and loss account as income or expense.

**10. Earnings per share**

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise of the net profit after tax. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted EPS comprises of weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares where applicable. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date.



**Arasmeta Captive Power Company Private Limited**  
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**Schedule 19: Significant accounting policies and notes to accounts**

**11. Taxes on income**

Tax expense comprises of current and deferred tax. Current tax is determined based on the amount of tax payable in respect of taxable income for the year in accordance with the applicable laws.

Deferred tax is recognised on timing differences arising between taxable incomes and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax is calculated at the tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realized.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the profit and loss account and shown as 'MAT credit entitlement'. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

**12. Foreign currency transactions**

Foreign currency transactions are recorded in the reporting currency at the exchange rate prevailing on the date of the transaction. Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

**13. Provisions and contingencies**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed as contingent liabilities in note II (1) below.

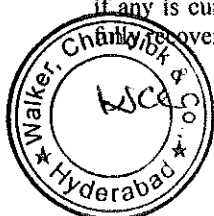
**II Notes to Accounts**

**1. Capital commitments and Contingent liabilities**

- a) Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances as at 31 March 2011 is Rs.183,360,824 (31 March 2010: Rs.460,394,297).
- b) Claims against the company not acknowledged as debt as at 31 March 2011 is Rs.20,000,000 (31 March 2010: Rs. Nil).

**2. Sundry debtors**

Sundry debtors include an amount of Rs.91,518,607 in respect of which certain reconciliations are currently being carried out with the related customers for units of energy supplied against the minimum guaranteed, active energy supplied from planned and unplanned surplus, revision of material reading instrument data and excess/shortfall of the customer's take or pay obligations in terms of the PPA/Order of the Chattisgarh Electricity Regulatory Commission. Pending completion of such reconciliation, customer claims against the Company, adjustable against the aforesaid amount of Rs.91,518,607, if any is currently not ascertainable. However based on past experience, management is confident that these dues are recoverable.



**Arasmeta Captive Power Company Private Limited**  
**Schedules to the Financial statements**  
 (All amounts in Indian Rupees, unless otherwise stated)

**Schedule 19: Significant accounting policies and notes to accounts**

**3. Share capital**

The authorised share capital of the Company has been divided into 37,240,000 Class A equity shares and 38,760,000 Class B equity shares. Class A equity shares are issued to the customers and Class B equity shares are issued to KSK Electricity Financing India Private Limited, the holding company. Class A equity shares and Class B equity shares shall have the same rights on all matters and in all respects including voting, except in relation to dividend, where:

- Class A equity shares have a non-participatory preferential right of dividend equal to 0.1% of its face value as and when dividend is declared by the Company.
- Class B equity shares shall be entitled to such dividend as may be declared by the Company in accordance with all applicable agreements.

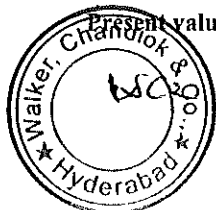
**4. Expenditure during construction period**

	31 March	
	2011	2010
Opening balance included in capital work-in-progress	336,104,815	96,841,177
<b>Expenditure incurred during the year</b>		
Finance cost	227,731,689	177,889,987
Trial run expenses	46,140,759	-
Salaries and wages	18,951,438	21,258,037
Miscellaneous expenses	36,107,982	22,171,918
Operation and maintenance charges	12,430,945	-
Parallel operation charges	3,542,258	-
Professional and consultancy charges	4,292,618	1,858,011
Rent	2,720,717	3,938,268
Repairs and maintenance	2,828,957	1,808,240
Infrastructure facilities	10,450,059	-
Travelling and conveyance	1,811,222	2,663,980
Engineering services	1,144,821	7,061,754
Licenses, taxes and legal expenses	858,210	401,505
Communication expenses	192,405	211,938
Balance carried forward under capital work-in-progress	<u>705,308,895</u>	<u>336,104,815</u>

