

GIRISH  
MURTHY & KUMAR  
Chartered Accountants

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**AUDITORS' REPORT**

**TO THE MEMBERS OF GMR RAJAHMUNDRY ENERGY LIMITED**

1. We have audited the attached Balance Sheet of GMR RAJAHMUNDRY ENERGY LIMITED ('the Company') as at 31<sup>st</sup> 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.
2. 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.
3. 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.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. 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.
  - ii. 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.
  - iii. The said Balance Sheet, the Profit & Loss Account & the cash flow statement are in agreement with books of account.
  - iv. 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,
  - v. On the basis of written representations received from the directors as at 31<sup>st</sup> 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.

**GIRISH  
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Chartered Accountants

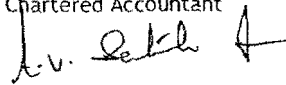
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- vi. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required by Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a. In the case of Balance Sheet, of the state of affairs of the company as at 31st March 2011;
  - b. in the case of the Profit & Loss Account, of the loss for the year ended on that date ; and
  - c. In case of the Cash Flow Statement, of the cash flows for the year ended on that date.

PLACE : BANGALORE

DATE : 4<sup>th</sup> May, 2011

FOR GIRISH MURTHY & KUMAR  
Firm Registration Number : 0009345  
Chartered Accountant



(A.V SATISH KUMAR)  
Partner.  
M.No : 026526

**GIRISH  
MURTHY & KUMAR**  
Chartered Accountants

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Annexure referred to in paragraph 4 of our report of even date  
Re : GMR GMR RAJAHMUNDRY ENERGY LIMITED.

- i) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- ii) The fixed assets are physically verified by the Management and no material discrepancies between the book records and the physical inventory, were noticed during such verification. No substantial parts of the Fixed Assets have been disposed during the year.
- iii) 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.
- iv) The company has taken loans from companies listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and year-end balance of such loans aggregates to Rs 523,21,50,000 and Rs 45,31,50,000/ , respectively.
- v) In our opinion, the rate of interest and other terms and conditions of such loan are not prejudicial to the interest of the company.
- 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) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act, that need to be entered into the register maintained under section 301, have been so entered.
- ix) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contract or arrangements exceeding value of Rupees five lakhs have been entered into during the year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- x) 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.

**GIRISH  
MURTHY & KUMAR**  
Chartered Accountants

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- xi) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the companies act, 1956.
- xiii) 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 including income tax, Provident fund, sales tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with appropriate authorities. We are informed by the company that the provisions of Employee state insurance scheme, investor education and protection fund, excise, customs are not applicable .
- xiv) 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, Provident fund, sales tax, service tax, as at 31st march 2011, which are outstanding for a period of more the than six months from the date they become payable.
- xv) 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.
- xvi) The Company is having accumulated losses of Rs 2,79,84,972 as at March 31,2011 and the company has incurred a cash loss of Rs 2,29,11,766 during this year and incurred a cash loss of Rs 50,73,206 in the preceding financial year.
- xvii) 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.
- xviii) 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.
- xix) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained.
- xxi) 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.
- xxii) 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,

**GIRISH  
MURTHY & KUMAR**  
Chartered Accountants

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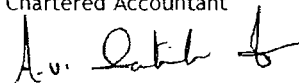
the Company has not used funds raised on short- term basis for long-term investment. .

- xxiii) 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.
- xxiv) The company has not issued any debentures and therefore no securities have been created.
- xxv) During the course of our 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.
- xxvi) The company is not covered under special statutory provisions applicable to the chit fund, Nidhi or mutual benefit societies.
- xxvii) 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

DATE : 4<sup>th</sup> May, 2011

FOR GIRISH MURTHY & KUMAR  
Firm Registration Number : 000934S  
Chartered Accountant

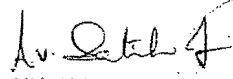


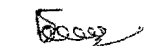
(A.V SATISH KUMAR)  
Partner.  
M.No : 026526

