

Report of the Auditors to the Members of

M/s. Sai Regency Power Corporation Private Limited

We have audited the attached Balance Sheet of **M/s. Sai Regency Power Corporation Private Limited**, as at 31st March 2011 and also the Profit and Loss Account 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 Company's Balance Sheet and Profit and Loss Account are in agreement with the books of account;
- d) In our opinion, the Balance Sheet and the Profit and Loss Account 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 the Profit and Loss Account, of the Profit for the period ended on that date; and
- (iii) In the case of the Cash Flow Statement of the cash flows for the year ended on that date.

Place: Chennai
Date: 03.05.2011

For Guru & Ram
Chartered Accountants
Firm Registration No.: 009723S

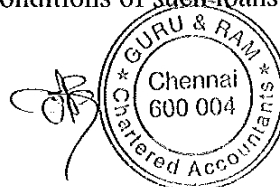

A. Rajasekaran
Partner
Membership No.: 025549



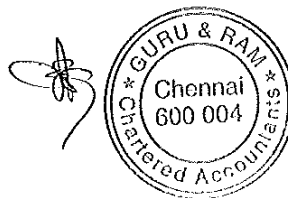
M/s. Sai Regency Power Corporation Private Limited

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) According to the information and explanation given to us, the management at reasonable intervals has physically verified the fixed assets and no material discrepancies were noticed on such verification.
- (c) Based on our scrutiny of the records of the company and the information and explanations received by us, we report that there were sale of fixed assets during the year but the fixed asset disposed of did not constitute a substantial part of the fixed assets of the company. Hence, the question of reporting whether the sale of any substantial part of fixed assets has affected going concern of the company does not arise.
- (ii) (a) The management has been conducting physical verification of inventory at reasonable intervals.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to its size and nature of business.
- (c) The company is maintaining proper records of inventory. No material discrepancies were noted on physical verification.
- (iii) (a) The company has given loan to one party covered in the register maintained under section 301 of the Companies Act. The maximum amount outstanding during the year was Rs. 80,00,000.00 and the year end balance was NIL.
- (b) According to the information and explanations provided to us, the rate of interest and other terms and conditions of loans given by the Company, are prime facie not prejudicial to the interest of the Company.
- (c) The Company is regular in receipt of both principal and interest amount.
- (d) There is no overdue amount of loan granted to the party covered in the register maintained under section 301 of the Companies Act.
- (e) The company has taken loan from one party covered in the register maintained under section 301 of the Companies Act. The maximum amount involved during the year was Rs. 19,82,50,000/- Lakhs and the year end balance of loans taken from such parties is Rs. 8,62,00,000/-.
- (f) In our opinion, and according to the information and explanations provided to us, the rate of interest and other terms and conditions of such loans are not prejudicial to the interest of the company.



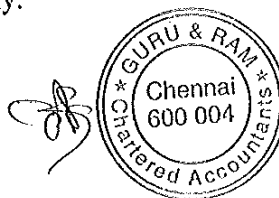
- (g) The Company is regular in repaying the principal amounts and has been regular in payment of interest.
- (iv) In our opinion and according to the information and explanations provided to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations provided to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act have been entered in the register required to be maintained under that section.
- (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 the prevailing market prices at the relevant time.
- (vi) Based on our scrutiny of the company's records and according to the information provided to us by the management, in our opinion, the Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the company and the nature of its business.
- (viii) The Central Government has prescribed maintenance of cost records under section 209(1) (d) of the Companies Act in respect of the business of generation and sale of energy, and in our opinion, and on the basis of broad examination of such records, the company is maintaining such cost records, which adequately reflect the cost of operations of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Income tax, Wealth Tax, Provident Fund, 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 explanation given to us, the dues in respect of sales tax, income tax, customs duty, wealth tax and other statutory dues that have not been deposited with the appropriate authorities on account of dispute as at 31st March 2011 and the forum where the dispute is pending are given below:



Nature of Dues	Financial year to which the matter pertains	Forum where Dispute is pending	Amount (in Rs.)
Income Tax	2006-07	Commissioner of Income Tax (Appeals)	Nil*

*Note: Since the assessed income of the Company (after considering the disallowance appealed against) for the assessment year relevant to Financial year 2006-07 is negative, there are no dues payable.

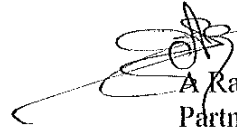

- (x) The company does not have accumulated losses and has not incurred cash loss during the year covered by our audit and also in the immediate preceding year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions.
- (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) The Company is not a Chit Fund / Nidhi / Mutual Benefit Fund / Society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) According to the informations and explanations given to us, proper records have been maintained in respect of transactions and contracts, in shares, securities, debentures and other investments and timely entries have been made therein. The shares and other securities have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (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 given 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 by the Company and vice versa.
- (xviii) During the year under report, the Company has made preferential allotment of preference shares to a party covered in the Register maintained under section 301 of the Act. In our opinion, the terms and conditions on which the shares are allotted are not prejudicial to the interests of the Company.



