

GIRISH
MURTHY & KUMAR
Chartered Accountants

AUDITORS' REPORT

TO THE MEMBERS OF BADRINATH HYDRO POWER GENERATION PVT LIMITED

We have audited the attached Balance Sheet of BADRINATH HYDRO POWER GENERATION PVT LIMITED ('the Company') as at 31st March 2011 and the Profit and Loss account and Cash Flow Statement, annexed thereto for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 (as amended) 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.

Further to our comments in the Annexure referred to above, we report that:

1. 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.
2. 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 the books.
3. The said Balance Sheet, the Profit & Loss Account & the cash flow statement are in agreement with books of account.
4. In our opinion, the Balance Sheet, the Profit & Loss Account & the cash flow statement complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and
5. On the basis of written representations received from the directors as at 31st March 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as at 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.

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In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- a. In the case of Balance Sheet of the state of affairs of the company as at 31st March 2011; and
- b. In the case of the Profit & Loss Account, of the loss incurred during the year ended on that date
- c. In case of the Cash Flow Statement, of the cash flows for the year ended on that date

PLACE : BANGALORE

DATE : 6th May, 2011

FOR GIRISH MURTHY & KUMAR
Chartered Accountant

(A.V SATISH KUMAR)
Partner.
M.no. 26526
FRN: 000934S

GIRISH
MURTHY & KUMAR
Chartered Accountants

ANNEXURE TO THE AUDITORS' REPORT

As required by the Companies (Auditors report) order, 2003 as amended by the companies (auditors report) issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that: -

- i) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- ii) The company is yet to acquire Fixed assets as such no records are maintained.
- iii) As there are no fixed assets either purchased or holding the same as on 31.03.11 reporting requirement under physical verification of assets is not required..
- iv) The company has not commenced its operations and therefore had no stocks of finished goods, stores, spare parts and raw materials during/ at the end of the year.
- v) The company has not taken loans from companies listed in the register maintained under section 301 of the Companies Act, 1956.
- vi) The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the companies act 1956.
- vii) The company is yet to commence its operations and has not purchased raw materials or components during the year. In our opinion, for the purchase of assets there is an adequate internal control procedure commensurate with the size of the company and the nature of its business. Further we have not noticed any evidence of persisting failures to correct major weakness in internal control.
- viii) In our opinion and according to the information and explanations given to us the company has not entered into any contract falling under Section 297 of the companies act and hence no particulars of transaction have been entered in the Register in pursuance of section 301 of the act.
- ix) The company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA of the companies Act, 1956 and the rules framed there under are applicable.

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Chartered Accountants

- x) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xi) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the companies act, 1956.
- xii) According to the information and explanations given to us and the records of the company examined by us, in our opinion the Company is generally regular in payment of undisputed statutory dues of income tax. We are informed by the company that the provisions of Employee state insurance scheme, investor education and protection fund, Provident fund, , service tax sales tax, excise, customs are not applicable .
- xiii) According to the information and explanations given to us and the records of the company examined by us there are no undisputed/disputed amounts payable in respect of income tax as at 31st march 2011, which are outstanding for a period of more the than six months from the date they become payable.
- xiv) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xv) The Company is having accumulated losses of Rs 79,943/as at March 31,2011 and the company has incurred a cash loss of Rs 54,871 during this year and incurred a cash loss of Rs 25,072/ in the preceding financial year.
- xvi) According to the records of the company examined by us and information and explanations given to us, the company has not defaulted in repayment of any dues to any financial institutions or bank as the balance sheet date.
- xvii) In our opinion and according to the information and explanations given to us. And on overall basis, the term loans have been applied for the purposes for which they were obtained.
- xviii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xix) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained.
- xx) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxi) On the basis of an overall examination of the balance sheet of the Company. in our opinion and according to the information and explanations given to us,

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Chartered Accountants

the Company has not used funds raised on short- term basis for long-term investment.

- xxii) No Preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxiii) The company has not issued any debentures and therefore no securities have been created.
- xxiv) During the course of examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in india and according to the information and explanations given to us, we have not come across any instance of fraud on or by the company during the year.
- xxv) The company is not covered under special statutory provisions applicable to the chit fund, Nidhi or mutual benefit societies.
- xxvi) According to the information and explanations given to us and based on such examination, we are of the opinion that other provisions of the Companies (Auditors' report Order) 2003 are not applicable for the year covered under this report.