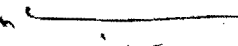
GMR Rajahmundry Energy Limited  
Balance Sheet as at 31st March ,2011

|  |    | Amount in Rupees     |                       |                    |                      |  |
|--|----|----------------------|-----------------------|--------------------|----------------------|--|
|  |    | Sch. Ref.            | 2011                  |                    | 2010                 |  |
| <b>I. Sources of Funds:</b>                              |    |                      |                       |                    |                      |  |
| <b>1. Shareholders' Funds</b>                            |    |                      |                       |                    |                      |  |
| a) Capital   |    |                      |                       |                    |                      |  |
|  | 1  |                      | 4,935,000,000         |                    | 500,000              |  |
| <b>2. Loan Funds</b>                                     |    |                      |                       |                    |                      |  |
| a) Secured Loans   |    |                      |                       |                    |                      |  |
|  | 2  |                      | 15,602,412,363        |                    |                      |  |
| b) Unsecured Loans                                       |    |                      |                       |                    |                      |  |
|  | 3  |                      | 453,150,000           |                    | 5,232,150,000        |  |
| <b>Total</b>   |    |                      | <b>20,990,562,363</b> |                    | <b>5,232,650,000</b> |  |
| <b>II. Application of Funds:</b>                         |    |                      |                       |                    |                      |  |
| <b>1. Fixed Assets</b>                                   |    |                      |                       |                    |                      |  |
| a) Gross Block   |    |                      |                       |                    |                      |  |
|  | 4  | 70,223,326           |                       | 1,182,913          |                      |  |
| b) Less : Depreciation                                   |    |                      |                       |                    |                      |  |
|  |    | 1,597,384            |                       | 52,939             |                      |  |
| c) Net Block   |    |                      |                       |                    |                      |  |
|  |    |                      | 28,625,942            |                    | 1,129,974            |  |
| d) Capital Work in Progress (including capital advances) |    |                      |                       |                    |                      |  |
|  | 5  |                      | 21,426,922,969        |                    | 5,484,341,987        |  |
| <b>2. Investments</b>                                    |    |                      |                       |                    |                      |  |
|  | 6  |                      | 133,099,444           |                    |                      |  |
| <b>2. Current Assets, Loans and Advances</b>             |    |                      |                       |                    |                      |  |
| a) Cash and Bank Balances                                |    |                      |                       |                    |                      |  |
|  | 7  | 1,021,848,156        |                       | 655,039            |                      |  |
| b) Other Current Asset                                   |    |                      |                       |                    |                      |  |
|  | 8  | 517,848              |                       |                    |                      |  |
| c) Loans and Advances                                    |    |                      |                       |                    |                      |  |
|  | 9  | 506,322,346          |                       | 96,878,505         |                      |  |
|  |    | <b>1,528,688,350</b> |                       | <b>97,533,544</b>  |                      |  |
| <b>Less : Current Liabilities and Provisions</b>         |    |                      |                       |                    |                      |  |
| a) Liabilities   |    |                      |                       |                    |                      |  |
|  | 10 | 2,094,570,125        |                       | 354,034,893        |                      |  |
| b) Provisions  |    |                      |                       |                    |                      |  |
|  |    | 60,189,189           |                       | 1,393,819          |                      |  |
|  |    | <b>2,154,759,314</b> |                       | <b>355,428,711</b> |                      |  |
| <b>Net Current Assets</b>                                |    |                      | <b>(626,070,964)</b>  |                    | <b>(257,895,167)</b> |  |
| <b>3. Profit and Loss Account</b>                        |    |                      |                       |                    |                      |  |
|  |    |                      | 27,984,972            |                    | 5,073,205            |  |
| <b>Total</b>   |    |                      | <b>20,990,562,363</b> |                    | <b>5,232,650,000</b> |  |

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

  
A.V. Satish Kumar  
Partner  
For and on behalf of  
Girish Murthy & Kumar  
Chartered Accountants  
Membership Number : 26526  
Place: Bangalore  
Date: 04th May, 2011

  
B.V.N. Rao  
Director  
Place: Bangalore  
Date : 04th May, 2011


  
Raaj Kumar  
Director

GMR Rajahmundry Energy Limited  
Profit and Loss Account for the year ended March 31,2011

|   |          | Amount in Rupees |               |  |
|---|----------|------------------|---------------|--|
|   | Schedule | 31-March-2011    | 31-March-2010 |  |
| I. Income   |          |                  |               |  |
| Sales   |          | -                | -             |  |
| Other Income  |          | -                | -             |  |
| II. Expenditure   |          |                  |               |  |
| Administration expenses                                 | 11       | 22,911,766       | 5,073,206     |  |
| Interest and Finance Charges                            |          | -                | -             |  |
| Depreciation  |          | -                | -             |  |
|   |          | 22,911,766       | 5,073,206     |  |
| III. Profit/(Loss) Before Taxation                      |          | (22,911,766)     | (5,073,206)   |  |
| Provision for Taxation                                  |          |                  |               |  |
| - Current   |          | -                | -             |  |
| - Deferred  |          | -                | -             |  |
| IV. Profit/(Loss) After Taxation                        |          | (22,911,766)     | (5,073,206)   |  |
|   |          |                  |               |  |
| Surplus/ (Defecit) brought froward from Previous year   |          | (5,073,206)      |               |  |
| V Available surplus/ (Defecit) carried to Balance Sheet |          | (27,984,972)     | (5,073,206)   |  |
| Earning per share(Per Equity share of Rs.10 Each)       |          |                  |               |  |
| Earning per Share -Basic                                |          | (0.11)           | (101.46)      |  |

