

AUDITORS' REPORT

To,
The Members of GMR Chhattisgarh Energy Limited

We have audited the attached Balance Sheet of **GMR Chhattisgarh Energy Limited** ('the Company') as at 31st March, 2011, the Profit and Loss Account and Cash flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.
2. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act') and on the basis of such checks of the books and records of the Company as we considered appropriate, and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.
3. Further to our comments in the Annexure referred to in paragraph (2) above, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) in our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt by with this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

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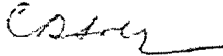
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Bangalore Branch: N-604, North Rear Wing, 6th Flr., Manipal Center, Dickenson Road,
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Branches: Ahmedabad • Delhi • Jamnagar • Kolkata

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- e) on the basis of written representations received from the directors, as at 31st March 2011, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereto, give a true and fair view in conformity with the accounting principles generally accepted in India :-
- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2011.
 - ii) in the case of the Profit and Loss Account, of the loss for the year 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.

For CHATURVEDI & SHAH
Chartered Accountants
Firm Registration Number : 101720W


C D Lala
Partner
Membership Number: 35671

Place: Bengalooru
Date: 04.05.2011

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred in Paragraph 2 of our report to the members of **GMR Chhattisgarh Energy Limited** ("the Company") for the year ended 31st March, 2011. We report that :

- 1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- b) The fixed assets of the Company have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no discrepancies were noticed on such verification.
- c) The Company during the year has not disposed substantial portion of fixed assets.
- 2) The Company has not commenced its operations and therefore requirements of clause 4(ii) of the Order are not applicable to the company.
- 3) a) As per the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently requirement of clause 4(iii) (a) to (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- b) As per the information and explanations given to us, the Company, during the year has taken Unsecured Inter-corporate Deposits amounting to Rs. 82,572 Lacs from a Company listed in the Register maintained under Section 301 of the Companies Act, 1956. The Maximum amount outstanding at any time during the year is Rs. 56,605.50 Lacs and balance outstanding at the year end is Rs. 56,605.50 Lacs.
- c) The rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the Company.
- d) The above said Inter-corporate Deposits and interest accrued thereon is repayable on demand as such the question of default in repayment of principal and interest does not arise.

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- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of the business with regard to purchase fixed assets. The Company has not commenced its operations and has not purchased any inventory and has not rendered any sales and services during the year. Further, on the basis of our examination of books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuous failure to correct major weakness in the aforesaid internal control systems.
- 5) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts and arrangements referred to in Section 301 of the Companies Act, 1956 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 registers maintained under section 301 of the Companies Act, 1956 exceeding Rs.5, 00,000/- (Rupees five lakh only) 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 date.
- 6) In our opinion and according to the information and explanation given to us, Company has not accepted any deposits from public as per the provision of section 58A and 58AA of the Act and the rules framed there under. Accordingly, provision of Clause 4(vi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company. There are no orders from Company Law Board or Reserve Bank of India or any Court or any other Tribunal.
- 7) Internal audit is conducted by the in-house team of qualified Chartered Accountants, which, in our opinion is commensurate with its size and nature of its business.
- 8) The Central Government has not prescribed maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956 for the Company.
- 9) a) According to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed statutory dues were outstanding, at the year end, for a period of more than six months.

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- 9) b) According to the records of the Company, there are no dues of income tax, wealth tax, sales tax, customs duty and excise duty/cess other material statutory dues which have not been deposited on account of any dispute.
- 10) The Company is registered for a period less than five years and hence the clause 4 (x) of the Order about accumulated losses and cash losses is not applicable to the Company.
- 11) The Company has not taken any loan from banks and financial institutions; as such the question of default in repayment of dues does not arise.
- 12) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the company is not a chit fund or a Nidhi/ mutual benefit fund/ society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- 14) In our opinion, the Company is not a dealer or trader in shares, debentures and other investments.
- 15) As per information and explanations given to us, the Company has not given any guarantees to Banks or Financial Institutions for loan taken by others.
- 16) The Company has not taken term loans from banks and financial institutions, as such the question of utilization of funds does not arise.
- 17) According to the information and explanations given to us, and on overall examination of the balance sheet of the Company, we are of the opinion that, no funds raised on a short-term basis have been used for long term purpose.
- 18) The Company, during the year has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered under our report. Accordingly, provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 20) The Company has not raised any money by public issue during the year.

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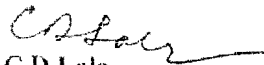
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- 21) During the course of examination of Books of Account and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have not come across any fraud on or by the Company, noticed or reported during the year, nor have been informed of such case by the Management.