PLACE : BANGALORE

FOR GIRISH MURTHY & KUMAR
Chartered Accountant

DATE : 6th May,2011

(A.V SATISH KUMAR)
Partner.
M.no. 26526
FRN: 0009345

GMR (Badrinath) Hydro Power Generation Private Limited

Balance Sheet as at 31st March'11

Amount in Rupees

Particulars	Sch. No.	31st March'11		31st March'10	
I. Sources of Funds:					
1. Shareholders' Funds					
(a) Capital	1		50,000,000		50,000,000
2. Loan Funds	3				
(a) Secured Loans			2,550,000,000		
(b) Unsecured Loans			305,800,000		2,256,600,000
Total			2,905,800,000		2,306,600,000
II. Application of Funds:					
1. Fixed Assets	4				
(a) Gross Block		61,711,165		93,717,982	
(b) Less : Depreciation		21,343,375		18,212,102	
(c) Net Block			40,367,790		75,505,879
(d) CWIP (including capital advances)	5		2,636,946,785		1,952,291,921
2. Current Assets, Loans and Advances					
(a) Cash and Bank Balances	6	2,338,205		1,417,731	
(b) Sundry Debtors		-		-	
(c) Interest accrued but not due		138,799			
(d) Loans and Advances	7	200,569,206		240,261,001	
		203,046,210		241,678,732	
Less : Current Liabilities and Provisions					
(a) Liabilities	8	51,470,608		19,844,736	
(b) Provisions	8	15,609,749		15,432,217	
		67,080,356		35,276,953	
Net Current Assets			135,965,853		206,401,779
3. Profit and Loss Account	2		92,519,572		72,400,420
Total			2,905,800,000		2,306,600,000

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet subjected to Limited Review.

For and on behalf of Girish Murthy & Kumar
Chartered Accountants

For and on behalf of the Board

A V Satish Kumar
Partner
Membership Number : 26526
Firm Registration Number: 000934S
Place: Bangalore
Date: 12.01.2011

G Subba Rao
Director
Place: Bangalore
Date: 12.01.2011

Raaj Kumar
Director

K.Vanitha Kumari
Company Secretary

GMR (Badrinath) Hydro Power Generation Private Limited
Profit and Loss Account for the period ended 31st March'11

Amount in Rupees

Particulars	Schedule	31st March'11	31st December'09	31st March10
I. Income				
Sales		-	-	-
Other Income		-	-	-
		-	-	-
II. Expenditure				
Administration expenses	9	512,128	72,186,648	72,400,420
Interest and Finance Charges		-	-	-
Depreciation		-	-	-
Loss on Sale/Disposal/Impairment of Asset		19,607,025	-	-
		20,119,152	72,186,648	72,400,420
III. Profit/(Loss) Before Taxation		(20,119,152)	(72,186,648)	(72,400,420)
Provision for Taxation				
- Current		-	-	-
- Deferred		-	-	-
IV. Profit/(Loss) After Taxation		(20,119,152)	(72,186,648)	(72,400,420)
Surplus/(Defecit) brought forward		(72,400,420)	-	-
V. Available for Appropriation		(92,519,572)	(72,186,648)	(72,400,420)
VI. Available surplus carried to Balance Sheet		(92,519,572)	(72,186,648)	(72,400,420)
Earning per Share -Basic & Diluted		(4.02)	(14.44)	(14.48)

The Schedules referred to above form an integral part of the Profit and Loss Account

This is the Profit and Loss Account subjected to Limited Review.

For and on behalf of Girish Murthy & Kumar
Chartered Accountants

For and on behalf of the Board

A V Satish Kumar
Partner
Membership Number : 26526
Firm Registration Number: 0009345
Place: Bangalore
Date: 12.01.2011

G Subba Rao
Director
Place: Bangalore
Date: 12.01.2011

Raaj Kumar
Director

K.Vanitha Kumari
Company Secretary

GMR (Badrinath) Hydro Power Generation Private Limited
Cash flow statement for the Period ended 31st March'11

(Amount in Rupees)