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 and on behalf of the Board

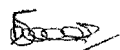
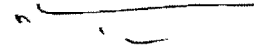


A V Satish Kumar  
Partner

For and on behalf of  
Girish Murthy & Kumar  
Chartered Accountants

Membershim Number : 26526

Place: Bangaluru  
Date: 04th May,2011

B.V.N.Rao Raaj Kumar  
Director Director

Place: Bangaluru  
Date : 04th May,2011

GMR Rajahmundry Energy Ltd  
Schedules forming part of the Balance Sheet as at March 31, 2011

Amount in Rupees

| Schedule 1: Share capital  | 2011                 | 2010           |
|--|----------------------|----------------|
| a. <u>Authorised Capital</u><br>(55,00,00,000 Equity Shares of Rs.10/- each)   | 550,00,00,000        | 500,000        |
|  | 550,00,00,000        | 500,000        |
| b. <u>Issued, subscribed and paid up</u><br>(49,35,00,000 Equity Shares of Rs. 10/- each)<br>(Entire Issued Capital held by GMR Energy Ltd - Holding Company ) | 4,935,000,000        | 500,000        |
| <b>Total</b>   | <b>4,935,000,000</b> | <b>500,000</b> |

Amount in Rupees

| Schedule 2: Secured Loans   | 2011                  | 2010     |
|---|-----------------------|----------|
| Bill Discounted<br>( Secured against Letters of credit issued by IDBI Bank Ltd under Fronting Bank Facility)  | 8,613,612,363         | -        |
| Term Loan   | 6,988,800,000         | -        |
| (Secured by first charge on all movable, immovable properties and including stock of raw material and consumables, all book debts, cash flows receivables, Trust and Retention Account, Debt Service Reserve Account and other reserves and any other bank accounts of the company both present and future. Further secured by way of assignments/hypothecation of security interest of all the rights, title, interest, benefits, claims and demands of the Company in the Project Documents. Further secured by way of pledge of 25,16,85,000 shares held by the holding company) |                       |          |
| <b>Total</b>  | <b>15,602,412,363</b> | <b>-</b> |

Amount in Rupees

| Schedule 3: Unsecured Loans                          | 2011               | 2010                 |
|--|--------------------|----------------------|
| Non Convertible Debentures<br>(From Holding Company) | -                  | 5,232,150,000        |
| Other Loans ( From Holding Company)                  | 453,150,000        | -                    |
| <b>Total</b>   | <b>453,150,000</b> | <b>5,232,150,000</b> |

GMR Rajahmundry Energy Ltd

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

Schedule 4

Fixed Assets

(Amount in Rupees)

| Description          | Gross Block             |                   |                            | Depreciation            |                  |                            | Net Block                  |                         |
|----------------------|-------------------------|-------------------|----------------------------|-------------------------|------------------|----------------------------|----------------------------|-------------------------|
|                      | As at March<br>31, 2010 | Additions         | As at 31st March<br>, 2011 | As at March<br>31, 2010 | Additions        | As at 31st<br>March , 2011 | As at 31st March<br>, 2011 | As at March<br>31, 2010 |
| Plant & Machinery    | -                       | -                 | -                          | -                       | -                | -                          | -                          | -                       |
| Land                 | -                       | 12,088,240        | 12,088,240                 | -                       | -                | -                          | 12,088,240                 | -                       |
| Buildings            | -                       | 3,112,701         | 3,112,701                  | -                       | 33,381           | 33,381                     | 3,079,319                  | -                       |
| Office Equipment     | 52,324                  | 3,885,118         | 3,937,442                  | 23,559                  | 156,513          | 180,072                    | 3,757,370                  | 28,765                  |
| Computer Equipment   | 1,130,589               | 2,359,636         | 3,490,225                  | 29,380                  | 407,841          | 437,220                    | 3,053,004                  | 1,101,209               |
| Capitalized Software | -                       | 2,009,743         | 2,009,743                  | -                       | 280,328          | 280,328                    | 1,729,415                  | -                       |
| Furniture & Fixtures | -                       | 2,271,497         | 2,271,497                  | -                       | 559,748          | 559,748                    | 1,711,749                  | -                       |
| Vehicles             | -                       | 3,313,478         | 3,313,478                  | -                       | 106,635          | 106,635                    | 3,206,843                  | -                       |
| <b>Total</b>         | <b>1,182,913</b>        | <b>29,040,413</b> | <b>30,223,326</b>          | <b>52,939</b>           | <b>1,544,446</b> | <b>1,597,384</b>           | <b>28,625,941</b>          | <b>1,129,974</b>        |
| <b>Grand Total</b>   | <b>1,182,913</b>        | <b>29,040,413</b> | <b>30,223,326</b>          | <b>52,939</b>           | <b>1,544,446</b> | <b>1,597,384</b>           | <b>28,625,941</b>          | <b>1,129,974</b>        |
| Previous Year        | -                       | 1,182,913         | 1,182,913                  | -                       | 52,939           | 52,939                     | 1,129,974                  | -                       |