- (xix) According to the information and explanations given to us, the company has not issued any debentures during the period covered by our audit report.
- (xx) According to the information and explanation available to us, no money has been raised by public issues. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are 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: 03.05.2011

For Guru & Ram
Chartered Accountants
Firm Registration No: 009723S



A. Rajasekaran
Partner
Membership No.: 025549

Sai Regency Power Corporation Private Limited
Balance Sheet as at March 31, 2011
 (All amounts in Indian rupees, 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	214,800,000	167,200,000
Share Application Money		-	201,100,751
Reserves and Surplus	2	1,160,334,951	716,454,269
		<u>1,375,134,951</u>	<u>1,084,755,020</u>
Loan Funds			
Secured Loans	3	1,607,204,358	1,304,724,831
Unsecured Loans	4	198,822,996	138,229,158
		<u>1,806,027,354</u>	<u>1,442,953,989</u>
		<u>3,181,162,305</u>	<u>2,527,709,009</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	3,346,507,585	2,288,912,782
Less: Accumulated depreciation		<u>1,020,654,174</u>	<u>325,614,593</u>
Net block		<u>2,325,853,411</u>	<u>1,963,298,189</u>
Investments	6	25,782,850	-
Current Assets, Loans And Advances			
Inventories	7	106,633,064	87,056,009
Sundry debtors	8	284,655,327	236,079,974
Cash and Bank Balances	9	367,376,724	137,766,373
Loans and Advances	10	215,729,262	154,083,525
		<u>974,394,377</u>	<u>614,985,881</u>
Less : Current Liabilities And Provisions	11		
Current Liabilities		141,957,026	35,446,813
Provisions		<u>2,911,307</u>	<u>15,128,248</u>
		<u>144,868,333</u>	<u>50,575,061</u>
Net Current Assets		829,526,044	564,410,820
		<u>3,181,162,305</u>	<u>2,527,709,009</u>

Significant Accounting Policies and notes to accounts 17

The Schedules referred above and the notes forming part of accounts form an integral part of Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

for Guru & Ram

Chartered Accountants

Chennai

A. Rajasekaran 600 004

Partner

Membership No. 025549

Firm No. 097238

Place : Chennai

Date : 3.5.2011

For and on behalf of the board

K.A.Sastry
Managing Director

S.Kishore
Director

Abdul Gafoor Mohammad
Company Secretary

Place: Hyderabad

Date : 3.5.2011

Sai Regency Power Corporation Private Limited
Profit and Loss Account for the year ended March 31, 2011
 (All amounts in Indian rupees, except share data and where otherwise stated)

	Schedule	For the year ended March 31, 2011	For the year ended March 31, 2010
Income			
Sale of Electricity		1,947,544,908	1,240,772,989
Other Income	12	17,737,629	8,182,095
		<u>1,965,282,537</u>	<u>1,248,955,084</u>
Expenditure			
Electricity generation expenses	13	785,631,348	464,754,270
Personnel expenses	14	17,648,118	9,766,728
Administration and Other expenses	15	81,682,070	36,310,501
Finance Charges	16	129,998,076	171,646,384
Depreciation	5	695,039,585	112,281,525
		<u>1,709,999,197</u>	<u>794,759,408</u>
Net Profit/ (loss) before tax		255,283,340	454,195,676
Provision for Tax			
- Current		51,410,549	77,318,215
- Mat Credit Entitlement		(49,607,892)	(96,345,640)
Net Profit/ (loss) after tax		253,480,683	473,223,101
 Balance in profit and loss account brought forward		 716,454,268	 243,231,168
Balance in profit and loss account carried forward		969,934,951	716,454,269
 Earnings per share-par value of Rs.10 per share			
Class A - Basic & diluted		0.001	0.001
Class B - Basic		20.51	38.29
Class B - Diluted		20.46	38.29
Statement on Significant Accounting Policies and Notes to Accounts	17		

The Schedules referred above and the notes forming part of accounts form an integral part of Profit and Loss account.

for Guru & Ram

Chartered Accountants

Chennai

600 004

Partner

Membership No. 025549

Firm No.097235

Place : Chennai

Date : 3.5.2011

For and on behalf of the board

K.A.Sastry

Managing Director

S.Kishore

Director

Abdul Gafoor Mohammad

Company Secretary

Place: Hyderabad

Date : 3.5.2011

Sai Regency Power Corporation Private Limited
(All amounts in Indian rupees, except share data and where otherwise stated)

