



AUDITOR'S REPORT

To
The Members
KSK Electricity Financing India Private Limited

We have audited the attached Balance Sheet of **KSK Electricity Financing India Private Limited, (the 'Company')** as at 31st March, 2011 and also the Profit and Loss Account and the cash flow statement for the year ending 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.

We conducted our audit in accordance with 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.

As required by the Companies (Auditors' Report) Order, 2003 and amendment order 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

With out qualifying our opinion, we invite attention to note no 14 of Schedule 13 and further to our comments in the Annexure referred to above, we report that:

- i. 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;
- ii. 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.
- iii. The Financial statements dealt with by this report are in agreement with the Books of Account of the Company.
- iv. In our opinion, the Balance Sheet dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
- v. On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Sec. 274 of the Companies Act, 1956;

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HYDERABAD

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BRANCHES
GUNTUR

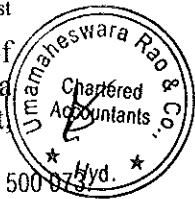
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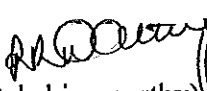
VISAKHAPATNAM

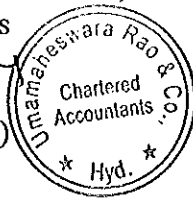
50-38-9, T.P.T. Colony, Seethammadhara, Visakhapatnam - 530 013. Tel : 0891 - 5522452, 2551352
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- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the Notes there on, the information required by the Companies Act, 1956, 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:
- the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011.
 - the Profit and Loss Account, of the profit for the year ended on that date
 - of cash flow statement , of the cash flows of the company for the year ending on that date.

For Umamaheswara Rao & Co.,
Chartered Accountants


(R R Dakshinamurthy)
Partner
ICAI MRN: 211639
FRN 004453S

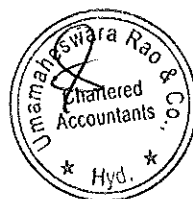


Place: Hyderabad
Date: 5th May 2011

Annexure to Auditors' Report

Referred to in paragraph 1 of our report of even date:

- 1) The company does not have any fixed assets. Accordingly, the provision of clause 4(i) of the Companies (Auditor's Report) order is not applicable to the company.
- 2) The company does not have any tangible inventory. Accordingly, the provision of clause 4(ii) of the Companies (Auditor's Report) order is not applicable to the company.
- 3) The Company has granted loans and advances from time to time to two Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum outstanding during the year was Rs 14.21 crores and the year-end balance of such loans was 11.21 crores. During the year the company has not taken any loans secured or unsecured from the companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956
 - a) In our opinion, the rate of interest and other terms and conditions of such loans and advances made are not prima facie prejudicial to the interests of the company.
 - b) Payment of the principal amount and interest are also regular.
- 4) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business. We have not observed any major weakness in the internal controls during the course of the audit.
- 5) The Company has not accepted any Deposits from the public within the meaning of section 58A and 58AA of the Act and the Companies (Acceptance of Deposit) rules, 1975. Accordingly, the provision of clause 4(vi) of the Companies (Auditor's Report) order is not applicable to the company.
- 6) In our opinion, the Company has an Internal Audit System commensurate with the size and the nature of its business.
- 7) In our opinion and according to the information and explanation given to us, the provision of clause 4(viii) of the Companies (Auditor's Report) order relating to Maintenance of cost records is not applicable to the company.
- 8) According to the information and explanations given to us and on the basis of examination of books of accounts, the company has opted Provident fund scheme for their employees during the year. The company has been generally regular in depositing provident fund dues and professional tax.