GMR Rajahmundry Energy Ltd  
Schedules forming part of the Balance Sheet as at March 31, 2011

| Amount in Rupees  |                                  |                                  |
|---|----------------------------------|----------------------------------|
| Schedule 5: Capital Work in Progress  | Upto and as at March<br>31, 2011 | Upto and as at March<br>31, 2010 |
| <b>A) Capital Advances</b>  | 1,542,850,025                    | 2,193,282,269                    |
| <b>B) Expenditure During Construction Period , pending allocation( net)</b> |                                  |                                  |
| EPC Expenses  | 18,062,066,684                   | 3,151,549,518                    |
| Interest Others   | 396,772,599                      | 97,113,114                       |
| Bank/other Finance Charges  | 546,388,403                      | -                                |
| interest on Fixed Period Loans  | 231,174,929                      | -                                |
| Salaries allowances & Benefits to employees                                 | 86,733,819                       | 4,897,869                        |
| Contribution to provident fund and others                                   | 4,885,226                        | -                                |
| Placement & Recruitment   | 2,168,549                        | 120,006                          |
| Consultancy & Professional Charges  | 415,306,686                      | 15,189,261                       |
| Rent  | 43,445,759                       | 7,957,412                        |
| Electricity Charges   | 6,438,825                        | -                                |
| Office Maintenance & Others   | 1,971,958                        | 1,904,224                        |
| Insurance   | 57,300,049                       | 5,774,894                        |
| Rates & Taxes   | 1,995,079                        | 1,370,197                        |
| Guest House Maintenance   | 1,470,482                        | 37,789                           |
| Repairs & Maintenance   | 1,264,531                        | 393,010                          |
| Hire Charges  | -                                | 18,298                           |
| Communication Expenses  | 1,157,272                        | 46,213                           |
| Books & periodicals   | -                                | 205                              |
| Meetings & Conference   | 3,305,052                        | 16,663                           |
| Staff welfare & Amenities   | 11,065,584                       | 5,054,487                        |
| Travelling and conveyance   | 118,337,112                      | 256,098                          |
| Printing & Stationery   | 605,397                          | 38,393                           |
| Security Charges  | 8,543,835                        | -                                |
| Income Tax  | 7,800,000                        | -                                |
| Depreciation  | 1,597,384                        | 52,939                           |
| Remuneration to auditors  | -                                | -                                |
| - Others  | 14,890                           | -                                |
| Advertisement   | 1,233,549                        | -                                |
| Miscellaneous Expenses  | 727,755                          | 269,129                          |
|   | <b>20,013,771,408</b>            | <b>3,292,059,718.58</b>          |
| <b>Less: Other Income</b>   |                                  |                                  |
| Gain/(Loss) on account of foreign exchange fluctuations ( net )             | 105,115,783                      | -                                |
| Profit on Sale of Investments   | 9,254,766                        | -                                |
| Interest Received ( Gross )   | 14,327,915                       | -                                |
| Miscellaneous Income  | 1,000,000                        | 1,000,000                        |
| <b>Grand Total (A) + (B)</b>  | <b>21,426,922,969</b>            | <b>5,484,341,988</b>             |

GMR Rajahmundry Energy Ltd  
Schedules forming part of the Balance Sheet as at March 31, 2011

| Amount in Rupees  |                    |          |
|---|--------------------|----------|
| Schdule 6: Investment Current   | 2011               | 2010     |
| Other than Trade unquoted:  |                    |          |
| Birla SunLife Cash Plus Institutional Premium growth<br>(1282858.628 units)   | 20,099,444         | -        |
| ICICI Prudential Liquid Super institutional Plan Growth<br>(780588.896 units) | 113,000,000        | -        |
| Aggregate Market Value as on March 31st, 2011 Rs. 133,339,209                 |                    |          |
| <b>Total</b>  | <b>133,099,444</b> | <b>-</b> |