For CHATURVEDI & SHAH

Chartered Accountants

Firm Registration Number : 101720W



C D Lala

Partner

Membership Number: 35671

Place: Bengaluru

Date: 04.05.2011

GMR Chhattisgarh Energy Limited

(Formerly GMR Chhattisgarh Energy Private Limited)


(Amount in Rupees)

BALANCE SHEET AS AT 31ST MARCH, 2011

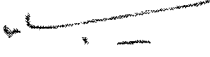
Particulars	Schedule	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	20,000,000	100,000
Share Application Money pending allotment			277,500,000
Loan Funds			
Unsecured Loans	2	5,660,550,000	1,461,250,000
TOTAL		5,680,550,000	1,738,850,000
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	820,277,627	502,476,801
Less: Accumulated Depreciation		1,266,705	199,176
Net Block		819,010,922	502,277,626
Add: Capital Work-in-Progress	4	10,574,959,713	11,393,970,635
			374,082,499
Investments	5	68,072,902	
Current Assets, Loans and Advances			
Current Assets	6	2,992,891	578,309
Loans and Advances	7	888,124,415	334,950,146
		889,117,707	385,128,455
Less: Current Liabilities and Provisions			
Current Liabilities	8	6,678,603,707	17,342,073
Provisions	9	17,585,404	2,677,612
		6,696,269,161	30,189,685
Net Current Assets		15,607,151,852	354,018,774
Profit and Loss Account		25,658,316	7,671,105
TOTAL		5,680,550,000	1,738,850,000
Significant Accounting Policies	11		
Notes to Accounts	12		


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

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

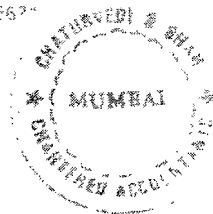
For CHATURVEDI & SHAH
Chartered Accountants
Firm Registration Number: 101720W

C D Lala
Partner
Membership No: 25624

For and on behalf of the Board


Raj Kumar
Managing Director


B.V.N. Rao
Director

Place: Mumbai
Date: 04.05.2011



Place: Bengaluru
Date: 04.05.2011



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

(Amount in Rupees)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

Particulars	Schedule	2010-11	2009-10
INCOME			
Income from Operations		-	-
Total		<u>-</u>	<u>-</u>
EXPENDITURE			
Administrative expenses	10	18,225,958	7,432,357
Total		<u>18,225,958</u>	<u>7,432,357</u>
Profit / (Loss) Before Tax		<u>(18,225,958)</u>	<u>(7,432,357)</u>
Provision for Taxes			
- Current Tax		-	138,748
- Income tax for earlier years transferred to CWIP		(138,748)	-
Net Profit / (Loss) for the year		<u>(18,087,210)</u>	<u>(7,571,105)</u>
Add: Balance Brought Forward from the Previous Year		(7,571,105)	-
Balance Carried to Balance Sheet		<u>(25,658,315)</u>	<u>(7,571,105)</u>
Basic and Diluted Earnings Per Share of Rs. 10 each (in Rupees) [Refer Note No. 9 of Schedule - 12]		(17.95)	(757.11)
Significant Accounting Policies	11		
Notes to Accounts	12		

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

This is the Profit and Loss Account referred to in our report of even date.

For CHATURVEDI & SHAH

Chartered Accountants

Firm Registration Number: 101720W

C D Lata
C D Lata

Partner

Membership No.: 35671

Place: Mumbai
Date: 04.05.2011



For and on behalf of the Board

Raaj Kumar
Raaj Kumar
Managing Director

B.V.N. Rao
B.V.N. Rao
Director

Place: Bengaluru
Date: 04.05.2011



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

(Amount in Rupees)

CASH FLOW STATEMENT FOR THE YEAR 2010-11

Particulars	2010-11	2009-10
A Cash Flows from Operating Activities		
Net Profit / (Loss) Before Tax	(18,225,958)	(7,432,357)
Adjustments for working capital changes:		
Trade And Other Receivables	(501,594,270)	694,129,123
Inventories	-	-
Trade Payables	6,666,079,476	(59,419,190)
Cash Generated from Operations	6,146,259,248	627,277,576
Direct Taxes Paid	-	(378,748)
Net Cash Flow from/ (used in) Operating Activities	6,146,259,248	626,898,828
B Cash Flows from Investing Activities		
Purchase of Fixed Assets	(317,800,826)	(490,903,839)
Increase in Capital Work in Progress	(9,412,262,500)	(164,048,434)
(Purchase) / Sale of Short Term Investments (net)	(68,072,902)	12,000,000
Advance towards Investment	-	-
Income from Investments	-	121,743
Dividend Received	411,599	32,880
Interest Received	-	(89,512)
Net Cash Flow from / (used in) Investing Activities	(9,797,724,029)	(642,887,149)
C Cash Flows from Financing Activities		
Proceeds from issue of Equity shares / Application Money	-	2,500,000
Refund of Share Application Money	(257,600,000)	-
Proceeds From Long Term Borrowings	4,199,300,000	278,550,000
Interest Paid	(287,820,035)	(266,697,327)
Net Cash Flow from / (used in) Financing Activities	3,653,879,965	12,352,673
D Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	2,414,584	(3,835,648)
Cash and Cash Equivalents at Beginning of the Year	578,309	4,213,957
Cash and Cash Equivalents at End of the Year	2,992,893	578,309