Particulars	For the Period ended 31st March'11	For the Period ended 31st December'09	For the Year ended 31st March'10
A. CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES			
Net Profit Before Tax and Extraordinary Items	(20,119,152)	(72,186,648)	(72,400,420)
Preoperative Expenses	-	-	-
Operating Profit Before Working Capital Changes			
Cash generated from Operations	(20,119,152)	(72,186,648)	(72,400,420)
Loss on Sale/Disposal/Impairment of Asset	19,607,025	-	-
Provision for Taxation			
- Current	-	-	-
- Deferred	-	-	-
Net Cash Flow from/ (used in) Operating Activities	(512,128)	(72,186,648)	(72,400,420)
B. CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES			
Purchase of Fixed Assets	(234,436)	(1,732,409,328)	(4,848,742)
Sale/Disposal of Fixed Asset	7,475,137	-	-
Inflow/(outflow) from changes in trade and other receivables (S Drs & Loans & Advcs)	39,691,795	(165,019,773)	(155,190,168)
Changes in Trade Payables	31,803,404	(2,950,263)	(19,340,124)
CWIP (including Capital Advances & EDCP)	(676,364,500)	1,615,398,905	(319,569,993)
Net Cash from/ (used in) Investing Activities	(597,628,600)	(284,980,459)	(498,949,027)
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from share application money/(Refund)	-	-	-
Proceeds(Repayment) of Loan from Yes Bank	2,550,000,000	-	-
Proceeds(Repayment) of ICD/NCD	(1,950,800,000)	353,000,000	567,100,000
Proceeds from issue of share capital	-	-	-
Net Cash from Financing Activities	599,200,000	353,000,000	567,100,000
Net increase in Cash and Cash Equivalents	1,059,273	(4,167,105)	(4,249,446)
Cash and Cash Equivalents at the beginning of the year	1,417,732	5,667,178	5,667,178
Cash and Cash Equivalents at the end of the year	2,477,005	1,500,072	1,417,732

Notes:

- The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard -3 on 'Cash Flow Statements' issued by the Institute of Chartered Accountants of India.
- Previous year's figures have been regrouped and reclassified to conform to those of the current year

This is the Cash Flow Statement subjected to Limited Review.

For and on behalf of Girish Murthy & Kumar
Chartered Accountants

For and on behalf of the Board

A V Satish Kumar
Partner
Membership Number : 26526
Firm Registration Number: 0009345
Place: Bangalore
Date: 12.01.2011

G Subba Rao
Director
Place: Bangalore
Date: 12.01.2011

Raaj Kumar
Director

K.Vanitha Kumari
Company Secretary

Schedules forming part of the Balance Sheet as at 31st March'11

Amount in Rupees			
Schedule 1: Share capital	31st March'11	31st December'09	31st March 10
a. Authorised Capital	50,000,000	50,000,000	50,000,000
(50,00,000 Shares of Rs. 10/- each)			
	50,000,000	50,000,000	50,000,000
b. Issued, subscribed and paid up	50,000,000	50,000,000	50,000,000
(50,00,000 Shares of Rs. 10/- each) (out of which 49,95,100 shares of Rs. 10/- each are held by GMR Energy Ltd holding company)			
Total	50,000,000	50,000,000	50,000,000

Amount in Rupees			
Schedule 2: Profit and Loss Account (Dr Balance)	31st March'11	31st December'09	31st March 10
Profit and Loss Account			
At the Commencement of the year	72,400,420	-	-
Add: Profit (Loss) Transferred from Profit & Loss Account	20,119,152	72,186,648	72,400,420
Total	92,519,572	72,186,648	72,400,420

Amount in Rupees			
Schedule 3: Loans	31st March'11	31st December'09	31st March 10
(a) Secured Loan			
Long Term Loan from YES Bank Limited* (Subservient Charge on movable, fixed and current assets)	2,550,000,000	-	-
Total Secured Loan	2,550,000,000	-	-
(b) Unsecured Loan			
Non Convertible Debenture (Issued to the Holding Company GMR Energy Limited)	-	-	1,586,600,000
Inter Corporate Deposits (from the Holding company GEL)	305,800,000	2,042,500,000	670,000,000
Total Unsecured Loan	305,800,000	2,042,500,000	2,256,600,000
Total	2,855,800,000	2,042,500,000	2,256,600,000