| Amount in Rupees                  |                      |                |
|-----------------------------------|----------------------|----------------|
| Schdule 7: Cash and Bank Balances | 2011                 | 2010           |
| Cash on Hand                      | 77,683               | 170,511        |
| Balances with scheduled banks     |                      |                |
| - On Current accounts             | 814,494,610          | 481,528        |
| - On Margin Money Accounts        | 3,953,409            | -              |
| - On Deposit Accounts             | 203,322,454          | -              |
| <b>Total</b>                      | <b>1,021,848,156</b> | <b>655,039</b> |

| Amount in Rupees                |                |          |
|---------------------------------|----------------|----------|
| Schdule 8: Other Current Assets | 2011           | 2010     |
| Interest Accrued but Not Due    | 517,848        | -        |
| <b>Total</b>                    | <b>517,848</b> | <b>-</b> |

| Amount in Rupees  |                    |                   |
|---|--------------------|-------------------|
| Schdule 9: Loans & Advances   | 2011               | 2010              |
| (Unsecured and considered good, unless otherwise stated):           |                    |                   |
| Loans to Employees  | 1,132,326          | 38,250            |
| Advances recoverable in cash or in kind or for value to be received |                    |                   |
| - Considered good   | 411,139,690        | 74,391,455        |
| Deposit with Government Authorities                                 | 99,000,060         | 7,000,000         |
| Deposit with Others   | 35,050,330         | 15,446,800        |
| <b>Total</b>  | <b>506,322,346</b> | <b>96,878,505</b> |

| Amount in Rupees   |                      |                    |
|--|----------------------|--------------------|
| Schedule 10: Current Liabilities and Provisions                      | 2011                 | 2010               |
| <b>a. Current Liabilities</b>  |                      |                    |
| Sundry creditors:  |                      |                    |
| I. Dues to Micro and small scale Industrial undertakings             |                      |                    |
| II. Dues to other than Micro and Small Scale Industrial Undertakings | 1,061,169,899        | 334,325,615        |
|  | <b>1,061,169,899</b> |                    |
| Retention Money  | 991,948,556          | -                  |
| Other Liabilities  | 24,770,335           | 19,709,778         |
| Interest Accrued & not due   | 16,681,336           | -                  |
|  | <b>2,094,570,125</b> | <b>354,034,893</b> |
| <b>b. Provisions</b>   |                      |                    |
| Provision for Employee Benefits - Bonus                              | 9,406,948            | 1,393,819          |
| Provision Gratuity & Leave Encashment                                | 5,704,216            | -                  |
| Provisions for Outstanding Expenses                                  | 43,713,525           | -                  |
| Provision for Income Tax ( Net of Advance Tax )                      | 344,500              | -                  |
|  | <b>60,189,189</b>    | <b>1,393,819</b>   |
| <b>Grand Total</b>   | <b>2,154,759,314</b> | <b>355,428,712</b> |

GMR Rajahmundry Energy Ltd

Schedules forming part of the Profit & Loss Account for the year ended March 31,2011

Amount in Rupees

| Schedule 11: Administration Expenses     | 31-March-2011 | 31-March-2010 |
|--|---------------|---------------|
| Charities & Donations                    | -             | 5,000,000     |
| Rates & Taxes                            | 22,759,342    | 25,586        |
| Business Promotion Expenses              | 14,773        | 25,560        |
| Remuneration to auditors<br>- Audit Fees | 82,725        | 22,060        |
| Misc Expenses                            | 54,926        | -             |
| Total                                    | 22,911,766    | 5,073,206     |

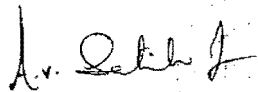


GMR Rajahmundry Energy Limited  
Cash flow statement for the year ended March 31, 2011

(Amount in Rupees)

