

Report of the Auditors to the Members of

M/s. KSK Mahanadi Power Company Limited

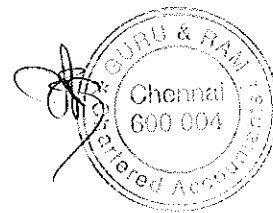
We have audited the attached Balance Sheet of M/s. KSK Mahanadi Power Company Limited, as at 31st March 2011 and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our report.

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 (Auditor's Report) Order, 2003 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, to the extent applicable.

Further to our comments in the 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 purpose 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 Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.



- e) On the basis of written representation 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 are disqualified as on 31st March 2011 from being appointed as a director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view
- (i) In the case of the Balance Sheet, of the State of the Company's Affairs as at 31st March 2011; and
- (ii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

Place: Chennai
Date: 27.04.2011

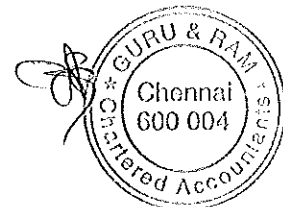
for Guru & Ram
Chartered Accountants
Regn. No.: 009723S


Chennai
600 004
A. Rajasekaran
Partner
Membership No.: 025549

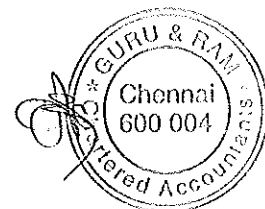
M/s. KSK Mahanadi Power Company Limited

Annexure to the Report of the Auditors

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of its assets. No significant discrepancies were noticed on such verification.
- (c) Based on our scrutiny of the records, there were sale of fixed assets during the year. According to the the information and explanations given to us, we are of the opinion that such sale of fixed assets has not affected the going concern status of the company.
- (ii) The Company does not have any inventory and therefore the paragraph 4 (ii) of the Order is not applicable to the company.
- (iii) (a) The Company has given loan to one party covered in the register maintained under section 301 of the Companies Act, 1956 and aggregate amount of loans granted to such parties was Rs. 54.45 Crores. At the year end, the outstanding balances of such loans aggregated to Rs. 50.90 Crores and the maximum amount outstanding during the year was Rs. 54.45 Crores.
- (b) In our opinion and according to the information and explanation available to us, the rate of interest and other terms and conditions are not, prima facie, prejudicial to the interest of the Company.
- (c) In the case of loan granted to the companies listed in the register maintained under Section 301 of the Companies Act, 1956 the borrower has been regular in the payment of the interest as stipulated. The terms of arrangement do not stipulate any repayment schedule and is repayable on demand. Accordingly, paragraph 4(iii)(c) of the Order is not applicable to the Company in respect of repayment of the principal amount.
- (d) In our opinion, there are no overdue amounts of more than rupees one lakh in respect of the loan granted to the companies listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii)(d) of the Order is not applicable.
- (e) The Company has taken loans aggregating to Rs. 46.11 Crores from two parties covered in the register maintained under section 301 of the Companies Act, 1956. At the year end, the outstanding balances of such loans aggregated to Rs. 29.67 Crores and the maximum amount outstanding during the year was Rs. 46.11 Crores.
- (f) In our opinion and according to the information and explanation available to us, the rate of interest and other terms and conditions are not, prima facie, prejudicial to the interest of the company.



- (g) In respect of loans taken, the principal amount is repayable on demand in accordance with the terms and conditions, and payment of interest has been regular in accordance with such terms and conditions.
- (iv) In our opinion and according to the information and explanations provided to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all the contracts or arrangements, that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000/- in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) Based on our scrutiny of the company's records and according to information and explanations provided by the management, in our opinion, the company has not accepted any public deposits so far upto 31st March 2011.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) According to the information and explanations given to us, the Company's project for setting up a power plant is at start up stage of construction and the Company has not commenced the commercial production and hence maintenance of cost records is not applicable during the year under audit.
- (ix) (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, and other statutory dues applicable to it. No undisputed amounts payable in respect of Provident Fund, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty and other statutory dues were outstanding as at 31st March 2011 for a period exceeding six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Provident Fund, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty and other statutory dues which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period less than five years and hence paragraph 4 (ii) of the Order is not applicable to the company.



- (xi) In our opinion and according to the information and explanations given to us, the Company has made no default in repayment of dues to the Banks.
- (xii) According to the information and explanations available to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society. Therefore, paragraph (xiii) Order is not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of the transactions and contracts in respect of investments and timely entries have been made therein. All the investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has pledged its fixed deposits in connection with the loans taken by others from banks. In our opinion, the terms and conditions of the guarantees given are not prejudicial to the interest of the company.
- (xvi) According to the records of the company, the term loans obtained by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations available to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations provided to us, during the year under report, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanation available to us, no money has been raised by public issues. Therefore, paragraph 4 (xx) Order is not applicable to the company.
- (xxi) According to the information and explanation available to us, no fraud on or by the Company has been noticed or reported during the year.