Note :

- The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements as referred to in Section 211(3C) of the Companies Act, 1956
- The previous year figures have been reworked, regrouped, rearranged and reclassified wherever necessary. This is the Cash Flow Statement referred to in our report of even date.

For CHATURVEDI & SHAH

Chartered Accountants
Firm Registration Number: 101720W


C D Lala
Partner
Membership No.: 35671

For and on behalf of the Board


Raaj Kumar
Managing Director


B.V.N. Rao
Director

Place: Mumbai
Date: 04.05.2011



Place: Bengaluru
Date: 04.05.2011



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

(Amount in Rupees)

SCHEDULES FORMING PART OF THE BALANCE SHEET

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
250,000,000 Shares of Rs. 10/- each [Previous Year : 2,50,000 Shares of Rs. 10/- each]	<u>2,500,000,000</u>	<u>2,500,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
20,00,000 Equity Shares of Rs. 10/- each fully paid up [10,000 Equity Shares of Rs. 10/- each fully paid up]	20,000,000	100,000
[100% (Previous Year 100%) Equity Shares are held by GMR Energy Limited, the Holding Company and its nominee directors]		
TOTAL	<u><u>20,000,000</u></u>	<u><u>100,000</u></u>

SCHEDULE - 2

UNSECURED LOANS

Inter Corporate Deposits From GMR Energy Limited	5,660,550,000	131,250,000
Unsecured Optionally Convertible Debentures [Nil. (Previous Year : 1,33,00,000) Debentures of Rs. 100/- each fully paidup]		1,300,000,000
The Optionally Convertible Debentures (OCD) were redeemed during the year. OCD was convertible at the option of Debenture holders on conversion date, fully or partly at the ratio of ten equity shares for every one debenture held. The Debentures are redeemable at the option of the Company after the expiry of six months from the Closing date with the prior written consent of the Debenture holders, subject to such conditions including payment of premium, if any, as may be stipulated by Debenture Holders. The Conversion/Redemption date falls due on expiry of 18 months from the date of subscription.		
TOTAL	<u><u>5,660,550,000</u></u>	<u><u>1,461,250,000</u></u>



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 3

FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 1st April, 2010	Additions	Deletions / Adjustments	As at 31st March, 2011	As at 1st April, 2010	For the year	Deletions / Adjustments	As at 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
Leasehold Land	274,138,400	-	-	274,138,400	-	-	-	-	274,138,400	274,138,400
Freehold Land	223,353,849	309,473,567	-	532,827,416	-	-	-	-	532,827,416	223,353,849
Plant and Machinery	-	1,021,849	-	1,021,849	-	46,148	-	46,148	975,701	-
Computers	709,644	4,003,722	-	4,713,366	62,941	472,428	-	535,369	4,177,997	646,703
Office Equipments	2,249,342	1,654,901	-	3,904,243	64,662	176,328	-	230,990	3,673,253	2,194,680
Furniture and Fixtures	1,141,502	1,607,332	-	2,748,834	69,347	289,518	-	354,866	2,393,968	1,072,155
Vehicles	884,064	39,456	-	923,520	12,225	67,108	-	99,333	824,186	671,839
TOTAL	502,476,801	317,800,826	-	820,277,627	199,175	1,067,530	-	1,266,705	819,010,922	502,277,626
Previous Year	11,572,966	490,903,835	-	502,476,801	30,961	166,217	-	199,178	502,277,623	

Notes

- Leasehold land amounting to Rs.27,41,38,400/- (area measuring 422.58 Acres) acquired from Chhattisgarh State Industrial Development Corporation Limited, Raipur (CSIDCL) is pending registration in the name of the Company.
- The Company has transferred entire Depreciation to Capital Work in Progress during construction period.
- Leasehold land taken from Government Authorities will be amortised over the remaining period of lease term from the date of commercial operation of the Plant.