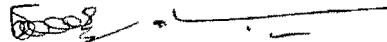
| Particulars  | 2011                    | 2010                   |
|--|-------------------------|------------------------|
| <b>A. CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>  |                         |                        |
| Net Profit Before Tax and Extraordinary items  | (22,911,766)            | (5,073,206)            |
| Preoperative Expenses  | -                       | -                      |
| Operating Profit Before Working Capital Changes  | -                       | -                      |
| Cash generated from Operations   | -                       | (5,073,206)            |
| <b>Net Cash Flow from/ (used in) Operating Activities</b>  | <b>(22,911,766)</b>     | <b>(5,073,206)</b>     |
| <b>B. CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES</b>   |                         |                        |
| Depreciation   | -                       | -                      |
| Purchase of Fixed Assets   | (29,040,413)            | (2,194,465,182)        |
| Inflow/(outflow) from changes in trade and other receivables (Loans & Advs)  | (409,443,841)           | (96,878,505)           |
| Purchase of Mutual Funds   | (2,791,600,000)         | -                      |
| Mutual Funds Sold during the year  | 2,667,755,322           | -                      |
| Changes in Trade Payables  | 1,798,812,755           | 355,428,711            |
| Capital Work in Progress (including EDCP and Capital Advances)   | (15,950,291,303)        | (3,291,006,779)        |
| <b>Net Cash from/ (used in) Investing Activities</b>   | <b>(14,713,807,480)</b> | <b>(5,226,921,755)</b> |
| <b>C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>  |                         |                        |
| Proceeds from share application money/(Refund)   | -                       | -                      |
| Proceeds/(Repayment) from/of Long Term Borrowings  | 15,602,412,363          | -                      |
| Proceeds/(Repayment) from/of ICD   | (4,779,000,000)         | 5,232,150,000          |
| Proceeds from issue of share capital   | 4,934,500,000           | 500,000                |
| <b>Net Cash from Financing Activities</b>  | <b>15,757,912,363</b>   | <b>5,232,650,000</b>   |
| <b>Net increase in Cash and Cash Equivalents</b>   | <b>1,021,193,117</b>    | <b>655,039</b>         |
| Cash and Cash Equivalents at the beginning of the period   | 655,039                 | -                      |
| <b>Cash and Cash Equivalents at the end of the year</b>  | <b>1,021,848,156</b>    | <b>655,039</b>         |
| <b>Notes:</b>  |                         |                        |
| 1. 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. |                         |                        |

This is the Cash Flow Statement referred to in our report of even date



A V Satish Kumar  
Partner  
For and on behalf of  
Girish Murthy & Kumar  
Chartered Accountants  
Membership Number : 26526  
Place: Bangalore  
Date: 04th May, 2011

For and on behalf of the Board



B.V.N. Rao      Raaj Kumar  
Director          Director

Place: Bangalore  
Date : 04th May, 2011

**GMR RAJAHMUNDRY ENERGY LTD**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**SCHEDULE – 11**

**SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Revenue Recognition**

Interest on investments and bank deposits are booked on a time proportionate basis taking into account the amounts invested and the rate of interest.

**Fixed Assets**

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation. 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.

**Intangible Assets**

Capitalized Software is stated at the consideration paid for acquisition less accumulated amortization.

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 (net of tax) from surplus funds arising out of project specific borrowings.

**Depreciation / Amortization**

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 amortized over the tenure of lease from the date of commercial operation of the plant.



## **GMR RAJAHMUNDRY ENERGY LTD**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

#### **Borrowing cost**

Borrowing cost that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets till the period such assets are ready to 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 recognized as expenses in the period in which they are incurred.

#### **Leases**

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 recognized as an expense and shown under Capital Work in Progress until the commencement of the Commercial Operation. Thereafter It will be recognized as an expenses in the Profit & Loss Account on straight line basis over the period of lease term.

#### **Investments**

Investments that are readily realizable 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 recognize a decline other than temporary in the value of the investments. Cost of acquisition is inclusive of expenditure incidental to acquisition.

#### **Foreign Currency Transactions**

All foreign currency transactions are accounted at the exchange rate prevailing at the dates of the transaction. Current Assets and Current Liabilities are translated at the exchange rate prevailing at the balance sheet date and the resultant gain/loss is recognized in the financial statements. The original cost of fixed assets acquired through foreign currency loan at the end of the financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the balance sheet.

#### **Employee Benefits**

##### **a) Defined Contribution Plan**

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 recognized as expenses during the period in which the employees perform the services that the payments cover.

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



## **GMR RAJAHMUNDRY ENERGY LTD**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

#### **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 recognized immediately in the Profit and Loss account as an income or expense.

#### **c) Other Long Term Employee Benefits**

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 recognized 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 recognized 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 recognized as an expense as per the Group's schemes based on the expected obligation on an undiscounted basis.

#### **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.

#### **Earnings per share**

Basic EPS are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting 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.

#### **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.



**GMR RAJAHMUNDRY ENERGY LTD**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**Provisions**

A provision is recognized 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.

**Shares/Debentures Issue Expenses and Premium on Redemption**

With respect to Indian entities Shares/Debentures issue expenses incurred are expensed in the year of issue and redemption premium payable on preference shares/debentures, are expensed over the term of preference shares/debentures. Both are adjusted to the Securities Premium Account to the extent permitted by Section 78(2) of the Companies Act, 1956.