Cash Flow Statement for the year ended March 31, 2011

	As at March 31, 2011	As at March 31, 2010
A. Cash Flow from Operating Activities		
Net Profit before Taxation	255,283,340	454,195,676
Adjustments for:		
Depreciation	695,039,585	112,281,525
Credit Balances written off	(16,226)	-
Interest Income	(16,778,439)	(6,814,792)
Interest Expenditure	119,511,540	171,646,384
Profit on Sale of Investments	(782,850)	-
Operating Profit before Working Capital Changes	1,052,256,950	731,308,793
Adjustments for:		
(Increase)/Decrease in Inventories	(19,577,055)	(39,526,132)
(Increase) in Sundry Debtors	(74,181,515)	(22,427,223)
(Increase)/Decrease in Loans and Advances	(7,011,871)	(80,125)
Increase/(Decrease) in Current Liabilities	47,920,841	(21,359,091)
Cash Generated from Operations	999,407,350	647,916,223
Income Tax Paid - Net	(64,467,554)	(66,974,964)
Net Cash from Operating Activities	934,939,796	580,941,259
B. Cash Flow from Investing Activities		
Purchase of Fixed assets(including capital work in progress)	(2,197,229)	(79,319,366)
Purchase of Undertaking	(1,031,295,132)	-
Purchase of Investments	(25,000,000)	-
Sale of fixed assets	30,608,575	-
Interest Received	11,752,460	7,045,058
Net Cash from/(used in) Investing Activities	(1,016,131,326)	(72,274,308)
C. Cash Flow from Financing Activities		
Proceeds from issue of Shares	238,000,000	-
Share Application Money refunded	(201,100,751)	-
Interest Paid	(108,581,269)	(172,587,694)
Proceeds from Borrowings	1,455,456,817	-
Repayment of Loans	(1,072,972,916)	(253,894,529)
Net Cash from (used in) Financing Activities	310,801,881	(426,482,223)
Net Increase/(Decrease) in Cash and Cash Equivalents	229,610,351	82,184,727
Cash and Cash Equivalent - Opening Balance	137,766,373	55,581,646
Cash and Cash Equivalent - Closing Balance	367,376,724	137,766,373
Cash and Cash Equivalents at the end of the period		
Cash on Hand	219,430	252,943
Balances with Scheduled Banks :		
on Current Accounts	15,889,281	19,185,178
on Deposit Accounts	351,268,013	118,328,252
	367,376,724	137,766,373

for Guru & Ram

Chartered Accountants

GURU & RAM
Chennai
600 004

A. R. Jasekaran
Partner
Membership No. 025549
Firm No. 09723S

Place : Chennai

Date : 3.5.2011

For and on behalf of the board

K.A. Sastry S. Kishore
Managing Director Director

Abdul Gafoor Mohammad
Company Secretary

Place: Hyderabad

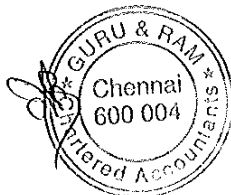
Date: 3.5.2011

Sai Regency Power Corporation Private Limited

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

Schedules to Balance Sheet

	As at March 31, 2011	As at March 31, 2010
1 Share Capital		
Authorised :		
21,000,000 (March 31, 2010: 17,000,000) equity shares of Rs 10/- each	210,000,000	170,000,000
20,120,000 (March 31, 2010: 20,120,000) Preference shares of Rs 10/- each	201,200,000	201,200,000
	<u>411,200,000</u>	<u>371,200,000</u>
Issued, Subscribed and Paid-up :		
Equity Shares		
4,360,000 (March 31, 2010: 4,360,000) Class A Equity shares of Rs.10/- each fully paid up held by consumers	43,600,000	43,600,000
12,360,000 (March 31, 2010: 12,360,000) Class B equity shares of Rs.10/- each fully paid up held by KSK Electricity Financing India Private Limited, the holding Company.	123,600,000	123,600,000
	<u>167,200,000</u>	<u>167,200,000</u>
Preference shares		
4,760,000 (As at March 2010: NIL) 6.00% Convertible Preference Shares of Rs.10 each fully paid up, issued at a premium of Rs.40/- each per share to KSK Energy Ventures Limited	47,600,000	-
	<u>47,600,000</u>	<u>-</u>
2 Reserves and Surplus		
Profit and Loss account	969,934,951	716,454,269
Securities Premium	190,400,000	-
	<u>1,160,334,951</u>	<u>716,454,269</u>
3 Secured loans		
Term loans		
G E Capital Services India limited	-	964,706,250
Bank Of Baroda	439,765,073	-
State Bank of India	619,728,829	200,117,001
State Bank of Mysore	69,139,821	90,822,689
Cash credit account		
Indian Overseas Bank (Secured by Hypothecation of Machineries/Vehicles/Goods/Book debts)	104,931,259	49,078,891
Other Loans		
(Secured by LC issued by Bank of Baroda)	310,731,321	-
Short term loans from Banks (Secured by Pledge of Deposits)	62,908,055	-
	<u>1,607,204,358</u>	<u>1,304,724,831</u>
4 Unsecured loans		
Security Deposit from customers	112,622,996	138,229,158
Short term loan from others	86,200,000	-
	<u>198,822,996</u>	<u>138,229,158</u>