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

(Amount in Rupees)

SCHEDULES FORMING PART OF THE BALANCE SHEET

Particulars	As at 1st April, 2010	Incurred during the year / Adjusted	Capitalised / Adjusted	As at 31st March, 2011
	(a)	(b)	(c)	(a+b-c)
SCHEDULE - 4				
Capital Work in Progress				
A) Assets under Construction		802,576,352	-	802,576,352
B) Expenditure during Construction Period				
Salaries, Allowances and other Employee benefits	176,188,050	92,751,201	-	268,939,251
Contribution to Provident Funds and other funds	11,603,332	4,814,515	-	16,417,847
Recruitment/Placement Costs	5,567,897	3,716,468	-	9,284,365
Staff Welfare Expenses	7,146,507	854,736	-	8,001,243
Rent	45,455,781	47,764,883	-	93,220,664
Rates & Taxes	10,189,013	17,668,603	-	27,857,616
Repairs & Maintenance	14,043,276	4,050,538	-	18,093,814
Office Maintenance	13,809,457	2,025,700	-	15,835,157
Insurance	1,101,746	12,792,558	-	13,894,304
Consultancy & Professional Charges	128,514,102	503,446,035	-	631,960,137
Electricity Charges	9,679,272	5,254,049	-	14,933,321
Travelling And Conveyance	48,129,898	18,442,041	-	66,571,939
Air Time sharing Cost-Variable	10,608,547	63,288,243	-	73,896,790
Communication Expenses	7,793,804	2,472,986	-	10,266,790
Advertisement	20,394,610	805,776	-	21,200,386
Printing & Stationery	3,988,465	581,562	-	4,570,027
Books and Periodicals	1,007,666	148,416	-	1,156,082
Bidding Expenses	124,049	19,021	-	143,070
Miscellaneous Expenses	14,730,932	15,979,629	-	30,710,561
Depreciation	199,175	1,007,530	-	1,206,705
Bank/ Other Finance Charges	6,082,338	957,560,484	-	963,642,822
Interest on Intercompany Deposits	142,065,321	232,069,300	-	374,134,621
Interest on Optionally convertible Debentures	150,574,247	55,750,865	-	206,325,112
Fringe Benefit Tax	3,150,000	-	-	3,150,000
(i)	833,325,635	2,041,372,983	-	2,874,698,618
Less: Incidental Income				
Other Income	3,297,199	631,961	-	3,929,160
Dividend Received on Mutual Funds	32,889	411,589	-	444,478
Profit on sale of Mutual Funds - Short Term (net of taxes)	248,510	(138,748)	-	109,762
(ii)	3,578,598	904,812	-	4,483,410
(i - ii)	829,747,037	2,040,468,171	-	2,870,215,208
C) Advance against Capital Contracts	44,335,462	6,857,832,691	-	6,902,168,153
TOTAL (A+B+C)	874,082,499	9,700,877,214	-	10,574,959,713



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

(Amount in Rupees)

SCHEDULES FORMING PART OF THE BALANCE SHEET

Particulars	As at 31st March, 2011	As at 31st March, 2010
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SCHEDULE - 5

INVESTMENTS

Short Term - Unquoted

In Mutual Funds (Non-Trade)

Birla Sunlife Cash Plus - Daily Investment Reinvestment Plan (67,94,011.79 (Previous Year: Nil) Units NAV @ Rs. 10.0195, Face Value Rs 10 each]	68,072,902	
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TOTAL	68,072,902	-
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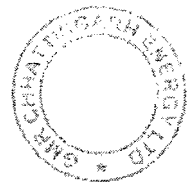
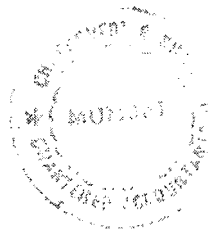
Aggregate Net Asset Value of Unquoted Investments	68,072,902	
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SCHEDULE - 6

CURRENT ASSETS

CASH AND BANK BALANCES

Cash on Hand	89,142	111,118
Balance with Scheduled Banks - Current Account	2,903,751	467,191
	2,992,893	578,309
TOTAL	2,992,893	578,309



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

(Amount in Rupees)

SCHEDULES FORMING PART OF THE BALANCE SHEET

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE - 7		
LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Advances recoverable in cash or in kind or for value to be received	811,168,655	287,476,732
Advance Income tax and Tax Deducted at Source (net of provision)	268,441	268,441
Gratuity Plan Assets (net of provision)	-	280,283
Deposits with		
- Government Departments *	46,837,320	39,839,890
- Others	33,850,000	56,864,800
	71,687,320	96,704,690
TOTAL	886,124,416	384,530,146

* - Includes lease security deposit of Rs.3,84,93,000/- (Previous Year: Rs. 3,84,93,000/-) with Chhattisgarh State Industrial Development Corporation Limited