**5. Gratuity**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

	31 March	
	2011	2010
Present value of obligation at the beginning of the year	2,219,949	974,263
Interest cost	177,596	73,070
Current service cost	2,411,002	1,163,899
Past service cost (non-vested benefits)	1,874,552	-
Past service cost (vested benefits)	302,397	-
Actuarial loss/(gain) on obligation	(1,358,918)	8,717
Present value of obligation at the end of the year	<u>5,626,578</u>	<u>2,219,949</u>



**Arasmeta Captive Power Company Private Limited**  
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**Schedule 19: Significant accounting policies and notes to accounts**

	31 March	
	2011	2010
Fair value of plan assets at the beginning of the year	1,460,722	969,302
Expected return on plan assets	164,395	105,403
Contributions	731,780	403,685
Actuarial loss on plan assets	(32,389)	(17,668)
Fair value of plan assets at the end of the period	<u>2,324,508</u>	<u>1,460,722</u>
<b>Amounts recognized in the balance sheet</b>		
Present value of obligation as at the end of the year	5,626,578	2,219,949
Fair value of plan assets at the end of the year	2,324,508	1,460,722
Funded status	(3,302,070)	(759,227)
Unrecognised past service cost (non-vested benefits)	937,276	-
Net asset/(liability) recognized in the balance sheet	<u>(2,364,794)</u>	<u>(759,227)</u>
<b>Amounts recognized in the profit and loss account</b>		
Current service cost	2,411,002	1,163,899
Interest cost	177,596	73,070
Past service cost (non-vested benefits)	937,276	-
Past service cost (vested benefits)	302,397	-
Expected return on plan assets	(164,395)	(105,403)
Net actuarial (gain) / loss recognized for the period	<u>(1,326,529)</u>	<u>26,385</u>
Expenses recognized in the profit and loss account	<u>2,337,347</u>	<u>1,157,951</u>
<b>Principal actuarial assumptions as at balance sheet date</b>		
Discount rate	8.17%	8.00%
Salary escalation	15.00%	15.00%
Expected return on plan assets	9.00%	9.00%
Attrition rate	15.00%	15.00%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

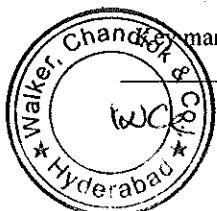
**6. Segment reporting**

The Company is engaged in generation of electrical energy which is considered to be the only reportable segment as per AS 17 'Segment Reporting' as notified in the Rules.

**7. Related Party Disclosures:**

**(a) Particulars of related parties:**

Nature of relationship	Names
Enterprises that control the Company	(i) Ultimate holding company K&S Consulting Group Private Limited
	(ii) Step-up holding company KSK Energy Ventures Limited (KSKEVL)
	(iii) Immediate parent entity KSK Electricity Financing India Private Limited (KSKEFIPL)
Enterprises which exercise significant influence	Lafarge India Private Limited (LIPL)
Enterprises where Key management personnel exercises significant influence	Sitapuram Power Limited (SPL)
Fellow subsidiary	(i) KSK Mahanadi Power Company Limited (KSKMPCL)
	(ii) Sai Regency Power Corporation Private Limited (SRPCL)
Key management personnel	(i) Mr S Kishore
	(ii) Mr K A Sastry



**Arasmeta Captive Power Company Private Limited**  
**Schedules to the Financial statements**  
 (All amounts in Indian Rupees, unless otherwise stated)

**Schedule 19: Significant accounting policies and notes to accounts**

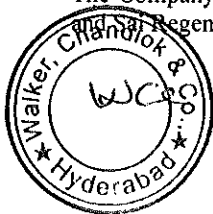
**(b) Particulars of related party transactions**

The information relating to disclosure of related parties has been determined to the extent such parties have been identified based on the information available with the Company.