- 9) According to the information and explanations given to us, no undisputed dues payable in respect of Income Tax, Wealth Tax and material statutory dues were in arrears as at 31st March 2011 for a period of more than six months from the date they became payable.
- 10) According to the information and explanations given to us, there were no dues in respect of Income tax, Customs duty, Wealth tax, Service Tax and customs duty which have not been deposited with the appropriate authorities on account of any dispute.
- 11) The company has been registered for a period of less than five years. Accordingly, the provision of clause 4(x) of the Companies (Auditor's Report) order is not applicable to the company.
- 12) The company has no dues payable to a financial institution or a bank or debentures holders during the year. Accordingly, the provision of clause 4(xi) of the Companies (Auditor's Report) order is not applicable to the company.
- 13) 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 provision of clause 4(xii) of the Companies (Auditor's Report) order is not applicable to the company.
- 14) The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, the provision of clause 4(xiii) of the Companies (Auditor's Report) order is not applicable to the company.
- 15) As per the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 16) According to the information and explanations provided to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 17) The company did not have any Term loan outstanding during the year. Accordingly, the provision of clause 4(xvi) of the Companies (Auditor's Report) order is not applicable to the company.
- 18) According to the Information and explanations given to us and in our opinion, no funds raised on short-term base have been used for long term investments.
- 19) During the year the company has not made any preferential allotment of shares to Companies/firms/parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provision of clause 4(xviii) of the Companies (Auditor's Report) order is not applicable to the company.
- 20) The company has not issued any debentures during the year. Accordingly the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

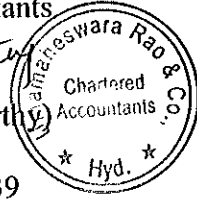


21) The Company has not raised any money by way of public issue during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

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

For Umamaheswara Rao & Co.,
Chartered Accountants


(R R Dakshinamurthy)
Partner
ICAI MRN: 211639
FRN 004453S



Place: Hyderabad
Date: 5th May 2011

KSK Electricity Financing India Private Limited
Balance sheet as at 31 March 2011
 (All amounts in Indian Rupees, except share data and where otherwise stated)

	Schedule	As at 31 March 2011	As at 31 March 2010
<u>SOURCES OF FUNDS</u>			
Shareholder's funds			
Share capital	1	5,701,153,050	5,701,153,050
Reserves and surplus	2	89,718,631	71,988,792
		5,790,871,681	5,773,141,842
<u>APPLICATION OF FUNDS</u>			
Investments	3	4,876,214,245	3,683,393,385
Current assets, loans and advances			
Cash and bank balances	4	37,939,906	22,594,141
Other current assets	5	11,389,299	3,343,294
Loans and advances	6	865,904,150	2,064,303,551
		915,233,355	2,090,240,986
Less: Current liabilities and provisions			
Current liabilities	7	529,014	477,250
Provisions	8	46,905	15,280
		575,919	492,530
Net current assets		914,657,436	2,089,748,457
		5,790,871,681	5,773,141,842

Significant accounting policies and notes to accounts

13

The schedules referred to above form an integral part of the Balance Sheet.
 As per our report of even date

for Umamaheswara Rao & Co.
 Chartered Accountants

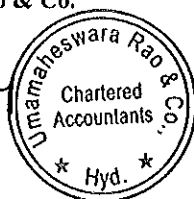
RR Dakshina Murthy
 Partner

Membership No.211639

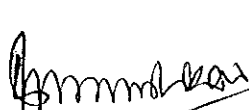
Firm registration No.004453S

Place : Hyderabad

Date : 05 May 2011



for and on behalf of the Board


 R. Ramesh Kumar
 Managing Director


 Srinivas
 Director


 G V Ravan Kumar
 Company Secretary

KSK Electricity Financing India Private Limited
Profit and Loss Account for the year ended 31 March 2011
(All amounts in Indian Rupees, except share data and where otherwise stated)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Interest income <i>(tax Deducted at source Rs.2,652,860, March 2010 - Rs.1,440,744)</i>		26,364,121	11,716,044
Other income	9	-	497,590
		26,364,121	12,213,634
Expenditure			
Personnel expenses	10	963,559	376,457
Administration and operating expenses	11	610,921	656,574
Interest and finance cost	12	1,834	184,990
		1,576,314	1,218,021
Profit before tax		24,787,807	10,995,613
Provision for tax			
-Current tax		7,057,977	610,475
Profit after tax		17,729,830	10,385,138
Balance in Profit and Loss account brought forward		71,988,792	61,603,654
Balance in Profit and Loss account carried forward		89,718,621	71,988,792
Earnings per share :			
Basic - face value Rs.10 per share		0.03	0.02
Diluted- face value Rs.10 per share		0.03	0.02

Significant accounting policies and notes to accounts

13

The schedules referred to above form an integral part of the Profit and Loss account.