Sai Regency Power Corporation Private Limited

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

Schedules to Balance Sheet

6 Investments

Short Term

IDFC Mutual fund units Growth Plan

25,782,850

-

(IDFC Treasury Plan Fund 507583.662 units @ Rs.11.65 per unit)

(Ultra Short term Growth fund 1497039.60 units @ Rs.13.50 per unit)

25,782,850

-

7 Inventories

Stores and spares

106,633,064

87,056,009

106,633,064

87,056,009

8 Sundry debtors

(Unsecured, considered good)

Outstanding for more than six months

15,286,475

27,910,683

Others

269,368,852

208,169,291

284,655,327

236,079,974

9 Cash and Bank Balances

Cash on Hand

219,430

252,943

Balances with Scheduled Banks :

on Current Accounts

15,889,281

19,185,178

on Deposit Accounts *

351,268,013

118,328,252

(* Out of the above Rs.289,743,896/- pledged to bank for availing credit facilities)

367,376,724

137,766,373

10 Loans and Advances

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received

38,959,567

53,020,231

Other current assets

5,783,868

757,889

Deposits

25,028,677

3,956,147

Mat Credit Entitlement

145,953,532

96,345,640

Advance Fringe Benefit Tax

3,618

3,618

(net of provision for FBT)

215,729,262

154,083,525

11 Current liabilities and provisions

Current Liabilities

Sundry Creditors

- Dues to Micro and Small Enterprises

-

-

- Dues to other than Micro and Small Enterprises

136,182,809

34,883,853

Other Liabilities

5,774,217

562,960

141,957,026

35,446,813

Provisions

Provision for Income Tax

1,708,820

14,765,825

net of advance tax Rs.147,117,965 (March 31, 2010: Rs.94,493,648)

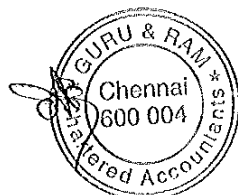
Provision for Gratuity

1,202,487

362,423

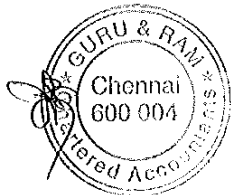
2,911,307

15,128,248



Sai Regency Power Corporation Private Limited
 (All amounts in Indian rupees, except share data and where otherwise stated)
 Schedules to Profit and loss account

	For the year ended March 31, 2011	For the year ended March 31, 2010
12 Other Income		
Interest received	16,778,439	6,814,792
TDS:Rs.1,087,814 (March 31,2010:Rs.7,36,870)		
Miscellaneous Income	98,040	1,367,303
Profit on Sale of Fixed Asset	78,300	-
Profit on Sale of Investments	782,850	-
	<u>17,737,629</u>	<u>8,182,095</u>
13 Generation Expenses		
Consumption of raw material	735,309,731	419,530,758
Operation and maintenance	31,158,012	30,546,459
Electricity charges	905,051	1,392,211
Consumption of stores, spares and consumables	6,028,869	4,151,897
Water charges	12,229,685	9,132,945
	<u>785,631,348</u>	<u>464,754,270</u>
14 Personnel Expenses		
Salaries and wages	15,700,550	8,746,918
Contribution to provident fund and other funds	238,074	214,068
Staff welfare expenses	683,513	356,212
Gratuity and Leave Encashment	1,025,981	449,530
	<u>17,648,118</u>	<u>9,766,728</u>
15 Administration and Other expenses		
Rates and Taxes	1,592,330	3,185,742
Rent	1,130,115	1,164,804
Insurance	5,358,122	5,465,950
Corporate support service charges	6,397,400	6,415,536
Debit Balances written off	17,991,945	-
Repairs and maintenance - Others	12,962,917	1,225,221
Testing charges	716,730	668,006
Electricity charges	93,579	84,293
Communication expenses	429,724	410,236
Travelling and Conveyance	1,222,434	1,612,785
Consultancy and Other Professional Charges	7,209,093	4,752,660
Auditors' Remuneration:		
Audit fee	220,600	220,600
Tax Audit fee	27,575	27,575
Others	31,987	89,343
Miscellaneous Expenses	2,311,651	6,150,128
Donation to political party - Bharatiya Janata Party	12,000,000	-
Selling & Distribution Expenses	11,985,868	4,837,622
	<u>81,682,070</u>	<u>36,310,501</u>
16 Finance Charges		
Interest on term loans	113,790,875	162,190,354
Interest on working capital loans	3,128,610	5,134,973
Other interest	2,592,055	1,082,079
Finance charges	10,486,536	3,238,978
	<u>129,998,076</u>	<u>171,646,384</u>