*GEL has given Corporate Guarantee for the Loan

Amount in Rupees			
Schedule 5: Capital Work in Progress	31st March'11	31st December'09	31st March 10
A) Capital Advances	413,898,415	36,787,137	126,137,637
B) Incidental Expenditure During Construction Period			
Technical Consultancy Fee	177,087,734	179,861,346	175,454,637
Salaries, allowances and benefits to employees	288,624,667	259,122,858	264,582,422
Transportation Charges	958,261	958,261	958,261
Donations	-	-	-
Contribution to provident fund and others	18,135,726	16,703,251	17,046,076
Staff welfare expenses	8,747,411	8,240,936	8,358,632
Rent	150,113,416	130,237,366	136,835,845
Rates and Taxes	14,666,678	14,227,829	14,331,548
Repairs & Maintenance	14,155,645	9,741,911	11,270,774
Insurance	1,085,705	957,447	992,168
Consultancy & Professional Charges	357,773,513	281,150,564	297,610,325
Travelling and conveyance	110,718,369	106,544,396	107,284,537
Communication Expenses	16,071,124	13,717,255	13,816,625
Fringe benefit tax	12,342,165	12,692,165	12,342,165
Wealth Tax	-	-	-
Depreciation	26,502,466	15,911,144	18,212,102
Office Maintenance	22,914,231	21,226,169	21,582,975
Guest House Maintenance	2,985,298	2,708,418	2,758,843
Other Administrative-Security Charges	1,116,630	1,116,630	1,116,630
Printing & Stationery	5,247,094	5,162,545	5,183,502
Business Promotion Expenses	41,450,127	41,472,803	41,341,798
Finance Cost	789,005,323	422,905,502	513,150,424
Bank/ other finance charges	12,236,702	10,635,187	11,269,453
Bidding and support services	2,584,796	2,584,796	2,584,796
(Gain)/Loss on account of foreign exchange fluctuations (net)	(325,855)	(336,741)	(337,491)
Recruitment Expenses	16,214,813	15,663,117	15,794,464
Air Time Sharing Charges	100,227,138	100,227,138	100,227,138
Meetings & Seminars	5,444,305	5,407,136	5,419,780
Land and Other Development	405,471	386,059	386,059
Miscellaneous Expenses			
- Books & Periodicals	455,140	450,549	451,457
- Advertisement Expenses	6,015,136	5,757,920	5,757,920
- Foundation Day Expenses	1,154,217	1,154,217	1,154,217
- Hire Charges- DG and Projector	811,118	811,118	811,118
- Membership & Subscription	3,355,070	3,355,070	3,355,070
- Other Administrative - Miscellaneous Expenses	15,469,238	15,432,846	15,441,703
Less: Other Income			
Other Income	700,501	391,696	391,690
Subtotal (B)	2,223,048,370	1,705,795,513	1,826,154,284
Grand Total (A) + (B)	2,636,946,785	1,742,582,650	1,952,291,921

Schedules forming part of the Balance Sheet as at 31st March'11

Amount in Rupees

Schedule 6: Cash and Bank Balances	31st March'11	31st December'09	31st March 10
Cash on Hand	36,502	121,562	113,354
Balances with scheduled banks			
- Current accounts	(313,297)	1,378,509	1,304,377
- Fixed Deposit (Margin Money)	2,615,000	-	-
Total	2,338,205	1,500,071	1,417,731

Amount in Rupees

Schedule 7: Loans & Advances	31st March'11	31st December'09	31st March 10
(Unsecured and considered good, unless otherwise stated)			
Loans to Employees	151,078	202,734	260,985
Interest Accrued on Fixed Deposit		-	-
Advances recoverable in cash or in kind or for value to be received			
- Considered good	187,712,656	237,195,707	227,307,851
Advance Tax	12,705,472	12,692,165	12,692,165
Total	200,569,206	250,090,606	240,261,001

Amount in Rupees

Schedule 8: Current Liabilities and Provisions	31st March'11	31st December'09	31st March 10
a. Current Liabilities			
Sundry creditors:			
I. Dues to Micro and small scale industrial undertakings	-	-	-
II. Dues to other than Micro and small scale industrial undertakings	50,363,446	1,130,747	17,100,513
Book Debt-Over Draft	-	-	-
Other liabilities	1,107,162	31,711,770	2,744,223
Total	51,470,608	32,842,517	19,844,736
b. Provisions			
Provisions-WT	-	-	-
Provision for Employees Benefit	3,227,876	6,132,132	1,476,205
PROVSNS O/S EXPS	39,708	-	1,613,847
Provision for FBT	12,342,165	12,692,165	12,342,165
Total	15,609,749	18,824,297	15,432,217