Place: Chennai
Date: 27.04.2011

for Guru & Ram
Chartered Accountants
Regn. No.: 009723S



A. Rajasekaran
Partner
Membership No. 025549

KSK Mahanadi Power Company Limited

Balance Sheet as at March 31, 2011

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

	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	23,125,500,010	500,000
Share application money pending allotment		441,000,000	6,047,100,000
Loan funds			
Secured loans	2	28,649,789,057	19,070,662,148
Unsecured loans	3	286,685,826	13,906,863,849
Total		<u><u>52,502,974,893</u></u>	<u><u>39,025,125,997</u></u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	1,876,815,573	1,227,857,935
Less : Depreciation		<u>35,687,093</u>	<u>8,303,422</u>
Net block		1,841,128,480	1,219,554,513
Capital work-in progress (including capital advances)	5	<u>42,441,705,842</u>	<u>28,942,238,827</u>
		<u>44,282,834,322</u>	<u>30,161,793,340</u>
Goodwill		20	20
Investments	6	1,000,000	1,000,000
Current assets, loans and advances			
Cash and bank balances	7	11,267,842,070	7,916,912,513
Other current assets	8	537,116,888	427,593,122
Loans and advances	9	<u>1,840,315,574</u>	<u>1,826,159,418</u>
		<u>13,645,274,532</u>	<u>10,170,665,053</u>
Less : Current liabilities and provisions	10		
Current liabilities		5,390,765,920	1,289,781,665
Provisions		<u>35,368,061</u>	<u>18,550,751</u>
		<u>5,426,133,981</u>	<u>1,308,332,416</u>
Net current assets		8,219,140,551	8,862,332,637
Total		<u><u>52,502,974,893</u></u>	<u><u>39,025,125,997</u></u>


Significant accounting policies and notes to accounts 11

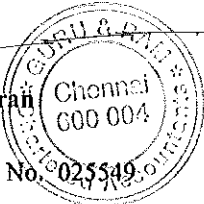
The schedules referred to above form an integral part of the balance sheet.

As per our report of even date


for **Guru & Ram**


Chartered Accountants


A Rajasekaran
 Partner
 Membership No. 025549
 Firm Registration No.:09723S



for and on behalf of the Board


S Kishore
 Whole-time Director


K A Sastry
 Director


Sisir Kumar Mishra
 Company Secretary

Place : Chennai

Date : APRIL 27, 2011

Place: Hyderabad

Date : April 27, 2011

KSK Mahanadi Power Company Limited
Cash Flow Statement for the year ended March 31, 2011
(All amount in Indian rupees, except share data and where otherwise stated)

	March 31, 2011	March 31, 2010
A. Cash flow from operating activities		
Adjustments for:		
(Increase) / decrease in current assets	(573,441,189)	(306,921,324)
Increase/(decrease) in current liabilities	(2,420,045)	(421,223,924)
Cash generated from operations	(575,861,234)	(728,145,248)
Direct taxes paid - net	(70,204,383)	(10,494,454)
Net cash (used in) operating activities	(646,065,617)	(738,639,702)
B. Cash flow from investing activities		
Purchase of fixed assets (including capital work in progress and expenditure during construction period pending allocation)	(7,359,587,936)	(15,020,290,506)
Inter corporate deposits	562,500,000	(528,500,000)
Interest received	539,096,588	8,436,867
Dividend received	6,955,113	-
Purchase of investments	-	(1,000,000)
Net cash (used in) investing activities	(6,251,036,235)	(15,541,353,639)
C. Cash Flow from financing activities		
Finance charges	(2,352,073,477)	(837,331,143)
Proceeds from issue of share capital and share application money	3,079,300,000	6,047,600,000
Proceeds from borrowings	13,094,310,872	12,671,151,307
Repayment of borrowings	(3,573,505,986)	-
Net cash generated from financing activities	10,248,031,409	17,881,420,164
Net increase/(decrease) in cash and cash equivalents	3,350,929,557	1,601,426,823
Cash and cash equivalent - opening balance	7,916,912,513	-
Cash and cash equivalent - closing balance	11,267,842,070	1,601,426,823
Add: Cash received pursuant to demerger	-	6,315,485,690
Cash and cash equivalent - closing balance	11,267,842,070	7,916,912,513

Note to the cash flow statement :

Components of cash and cash equivalents as at

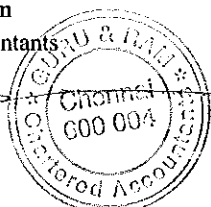
Cash in hand	795,666	619,295
Balances with scheduled banks		
- in Current accounts	1,371,218,834	363,261,576
- in Deposits accounts	9,895,827,570	7,553,031,642
	11,267,842,070	7,916,912,513