**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



GMR RAJAHMUNDY ENERGY LTD

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

SCHEDULE -- 12

NOTES TO ACCOUNTS

1. Nature of Business

GMR Rajahmundry Energy Ltd is promoted as Special Purpose Vehicle (SPV) by GMR Energy Ltd, the Holding Company, to develop and operate 768 MW Gas Based Power Project in Rajahmundry, Andhra Pradesh. The Company is in the process of Setting up of the project.

2. Capital Commitments

| Particulars  | (Amt. in Rs.)                        |                                      |
|--|--------------------------------------|--------------------------------------|
|  | As at 31 <sup>st</sup><br>March,2011 | As at 31 <sup>st</sup><br>March,2010 |
| Estimated amount of contracts remaining to be executed on Capital Account and to be provided for (net of advances) | 3,881,030,573                        | 15,180,935,846                       |

3. Employee Benefits

a) Defined contribution plan

Contribution to Provident and other funds under Capital Work in Progress (Schedule V) are as under:

| Particulars                         | (Amt. in Rs.) |         |
|-------------------------------------|---------------|---------|
|                                     | 2011          | 2010    |
| Contribution to provident fund      | 3,673,022     | 397,881 |
| Contribution to superannuation fund | 777,208       | 37,115  |
|                                     |               |         |

b) Defined benefit plan

Certain entities in the Group are 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.



**GMR RAJAHMUNDRY ENERGY LTD****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

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

## Profit and Loss Account

## Net employee benefit expense

Amount in Rupees

|  | 2011      | 2010    |
|--|-----------|---------|
| Current service cost                   | 1,375,043 | 275,348 |
| Interest cost on benefit obligation    | 55,190    | -       |
| Expected return on plan assets         | (6,929)   | -       |
| Net actuarial( gain) / loss recognized | (11,403)  | -       |
| Past service cost                      | -         | -       |
| Net benefit expense                    | 1,411,901 | -       |
| Actual return on plan assets           | 7,796     | -       |

## Balance sheet

(Amt in Rs)

|                                      | 2011        | 2010 |
|--------------------------------------|-------------|------|
| Defined benefit obligation           | 2,109,573   | -    |
| Fair value of plan assets            | 181,033     | -    |
| Less: Unrecognised past service cost | -           | -    |
| Plan asset / (liability)             | (1,928,540) | -    |



**GMR RAJAHMUNDRY ENERGY LTD**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

Changes in the present value of the defined benefit obligation: (Amt. in Rs.)

|  | 2011      | 2010    |
|--|-----------|---------|
| Opening defined benefit obligation       | 275,348   | -       |
| New Acquisitions                         | -         | -       |
| Interest cost                            | 55,190    | -       |
| Current service cost                     | 1,375,043 | -       |
| Past service cost                        | -         | -       |
| Benefits paid                            | -         | -       |
| Adjustment on transfer                   | 414,528   | -       |
| Actuarial (gains) / losses on obligation | (10,536)  | -       |
| Closing defined benefit obligation       | 2,109,573 | 275,348 |

Changes in the fair value of plan assets are as follows: (Amt. in Rs.)

|                                   | 2011    | 2010 |
|-----------------------------------|---------|------|
| Opening fair value of plan assets | -       | -    |
| New Acquisition                   | -       | -    |
| Expected return                   | 6,929   | -    |
| Contributions by employer         | 173,237 | -    |
| Benefits paid                     | -       | -    |
| Actuarial gains / (losses)        | 867     | -    |
| Adjustment on transfer            | -       | -    |
| Closing fair value of plan assets | 181,033 | -    |



**GMR RAJAHMUNDRY ENERGY LTD**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

The Company expects to contribute Rs. 200,000 (2010: Rs. 10,000) 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:

|  | 2011 | 2010 |
|--|------|------|
|  | %    | %    |
| Investments with insurer managed funds | 100% | 100% |

The principal assumptions used in determining gratuity obligation:

|                                   | 2011  | 2010  |
|-----------------------------------|-------|-------|
|                                   | %     | %     |
| Discount rate                     | 8.00% | 8.00% |
| Expected rate of return on assets | 8.00% | 8.00% |
| Expected rate of salary increase  | 6.00% | 6.00% |
| Employee turnover                 | 5.00% | 5.00% |

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.

**GMR RAJAHMUNDRY ENERGY LTD**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

Amounts for the current and prior periods are as follows: (Amt. in Rs.)

|  | Gratuity    |           |      |
|--|-------------|-----------|------|
|  | 2011        | 2010      | 2009 |
| Defined benefit obligation                 | 2,109,573   | 275,348   | -    |
| Plan assets                                | 181,033     | -         | -    |
| Surplus / (deficit)                        | (1,928,540) | (275,348) | -    |
| Experience adjustments on plan liabilities | (10,536)    | -         | -    |
| Experience adjustments on plan assets      | 867         | -         | -    |

- a) Leave encashment liability provided based on actuarial valuation amounts to Rs. 29,83,035 (2010: Rs.6,36,930) as at March 31, 2011.