Nature of the transaction	Enterprises that control the Company		Enterprises which exercise significant influence	Enterprises which exercise significant influence
	KSKEVL	KSKEFIPL	SPL	LIPL*
<b>Purchase of materials</b>				
Year ended 31 March 2011	-	-	-	146,200
Year ended 31 March 2010	-	-	-	1,094,881
<b>Sales/Other income</b>				
Year ended 31 March 2011				802,221,638
Year ended 31 March 2010	-	-	-	859,277,848
<b>Purchase of inventory</b>				
Year ended 31 March 2011	-	-	325,104	-
Year ended 31 March 2010	-	-	-	-
<b>Corporate support services</b>				
Year ended 31 March 2011	47,42,900	-	-	-
Year ended 31 March 2010	4,756,345	-	-	-
<b>Unsecured loan accepted</b>				
Year ended 31 March 2011	422,500,000	-	-	-
Year ended 31 March 2010	221,817,716	110,000,000	-	-
<b>Interest on unsecured loan</b>				
Year ended 31 March 2011	35,023,057	13,452,003	-	-
Year ended 31 March 2010	24,256,754	324,329	-	-
<b>Rent paid</b>				
Year ended 31 March 2011	-	-	-	493,817
Year ended 31 March 2010	-	-	-	410,324
<b>Reimbursement of expenses</b>				
Year ended 31 March 2011	-	-	-	1,135,161
Year ended 31 March 2010	-	-	-	872,695
<b>Project development fees</b>				
Year ended 31 March 2011	-	-	-	-
Year ended 31 March 2010	18,265,680	-	-	-
<b>Receipt of share application money</b>				
Year ended 31 March 2011	-	-	-	-
Year ended 31 March 2010	50,000,000	80,000,000	-	-
<b>Refund of share application money</b>				
Year ended 31 March 2011	-	-	-	-
Year ended 31 March 2010	80,000,000	-	-	-

\* Excluding fly ash generated by power station supplied free of cost to LIPL in terms of the related Power Purchase Agreement.

The Company has obtained loans against the fixed deposits pledged by KSK Mahanadi Power Company Limited and Sar Regency Power Corporation Private Limited.



**Arasmeta Captive Power Company Private Limited**  
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**Schedule 19: Significant accounting policies and notes to accounts**

(c) Outstanding balance as at

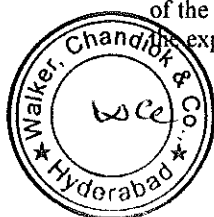
Nature of the transaction	Enterprises that control the Company		Enterprises which exercise significant influence SPL	Enterprises which exercise significant influence LIPL*
	KSKEVL	KSKEFIPL		
<b>Debtors/ receivable</b>				
31 March 2011	-	-	-	169,293,568
31 March 2010	-	-	-	99,216,663
<b>Creditors/payable</b>				
31 March 2011	-	-	325,104	55,063,198
31 March 2010	-	-	-	24,146,109
<b>Unsecured loan</b>				
31 March 2011	482,800,000	112,100,000	-	-
31 March 2010	60,300,000	112,100,000	-	-
<b>Interest accrued on unsecured loan</b>				
31 March 2011	13,014,286	6,036,817	-	-
31 March 2010	4,556,218	121,019	-	-

**8. Earnings per share**

	31 March	
	2011	2010
Weighted average number of equity shares outstanding during the year (used for calculation of basic earnings per share)		
Class A	25,749,500	25,749,500
Class B	26,800,500	26,800,500
Add : Dilutive Class B potential equity shares on account of share application money pending allotment	19,704,500	19,526,418
Weighted average number of Class B equity shares outstanding during the period (used for calculation of diluted earnings per share)	46,505,000	46,326,918
Profit after Taxes (Amount in Rupees)	130,502,602	90,867,450
Less: Profit attributable to Class A shares	257,495	257,495
	130,245,107	90,609,955
<b>Earnings per share – Basic (Rs.)</b>		
Class A shareholders	0.01	0.01
Class B Shareholders	4.86	3.38
<b>Earnings per share – Diluted (Rs.)</b>		
Class A shareholders	0.01	0.01
Class B Shareholders	2.80	1.96

