

Partners

V. ANANT RAO, FCA, DISA, CISA, CISSP, CISM

B.V. MALLIKARJUNA, FCA



ANANT RAO & MALLIK

CHARTERED ACCOUNTANTS

#B-409/410, Kushal Towers, Khairatabad, Hyderabad - 500 004. Phone : 23320286, Fax : 040-66360666, E-mail : armcas@gmail.com

AUDITOR'S REPORT

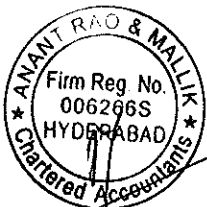
The Members,

KSK VIDARBHA POWER COMPANY PRIVATE LIMITED

Hyderabad.

We have audited the attached Balance Sheet of KSK VIDARBHA POWER COMPANY PRIVATE LIMITED, Hyderabad, as at March 31,2011. 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.

1. 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
2. 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 hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 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 dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet dealt with by this report comply with the mandatory Accounting Standards referred in sub-section(3C) of section 211 of the Companies Act, 1956 ;



- e. In our opinion, and based on information and explanations given to us, none of the directors are disqualified as on March 31,2011, from being appointed as directors 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 read together with and subject to the Significant Accounting Policies and Notes to Accounts thereon give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view, in conformity with the accounting principles generally accepted in India;

In so far as it relates to Balance Sheet, of the state of affairs of the Company as at March 31,2011;

for ANANT RAO & MALLIK
Chartered Accountants


B.V.MALLIKARJUNA

Partner

M.No.23350

Date : 29.04.2011



Annexure to Auditors' Report
(Referred to in Paragraph 2 of our report of even date)

1. The company does not have any fixed assets and hence the matters relating to physical verification and disposal are not applicable.
 2. As the company does not carry any inventories, the clauses in respect of inventories are not applicable.
 3. During the year the company has taken unsecured loan from its holding company.. Balance of unsecured loan taken from its holding company as on March 31,2011 was Rs.19.65 lakhs. In our opinion, and considering the nature of transactions and other terms and conditions are not prima facie not prejudicial to the interests of the company.
 4. As the company does not have any fixed assets, inventories and income, the matters relating to internal control procedures are not applicable.
 5. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
 6. The Company has not accepted any deposits from the public.
 7. As the paid-up capital of the company was below Rs.50 lakhs as at the commencement of the financial year and the company has not made any sales, there is no requirement for the Company to have an Internal Audit System.
 8. The Central Government has not prescribed maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956(Act I of 1956) for any of the products of the Company.
 9. According to the information and explanations given to us, the schemes of PF & ESI are not applicable to the company.
 10. According to the information and explanations given to us, there are no disputed dues of sales tax / income tax / customs / wealth tax / excise duty / cess.
 11. As per the accounts referred to in this Report, the Company does not have any accumulated losses. The company has no profits as it has not started its operations.
 12. As per the books of accounts of the company, the Company has not taken any loans from financial institutions or banks or debenture holders.
 13. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
 14. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause-4(xiii) of the Companies (Auditors' Report) Order, 2003, is not applicable to the Company.
 15. The Company has not dealt in or traded in shares, securities, debentures and other investments.
 16. The Company has not given guarantees for loans taken by others from banks or financial institutions.
 17. The Company has not raised any term loans during the year. There are no existing term loans.
- The Company has not obtained any short term loans for its working capital requirements.



19. During the year, 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.
20. The Company has not issued any debentures during the year.
21. The Company has not raised any money by way of public issue during the year.
22. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

for ANANT RAO & MALLIK
Chartered Accountants



B.V.MALLIKARJUNA

Partner

M.No.23350

Date : 29.04.2011

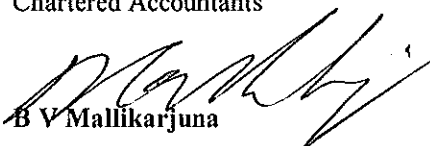


KSK Vidarbha Power Company Private Limited
Balance Sheet as at 31 March 2011
(All amounts in Indian Rupees, except share data and where otherwise stated)

	Schedule	As at 31 March	
		2011	2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	105,000	105,000
Loan funds			
Unsecured loans	2	1,965,000	1,940,000
		<u>2,070,000</u>	<u>2,045,000</u>
APPLICATION OF FUNDS			
Fixed assets			
Capital work-in progress (including capital advances)	3	2,064,895	2,044,862
Current assets, loans and advances			
Cash and bank balances	4	18,894	11,168
		<u>18,894</u>	<u>11,168</u>
Less : Current liabilities and provisions	5		
Current liabilities		13,789	11,030
		<u>13,789</u>	<u>11,030</u>
Net current assets		<u>5,105</u>	<u>138</u>
		<u>2,070,000</u>	<u>2,045,000</u>
Significant accounting policies and notes to accounts	6		