This is the Cash flow statement referred to in our report on even date

for **Guru & Ram**
Chartered Accountants

A Rajasekaran
Partner

Membership No. 025549
Firm Registration No.:09723S



for and on behalf of the Board

S Kishore - Whole-time Director
K A Sastry - Director

Sisir Kumar Mishra
Company Secretary

Place: Chennai
Date: APRIL 27, 2011

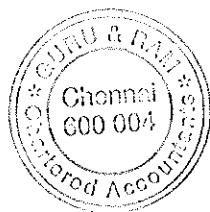
Place: Hyderabad
Date : April 27, 2011

KSK Mahanadi Power Company Limited

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

Schedules to the balance sheet

	As at March 31, 2011	As at March 31, 2010
1 Share capital		
Authorised		
5,000,000,000 (March 31, 2010 : 50,000) equity shares of Rs.10/- each	50,000,000,000	500,000
2,500,000,000 (March 31, 2010 : nil) preference shares of Rs.10/- each	25,000,000,000	-
	<u>75,000,000,000</u>	<u>500,000</u>
Issued, subscribed and paid-up		
2,312,550,001 (March 31, 2010: 50,000) equity shares of Rs. 10/- each fully paid up	23,125,500,010	500,000
(of the above, 2,062,549,994 equity shares of Rs 10/- each fully paid up are held by KSK Energy Ventures Limited, the Holding company)		
	<u>23,125,500,010</u>	<u>500,000</u>
2 Secured loans		
(Refer note no 9 of schedule 11)		
Term loans		
Rupee loans from banks	8,650,226,468	3,681,441,737
Rupee loans from others	-	1,000,000,000
Other Loans from banks	19,999,562,589	14,389,220,411
	<u>28,649,789,057</u>	<u>19,070,662,148</u>
3 Unsecured loans		
Short-term loan		
Inter-corporate deposit	286,685,826	13,906,863,849
(The unsecured loan is short term in nature and is repayable on demand)		
	<u>286,685,826</u>	<u>13,906,863,849</u>



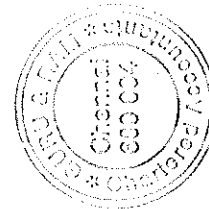
KSK Mahanadi Power Company Limited

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

Schedules to the balance sheet

4 Fixed assets

Particulars	Gross block				Depreciation				Net block	
	As at April 01, 2010	Additions	Deletions	As at March 31, 2011	As at April 01, 2010	For the period	Deletions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Land free hold	748,756,147	338,589,771	-	1,087,345,918	-	-	-	-	1,087,345,918	748,756,147
Land lease hold	419,273,856	137,027,488	-	556,301,344	2,125,946	5,615,662	-	7,741,608	548,559,736	417,147,910
Buildings	82,359	26,889,408	-	26,971,767	75	2,114,200	-	2,114,275	24,857,492	82,284
Plant & machinery	1,304,542	47,967,953	-	49,272,495	39,333	1,489,903	-	1,529,236	47,743,259	1,232,585
Furniture & fittings	5,442,517	13,316,873	-	18,759,390	1,519,363	2,826,440	-	4,345,803	14,413,587	3,923,154
Leasehold improvements	7,861,661	29,849,668	103,748	37,607,581	823,094	7,870,242	35,762	8,657,574	28,950,007	7,038,567
Vehicles	15,007,259	11,273,317	-	26,280,576	1,288,662	2,119,246	-	3,407,908	22,872,668	13,718,597
Office equipment	20,257,203	23,177,819	-	43,435,022	1,455,029	2,630,878	-	4,085,907	39,349,115	18,834,798
Computers	9,127,877	9,949,853	-	19,077,730	840,943	1,918,744	-	2,759,687	16,318,043	8,286,934
Intangible assets	744,514	11,019,236	-	11,763,750	210,977	834,118	-	1,045,095	10,718,655	533,537
Total	1,227,857,935	649,061,386	103,748	1,876,815,573	8,303,422	27,419,433	35,762	35,687,093	1,841,128,480	1,219,554,513
As at March 31, 2010	-	1,227,857,935	-	1,227,857,935	-	8,303,422	-	8,303,422	1,219,554,513	-



KSK Mahanadi Power Company Limited

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

Schedules to the balance sheet

	As at March 31, 2011	As at March 31, 2010
5 Capital work- in-progress		
A. Assets under construction	13,866,705,691	1,984,767,481
B. Expenditure pending allocation		
Project development charges	3,135,695,080	2,689,255,830
Professional & legal charges	1,170,312,774	832,951,109
Employees' cost		
- Salaries and wages	427,244,809	176,151,450
- Contribution to provident and other funds	18,215,206	6,214,601
- Staff welfare expenses	13,314,293	4,428,561
Recruitment and relocation expenses	11,873,597	9,173,199
Advertisement expenses	7,071,550	3,746,151
Travelling & conveyance	78,243,059	36,424,481
Auditors remuneration		
- Audit fee	869,643	538,743
- Others	664,065	104,785
Insurance charges	94,638,592	1,363,635
Rates & taxes	49,914,933	20,184,339
Rent	53,645,080	19,499,769
Communication charges	10,656,193	4,404,093
Electricity & water charges	8,029,533	3,469,366
Repair & maintenance	32,271,491	10,431,895
Depreciation	35,687,094	8,303,423
Printing & stationery	12,732,339	6,355,960
Donations	108,322,384	99,916,294
Security watch & ward	13,804,045	3,485,511
Corporate social responsibility	48,201,808	12,380,050
Miscellaneous expenses	17,682,316	9,279,760
Preliminary expenses	19,914	19,914
Fringe benefit tax	483,881	483,881
Income tax	113,254,428	40,887,585
Wealth tax	3,320,760	146,167
Less:		
Other income	(13,178,347)	(6,106,795)
Interest income	(1,099,403,247)	(450,782,893)
Foreign exchange fluctuations	(645,203,827)	(804,084,042)
C. Advance against capital contracts	24,866,616,705	24,218,844,524
	<u>42,441,705,842</u>	<u>28,942,238,827</u>