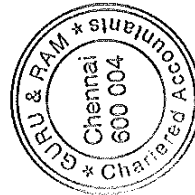
Sai Regency Power Corporation Private Limited

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

Schedules to the Balance Sheet

5 Fixed assets

Particulars	Gross Block			Depreciation Block			Net Block	
	As at April 01, 2010	Additions	Deletions / Adjustments	As at March 31, 2011	As at April 01, 2010	For the period	As at March 31, 2011	As at March 31, 2010
Land and Land Development	15,073,477	5,874,363	21,700	20,926,140	-	-	20,926,140	15,073,477
Plant and Machinery	2,036,957,234	1,045,199,876	30,586,875	3,051,570,235	299,495,075	656,745,557	2,108,074,847	1,737,462,159
Buildings	161,693,777	704,035	-	162,397,812	15,348,625	37,860,153	109,189,034	146,345,152
Roads	19,868,421	34,931,910	-	54,800,331	973,342	3,152,295	50,674,694	18,895,079
Furniture and Fixtures	1,231,303	28,370	-	1,259,673	392,328	418,916	448,229	838,775
Office Equipment	1,001,486	81,058	-	1,082,544	260,028	314,806	507,710	741,458
Vehicles	1,846,704	1,186,811	-	3,033,515	610,281	768,342	1,654,892	1,236,423
Computers	2,276,978	196,955	-	2,473,933	739,007	1,021,331	713,595	1,537,971
Intangible asset - Software	46,426	-	-	46,426	26,030	4,452	15,944	20,396
Transmission lines	48,916,976	-	-	48,916,976	7,769,677	7,498,972	33,648,326	41,147,299
Total	2,288,912,782	1,088,203,378	30,608,575	3,346,507,585	325,614,593	707,784,824	1,020,654,174	1,963,298,189
As at 31.03.2010	2,209,329,898	86,152,035	6,569,152	2,288,912,781	213,333,067	113,238,454	325,614,592	1,963,298,189



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Sai Regency Power Corporation Private Limited

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

Schedules to accounts

Schedule 17 Notes to accounts

1. Significant Accounting Policies

1. Accounting Convention:

The financial statements of *Sai Regency Power Corporation Private Limited* (or "the Company") have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (IGAAP) 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. IGAAP 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 IGAAP 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. Fixed Assets:

Fixed Assets are stated at cost of acquisition less depreciation. 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.

Borrowing costs directly attributable to the acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Assets under Installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

All fixed assets are assessed for any indication of impairment at the end of each financial year. On Such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

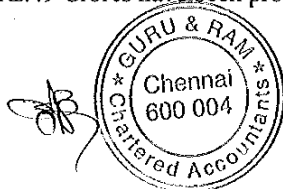
4. Depreciation:

Depreciation has been provided on Written Down Value Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for assets costing up to Rs. 5,000/-, which are fully depreciated in the year of acquisition. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Capital expenditure on assets not owned by the company under the head Fixed Assets is amortized over a period of life of the asset from the year in which the asset becomes available for use.

Intangible assets, viz., Computer software is recognized as per the criteria specified in the Accounting Standard (AS) 26 "Intangible Assets" notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and is amortized over a period of three years.

The Company has changed the method of depreciation from Straight Line Method to Written Down Value Method during the 2nd quarter with retrospective effect. As a result of the change an amount of Rs.49 Crores have been provided as arrears of depreciation in the books.



Sai Regency Power Corporation Private Limited

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

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5. 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.

Claims for price variation/exchange variation in case of contracts are accounted for on acceptance.

6. Revenue Recognition:

Revenue from Sale of Energy is recognized on accrual basis in accordance with the provisions of relevant agreements.

Claims for delayed payment charges and any other claims, which the Company is entitled to under the Power Purchase Agreement, on the grounds of prudence, shall be accounted for in the year of acceptance.

Interest/surcharge recoverable on advances to suppliers as well as warranty claims/liquidated damages are not treated as accrued due to uncertainty of realization/acceptance and are therefore accounted for on receipt/acceptances.

Insurance Claims for loss of profit are accounted for in the year of acceptance. Other Insurance Claims are accounted for based on certainty of realization.

Revenue from sale of scrap is accounted for as and when sold.

Interest Income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

7. Investments:

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. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

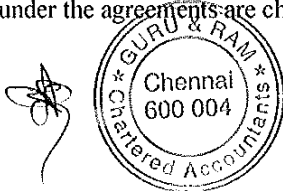
8. Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The methods of determining the cost of various categories of inventories are as follows:

Stores, Spares & Consumables : First-in- First-Out

9. Operations and Maintenance:

The company has entered into Long Term Service Agreement (LTSA) for Operation and Maintenance of plant including regular and major maintenance over the term of the agreement. Amounts payable under the agreements are charged to the Profit and Loss Account.