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


for Anant Rao & Mallik
Firm Registration No .006266S
Chartered Accountants


B V Mallikarjuna
Partner
Membership No.23350



for and on behalf of the board


G Srinivas
Director


R Ramesh Kumar
Director

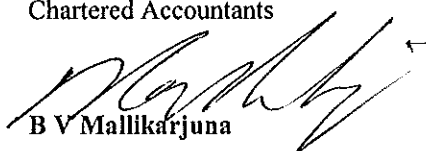
Place : Hyderabad
Date : 29 April 2011

KSK Vidarbha Power Company Private Limited
Cash flow statement for the year ended 31 March 2011
(All amounts in Indian Rupees, except share data and where otherwise stated)

	For the year ended 31 March	
	2011	2010
A. Cash Flow from Operating Activities		
Operating profit before working capital changes	-	-
<u>Adjustments for:</u>		
Current liabilities	2,759	6,030
Cash generated from operations	2,759	6,030
Net Cash from Operating Activities	2,759	6,030
Cash flow from investing activities		
Purchase of fixed assets (including capital work in progress and expenditure during construction period pending allocation)	(20,033)	(15,868)
Net Cash used in investing activities	(20,033)	(15,868)
Cash flow from financing activities		
Proceeds from borrowings	25,000	-
Net Cash from financing activities	25,000	-
Net increase/(decrease) in cash and cash equivalents	7,726	(9,838)
Cash and cash equivalent - opening balance	11,168	21,006
Cash and cash equivalent - closing balance	18,894	11,168
Component of Cash and Cash equivalents comprise		
Cash in hand	3,889	4,429
Balances with scheduled banks		
-in current accounts	15,005	6,739
	18,894	11,168

This is the cash flow statement referred to in our report of even date

for Anant Rao & Mallik
Firm Registration No. 006266S
Chartered Accountants


B V Mallikarjuna
Partner
Membership No. 23350



for and on behalf of Board


C. Srinivas
Director

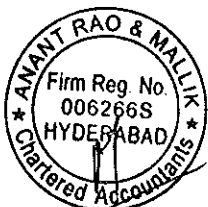

R Ramesh Kumar
Director

Place : Hyderabad
Date : 29 April 2011

KSK Vidarbha Power Company Private Limited
(All amounts in Indian rupees, except share data and where otherwise stated)

Schedules to the Balance Sheet

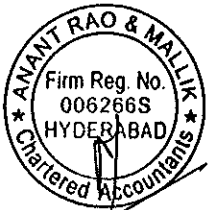
	As at 31 March	
	2011	2010
1 Share capital		
Authorised :		
100,000 (31 March 2010 - 100,000) Equity Shares of Rs. 10/- each	1,000,000	1,000,000
	1,000,000	1,000,000
Issued, Subscribed and Paid-up :		
Equity shares		
10,500 (31 March 2010 - 10,500) Equity Shares of Rs.10 each fully paid.	105,000	105,000
	105,000	105,000
Note :		
The above 10,500 (31 March 2010 - 10,500) Equity Shares of Rs.10 each, fully paid up are held by the holding company, KSK Energy Ventures Limited.		
2 Unsecured loans		
Short-term loans and advances:		
From others	1,965,000	1,940,000
	1,965,000	1,940,000
3 Capital work in progress		
A. Expenditure pending allocation		
Travelling and conveyance	69,716	69,716
Professional and consultancy charges	574,033	348,478
Licenses, taxes & legal expenses	30,887	27,187
Office expenses	11,042	8,702
Salaries & wages	791,667	791,667
Bank charges	2,023	1,819
Audit fees	49,427	35,638
Fringe benefit tax	1,220	1,220
Preliminary expenses	34,880	34,880
B. Advance against capital contracts	500,000	725,555
	2,064,895	2,044,862



KSK Vidarbha Power Company Private Limited
(All amounts in Indian rupees, except share data and where otherwise stated)

Schedules to the Balance Sheet

	As at 31 March	
	2011	2010
4 Cash and bank balances		
Cash and cheques on hand	3,889	4,429
Balances with scheduled banks :		
in Current accounts	15,005	6,739
	<u>18,894</u>	<u>11,168</u>
5 Current liabilities and provisions		
Current liabilities		
Sundry creditors		
- Dues to micro and small enterprises	-	-
- Dues to others	12,411	11,030
Other liabilities	1,378	-
	<u>13,789</u>	<u>11,030</u>



KSK Vidarbha Power Company Private Limited
Schedules to the Balance Sheet
(All amounts in Indian Rupees, except where otherwise stated)

Schedule 6: Significant Accounting policies & Notes to accounts

A. Significant Accounting Policies

1. Accounting Convention:

The financial statements of KSK Vidarbha Power Company Private Limited (or "the Company") have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual including provisions/adjustments for committed obligations and amounts determined as payable or receivable during the accounting period. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956.

2. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and reported amounts of income and expenditure for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

3. Capital Work in Progress:

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.

In respect of supply-cum-erection contracts, the value of supplies received at site and accepted is treated as Capital Work-in-progress.

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.

4. Foreign Currency Transaction:

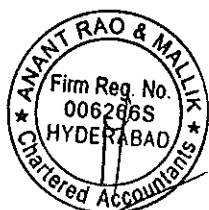
Foreign Currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.

At the Balance Sheet, foreign currency monetary items are translated using the closing/contracted rate. Non monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction. The differences in translation of monetary assets and liabilities and realized gains and losses on foreign currency transactions are recognized in the statement of profit and loss account.

Other Exchange differences are recognized as Income or Expense in the period in which they arise.

5. Cash flow statement:

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.



KSK Vidarbha Power Company Private Limited
Schedules to the Balance Sheet
(All amounts in Indian Rupees, except where otherwise stated)

Schedule 6: Significant Accounting policies & Notes to accounts

6. Taxes on Income:

Income tax expense comprises current tax.

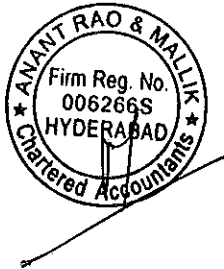
Current tax

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

7. Provisions and contingencies:

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.

Provisions for onerous contracts i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation



KSK Vidarbha Power Company Private Limited
Schedules to the Balance Sheet
 (All amounts in Indian Rupees, except where otherwise stated)

Schedule 6: Significant Accounting policies & Notes to accounts

B. Notes forming part of Accounts

1. Employee benefit plans

The Company does not have any employees on its rolls. Hence it does not incur any employee related benefits/ costs.

2. 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.

3. Segment Reporting

Pursuant to the explanation in AS 17 on "Segment Reporting", prescribed by the Company's (Accounting Standards) Rules, 2006, no segment disclosure has been made in these financial statements, as the Company has only one geographical and business segment.

4. Related Party Transactions:

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

Sl No	Nature of the Related party	Nature of relationship
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Enterprises where control exists:

1	KSK Energy Ventures Limited	Holding Company
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Key management personnel and their relatives

1	K Bapi Raju	Director
2	R Ramesh Kumar	Director
3	C Srinivas	Director

B) Related party transactions during the year ending:

Nature of transaction	Nature of relationship	Mar 31, 2011	Mar 31, 2010
Unsecured loan	Holding Company	25,000	Nil

C) Balance with related parties:

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

Nature of transaction	Nature of relationship	Mar 31, 2011	Mar 31, 2010
Unsecured loan	Holding Company	1,965,000	1,940,000



KSK Vidarbha Power Company Private Limited
Schedules to the Balance Sheet
(All amounts in Indian Rupees, except where otherwise stated)

Schedule 6: Significant Accounting policies & Notes to accounts

5. Auditors' Remuneration

Particulars	Mar 31, 2011	Mar 31, 2010
Audit fees (excluding service tax)	12,500	10,000

6. As at March 31, 2011 there are no amounts including interest payable to Micro, Small and Medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the Company.
7. Additional information pursuant to para 3, 4, 4-A, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent either "Nil" or "Not Applicable" has not been furnished.
8. Previous year figures have been regrouped/ reclassified to conform to those of the current year.

for and on behalf of

Anant Rao & Mallik

Firm Registration No. 006266S

Chartered Accountants


B V Mallikarjuna

Partner

Membership No. 23350



for and on behalf of the board


C. Srinivas
Director


R Ramesh Kumar
Director

Place: Hyderabad

Date: 29 April 2011

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

1 Registration Details

Registration No	U40109AP2005PTC047720	State Code	01
Balance Sheet Date	31.03.2011		

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

Public Issue	Nil	Rights issue	Nil
Bonus Issue	Nil	Private Placement	

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

Total Liabilities	2,070	Total assets	2,070
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<u>Sources of funds</u>	(Amount in Rs.thousands)		
Paid up share capital	105	Reserves & Surplus	Nil
Share application money	Nil	Unsecured Loans	1,965
Secured Loans	Nil	Deferred Tax Liability	Nil

<u>Application of funds</u>	(Amount in Rs.thousands)		
Net Fixed Assets	2,065	Investments	Nil
Net Current Assets	5	Miscellaneous Exp	Nil
Accumulated Losses	Nil		

4 Performance of the Company

Turnover	Nil	Total Expenditure	Nil
Profit before tax	Nil	Profit after tax	Nil
Earning per share (Rs.)	Nil	Dividend Rate%	Nil

5 Generic Names of Three Principal Products / Services of Company

(as per monetary tems)		
Item Code No.(ITC Code)		Not Applicable
Principal products/services of the Company		Generation of Power

for and on behalf of the Board.

Place : Hyderabad
Date : 29 April 2011


Srinivas
Director


Ramesh Kumar
Director