SCHEDULE - 8

CURRENT LIABILITIES

Sundry Creditors		
Micro and Small Enterprises *		
Others	258,904,380	12,356,081
	258,904,380	12,356,081
Acceptances **	6,106,247,815	
Retention Money (Supplier)	61,980,227	
Interest Accrued but not Due	246,870,138	
Bank Overdraft		10,261,363
Other Liabilities	3,681,167	4,894,829
TOTAL	6,678,683,727	27,512,073

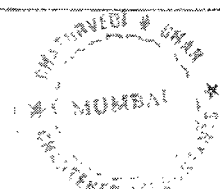
* - Refer Note -11 of Schedule - 12

** - Represents Letter of Credit discounted on Acceptances by the Company

SCHEDULE - 9

PROVISIONS

Provisions		
- for Leave Encashment	3,426,495	1,702,754
- for Gratuity	416,730	
- for Other Employee Benefits	13,740,209	974,858
TOTAL	17,585,434	2,677,612



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

(Amount in Rupees)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

Particulars	2010-11	2009-10
SCHEDULE - 10		
Administrative Expenses		
Board Meeting	170,787	1,294,714
Rates and Taxes	13,799,220	-
Advertisement	180,000	428,569
Donations	270,101	1,163,046
Audit Fees	261,963	375,020
Miscellaneous Expenses	3,543,887	4,171,008
TOTAL	18,225,958	7,432,357



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

SCHEDULE – 11

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation of Financial Statements

The financial statements are prepared on an accrual basis of accounting and in accordance with the generally accepted accounting principles in India, provisions of the Companies Act, 1956 (the Act) and comply in material aspects with the accounting standards notified under Section 211 (3C) of the Act, read with Companies (Accounting Standards) Rules, 2006.

B. Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets, liabilities, and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

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 is recognized using the time proportion method based on rates implicit in the transaction. Dividend income is accounted for in the year in which the right to receive the same is established.

D. Fixed Assets and Capital Work-in-progress

- i) The gross block of fixed assets is stated at cost of acquisition or construction, including any cost attributable to bringing the assets to their working condition for their intended use.
- ii) All Project related expenditure viz, civil works, machinery under erection, construction and erection materials, pre-operative expenditure incidental / attributable to construction of project, borrowing cost incurred prior to the date of commercial operation and trial run expenditure are shown under Capital Work-in-Progress. These expenses are net of recoveries and income from surplus funds arising out of project specific borrowings after taxes.

E. Depreciation / Amortisation

Depreciation is provided on a pro-rata basis on Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956. Assets individually costing less than Rs.5,000/- are depreciated fully in the year of acquisition. Leasehold land is amortised over the tenure of lease from the date of commercial operation of the plant.

Contd .



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

SCHEDULE – 11

SIGNIFICANT ACCOUNTING POLICIES

F. Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction, or production of an asset are capitalized as part of the cost of that asset till the date of capitalization of qualifying asset. Other borrowing costs are recognized as expenses in the period in which they are incurred.

G. Investments

- i) Long term investments are stated at cost. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in the opinion of the management.
- ii) Current investments are stated at cost or market value whichever is lower.

H. Leases

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

Finance lease, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, 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 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.

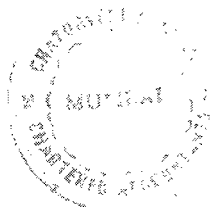
I. Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rate prevailing at the dates of the transaction. Monetary items are translated at year-end foreign exchange rates. Resultant exchange difference, arising on payment or conversion of liabilities / assets, is recognised as income or expense, in the year in which they arise except in respect of project cost which is recognised as Capital work in Progress.

J. Derivative Instruments

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11 are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the Profit and Loss Account except in respect of project cost which is recognised as Capital work in Progress. Net gains are ignored.

Contd



GMR Chhattisgarh Energy Limited

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SCHEDULE – 11

SIGNIFICANT ACCOUNTING POLICIES

K. Employee Benefits

i) Defined Contribution Plan

The Company's defined contribution plans are Employees' Provident Fund (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) Pension fund and Superannuation Fund. Hence, the company has no further obligation beyond making the contributions.

The Company's contributions to Provident Fund and Pension fund are made at pre-determined rates and are charged to the Profit and Loss Account.