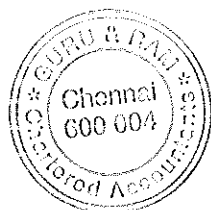


KSK Mahanadi Power Company Limited

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

Schedules to the balance sheet

	As at March 31, 2011	As at March 31, 2010
6 Investments		
Current investments <i>(quoted fully paid up)</i> 84,837 (March 31, 2010: 84,837 units) of Rs 11.7873 each in SBI-SHF- Ultra short term fund - retail plan - growth	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
7 Cash and bank balances		
Cash in hand	795,666	619,295
Balances with scheduled banks		
In current accounts	1,368,228,125	362,637,230
In deposit accounts *	9,895,827,570	7,553,031,642
Balance with others		
Current accounts	2,990,709	624,346
	<u>11,267,842,070</u>	<u>7,916,912,513</u>
* (Out of the above Rs.984.58 crores (March 31, 2010: Rs.708.30 crores) have been pledged with banks / financial institutions for availing credit facilities)		
8 Other current assets		
Interest accrued on deposits	537,116,888	427,593,122
	<u>537,116,888</u>	<u>427,593,122</u>
9 Loans and advances <i>(Unsecured, considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	695,791,401	148,878,718
Inter corporate deposit	890,000,000	1,452,500,000
Security deposits	250,533,801	224,780,700
Advance tax (net of income tax provision of Rs.36,347,269/-)	3,990,372	-
	<u>1,840,315,574</u>	<u>1,826,159,418</u>
10 Current liabilities and provisions		
Current liabilities		
Sundry creditors		
Dues to micro, small and medium enterprises	-	-
Dues to other than micro, small and medium enterprises	5,069,407,593	793,757,167
Other liabilities	50,043,978	135,792,944
Interest accrued but not due	185,378,149	257,765,654
Liability on foreign currency forward contracts (net)	85,936,200	102,465,900
	<u>5,390,765,920</u>	<u>1,289,781,665</u>
Provisions		
For taxation (net of advance tax : Rs.48,431,564/-, March 31, 2010: Rs.25,147,832/-)	23,935,279	15,739,753
For wealth tax (net of advance tax: nil, March 31, 2010 : nil)	1,218,579	86,680
For gratuity	10,214,203	2,724,318
	<u>35,368,061</u>	<u>18,550,751</u>



KSK Mahanadi Power Company Limited
Schedules to the Balance Sheet

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

Schedule 11: Significant accounting policies and notes to accounts

A. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting convention

The Financial Statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (IGAAP) and comply with the mandatory Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India (ICAI), the provisions of Companies Act, 1956 to the extent applicable.

2. Use of estimates

The preparation of financial statements in conformity with IGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure relating to contingent liabilities as on the date of the financial statements and the reported amounts of income and expense during the period/year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

3. Revenue recognition

Interest is recognized using the time proportionate method, based on the underlying interest rates.

Dividend income is recognized when the right to receive the same is established.

4. Fixed assets and depreciation

i. Fixed assets are stated at cost of acquisition. Cost of acquisition is inclusive of freight, duties, levies and all incidentals directly or indirectly attributable to bringing the asset to its working condition for its intended use. Cost of fixed assets includes cost of initial warranty/ insurance spares purchased along with the Capital asset, which are grouped as single item under respective assets.

ii. Individual assets costing less than Rs.5,000/- have been fully depreciated in the year of purchase.

iii. Intangible assets, namely computer software is recognized as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" issued by the Institute of Chartered Accountants of India and is amortized over a period of three years.

iv. Depreciation on fixed assets is charged on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

v. Depreciation on additions / deletions from fixed assets during the year is charged on pro-rata basis from / up to the date on which the asset becomes available for use.

vi. Leasehold improvements are amortized over the lease period.



KSK Mahanadi Power Company Limited

Schedules to the Balance Sheet

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

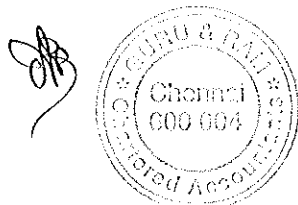
Schedule 11: Significant accounting policies and notes to accounts

5. Capital work in progress

- i. Capital work in progress is carried at cost and incidental and attributable expenses including interest and depreciation on fixed assets in use during construction are carried as part of "Expenditure During Construction Period, Pending Allocation" to be allocated on major assets on commissioning of the project
- ii. In respect of supply-cum-erection contracts, the value of supplies received at site and accepted is treated as Capital work in progress.
- iii. Assets under installation or under construction as at the balance sheet date are shown as Capital Work in progress.
- iv. Claims for price variation/exchange rate variation in case of contracts are accounted for on acceptance.
- v. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