Sai Regency Power Corporation Private Limited
(All amounts in Indian Rupees, except share data and where otherwise stated)

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10. Employee Benefits:

Contributions payable to the recognised provident fund, which is a defined contribution scheme, is charged to the profit and loss account.

Gratuity, which is a defined benefit, is administered by trustees of Employees Gratuity fund and is funded through a scheme administered by the Life Insurance Corporation of India ('LIC'). Annual contributions to the fund are made on the basis of an actuarial valuation at the balance sheet date, carried out by an independent actuary.

Actuarial gains and losses arising during the year are recognised in the profit and loss account.

11. 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.

12. 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.

13. Taxes on Income:

Income tax expense comprises current tax and deferred tax.

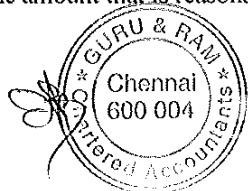
Current tax

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

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.



Sai Regency Power Corporation Private Limited

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

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The break-up of the deferred tax assets and liabilities as at the balance sheet date has been arrived at after setting-off deferred tax assets and liabilities where the Company has no legally enforceable right and an intention to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

MAT Credit

“MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.”

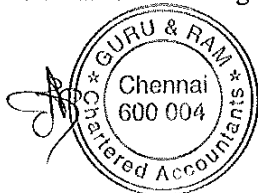
14. Earning per share:

Basic earnings per share are computed by dividing the net profit or loss after tax attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit or loss after tax attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

15. Provisions and contingencies:

1. 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.



Sai Regency Power Corporation Private Limited

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

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Notes : 2

1. Capital Commitments and Contingent Liabilities: Nil

2. Secured Loans :

Term Loans :

State Bank of India & State Bank of Mysore :

- a) Charge on all movable and immovable properties of the company pertaining to project
- b) Charge on project contracts; rights etc
- c) Charge on TRA a/c
- d) Charge on all receivables of the project
- e) Charge over sponsor's ownership' interests in the borrower
- f) All other tangible and intangible assets of the project.
- g) Pledge of 12360000 no of equity shares held by KSKEFIPL in the company.

State Bank of India, IFB, Bangalore :

1. Paripassu Charge on land and building of the company at Kalugurani Village, Ramnathapuram, Tamilnadu.
2. Paripassu 1 charge over P & M and other fixed assets of the company.

Bank of Baroda, CFS, Fort Branch, Mumbai :

1. First charge on wind project assets.
2. First charge of Escrow / TRA account of the receivables of the project.
3. First charge on rights, interest, guarantees, obligations etc on the project.

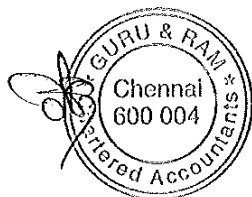
Dhanalakshmi Bank Limited, Banjara Hills Br, Hyderabad :

LC opened by Bank of Baroda, CFS, Fort, Mumbai.

Cash Credit Facilities :

Indian Overseas Bank, Chennai :

First charge on the entire current assets of the borrower for both cash credit and LC limits.



Sai Regency Power Corporation Private Limited
(All amounts in Indian Rupees, except share data and where otherwise stated)

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3. Earnings per Share:

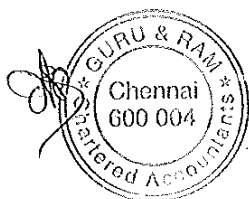
Particulars	For the year Ended March 31, 2011	For the year ended March 31, 2010
Distributable Profits available for Class A & Class B share holders (Rs.)	253,462,435	473,223,101
Dividend to Class A share holders	4,360	4,360
Distributable Profits available to Class B share holders (Rs.)	253,458,075	473,218,741
Weighted average number of Equity Shares for Basic EPS (Nos)	16,720,000	16,720,000
Class A	4,360,000	4,360,000
Class B	12,360,000	12,360,000
Basic Earnings per share (Rs.)		
Class A	0.001	0.001
Class B	20.51	38.29
Diluted Earnings per share (Rs)		
Class A	0.001	0.001
Class B	20.46	38.29
Face value of Shares	10	10

4. Employee benefit plans:

The following table sets out the status of the gratuity plan as required under AS 15 (Revised) adopted by the company :

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

Particulars	For the year ended March 31 , 2011	For the year ended March 31 , 2010
Benefit obligation at the beginning of the period	935,934	461,657
Service cost	933,911	380,576
Interest cost	74,675	34,624
Actuarial (gain) / loss	(446,060)	59,077
Benefit obligation at the end of the year/ period	2,292,139	935,934



Sai Regency Power Corporation Private Limited
(All amounts in Indian Rupees, except share data and where otherwise stated)

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Change in the fair value of assets