The Company's contributions to Superannuation Plan covered under a scheme of Life Insurance Corporation of India, covering all its employees and contributions in respect of such scheme are charged to the Profit and Loss Account.

ii) Defined Benefit Plan

Gratuity for Employees is covered under a scheme of Life Insurance Corporation of India and contributions in respect of such scheme are recognized in profit and loss account. The liability as at the balance sheet date is provided for based on the actuarial valuation in accordance with the requirements of accounting standard 15 (revised 2005) on 'Employee Benefits' notified under section 211 (3C) of the Act as at the end of the year.

iii) Other Long Term Employee Benefits

Liability towards Long term compensated absences for Leave Encashment are provided as per Valuation obtained from an Actuary which is determined using Projected Unit Credit Method. Actuarial gains or losses are recognized immediately.

L. Taxes on Income

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 income 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 computed on the timing differences applying the enacted or substantively enacted rates. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realized.

M. Earnings per share

The basic earnings per share are computed by dividing the net profit after tax for the period by the weighted average number of equity shares outstanding during the year. Diluted earnings per share, if any are computed using the weighted average number of equity shares and dilutive potential equity share outstanding during the period except when the results would be anti-dilutive.

Contd



GMR Chhattisgarh Energy Limited

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SCHEDULE – 11

SIGNIFICANT ACCOUNTING POLICIES

N. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. Reversal of impairment loss is recognized immediately as income in the profit and loss account.

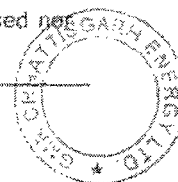
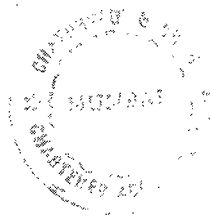
O. Cash and Cash Equivalents

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.

P. Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when the Company has a present obligation as a result of a past event and 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, other than employee benefits, are not discounted to their present value and are determined based on management 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 management estimates.

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. Contingent Assets are neither recognised nor disclosed in the financial statements.



GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

SCHEDULE - 12

NOTES TO ACCOUNTS

1 Nature of Business

GMR Chhattisgarh Energy Private Limited was incorporated on 8th Day of October, 2008 for Development and implementation of 1370 MW (685 MW * 2) Thermal Power Project at Raipur, Chhattisgarh. The proposed coal based Thermal Power Plant is located in Village Raikheda, Tilda Block, Raipur district, Chhattisgarh.

2 Contingent Liabilities and Capital Commitments:

(Amount in Rupees)

Sl.	Particulars	As at 31st March, 2011	As at 31st March, 2010
a.	Contingent Liabilities		
	Bank Guarantees	573,900,000	
b.	Capital Commitment		
	Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)	44,526,426,694	50,350,131,466

3 Employee Benefits:

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

The Company has adopted Accounting Standard 15 Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India [the revised AS 15]

The Company has determined the liability for Gratuity and Short term and long term compensated absences in accordance with revised AS 15

a) Defined Contribution Plans

The Company's Contribution to Provident and Pension Fund and Superannuation Fund charged to Capital Work-in-Progress are as follows:

(Amount in Rupees)

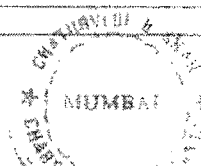
Sl.	Particulars	2010-11	2009-10
i.	Provident and Pension Fund	2,595,970	1,470,690
ii.	Superannuation Fund	1,250,604	914,776
	Total	3,846,574	2,385,466

b) Defined Benefit Plan - Gratuity as per Actuarial Valuation as at 31st March 2011 [Funded]

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
(i)	<i>Change in Defined Benefit Obligation</i>		
	Opening defined benefit obligation	856,319	517,926
	Current service cost	506,439	350,647
	Interest cost	87,486	41,434
	Actuarial loss (gain)	206,799	(39,062)
	Benefits Paid	-	(15,626)
	Closing defined benefit obligation	1,657,043	856,319
(ii)	<i>Change in Fair Value of Assets</i>		
	Opening fair value of plan assets	1,136,602	203,168
	Expected return on plan assets	90,885	51,451
	Actuarial gain (loss)	10,825	2,032
	Contributions by employer	-	895,576
	Benefits paid	-	(15,626)
	Closing fair value of plan assets	1,238,312	1,136,602

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GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