6. Foreign currency transactions

- i. Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.
- ii. At the Balance Sheet date, foreign currency monetary items are reported using the closing / contracted rate. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.
- iii. The foreign exchange differences arising on account of the restatement of long-term foreign currency monetary items, related to the acquisition of depreciable capital asset is being capitalized as per the amendment to Accounting Standard (AS)-11 "The effect of changes in foreign exchange rates".
- iv. Exchange differences, in respect of short term foreign currency monetary / long term foreign currency non monetary items relating to fixed assets / capital work in progress are treated as incidental expenditure during construction till the assets are ready for their intended use.
- v. In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with AS-11 (revised). The exchange difference on such a forward exchange contract is calculated as the difference of the foreign currency amount of the contract translated at the exchange at the reporting date, or the settlement date where the transaction is settled during the reporting period and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the profit and loss account in the reporting period in which the exchange rates change.
- vi. The premium or discount on all such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or expense for the period.



KSK Mahanadi Power Company Limited
Schedules to the Balance Sheet

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

Schedule 11: Significant accounting policies and notes to accounts

7. Investments

Current investments are carried at lower of cost and fair value. Long term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management. The comparison of cost and fair value is done separately in respect of each category of investment.

8. Borrowing cost

Borrowing costs that are attributable to the acquisition or construction of qualifying asset are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use.

9. Retirement benefits

- i. Contribution to the Provident Fund is accounted on accrual basis.
- ii. Gratuity to employees is accounted in accordance with Accounting Standard 15 (revised) "Employee Benefits" based on the actuarial valuation carried out as at the Balance Sheet date.

10. Income tax

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the company.

11. Provisions and contingent liabilities

The Company recognizes a provision when there is a present obligation as a result of past obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

12. Leases

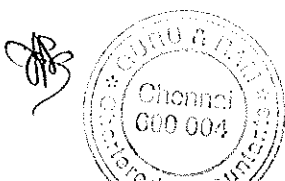
Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense as and when the payments are made over the lease term.

13. Cash flow

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.

14. Impairment of assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.



KSK Mahanadi Power Company Limited
Schedules to the Balance Sheet

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

Schedule 11: Significant accounting policies and notes to accounts

B. NOTES TO ACCOUNTS

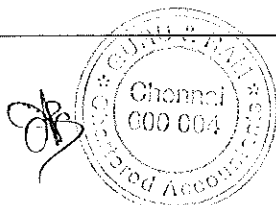
1. Estimated value of contracts remaining to be executed on capital account not provided for Rs.119,490,573,511(as at March 31, 2010 : Rs.110,978,356,172)
2. Contingent Liabilities: nil (as at March 31,2010: nil)
3. Claim against the company not acknowledged as debt Rs.20,000,000/- (As at March 31, 2010: nil)
4. As at March 31, 2011 there are no amounts including interest payable to Micro, Small and Medium enterprises as defined under The Micro, Small and Medium Enterprises Development Act, 2006 based on the information available with the Company.
5. The Company has not commenced commercial activity and hence Profit and Loss account was not prepared for the period ending March 31, 2011. All the expenditure incurred during the construction period is grouped and disclosed under capital work-in-progress, schedule 5 to the Balance sheet.
6. Value of imports calculated on CIF basis :
 - a. Capital Goods : Rs. 5,573,775,171/- (For the year ended 31.03.2010 Rs. nil)
7. Expenditure in foreign currency (on accrual basis)

S.No.	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
1	On Overseas Contracts	50,792,172	-
2	On Travel expenses	10,576,463	7,325,996
3	On other expenses	5,763,684	19,284,746
4	On Interest	383,347,255	257,765,654

8. Derivative instruments and Un-hedged foreign currency exposure

Derivatives outstanding	As at March 31, 2011	As at March 31, 2010
Forward contract (Hedge of expected future payable)	\$ 96,000,000	\$ 91,000,000

Un-hedged Foreign currency exposure	As at March 31, 2011	As at March 31, 2010
Import creditors (including retention money)	Rs.4,105,152,941 (\$ 90,426,253)	Rs.56,404,072 (\$ 1,252,586)
Loans	Rs.9,851,545,477 (\$ 217,004,909)	Rs.9,175,650,300 (\$ 203,767,042)
Interest on loans	Rs.185,378,149 (\$ 4,083,417)	Rs.257,765,654 (\$ 5,724,297)
Cash with Bank	Rs.3,823 (\$ 84.20)	Rs.398,090 (\$ 8,541.32)
Cash with Bank	Rs.2,986,886 (RMB 430,955.46)	Rs.226,256 (RMB 33,258.94)

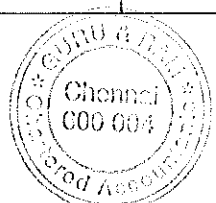


KSK Mahanadi Power Company Limited**Schedules to the Balance Sheet**

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

Schedule 11: Significant accounting policies and notes to accounts**9. Details of securities provided against the loans availed by the Company :**