As per our report of even date
for Umamaheswara Rao & Co.
Chartered Accountants

for and on behalf of the Board

RR Dakshina Murthy
Partner
Membership No.211639
Firm registration No.004453S



R. Ramesh Kumar
R. Ramesh Kumar
Managing Director

Srinivas
Srinivas
Director

Place : Hyderabad
Date : 05 May 2011

G V Pavan Kumar
G V Pavan Kumar
Company Secretary

KSK Electricity Financing India Private Limited
Cash flow statement for the year ended March 31, 2011
(All amounts in Indian rupees, except share data and where otherwise stated)

	March-11	March-10
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation and extraordinary Item	24,787,807	10,995,613
Add:		
Finance charges	1,834	184,990
Less:		
Interest income	(26,364,121)	(11,716,044)
Balances written back	-	(497,590)
Operating profit before working capital changes	(1,574,480)	(1,033,031)
Adjustment for:		
Decrease /(increase) in loans and advances	(2,141)	(705)
(Decrease) / Increase in other current liabilities	83,389	52,636
Cash generated from operations	(1,493,232)	(981,100)
Taxes paid	(1,478,036)	(4,711,158)
Cash flow (used) in operating activities	(2,971,268)	(5,692,258)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	18,318,116	14,426,549
Advance for investments	(201,100,000)	(993,015,079)
Loans given (net)	-	(110,000,000)
Refund of Advance for investments	201,100,751	1,103,000,000
Purchase of investments	-	(10)
Net Cash from investing activities	18,318,867	14,411,460
CASH FLOW FROM FINANCING ACTIVITIES		
Finance charges paid	(1,834)	(184,990)
Net Cash flow (used) in financing activities	(1,834)	(184,990)
Net Increase/(Decrease) in cash and cash equivalents	15,345,765	8,534,212
Cash and cash equivalents at the beginning of the year	22,594,141	14,059,929
Cash and cash equivalents at the end of the year	37,939,906	22,594,141

Note to the cash flow statement:

	March-11	March-10
Components of cash and cash equivalents as at		
Cash in hand	64,843	60,926
Balances with scheduled banks		
- in current accounts	3,375,063	5,033,215
- in deposit accounts	34,500,000	17,500,000
	37,939,906	22,594,141

As per our report of even date
for Umamaheswara Rao & Co.
Chartered Accountants

RR Dakshina Murthy
Partner

Membership No.211639
Firm registration No.004453S
Place : Hyderabad
Date : 05 May 2011



for and on behalf of the Board

R. Ramesh Kumar
Managing Director

Srinivas
Director

G V Pavan Kumar
Company Secretary

KSK Electricity Financing India Private Limited

(All amounts in Indian rupees, except share data and where otherwise stated)

Schedules to the Balance Sheet

	As at 31 March 2011	As at 31 March 2010
1 Share capital		
Authorised :		
1,500,000,000 (31 March 2010: 1,500,000,000) Equity shares of Rs. 10/- each	15,000,000,000	15,000,000,000
	<u>15,000,000,000</u>	<u>15,000,000,000</u>
Issued, subscribed and paid-up :		
570,115,305 Equity shares of Rs. 10 each fully paid-up	5,701,153,050	5,701,153,050
	<u>5,701,153,050</u>	<u>5,701,153,050</u>
<i>(All of the above equity shares are held by KSK Energy Ventures Limited, the Holding Company).</i>		
2 Reserves and surplus		
Capital reserve	10	-
	<u>10</u>	<u>-</u>
Profit and loss account		
Opening balance	71,988,792	61,603,654
Add : Profit for the year	17,729,830	10,385,138
	<u>89,718,621</u>	<u>71,988,792</u>
	<u>89,718,631</u>	<u>71,988,792</u>