Schedules forming part of the Profit and Loss Account for the period ended 31st March'11

Amount in Rupees

Schedule 9: Administration Expenses	31st March'11	31st December'09	31st March 10
Donation	330,278	4,105,500	4,113,500
Audit Fees	98,719	144,893	189,013
Rates & Taxes	74,849	361,100	362,092
I Tax	-	-	-
Advertisement	-	-	-
Wealth Tax	-	8,793	8,793
Board Meeting	-	-	-
Business promotion	8,282	1,177,219	1,337,879
Consultancy	-	66,389,143	66,389,143
Total	512,128	72,186,648	72,400,420

GMR (Badrinath) Hydro Power Generation Private Limited
Schedule 10

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

A. Basis of Preparation of Financial Statements:

The financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as specified in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

B. Use of Estimates:

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

C. Revenue Recognition:

- i) Revenue from sale of energy is recognized on accrual basis in accordance with the provisions of the Power Purchase Agreement {PPA} after Commercial Operation Date.
- ii) Interest on investments and bank deposits are booked on a time proportionate basis taking into account the amounts invested and the rate of interest.

D. Fixed Assets

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Assets under installation or under construction and the related advances as at the balance sheet date are shown as Capital Work in Progress.

Capitalised Software are stated at the consideration paid for acquisition less accumulated amortization.

E. Depreciation:

Depreciation is provided on a pro-rata basis on Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956, except for the Assets individually costing less than Rs. 5 000/- is depreciated fully in the year of acquisition.

F. Borrowing cost:

Borrowing cost that are attributable to the acquisition or construction of qualifying assets are Capitalised as part of the cost of such assets till the period such assets are ready to

GMR (Badrinath) Hydro Power Generation Private Limited

Schedule 10

put to use. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition of any capital asset or investments are recognised as expenses in the period in which they are incurred.

G. Leases

As Lessee:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

As Lessor:

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss account on a straight line basis over the lease term. Costs including depreciation are recognised as an expense in Profit and Loss account. Initial direct cost such as legal cost, brokerage cost, etc. are recognised immediately in the Profit and Loss account.

H. Impairment

All the fixed assets including intangible assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (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. Recoverable amount is higher of the net selling price of an asset and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

I. Investments:

GMR (Badrinath) Hydro Power Generation Private Limited

Schedule 10

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Cost of acquisition is inclusive of expenditure incidental to acquisition.

J. Foreign Currency Transactions:

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences in respect of accounting periods commencing on or after December 07, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortised over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011.

K. Retirement Benefits:

a) Defined Contribution Plans

Contributions paid/payable to defined contribution plans comprising of provident fund, pension fund, superannuation fund etc. in accordance with the applicable laws and regulations are recognised as expenses during the period in which the employees perform the services that the payments cover.

The Company makes monthly contributions and has no further obligations under such plans beyond its contributions.

b) Defined Benefit Plan

The liability as at the Balance Sheet date is provided for based on the actuarial valuation, under Projected Unit Credit Method at the Balance Sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss account as an income or expense.

c) Other Long term employee benefits

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Employee benefits including compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the Balance Sheet date based on actuarial valuation method of Projected Unit Credit carried out at each Balance Sheet date. Actuarial Gains and Losses are recognised immediately in the Profit and Loss account as an income or expense..

d) Short term employee benefits

Short term employee benefits including compensated absences as at the Balance Sheet date are recognised as an expense as per the Group's schemes based on the expected obligation on an undiscounted basis.

J. Earnings per share:

Basic EPS are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

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

K. Taxes on Income:

Tax expense comprises of current and deferred taxes. Current tax is determined on the amount of tax payable in respect of taxable income for the year.

Deferred tax is recognized on timing differences; being the difference between taxable incomes and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are measured on the timing differences applying the tax rate and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

Deferred tax assets are recognised only to the extent that there is reasonable/virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

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Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the entities in the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the 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 entities in the Group 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 entities in the Group will pay normal Income Tax during the specified period.