Name of Bank	Amount in Rs.	Security particulars
(a) Term loans		
Indian Bank	1,446,350,263	Hypothecation of movable machinery and other movable assets of the project on pari-passu basis with other lenders
Indian Overseas Bank	2,491,221,908	Hypothecation of movable machinery and other moveable assets of the project on pari-passu basis with other lenders
Punjab National Bank	1,517,517,123	First pari-passu charge (by way of hypothecation) of all the moveable assets of the Company and corporate guarantee of KSK Energy Ventures Limited.
Bank of Baroda	512,166,037	First pari-passu charge (by way of hypothecation) of all the moveable assets of the company
State Bank of India	1,500,990,753	Corporate guarantee of KSK Energy Ventures Limited
United Bank of India	350,127,055	Hypothecation of all the movable machinery and other moveable assets of the project on pari-passu basis with other lenders. Un called capital present and future.
Jammu & Kashmir Bank	180,044,384	Hypothecation of all the movable machinery and other moveable assets of the project on pari-passu basis with other lenders
Oriental Bank of Commerce	651,808,945	Hypothecation of all the movable machinery and other moveable assets of the project on pari-passu basis with other lenders
(b) Other loans	19,999,562,589	<p>Other loans includes loan against letter of credits given by various banks in Indian currency as well as in foreign currency (US \$) and loan against deposit. The above loans have been utilized for payments made to EPC as well Non-EPC Contractors towards advance and progressive payments against the contracts.</p> <p>The above loans are secured by</p> <ul style="list-style-type: none">• Hypothecation of movable machinery and other movable assets of the project on pari-passu basis.• Equitable mortgage of private land 650.62 acres and leasehold land 512.65 acres of the project on pari-passu basis• Assignment of advance payment guarantee from SEPCO, the EPC contractor to the extent of Rs. 750 Crore• pledge of fixed deposits of Rs 686.62 Crore <p>Corporate Guarantee of KSK Energy Ventures Limited, the holding Company to the extent of Rs 700 Crore. Rs.11.02 Crore availed from UCO bank is secured by fixed deposit held by bank of Rs.11.06 Crore</p>



KSK Mahanadi Power Company Limited

Schedules to the Balance Sheet

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

Schedule 11: Significant accounting policies and notes to accounts

10. Employee benefit plans:

Particulars	March 31, 2011	March,31, 2010
Present value of obligation at the beginning of the year	4,255,454	-
Interest cost	340,436	-
Current service cost	10,088,340	3,344,606
Past Service Cost (non vested benefits)	4,815,049	-
Past Service Cost (vested benefits)	364,404	-
Benefits paid	-	-
Actuarial loss/(gain) on obligation	(3,984,576)	910,848
Present value of obligation at the end of the year	15,879,107	4,255,454
Fair Value of Plan assets at the beginning of the year	1,531,136	-
Expected return on plan assets	171,706	64,541
Contributions	753,422	1,434,237
Benefits Paid	-	-
Actuarial gain/(loss) on plan assets	(1,393)	32,358
Fair Value of Plan assets at the end of the year	2,454,871	1,531,136
Amounts recognized in the balance sheet		
Present value of obligation as at the end of the period	15,879,107	4,255,454
Fair value of plan assets at the end of the period	2,454,871	1,531,136
Funded status	(13,424,236)	(2,724,318)
Unrecognized Actuarial Gain/(Loss)	-	-
Unrecognized Past Service Cost-non vested benefits	3,210,033	-
Net Asset/(Liability) recognized in the balance sheet	(10,214,203)	(2,724,318)
Amounts recognized in the statement of profit and loss account		
Current service cost	10,088,340	3,344,606
Interest cost	340,436	-
Past Service Cost (non vested benefits)	1,605,016	-
Past Service Cost (vested benefits)	364,404	-
Expected return on plan assets	(171,706)	(64,541)
Net actuarial (gain) / loss recognized for the period	(3,983,183)	878,490
Expenses recognized in the statement of profit and loss account	8,243,307	4,158,555
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 Mahanadi Power Company Limited
Schedules to the Balance Sheet

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

Schedule 11: Significant accounting policies and notes to accounts

11. Segment reporting

The Company's activities during the year revolve around setting up of the Project. Considering the nature of company's business and operations, there are no separate reportable segments (business and / or geographical) in accordance with the requirements of Accounting Standard 17 "Segment Reporting, as specified in the Company's (Accounting Standards) Rules, 2006.

12. Deferred tax

Deferred tax as per AS 22 "Accounting for Taxes on Income" prescribed by the Companies (Accounting Standards) Rules, 2006, is not applicable to the company since, the Company has not commenced any commercial activity.

13. Related party transactions

A. List of related parties and nature of relationship

S.No.	Name of the related party	Nature of relationship
1	KSK Energy Ventures Limited	Holding company
2	Wardha Power Company Limited	Fellow subsidiary company
3	KSK Water Infrastructures Private Limited	Fellow subsidiary company
4	KSK Mineral Resources Private Limited	Fellow subsidiary company
5	KSK Energy Company Private Limited	Fellow subsidiary company
6	KSK Wind Energy Private Limited	Fellow subsidiary company
7	J R Power Gen Private Limited	Fellow subsidiary company
8	Sai Regency Power Corporation Private Limited	Fellow subsidiary company

B. Key management personnel

S.No.	Name of the related party	Nature of relationship
1	S Kishore	Whole-time Director
2	K A Sastry	Director
3	Anil Kumar Kutty	Director
4	C Srinivas	Director