SCHEDULE – 12

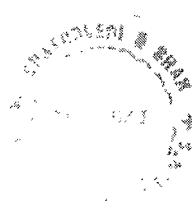
NOTES TO ACCOUNTS

		(Amount in Rupees)		
Sl.	Particulars	2010-11	2009-10	
(iii)	<i>Amount recognised in the Balance Sheet</i>			
	Present value of obligations as at year end	1,657,043	856,319	
	Fair value of plan assets as at year end	1,238,312	1,136,602	
	Net (asset) / liability recognised	418,731	(280,283)	
(iv)	<i>Expenses recognised during the year</i>			
	Current service cost	506,439	350,647	
	Interest on defined benefit obligation	87,486	41,434	
	Expected return on plan assets	(90,885)	(51,451)	
	Net actuarial loss / (gain) recognised in the current year	195,974	(53,687)	
	Total expense	699,014	286,943	
(v)	Actual return on Plan Assets	101,710	52,947	
(vi)	The major category of plan assets as a percentage of the fair value of total plan assets are as follows:			
	Investment with Insurer managed funds	100%	100%	
(vii)	<i>Principal actuarial assumptions used</i>			
	Discount rate (p.a.)	8.00%	8.00%	
	Expected rate of return on plan assets (p.a.)	8.00%	8.00%	
	Rate of Increase in compensation levels	6.00%	6.00%	
	Attrition Rate	5.00%	5.00%	
	Mortality Table	LIC (1994-96)	LIC (1994-96)	
	Retirement Age	60 Years	60 Years	
(viii)	Expected employer's contribution for the next year	250,000	500,000	
(ix)	Data for defined Gratuity benefit obligation and fair value of planned assets are as under			
		2010-11	2009-10	2008-09
	Present value of defined benefit obligations at the end of the year	1,657,043	856,319	517,925
	Fair value of plan assets at the end of the year	1,238,312	1,136,602	203,168
	Net (assets) / liability at the end of year	418,731	(280,283)	314,757
	Experience adjustments on plan liabilities	(30,454)	(38,062)	-
	Experience adjustments on plan assets	10,825	2,032	-

Notes:

- The estimates, of future salary increases, considered in actuarial valuation, take into consideration for inflation, seniority, promotion and other relevant factors.
- 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.
- Leave Encashment :
Liability towards leave encashment based on actuarial valuation is Rs.34,26,495 /- as at 31st March 2011 (Previous Year : Rs.17,02,754/-).

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GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

SCHEDULE - 12

NOTES TO ACCOUNTS

iii. Fellow Subsidiary

- GMR Power Corporation Limited [GPCL]
- GMR Consulting Services Private Limited [GCSPL]
- GMR Kamalanga Energy Limited [GKEL]
- GMR Bannerghatta Properties Pvt Ltd [GBPPL]
- GMR Corporate Affairs Private Limited [GCAPL]
- GMR Aviation Private Limited [GAPL]
- GMR Varalakshmi Foundation [GMRVF]
- Raxa Security Services Limited [RSSL]

b. Key Management Personnel: Sri Raaj Kumar - Managing Director

c. Enterprises over which Key management Personnel & their relative exercise significant influence : Nil

Details of the transactions are as follows:

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
a.	Share Application Money Received from : GMR Energy Limited [GEL]	-	2,500,000
b.	Equity Share Capital held by : GMR Energy Limited [GEL]	19,898,500	100,000
c.	Share Application Money Repaid to : GMR Energy Limited [GEL]	(257,600,000)	-
d.	Inter Corporate Deposits received from : GMR Energy Limited [GEL]		
	Opening Balance	131,250,000	1,182,700,000
	Received during the year	8,257,200,000	894,550,000
	Less: Repaid during the year	(2,727,900,000)	(1,846,000,000)
	Closing Balance	5,660,550,000	131,250,000
	GMR Power Corporation Limited [GPCL]		
	Received during the year	1,330,000,000	-
	Less: Repaid during the year	(1,330,000,000)	-
e.	Optionally Convertible Debentures Issued to : GMR Power Corporation Limited [GPCL]		
	Opening Balance	1,330,000,000	-
	Issued / Received during the year	-	2,000,000,000
	Less: Redeemed during the year	(1,330,000,000)	(670,000,000)
	Closing Balance	-	1,330,000,000
f.	Investments in : GMR Kamalanga Energy Limited [GKEL]		
	Opening Balance	-	698,740,000
	Invested during the year	-	691,600,000
	Less: Sold during the year	-	(1,390,340,000)
	Closing Balance	-	-

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GMR Chhattisgarh Energy Limited

(formerly GMR Chhattisgarh Energy Private Limited)