L. Cash and Cash equivalents:

Cash for the purposes of cash flow statement comprise cash in hand and at bank (including deposits) and cash equivalents comprise of short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

M. Provisions

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

N. Contingencies

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on the accounts.

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II. Notes to the Accounts

1. Nature of Business:

GMR (Badrinath) Hydro Power Private Limited is promoted as a Special Purpose Vehicle (SPV) by GMR Energy Limited, the holding company, to develop and operate 300 MW Hydro based power project in Alaknanda River, Chamoli District of Uttarakhand. The company is in the process of setting up of the project.

2. Capital commitments:

Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances is Rs 354,431,121 (Mar'10 - 143,494,733/-).

3. Employee benefits

The disclosures as required as per the revised AS 15 are as under:

The company has determined the liability for gratuity and long term compensated absences in accordance with revised AS 15.

Disclosures as envisaged in revised AS 15 in respect of Gratuity and leave encashment are given below:

a) Defined Contribution plan

Contribution to Provident and other funds shown under Capital WIP are as under:

Particulars	(Amount in Rupees)	
	2011	2010
Contribution to Provident & Pension fund	996,392	448,285
Contribution to Superannuation fund	205,406	363,489
Total	1,201,798	811,774

b) Defined Benefit Plan - As per Actuarial Valuation as at 31st March, 2011 {Funded}

The Company is covered by a funded defined benefit gratuity plan. As per the scheme, an employee who has completed five years or more of service gets gratuity equivalent to 15 days salary (last drawn salary) for each completed year of service.

The following tables summaries the components of net benefit expense recognised in the CWIP and the funded status and amounts recognised in the Balance Sheet for gratuity benefit.

Particulars	Year Ended 31 st March11	Year Ended 31 st March10
Change in Obligations		
Obligation at the beginning of the year	396,715	2,639,876
New Acquisition	-	-
Current Service Cost	92,345	175,623
Interest Cost	31,372	208,061

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Past Service Cost		
Loss (Gain) recognised in the year	(32,059)	(151,873)
Benefits Paid	(9,119)	(2,474,972)
Adjustment for the transfer		
Obligation at the end of the period	479,254	396,715
<u>Amounts recognized in the balance sheet</u>		
Obligation at the end of the period	479,254	396,715
Fair value of plan assets at the end of the period	1,989,240	1,938,812
Less : Unrecognised past service Cost		
Funded status of the plans-asset/(liability)	1,509,986	1,542,097
Assets/(Liability) recognized in the balance sheet	1,509,986	1,542,097
<u>Change in Plan assets</u>		
Opening Fair value of plan assets	1,938,812	4,151,521
New Acquisition		
Current Service Cost	-	-
Expected return	145,999	233,123
Contributions	9,119	-
Benefits Paid	(9,119)	(2,474,972)
Net actuarial gain/(loss)	(95,571)	29,140
Adjustment for the transfer		
Closing fair value of Plan assets	1,989,240	1,938,812
<u>Expenses recognised in CWIP</u>		
Current Service Cost	92,345	175,623
Interest Cost	31,372	208,061
Expected return on plan assets	(145,999)	(233,123)
Loss (Gain) recognised in the year	63,512	(151,873)
Past Service Cost		-
Net benefit expenses	41,230	(1,312)
Actual Return on Plan Assets	166,987	221,747
<u>Assumption</u>		
Discount Rate	8.00%	8.00%
Estimated rate of return on plan assets	8.00%	8.00%
Expected rate of salary increase	6.00%	6.00%
Attrition Rate	5.00%	5.00%
Retirement expectancy – Years	60	60

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The Company to contribute Rs. 200,000/- (2010: Rs. 500,000) towards gratuity fund in 2011-2012.

The major category of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	2011	2010
	%	%
Investments with insurer managed funds	100%	100%

Notes :

1. The estimates of future salary increases, considered in actuarial valuation, take into consideration for inflation, seniority, promotion and other relevant factors.