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Fair value of plan assets at the beginning of the period	573,511	394,336
Expected return on plan assets	59,367	41,948
Actuarial gains/(loss)	(7,624)	(6,281)
Employer contributions	172,251	143,508
Benefits paid	-	-
Fair value of plan assets at the end of the year/period	797,505	573,511

Amount recognized in the balance sheet

Particulars	As at March 31, 2011	As at March 31, 2010
Present value of funded obligations	2,292,139	(935,934)
Fair value on plan assets	1,089,652	573,511
Net Asset/ (Liability)	(1,202,487)	(362,423)

Expense recognized in the profit and loss account

Particulars	For the year ended March 31 2011	For the year ended March 31 2010
Current service cost	933,911	380,576
Interest on defined benefit obligation	74,875	34,624
Expected return on plan assets	(59,367)	(41,948)
Net actuarial (Gain)/Loss recognized in the year/period	(438,436)	65,358
Past Service cost	-	-
Amount included in "personnel expense"	1,012,315	438,610

Asset information

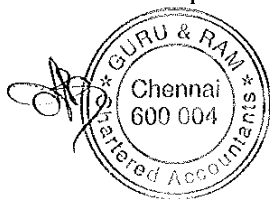
Category of Assets	As at March 31, 2011	As at March 31, 2010
Insurer managed funds	100%	100%

Summary of actuarial assumptions

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Discount rate	8.17%	8%
Expected return on plan assets	15%	9%

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.



Sai Regency Power Corporation Private Limited
(All amounts in Indian Rupees, except share data and where otherwise stated)

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5. Deferred Tax:

The Company is entitled to avail exemption under Section 80IA of the Income Tax Act, 1961 from Income Tax on profits of business. The Company has availed first year of the tax benefit under section 80IA in the financial year 2008-09. Deferred tax had been computed after considering the timing differences, which originate in the tax holiday period but gets reversed only after the end of the tax holiday period. However, it has been observed that there are no timing differences originating in the tax holiday but getting reversed after tax holiday period, therefore no deferred tax liability/ (asset) has been recognised.

6. Segment Reporting:

As the Company is engaged only in the generation and sale of electricity, there are no differing risks and returns attributable to the Company's services or its clients.

Accordingly, pursuant to the clarification issued by the ICAI, no segment disclosure has been made in these financial statements, as the Company has only one geographical and business segment.

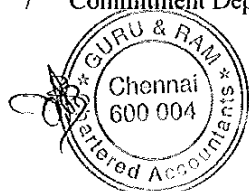
7. Related Party Transactions:

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

Related Parties where control exists:	Relationship
KSK Electricity Financing India Private Limited (KSKEFIPL)	Holding Company
KSK Energy Ventures Limited (KSKEVL)	Step-up holding Company
KSK Mahanadi Power Company Limited	Fellow Subsidiary
Arasmeta Captive Power Company Pvt Ltd(ACPCPL)	Fellow Subsidiary
 Key Management Personnel and their relatives	
K.A. Sastry	Managing Director
S Kishore	Director
K.Bapi Raju	Director
Abhay Nalawade	Director
C.Srinivas	Director

B) Related party transactions during the year ending March 31, 2011:

Sl N o	Nature of transaction	Name of the Related party	For the year ended March 31, 2011	For the year ended March 31, 2010
1	Corporate Support Services	KSKEVL	6,397,400	6,415,536
2	Loan received	KSKEVL	548,458,243	30,000,000
3	Loan repaid	KSKEVL	462,258,243	30,000,000
4	Interest paid	KSKEVL	12,640,362	309,863
5	Share Application money repaid	KSKEFIPL	201,100,751	-
6	Share Application money received	KSKEVL	238,000,000	-
7	Commitment Deposit given	KSKEVL	22,500,000	-



Sai Regency Power Corporation Private Limited
 (All amounts in Indian Rupees, except share data and where otherwise stated)

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8	Project Development Fee paid	KSKEVL	41,693,400	-
9	Loan given	ACPCPL	8,000,000	-
10	Loan repaid	ACPCPL	8,000,000	-
11	Sale of land	KSKMahanadi	100,000	-

C) Balance with related parties:

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

Sl No	Nature of transaction	Name of the Related party	As at March 31, 2011	As at March 31, 2010
1	Loan payable	KSKEVL	86,200,000	-
2	Interest payable	KSKEVL	4,734,645	-
3	PDF payable	KSKEVL	9,381,015	-
4	Commitment Deposit	KSKEVL	22,500,000	-

8. 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.

9. Foreign Exchange Inflow and Outflow:

INFLOW: Nil

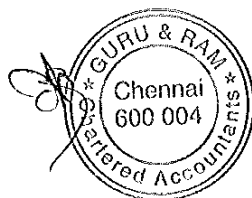
OUTFLOW:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Foreign Travel Expenses	Nil	13,499

The CIF value of import of spares during the year is Rs.5,596,707/-.