SCHEDULE – 12

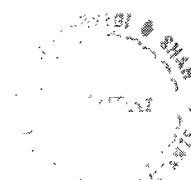
NOTES TO ACCOUNTS

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
g.	Loan given to : GMR Varalakshmi Foundation [GMRVF]		
	Opening Balance	277,500,000	2,500,000
	Given during the year	-	275,000,000
	Repaid during the year	277,500,000	-
	Closing Balance	-	277,500,000
h.	Corporate Guarantee received from: non fund based :		
	GMR Power Corporation Limited [GPCL]	2,000,000,000	2,000,000,000
	GMR Energy Limited [GEL]	15,000,000,000	-
i.	Security Deposits Paid to : GMR Bannerghatta Properties Pvt Ltd [GBPPL]	33,522,000	15,448,800
j.	Interest on Inter Corporate Deposits : GMR Energy Limited [GEL]	209,948,117	118,123,080
	GMR Power Corporation Ltd [GPCL]	19,107,945	-
k.	Interest on Optionally Convertible Debentures : GMR Power Corporation Limited [GPCL]	55,750,685	150,574,247
l.	Rent Paid to : GMR Bannerghatta Properties Pvt Ltd [GBPPL]	31,959,808	5,789,936
	GMR Corporate Affairs Private Limited [GCAPL]	284,720	-
m.	Project Management Shared Services Fee paid to : GMR Infrastructure Ltd	250,000,000	-
n.	Professional & Consultancy Charges paid to : GMR Consulting Services Pvt Ltd	33,090,000	-
o.	Business Support Services & Airtime Services fees paid to : GMR Aviation Private Limited [GAPL]	63,288,243	10,608,547
p.	Security Charges & Technical fees paid to : Raxa Security Services Limited	6,817,538	2,373,872
q.	Donation Paid to : GMR Varalakshmi Foundation [GMRVF]	-	300,000
r.	Remuneration to : Sri Raaj Kumar - Managing Director	4,734,811	11,759,496
s.	Balance due to : GMR Corporate Affairs Private Limited [GCAPL]	22,060	-
	GMR Energy Limited [GEL]	142,653,449	-
	Raxa Security Service Limited	76,965	-
	GMR Consulting Services Pvt Ltd [GCSPL]	32,200,704	-
	GMR Infrastructure Ltd [GIL]	58,650,000	-

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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GMR Chhattisgarh Energy Limited

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SCHEDULE - 12

NOTES TO ACCOUNTS

- 8 The Company has entered into certain cancelable operating lease agreements mainly for office premises and long term leasehold land taken from Government Authorities for project purpose. Under these agreements refundable interest-free deposits have been given. In respect of above arrangements, lease rentals payable are debited to Capital Work-in progress.

(Amount in Rupees)

Sl.	Particulars	2010-11	2009-10
a	Lease rentals under cancelable lease	47,762,093	20,621,952

9 Calculation of Earning per share:

Sl.	Particulars	2010-11	2009-10
a.	Nominal Value of Equity Shares (Rs. per share)	10	10
b.	Total No. of Equity Shares outstanding at the beginning of the year	10,000	10,000
c.	Add: Shares allotted during the year	1,990,000	-
d.	Total No. of Equity Shares outstanding at the end of the year	2,000,000	10,000
e.	Weighted average No. of Equity shares	1,007,726	10,000
f.	Loss as per Profit and Loss Account	(18,087,210)	(7,571,105)
g.	Basic and Diluted Earning per share of Rs.10 each (in Rupees) [f/e]	(17.95)	(757.11)

- 10 Balances shown under Loans and Advances, Creditors and Advances to suppliers are subject to confirmation.
- 11 There are no micro and small enterprises to which the company owes dues which are outstanding for more than 45 days as at 31st March 2011. 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.

12 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.

13 Investments Purchased and Sold during the year

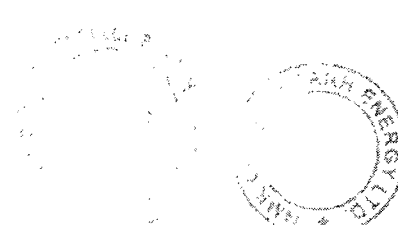
Purchase of Short-term Mutual Funds - Unquoted *

(Amount in Rupees)

Sl.	Script Name	Face Value Rs.	No. of Units	Purchase Cost
a.	Birla Sun Life Savings Fund - Daily Dividend Reinvestment	10	16,290,465	163,015,422
b.	Birla Sun Life Cash Plus - Daily Dividend Reinvestment	10	39,308,549	393,852,002
c.	UTI Liquid Cash Plan Regular - Daily Dividend Reinvestment	1,000	54,932	56,000,000

* excluding dividend re-invested.

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GMR Chhattisgarh Energy Limited

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SCHEDULE - 12

NOTES TO ACCOUNTS

14 The previous year figures have been reworked, regrouped, rearranged and reclassified wherever necessary

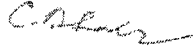
As per our Report of even date

For CHATURVEDI & SHAH

Chartered Accountants

Firm Registration Number 101720W

For and on behalf of the Board



C.D. Lala

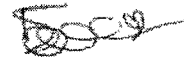
Partner

Membership No. 035671



Raaj Kumar

Managing Director



B.V.N. Rao

Director



Place: Mumbai
Date: 04.05.2011



Place: Bengaluru
Date: 04.05.2011