2. The expected return on plan assets is determined considering several applicable factors such as the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Group's policy for plan asset management. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching Government bonds.

c) Amounts for the current and prior periods are as follows:

Particulars	Gratuity			
	2011	2010	2009	2008
Defined benefit obligation	479,254	396,715	2,639,876	1,545,120
Plan assets	1,989,240	1,938,812	4,151,521	1,806,610
Surplus / (deficit)	1,509,986	1,542,097	1,511,645	261,490
Experience adjustments on plan liabilities	(32,059)	(151,873)	(50,582)	(11,825)
Experience adjustments on plan assets	(95,571)	29,140	(62,762)	-

e) Liability towards Leave Encashment based on Actuarial valuation amounts to Rs.1,074,474/- as at 31st Mar'11 (Corresponding period at 31st Mar'10 is Rs 619,847/-)

e) Liability towards Leave Travel Allowance (LTA) based on Actuarial valuation amounts to Rs 228,329/- as at 31st Mar'11 (Corresponding period at 31st Mar'10 is Rs 299,928/-)

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4. Additional information pursuant to Para 3, 4, 4A, 4B, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

a) Details of Managerial remuneration (Para 4A):-

Particulars	Amount in Rupees	
	Year Ended March 31,2011	Year Ended March 31,2010
i) Salaries and Allowances	-	-
ii) Company's Contribution to Provident fund and Other funds	-	-

b) Information in regard to amounts paid to the auditor, whether as fees, expenses or otherwise for services rendered (Para 4B):-

Amount in Rupees

Particulars	Year Ended March 31,2011	Year Ended March 31,2010
a) As Auditor		
- Statutory Audit Fees	64,120	44,120
b) As adviser, or in any other capacity, in respect of -		
- Taxation Matters	-	-
- Company Law Matters	-	-
- Management/Certification Services	34,600	-
c) In any other Manner	-	-

c) Expenditure in Foreign Currency (Para 4D):-

(Amount in Rupees)

Particulars	Year Ended March 31,2011	Year Ended March 31,2010
a) Expenditure in Foreign Currency		
- Royalty/Knowhow		
- Professional/Consultation fees/Contractor	6,27,147	14,046,071
- Interest		
- Other Matters -Foreign Travel	Nil	1,875,223
b) Earnings in Foreign Currency		
- Professional and Consultation fees	Nil	Nil

5. Related Party transactions

a) Name of Related Parties and description of Relationship.

GMR (Badrinath) Hydro Power Generation Pvt. Ltd. - Related parties for as on March 31, 2011		
(i)	Enterprises that control the Company	GMR Energy Limited (GEL) (Holding Company) GMR Renewable Energy Limited (GREL)

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			GMR Infrastructure Limited (GIL) GMR Holdings Private Limited (GHPL)
(ii)	Fellow Companies	Subsidiary	GMR Power Corporation Limited (GPCL) GMR Vemagiri Power Generation Limited (GVPGL) GMR Mining and Energy Private Limited (GMEPL) GMR Kamalanga Energy Limited GMR Consulting Services Private Limited Himtal Hydropower Company Private Limited (HHCPL), Nepal GMR Energy (Mauritius) Limited (GEML), Mauritius GMR Lion Energy Limited (GLEL), Mauritius GMR Upper Karnali Hydropower Limited (GUKL) GMR Coastal Energy Private Limited (GMRCEPL) GMR Bajoli Holi Hydropower Private Limited (GBHHPL) GMR Londa Hydropower Private Limited (GLHPL) GMR Energy (Cyprus) Limited (GECL), Cyprus GMR Energy (Netherlands) B. V. (GENBV), Netherlands GMR Chhattisgarh Energy Limited GMR Kakinada Energy Private Limited (Formerly known as Londa Hydro Power Private Limited (LHPL)) Badrinath Hydro Power Generation Pvt. Ltd. (BHPL) PT Barasentosa Lestari (PT BSL), Indonesia PT Dwikarya Sejati Utama (PT DSU), Indonesia PT Dutasarana Internusa (PT DSI),Indonesia PT Unsoco Emco Energy Limited SJK Powergen Limited Lion Energy Tuas Pte Ltd., Singapore * GMR Rajahmundry Energy Limited GMR Maharashtra Energy Limited GMR Bundelkhand Energy Private Limited GMR Uttar Pradesh Energy Limited GMR Hosur Energy Limited Homeland Energy Group Limited Karnalli Transmission Company Private Limited (Nepal) Marsyangdi Transmission Company Private Limited (Nepal) GMR Indo- Nepal Energy Links Limited GMR Indo- Nepal Power Corridors Limited GMR Gujarat Solar Power Private Limited Aravali Transmission Service Company Limited Maru Transmission Service Company Limited
(iii)	Enterprises where significant influence exists		