10. Auditors' Remuneration:

Particulars	For the Year ended March 31, 2011	For the year ended March 31, 2010
Audit fees	220,600	220,600
Tax Audit fees	27,575	27,575
Fees for other services	31,987	89,343
Total	280,162	337,518



Sai Regency Power Corporation Private Limited

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

Schedules to accounts

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11. Additional Information pursuant to para 3, 4, 4-C and 4-D of Part II of Schedule VI to the Companies Act, 1956.

I Fuel Consumption

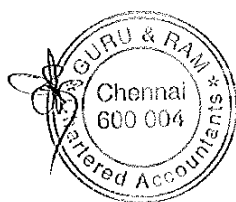
Material	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Quantity in SCM	Amount	Quantity in SCM	Amount
Natural gas	99,869,018	735,309,731	83,104,335	419,530,758

II Licensed capacity, installed capacity, actual production and sales :

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Licensed capacity	57.95 MW	57.95 MW
Installed capacity	57.95 MW	57.95 MW
Actual production (units in Mn Kwh)	443.85	359.16
Units sold (units in Mn Kwh)	419.95	335.02

III Consumption of raw materials, stores and spare parts and Components:

Description	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Amount	%	Amount	%
Fuel				
Indigenous	735,309,731	100.00	419,530,758	100.00
Imported	-	-	-	-
Total	735,309,731	100.00	419,530,758	100.00
Stores and Spare parts				
Indigenous	6,028,869	100%	4,151,897	4.85
Imported	-	-	81,386,686	95.15
Total	6,028,869	100%	85,538,583	100.00



Sai Regency Power Corporation Private Limited
(All amounts in Indian Rupees, except share data and where otherwise stated)

Schedules to accounts

Schedule 17 Notes to accounts

12. Division wise analysis of revenue data :

Particulars	Gas	Wind	Total
Sale of Electricity	1,947,474,205	70,703	1,947,544,908
Other Income	17,737,629	-	17,737,629
Electricity generation expenses	785,631,348	-	785,631,348
Personnel expenses	17,648,118	-	17,648,118
Administration and Other expenses	81,682,070	-	81,682,070
Finance Charges	129,111,164	886,912	129,998,076
Depreciation	692,820,739	2,218,846	695,039,585
Profit before tax	258,318,394	(3,035,054)	255,283,340
Profit after tax	256,515,737	(3,035,054)	253,480,683

13. Additional information pursuant to para 4, 4-A, of part II of Schedule VI to the Companies Act, 1956 to the extent either "Nil" or "Not Applicable" has not been furnished.
14. In the opinion of the Board of Directors, the Current Assets have a value of realization, not less than value at which they are stated on the Balance Sheet.
15. During the year ended March 31, 2011, the Company has expanded its operations to include generation of electricity through renewable sources by installing windmills for 18.9 MW in the state of Tamilnadu. The capitalization of windmills is concluded in the last quarter of current year.
16. The borrowing cost attributable to the acquisition or construction of fixed assets amounting to Rs.31,607,618/- has been capitalized during the year.
17. Common expenses incurred by the group companies and shared by them have been accounted on the basis of the debit notes issued by the company incurring the expenditure. The supporting documents for the expenditure are retained by company initially meeting the expenditure.
18. Previous year figures have been regrouped / reclassified to make them comparable where ever necessary.

For and on behalf of

Guru & Ram

Chartered Accountants

Chennai
600 004

A. Rajasekaran

Partner

Membership No.: 025549

Firm No.09723S

For and on behalf of the Board

K.A. Sastry

Managing Director

S Kishore

Director

Abdul Gafoor Mohammad

Abdul Gafoor Mohammad

Company Secretary

Place: Chennai

Date: 3.5.2011

Place: Hyderabad

Date: 3.5.2011

Sai Regency Power Corporation 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.	055046	State Code No	18
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	47,600

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

Total Liabilities	3,181,162	Total Assets	3,181,162
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Sources of Funds

Paid-up Capital	214,800	Reserves & Surplus	1,160,335
Secured Loans	1,607,204	Unsecured loans	198,823
Share application money	-		

Application of Funds

Net Fixed Assets	2,325,853	Investments	25,783
Net Current Assets	829,526	Miscellaneous expenditure	-
Accumulated Losses	-		


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

Turnover	1,965,283	Total Expenditure	1,709,999
Profit before tax	255,283	Profit after tax	253,481
Earnings per share (in Rs.)		Dividend rate (%)	NIL
Class A - Basic & Diluted	0.001		
Class B - Basic	20.51		
Class B - Diluted	20.46		

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

Item Code No. (ITC Code)	Not Applicable
Product Description	Generation of power

For and on behalf of the board


K.A. Sastry
Managing Director


S. Kishore
Director

Place : Hyderabad

Date : 3.5.2011



Abdul Gafoor Mohammad
Company Secretary