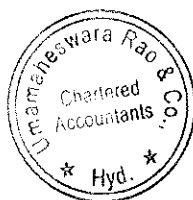


KSK Electricity Financing India Private Limited

(All amounts in Indian rupees, except share data and where otherwise stated)

Schedules to the Balance Sheet

	As at 31 March 2011	As at 31 March 2010
3 Investments		
Long term investments (At cost)		
Investment in joint venture (other than trade and unquoted)		
1,755,000 (31 March 2010: 1,755,000) 18% Redeemable cumulative participative preference share of Rs.100/-each in Sitapuram Power Ltd.	175,500,000	175,500,000
196,000 (31 March 2010: 196,000) 15% Redeemable cumulative preference shares of Rs.100/- each in Sitapuram Power Limited.	19,600,000	19,600,000
490,000 (31 March 2010: 490,000) Equity shares of Rs. 10/- each in Sitapuram Power Limited.	4,900,000	4,900,000
Investment in Subsidiaries (other than trade and unquoted)		
98,500,000 (31 March 2010: 98,500,000) 14% Redeemable cumulative preference shares of Rs.10 each, fully paid up in VS Lignite Power Private Limited.	985,000,000	985,000,000
37,000,000 (31 March 2010: 37,000,000) Class B Equity shares of Rs.10 each, fully paid up in VS Lignite Power Private Limited.	512,824,000	512,824,000
25,500,000 (31 March 2010: 25,500,000) Class B Equity shares of Rs.10 each, fully paid up in Arasmeta Captive Power Company Private Limited.	289,819,759	289,819,759
13,005,000 (31 March 2010: 13,005,000) Class B Equity shares of Rs.10 each, partly paid up in Arasmeta Captive Power Company Private Limited.	13,005,000	13,005,000
12,360,000 (31 March 2010: 12,360,000) Class B Equity shares of Rs. 10 each, fully paid up in Sai Regency Power Corporation Private Limited.	156,809,296	156,809,296
271,875,617 (31 March 2010: 139,339,967) Class B Equity shares of Rs.10 each, fully paid up in Wardha Power Company Limited.	2,718,756,170	1,393,399,670
Nil (31 March 2010: 132,535,650) Class B Equity Shares of Rs.10 each, partly paid up in Wardha Power Company Limited.	-	132,535,650
2 (31 March 2010: 1) Equity Share of Rs.10 each, fully paid up in KSK Mahanadi Power Company Limited.	20	10
	<u>4,876,214,245</u>	<u>3,683,393,385</u>
4 Cash and bank balances		
Cash on hand	64,843	60,926
Balances with scheduled banks :		
on Current accounts	3,375,063	5,033,215
on Deposit accounts	34,500,000	17,500,000
	<u>37,939,906</u>	<u>22,594,141</u>



KSK Electricity Financing India Private Limited

(All amounts in Indian rupees, except share data and where otherwise stated)

Schedules to the Balance Sheet

	As at 31 March 2011	As at 31 March 2010
5 Other current assets		
Interest accrued on deposits	11,389,299	3,343,294
	<u>11,389,299</u>	<u>3,343,294</u>
6 Loans and advances (Refer Note 13(10))		
<i>(Unsecured, considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	85,479,769	85,477,628
Share application money pending allotment	668,045,000	1,860,866,601
Loans and advances to subsidiaries	112,100,000	112,100,000
Advance income tax	279,381	5,859,322
<i>(net of provision for tax Rs.47,642,107 (31 March 2010: Rs.40,570,902))</i>		
	<u>865,904,150</u>	<u>2,064,303,551</u>
7 Current liabilities		
Sundry creditors		
- Dues to micro and small enterprises	-	-
- Dues to others	482,487	432,900
Other liabilities	46,527	44,350
	<u>529,014</u>	<u>477,250</u>
8 Provisions		
Provision for gratuity	46,905	15,280
	<u>46,905</u>	<u>15,280</u>