**9. Taxation**

- a) The Company's income from sale of electrical energy is exempt from tax under section 80IA of the Income Tax Act, 1961 up to the year ending 31 March 2017. Provision for current tax for the year represents tax payable on account of MAT under section 115JB of the Income Tax Act, 1961 on the book profit.
- b) As at 31 March 2011 net deferred tax liability of Rs.71,887,741 (31 March 2010: Rs.56,765,741) is on account of the difference between book and tax written down value of depreciable fixed assets, which will reverse after expiry of tax holiday year.



**Arasmeta Captive Power Company Private Limited**  
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**Schedule 19: Significant accounting policies and notes to accounts**

**10. Sundry creditors**

As at 31 March 2011 there are no amounts including interest payable to Micro, Small and Medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the Company.

11. Additional information pursuant to paras 3, 4, 4-A, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent applicable has been furnished below:

a) Fuels consumption (all indigenous)

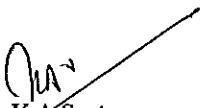
	31 March			
	2011		2010	
	Quantity [in MT]	Amount	Quantity [in MT]	Amount
Fuel – Coal	295,336.72	541,178,559	343,762.44	477,114,320

b) Licensed capacity, installed capacity, actual production and sales

	31 March	
	2011	2010
Licensed capacity	43 MW	43 MW
Installed capacity	43 MW	43 MW
Actual production(million KWH)	306.85	318.77
Units sold (million KWH)	273.82	285.75

12. Previous year figures have been regrouped and reclassified to conform to those of the current year.

For and on behalf of the Board

  
 K.A.Sastry  
 Managing Director

  
 S. Kishore  
 Director

  
 Prajakta Shintre  
 Company Secretary

Place: Hyderabad  
 Date : 3 May 2011

**ARASMETA CAPTIVE POWER COMPANY PRIVATE LIMITED**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
(As per Schedule VI, Part IV of the Companies Act,1956)

**1 Registration Details**

Registration No	U40101AP2004PTC061239	State Code	01
Balance Sheet Date	31.03.2011		

**2 Capital raised during the year (Amount in Rs.thousands)**

Public Issue	Nil	Rights issue	Nil
Bonus Issue	Nil	Private Placement	Nil

**3 Position of Mobilisation and deployment of Funds (Amount in Rs.thousands)**

<b>Total Liabilities</b>	<b>4,417,835</b>	<b>Total assets</b>	<b>4,417,835</b>
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<u>Sources of funds</u>		<u>(Amount in Rs.thousands)</u>	
Paid up share capital	525,500	Reserves & Surplus	423,942
Share application money	197,045	Unsecured Loans	613,951
Secured Loans	2,585,509	Deferred Tax Liability	71,888

<u>Application of funds</u>		<u>(Amount in Rs.thousands)</u>	
Net Fixed Assets	4,135,404	Investments	Nil
Net Current Assets	282,432	Miscellaneous Exp	Nil
Accumulated Losses	Nil		

**4 Performance of the Company**


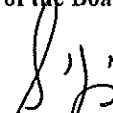
Turnover	1,040,204	Total Expenditure	897,876
Profit before tax	142,329	Profit after tax	130,503
Earning per share (Rs.)		Dividend Rate (%)	Nil
<b>Class 'A'</b>			
Basic & Diluted	0.01		
<b>Class 'B'</b>			
Basic	4.86		
Diluted	2.80		

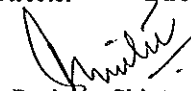
**5 Generic Names of Three Principal Products / Services of Company**

(as per monetary tems)

Item Code No.(ITC Code)	Not Applicable
Principal products/services of the Company	Generation of power

for and on behalf of the Board

 K A Sastry Managing Director	 S Kishore Director
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Prajakta Shintre  
Company Secretary

Place : Hyderabad  
Date : 3 May 2011