C. Particulars of related party transactions during the year ended

S.No.	Particulars	March 31, 2011	March 31, 2010
1	Project development fee :		
	KSK Energy Ventures Limited	446,439,250	1,730,882,750
2	Interest paid		
	KSK Energy Ventures Limited	95,919,043	298,757,091
3	Interest received		
	KSK Wind Energy Private Limited	4,647,945	2,724,658



KSK Mahanadi Power Company Limited**Schedules to the Balance Sheet**

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

Schedule 11: Significant accounting policies and notes to accounts

4	Reimbursement of expenses		
	KSK Water Infrastructures Private Limited	3,650,976	-
	Sai Regency Power Corporation Private Limited	1,419,757	-
5	Loan taken		
	KSK Energy Ventures Limited	443,626,049	14,393,240,515
	Wardha Power Company Limited	10,000,000	11,000,000
6	Repayment of loan		
	KSK Energy Ventures Limited	13,979,210,051	578,640,515
7	Loan given		
	Wardha Power Company Limited	41,353,470	-
8	Refund of loan		
	Wardha Power Company Limited	38,045,818	-
9	Deposit given		
	KSK Energy Ventures Limited	-	3,500,000,000
	KSK Water Infrastructures Private Limited	771,940,300	365,509,700
	KSK Energy Company Private Limited	-	450,000,000
	KSK Mineral Resources Private Limited	-	200,000,000
	KSK Wind Energy Private Limited	-	450,000,000
10	Refund of deposit		
	KSK Wind Energy Private Limited	450,000,000	-
11	Receipt of Share application money		
	KSK Energy Ventures Limited	15,496,253,644	8,351,299,940
	Wardha Power Company Limited	-	300,000,000
12	Refund of Share application money		
	KSK Energy Ventures Limited	802,353,644	6,918,714,940
	Wardha Power Company Limited	300,000,000	-
13	Purchase of land		
	Sai Regency Power Corporation Private Limited	100,000	-
14	Sale of assets		
	J R Power Gen Private Limited	103,748	-



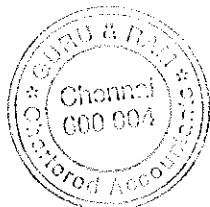
KSK Mahanadi Power Company Limited**Schedules to the Balance Sheet**

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

Schedule 11: Significant accounting policies and notes to accounts**D. Related party transactions – Amount outstanding as at**

S.No.	Particulars	March 31, 2011	March 31, 2010
1	Share Application money		
	KSK Energy Ventures Limited	441,000,000	5,747,100,000
	Wardha Power Company Limited	-	300,000,000
2	Interest payable		
	KSK Energy Ventures Limited	7,669,826	92,263,849
3	Interest receivable		
	KSK Wind Energy Private Limited	-	2,452,192
4	Unsecured loan		
	KSK Energy Ventures Limited	279,016,000	13,814,600,000
5	Advance receivable		
	Wardha Power Company Limited	502,282,994	-
6	Deposits receivable		
	KSK Energy Ventures Limited	3,500,000,000	3,500,000,000
	KSK Water Infrastructures Private Limited	1,137,450,000	365,509,700
	KSK Energy Company Private Limited	450,000,000	450,000,000
	KSK Mineral Resources Private Limited	200,000,000	200,000,000
	KSK Wind Energy Private Limited	-	450,000,000

14. Corporate Guarantees of Rs.9,342,995,628 (March 31, 2010 Rs.8,722,924,401), Bank guarantees of Rs.2,636,300,000 (March 31, 2010 Rs.4,151,300,000) has been given by holding company and Corporate Guarantees of Rs 2,497,241,604 (March 31, 2010 Rs.1,800,000,000) given by step-up holding company on behalf of the Company.
15. Additional information pursuant to Clause 3, 4, 4A, 4C and 4 D of Part II of Schedule VI of the Companies Act, 1956 to the extent Nil or Not applicable has not been furnished.
16. Pursuant to the notification issued by Ministry of Corporate Affairs dated 31st March 2009, the company has opted for the option of adjusting the exchange difference on long term foreign currency monetary items to the cost of fixed assets acquired out of these foreign currency monetary items. Accordingly during the period, the company has capitalized the foreign exchange differences amounting to Rs.19,487,319/- (as at 31.03.10 Rs.7,751,588/-) on restatement of foreign currency payment used for acquiring fixed assets and same is classified under capital work in progress.



KSK Mahanadi Power Company Limited
Schedules to the Balance Sheet

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

Schedule 11: Significant accounting policies and notes to accounts

17. Operating leases:

The Company has entered in to certain operating lease agreement. An amount of Rs.23,473,981/- (March 31, 2010 : Rs.10,420,516/-) paid under such agreements has been disclosed as 'Rent' under expenditure under construction period, pending allocation.


The schedule of future minimum rental payments in respect of non-cancelable operating leases is set out below:

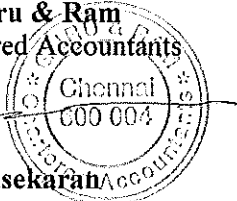
Particulars	As at March 31, 2011	As at March 31, 2010
Lease Obligations		
Within one year of the balance sheet date	5,400,000	-
Due between one to five years	4,050,000	-
Due after five years	-	-

18. Previous year figures have been regrouped and reclassified wherever necessary to conform to the current year classification.