KSK Electricity Financing India Private Limited

(All amounts in Indian rupees, except share data and where otherwise stated)

Schedules to the Profit and Loss account

	For the year ended 31 March 2011	For the year ended 31 March 2010
9 Other income		
Credit balances/excess provision written back	-	497,590
	<u>-</u>	<u>497,590</u>
10 Personnel expenses		
Salaries and wages	869,162	346,000
Contribution to provident and other funds	60,366	10,640
Staff welfare expenses	34,031	19,817
	<u>963,559</u>	<u>376,457</u>
11 Administration and other expenses		
Rates and taxes	8,919	154,190
Insurance	7,317	6,708
Consultancy and other professional charges	40,075	33,000
Auditors' remuneration		
- Audit fees	441,200	441,200
- Others	25,000	-
Miscellaneous expenses	88,410	21,476
	<u>610,921</u>	<u>656,574</u>
12 Interest and finance cost		
Interest - others	-	183,376
Bank / other finance charges	1,834	1,614
	<u>1,834</u>	<u>184,990</u>



KSK Electricity Financing India Private Limited

Notes annexed to and forming part of the accounts for the year ended 31 March 2011

(All Amounts in Indian Rupees, except share data and where otherwise stated)

Schedule 13: Significant accounting policies and notes to accounts

1. Nature of operations

KSK Electricity Financing India Private Limited was incorporated on September 26, 2005 with its registered office in the State of Andhra Pradesh. The main object of the Company is to carry on in India the business of financing, acquiring, and owning power generation projects.

2. Basis of Preparation of financial statements

a. Basis of preparation

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment. Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

d. Revenue recognition

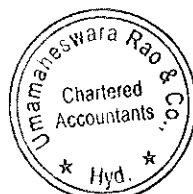
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.



KSK Electricity Financing India Private Limited

Notes annexed to and forming part of the accounts for the year ended 31 March 2011

(All Amounts in Indian Rupees, except share data and where otherwise stated)

e. Cash flows

Cash flows are reported using the indirect method, where by the net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated and presented separately.

f. Taxes on income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized 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. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

g. Retirement and other employee benefits

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account, when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts. Gratuity liability is defined benefit obligations and made at the end of each financial year/period.

Short term compensated absences are provided for on based on estimates. The actuarial valuation is done as per projected unit credit method. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.



KSK Electricity Financing India Private Limited

Notes annexed to and forming part of the accounts for the year ended 31 March 2011

(All Amounts in Indian Rupees, except share data and where otherwise stated)

h. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

i. Provisions

A provision is recognized 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. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement.

j. Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

3. The Company pledged the investments in the following entities in favour of the lenders for extending the loans to the respective companies:

Details of shares pledged	Number of shares pledged	
	As at 31 March 2011	As at 31 March 2010
18% Redeemable Cumulative Participative Preference share of Rs.100/-each in Sitapuram Power Ltd	931,244	931,244
15% Redeemable Cumulative Preference Shares of Rs.100/- each in Sitapuram Power Limited	104,000	104,000
Equity Shares of Rs. 10/- each in Sitapuram Power Limited	260,000	260,000
Class B Equity Shares of Rs.10 each , fully paid up, in VS Lignite Power Private Limited	24,000,000	24,000,000
14% Redeemable Cumulative Redeemable Preference Shares of Rs.10 each, fully paid up, in VS Lignite Power Private Limited	54,480,000	54,480,000
Class B Equity shares of Rs.10 each, fully paid up in Arasmeta Captive Power Company Private Limited.	25,500,000	25,500,000
Class B Equity Shares of Rs. 10 each, fully paid up, in Sai Regency Power Corporation Private Limited	12,360,000	12,360,000
Class B Equity shares of Rs.10 each, fully paid up in Wardha Power Company Limited	139,339,967	139,339,967



KSK Electricity Financing India Private Limited

Notes annexed to and forming part of the accounts for the year ended 31 March 2011

(All Amounts in Indian Rupees, except share data and where otherwise stated)

4. Interest in Joint Venture

The Company has a 49% interest in the assets, liabilities, expenses and output of Sitapuram Power Limited, incorporated in India, which is engaged in the business of generation of electricity.