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(iv)	Enterprises where key management personnel and their relative exercise significant influence	
(v)	Key Management Personnel	Mr. S. N. Barde - Manager

* Has been Wound Up w.e.f October 05, 2010

b) Summary of transactions with the above related parties is as follows:

(Amount in Rupees)

Particulars	Year Ended 31st Mar'11	Year Ended 31st Mar'10
i) Technical Services Fees		
a) Fellow Subsidiary Companies -- GCSPL (Including S. Tax)	51,085,445	25,038,100
ii) Reimbursement of Finance Charges		
a) Enterprises that Control the Company -- GEL	91,475,057	329,486,454
b) Fellow Subsidiary Companies - GPCL	28,929,315	1,027,945
v) ICD/NCD Received (Paid) - On Net basis		
a) Enterprises that Control the Company -- GEL	(1,280,800,000)	(102,900,000)
b) Fellow Subsidiary Companies -- GPCL	(670,000,000)	670,000,000

C) Closing Balances as on the Balance Sheet date are as under :-

Name of the company	Year Ended 31st Mar'11	Year Ended 31st Mar'10
GMR Energy Ltd (Holding Company) (GEL) - Payable	305,800,000	1,586,600,000
GMR Consulting Services PVT LTD.-Payable (Net of TDS)	47,877,645	17,260,322
GMR Power Corporation Limited (GPCL)- Payable	-	670,000,000

Note: Transactions and Outstanding balances in the nature of Reimbursement of Expenses incurred by one company on behalf of the other have not been considered above.

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6. The Company has entered into certain cancelable operating lease agreements mainly for office premises. The lease rentals charged during the year as per the agreement are as follows:

(Amount in Rupees)

Particulars	Year Ended 31st Mar'11	Year Ended 31st Mar'10
Lease Rentals under cancelable leases	13,277,572	33,481,650
Lease Rentals under non-cancelable leases	-	-

7. Earnings per Share (EPS)

Particulars	Year Ended 31st Mar'11	Year Ended 31st Mar'10
Nominal value of Equity Shares(Rs. Per share)	10	10
Total No. of Equity Shares outstanding at the beginning of the Period/Year	5,000,000	5,000,000
Total No. of Equity Shares outstanding at the end of the Period/Year	5,000,000	5,000,000
Weighted average No. of Equity shares for Basic earnings per Share	5,000,000	5,000,000
Profit as per Profit and loss Account	(20,119,152)	(72,400,420)
Less: Dividend on Preference shares (including tax thereon)	-	-
Profit/ (Loss) for Earning per share	(20,119,152)	(72,400,420))
Earnings per Share (EPS)	(4.02)	(14.48)

8. Balances shown under Loans and Advances Creditors and Advances to suppliers are subject to confirmation and reconciliations.
9. There are no micro and small enterprises to which the company owes dues which are outstanding for more than 45 days as at March 31 2011 & March 31 2010. This information as required to be disclosed under the Micro Small and Medium Enterprises Development Act 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

10. Segment Reporting

The company is engaged primarily in the business of setting and running of Power plant. As the basic nature of the activities is governed by the same set of risk and returns these have been grouped as a single business segment. Accordingly separate primary and secondary segment reporting disclosures as envisaged in Accounting Standard (AS-17) on Segmental Reporting issued by the ICAI are not applicable to the present activities of the company.

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11. GMR Energy Ltd (Holding Company) has given a Bank Guarantee of Rs.18.56 Crore with Govt. of Uttarakhand towards project premium for the project/Company.
12. Previous year's figures have been re-grouped and reclassified, wherever necessary, to conform to those of current year.

For on Behalf of Girish Murthy & Kumar,

For On Behalf of Board

A V Satish Kumar

Partner

Chartered Accountants

Membership Number: 26526

Place: Bangalore.

Date: 4th May 2011

G Subba Rao

Director

Date: 4th May 2011

Raaj Kumar

Director

K. Vanitha Kumari

Company Secretary

Date: 4th May 2011