19. The figures have been rounded off to the nearest rupee.

As per report of even date
for **Guru & Ram**
Chartered Accountants



A. Rajasekaran
Partner
Membership No.: 025549
Firm Registration Number: 09723S



for and on behalf of the Board


S Kishore
Whole-time Director


K A Sastry
Director


Sisir Kumar Mishra
Company Secretary

Place: Chennai
Date : APRIL 27, 2011

Place: Hyderabad
Date : April 27, 2011

KSK MAHANADI POWER COMPANY LIMITED

THE COMPANIES

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

ACT, 1956

I. Registration Details

Registration No.

U	4	0	3	0	0	A	P
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 State Code No.

0	1
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2	0	0	9	P	L	C	0	6	4	0	6	2
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 (Refer Code List)

Balance Sheet Date

3	1	0	3	2	0	1	1
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Date Month Year

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

Public Issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Right Issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L					
N	I	L										
N	I	L										
Bonus Issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Private Placement <table border="1" style="display: inline-table;"><tr><td>2</td><td>3</td><td>1</td><td>2</td><td>5</td><td>5</td><td>0</td><td>0</td></tr></table>	2	3	1	2	5	5	0	0
N	I	L										
2	3	1	2	5	5	0	0					

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

Total Liabilities <table border="1" style="display: inline-table;"><tr><td>5</td><td>2</td><td>5</td><td>0</td><td>2</td><td>9</td><td>7</td><td>5</td></tr></table>	5	2	5	0	2	9	7	5	Total Assets <table border="1" style="display: inline-table;"><tr><td>5</td><td>2</td><td>5</td><td>0</td><td>2</td><td>9</td><td>7</td><td>5</td></tr></table>	5	2	5	0	2	9	7	5
5	2	5	0	2	9	7	5										
5	2	5	0	2	9	7	5										
Sources of Funds	Reserves & Surplus																
Paid-up Capital <table border="1" style="display: inline-table;"><tr><td>2</td><td>3</td><td>1</td><td>2</td><td>5</td><td>5</td><td>0</td><td>0</td></tr></table>	2	3	1	2	5	5	0	0	<table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-	
2	3	1	2	5	5	0	0										
-	-	N	I	L	-	-											
Secured Loans <table border="1" style="display: inline-table;"><tr><td>2</td><td>8</td><td>6</td><td>4</td><td>9</td><td>7</td><td>8</td><td>9</td></tr></table>	2	8	6	4	9	7	8	9	Unsecured Loans <table border="1" style="display: inline-table;"><tr><td>2</td><td>8</td><td>6</td><td>6</td><td>8</td><td>6</td></tr></table>	2	8	6	6	8	6		
2	8	6	4	9	7	8	9										
2	8	6	6	8	6												
Application of Funds	Share application Money <table border="1" style="display: inline-table;"><tr><td>4</td><td>4</td><td>1</td><td>0</td><td>0</td><td>0</td></tr></table>	4	4	1	0	0	0										
4	4	1	0	0	0												
Net Fixed Assets <table border="1" style="display: inline-table;"><tr><td>4</td><td>4</td><td>2</td><td>8</td><td>2</td><td>8</td><td>3</td><td>4</td></tr></table>	4	4	2	8	2	8	3	4	Investments <table border="1" style="display: inline-table;"><tr><td>1</td><td>0</td><td>0</td><td>0</td></tr></table>	1	0	0	0				
4	4	2	8	2	8	3	4										
1	0	0	0														
Net Current Assets <table border="1" style="display: inline-table;"><tr><td>8</td><td>2</td><td>1</td><td>9</td><td>1</td><td>4</td><td>1</td></tr></table>	8	2	1	9	1	4	1	Misc. Expenditure <table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-		
8	2	1	9	1	4	1											
-	-	N	I	L	-	-											
Accumulated Losses <table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-										
-	-	N	I	L	-	-											

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

Turnover <table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-	Total Expenditure <table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-
-	-	N	I	L	-	-									
-	-	N	I	L	-	-									
Profit/Loss before tax <table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-	Profit/Loss after tax <table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-
-	-	N	I	L	-	-									
-	-	N	I	L	-	-									
(please tick appropriate box + for profit, - for loss)															
Earning per Share in Rs. <table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-	Dividend rate % <table border="1" style="display: inline-table;"><tr><td>-</td><td>-</td><td>N</td><td>I</td><td>L</td><td>-</td><td>-</td></tr></table>	-	-	N	I	L	-	-
-	-	N	I	L	-	-									
-	-	N	I	L	-	-									

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

Item Code No.

-	-	-	N	A	-	-	-	-
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(ITC Code)
Product Description

G	E	N	E	R	A	T	I	O	N
O	F	P	O	W	E	R			

For and on behalf of the Board

S. Kishore
Whole-time Director

K. A. Sastry
Director

Sisir Kumar Mishra
Company Secretary

Place: Hyderabad
Date : April 27, 2011