The Company's share of assets, liabilities, income and expenses of the jointly controlled entity are as follows as:

Particulars	As at 31 March 2011	As at 31 March 2010
Assets	1,212,807,379	1,054,125,610
Liabilities	799,705,190	675,276,525
Revenue	530,001,006	620,375,833
Depreciation	43,414,236	42,842,231
Other expenses	464,928,293	487,038,778
Profit before tax	43,517,275	90,494,825
Capital commitments	2,507,974	44,185,317
Contingent liabilities	110,360,070	92,581,045

5. Earning per share

Particulars	For the year ended 31 March,2011	For the year ended 31 March ,2010
Net profit after tax	17,729,830	10,385,138
No of shares	570,115,305	570,115,305
Earning per share—basic and diluted (in Rs.)	0.03	0.02
Nominal value of equity shares	10	10

- There is no deferred tax asset/liability required to be recognised as per AS-22 "Accounting for taxes on Income" as at Balance sheet date.
- There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, as at the balance sheet date. The Micro, Small and Medium Enterprises have been identified on the basis of information available with Company.
- Owing to the nature of the Company's business the activity falls within a single primary business segment of investing in the power generation projects and within a single geographical segment. Hence, the disclosure requirements of Accounting Standard – 17 "Segmental reporting", issued by the Companies (Accounting Standards) Rules, 2006 are not applicable.

9. Retirement Benefits

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.



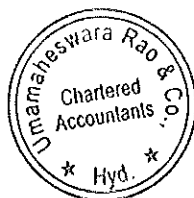
KSK Electricity Financing India Private Limited

Notes annexed to and forming part of the accounts for the year ended 31 March 2011

(All Amounts in Indian Rupees, except share data and where otherwise stated)

Disclosure as per AS 15 revised

Particulars	31 March 2011	31 March 2010
Present value of obligation at the beginning of the year	27,170	23,354
Interest cost	2,174	1,752
Current service cost	18,617	7,012
Past Service Cost (non vested benefits)	52,888	-
Past Service Cost (vested benefits)	-	-
Benefits paid	-	-
Actuarial loss/(gain) on obligation	(6,338)	(4,948)
Present value of obligation at the end of the year	94,511	27,170
Fair Value of Plan assets at the beginning of the year	11,890	3,828
Expected return on plan assets	2,602	666
Contributions	34,035	7,153
Benefits Paid	-	-
Actuarial gain/(loss) on plan assets	(921)	243
Fair Value of Plan assets at the end of the year	47,606	11,890
Amounts recognized in the balance sheet		
Present value of obligation as at the end of the year	94,511	27,170
Fair value of plan assets at the end of the year	(47,606)	(11,890)
Funded status	46,905	15,280
Unrecognised Actuarial Gain/(Loss)	-	-
Unrecognised Past Service Cost-non vested benefits	-	-
Net Asset/(Liability) recognized in the balance sheet	(46,905)	(15,280)
Amounts recognized in the statement of profit and loss		
Current service cost	18,617	7,012
Interest cost	2,174	1,752
Past Service Cost (non vested benefits)	52,888	-
Past Service Cost (vested benefits)	-	-
Expected return on plan assets	(2,602)	(666)
Net actuarial (gain) / loss recognized for the period	(5,417)	(5,191)
Expenses recognized in the statement of profit and loss	65,660	2,907
Principal actuarial assumptions as at balance sheet date		
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%



KSK Electricity Financing India Private Limited
Notes annexed to and forming part of the accounts for the year ended 31 March 2011
 (All Amounts in Indian Rupees, except share data and where otherwise stated)

10. Loans and advances include the following amounts receivable from companies under the same management and the maximum amount due during the year:

Name of the Company	Amount due as at		Maximum amount outstanding	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Arasmeta Captive Power Corporation Private Limited	118,136,817	112,221,019	118,136,817	112,221,019
Kameng Dam Hydro Power Private Limited	60,717,114	59,148,734	60,717,114	59,148,734
KSK Dibbin Hydro Power Private Limited	29,358,325	28,599,973	29,358,325	28,599,973
Wardha Power Company Limited	597,580	-	30,000,000	-

11. The uncalled liability on the shares invested in by the Company are as follows:

Name of the entity	Type of share	Number of shares		Amount paid per share (Rs.)	Amount uncalled per share (Rs.)	Total amount uncalled (Rs.)	
		As at 31 March 2011	As at 31 March 2010			As at 31 March 2011	As at 31 March 2010
Arasmeta Captive Power Company Private Limited	Class B Equity shares of Rs.10 each	13,005,000	13,005,000	1	9	117,045,000	117,045,000*
Wardha Power Company Limited	Class B Equity shares of Rs.10 each	-	132,535,650	1	9	-	1,192,820,850
Grand total		13,005,000	145,540,650			117,045,000	1,309,865,850

*The amount representing the uncalled liability has already been received by the Company and the same is classified under share application money pending allotment under loans and advances, schedule "6"



KSK Electricity Financing India Private Limited
Notes annexed to and forming part of the accounts for the year ended 31 March 2011
 (All Amounts in Indian Rupees, except share data and where otherwise stated)

12. Related Party Disclosures

A) Names of related Parties and description of the relationship:

SI No	Name of the Related party	Nature of relationship
1	KSK Energy Ventures Limited ('KSKEVL')	Holding Company
2	Arasmeta Captive Power Company Private Limited ('ACPCPL')	Subsidiary
3	Sai Regency Power Corporation Private Limited ('SRPCPL')	Subsidiary
4	Wardha Power Company Limited ('Wardha')	Subsidiary
5	VS Lignite Power Private Limited ('VSLP')	Subsidiary
7	KSK Dibbin Hydro Power Private Limited ('Dibbin')	Fellow subsidiary
8	Kameng Dam Hydro Power Private Limited ('Kameng')	Fellow subsidiary
9	KSK Energy Company Private Limited ('KSKECPL')	Fellow subsidiary
10	Sitapuram Power Limited ('SPL')	Joint Venture

Key Management Personnel and their relatives

1	R. Ramesh Kumar	Managing Director
2	C. Srinivas	Director

B) Related party transactions during the year ending:

SI No	Nature of transaction	Name of the Related party	For the year ended 31 March 2011	For the year ended 31 March 2010
1	Interest income	Dibbin	3,342,975	3,342,975
2	Interest income	Kameng	6,913,735	6,913,734
3	Interest income	ACPCPL	13,452,003	324,329
4	Interest income	WPCL	879,288	-
5	Advance for investment	VSLP	-	269,900,000
6	Advance for investment	ACPCPL	-	80,000,000
7	Advance for investment	WPCL	201,100,000	643,115,079
8	Refund of advance for investment	SRPCPL	201,100,751	-
9	Refund of advance for investment	KSKECPL	-	1,103,000,000
10	Loan given during the year	ACPCPL	-	110,000,000
11	Loan given during the year	WPCL	30,000,000	-
12	Refund of Loan during the year	WPCL	30,000,000	-



KSK Electricity Financing India Private Limited

Notes annexed to and forming part of the accounts for the year ended 31 March 2011

(All Amounts in Indian Rupees, except share data and where otherwise stated)

C) Balance with related parties:

Includes the following amount due to/ due from the related parties:

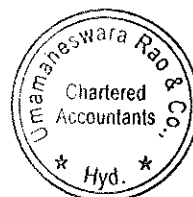
SI No	Nature of transaction	Name of the Related party	As at 31 March 2011	As at 31 March 2010
1	Interest receivable	Dibbin	1,500,217	741,865
2	Interest receivable	Kameng	3,102,660	1,534,280
3	Interest receivable	ACPCPL	6,036,817	121,019
4	Interest receivable	WPCL	597,580	-
5	Loan receivable	Dibbin	27,858,108	27,858,108
6	Loan receivable	Kameng	57,614,454	57,614,454
7	Loan receivable	ACPCPL	112,100,000	112,100,000
8	Advances for investment	Wardha	201,100,000	1,192,820,850
9	Advances for investment	ACPCPL	197,045,000	197,045,000
10	Advances for investment	SRPCPL	-	201,100,751
11	Advances for investment	VSLP	269,900,000	269,900,000

D) Equity held in subsidiaries and joint venture have been disclosed under "Investment" (schedule 3 to the balance sheet).

E) The Company has provided securities by way of pledge of investments for loans taken by subsidiaries/Joint Venture.

13. Additional information pursuant to clause 3, 4, 4A and 4C of Part II of Schedule VI of the Companies Act, 1956 to the extent either NIL or Not Applicable has not been furnished.

14. The Reserve Bank of India (RBI), issued notice to the Company vide their letter dated 19 October, 2009 directing the Company to stop carrying further, NBFI (Non Banking Financial Institution) activities and advised the Company to apply to obtain the registration under the Non-Banking Financial Institution Act. The Company has passed necessary resolution to comply with the said notice, with regard not to carry on further activities under NBFI excluding the commitments already made. Company has also sought clarification from RBI in the matter of registration under the NBFI which is still awaited. During the year ended March 2011, the company advanced an amount of Rs.20.11 Crore by way of "Advance for Investments" as part of the obligation under the sponsorship agreement with Wardha Power Company Limited to meet project overrun cost arising on account of delay in commissioning of the project due to various extraneous factors. The same was informed to RBI vide letter dated 28 March 2011 and in response of the same RBI has advised the Company to obtain registration under guidelines issued for Non Banking Financial Company or Systematically Important Core Investment Company (CIC-ND-SI). The Company has in turn sought the applicability of the core investment guidelines from RBI Mumbai/Foreign Investment Promotion Board (FIPB)/ Department of Industrial Policy and Promotion (DIPP)/ Secretariat for Industrial Association (SIA), vide letter dated 3 May 2011.

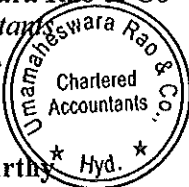


KSK Electricity Financing India Private Limited
Notes annexed to and forming part of the accounts for the year ended 31 March 2011
(All Amounts in Indian Rupees, except share data and where otherwise stated)

15. Previous years figures have been regrouped and re-arranged to conform to the current years' classification.

As per our report of even date

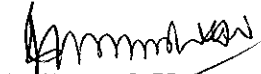
For Umamaheswara Rao & Co
Chartered Accountants



RR Dakshina Murthy
Partner

Membership No. 211639
Firm Registration No. 004453S
Place: Hyderabad
Date: 05 May 2011


for and on behalf of the Board



R Ramesh Kumar
Managing Director



C. Srinivas
Director



G V Pavan Kumar
Company Secretary

KSK Electricity Financing India Private Limited**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No.	047594	State Code No	01
Balance Sheet Date	31/03/2011		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	5,790,872	Total Assets	5,790,872
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Sources of Funds

Paid-up Capital	5,701,153	Reserves & Surplus	89,719
Secured Loans	-	Unsecured loans	-
Share application money	-		

Application of Funds

Net Fixed Assets	-	Investments	4,876,214
Net Current Assets	914,658	Miscellaneous expenditure	-
Accumulated Losses	-		

IV. Performance of Company (Amount in Rs. Thousands)



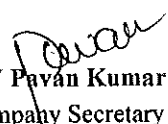
Turnover	26,364	Total Expenditure	1,576
Profit before tax	24,788	Profit after tax	17,730
Earnings per share	0.03	Dividend rate (%)	NIL

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code. No. (ITC Code)	Not Applicable
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Product Description	Investment in Power sector
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for and on behalf of the Board


Ramesh Kumar
Managing Director
Srinivas
Director
G V Pavan Kumar
Company SecretaryPlace : Hyderabad
Date : 05 May 2011