**B) Leave Travel Allowance**

Liability towards Leave Travel Allowance (LTA) based on Actuarial valuation amounts to Rs.15, 39,335/- as at 31st March, 2011 [As at 31st March, 2010 Rs.3, 50,894/-].

**4. Details of Auditors Remuneration**

Amount in Rupees

| Sl.No. | Particulars                      | 2010-11 | 2009-10 |
|--------|----------------------------------|---------|---------|
| a.     | Statutory Auditors Fees          | 82,725  | 22,060  |
| b.     | Certification /Consultation Fees | 14,890  | -       |

5. The information required by Paras 3 and 4 of part II of Schedule VI to the Companies Act 1956 is as under :

Amount in Rupees

| Particulars   | 31 <sup>st</sup> ,<br>March,2011 | 31 <sup>st</sup><br>March,2010 |
|---|----------------------------------|--------------------------------|
| <b>A. Value of imports calculated on CIF Basis:</b> |                                  |                                |
| Capital Goods (net)                                 | 6,494,948,502                    | 1,940,848,088                  |

GMR RAJAHMUNDRY ENERGY LTD

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Amount in Rupees

| B. Expenditure incurred in Foreign Currency |                           |               |         |
|---|---------------------------|---------------|---------|
| Sl.No.                                      | Particulars               | 2010-11       | 2009-10 |
| a.  | Travelling Expenses       | 2,762,386     |         |
| b.  | Offshore Account          | 1,129,671,300 | -       |
| c.  | Interest on Secured Loans | 24,101,958    |         |

6. Names of related parties and description of relationship:

| GMR Rajahmundry Energy Limited - Related parties |  |   |
|--|--|---|
| (i)  | Enterprises that control the Company   | GMR Energy Limited (GEL) (Holding Company)<br>GMR Infrastructure Limited (GIL)<br>GMR Holdings Private Limited (GHPL)   |
| (ii)   | Fellow Subsidiary Companies where transactions have taken place during the year              | GMR Power Corporation Private Limited (GPCPL)<br>GMR Vemagiri Power Generation Limited (GVPGCL)<br>GMR Badrinath Hydro Power Generation Limited (GBHPL)<br>GMR Consulting Services Private Limited (GCSPL)<br>GMR Aviation Pvt. Ltd<br>GMR Bannerghatta Properties Pvt. Ltd<br>GMR Corporate Affairs Pvt. Ltd<br>Raxa Security Services Ltd<br>GMR Varalakshmi Foundation |
| (iii)  | Enterprises where significant influence exists   |   |
| (iv)   | Enterprises where key management personnel and their relative exercise significant influence |   |
| (v)  | Key Management Personnel   |   |

GMR RAJAHMUNDRY ENERGY LTD

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Details of the transactions as given below:

Amount in Rupees

| Sl.No. | Particulars  | 2010-11       | 2009-10       |
|--------|--|---------------|---------------|
| a.     | Share Application Money Received during the year<br>GMR Energy Ltd [GEL] | 4,934,500,000 | -             |
| b.     | Equity Share Capital Allotted during the year                            | 4,934,500,000 | 500,000       |
| c.     | Unsecured Loan<br>GMR Energy Ltd [GEL]                                   | -             | 5,232,150,000 |
| d.     | Un Secured Loan – Repaid<br>GMR Energy Ltd [GEL]                         | 5,232,150,000 | -             |
| e.     | Inter Corporate Deposit - Taken  | 5,073,650,000 |               |
| f.     | Inter Corporate Deposit - Repaid   | 4,620,500,000 |               |
| g.     | Interest paid on Inter Corporate Deposits                                | 105,534,373   |               |
| h.     | Interest paid on Non Convertible Debentures                              | 153,902,886   | 62,872,693    |
| i.     | Technical Consultancy Fees – GMR<br>Consulting Service Pvt Ltd           | 3,86,05,000   |               |
|        | <b>Closing Balance</b>   |               |               |
| j.     | Inter Corporate Deposit<br>GMR Energy Ltd [GEL]                          | 453,150,000   | -             |
| k.     | Creditors/Dueables<br>GMR Consulting Services Pvt Ltd                    | 37,806,331    | -             |
| l.     | GMR Aviation Pvt. Ltd  | 106,820,045   | -             |
| m.     | GMR Bannerghatta Properties Pvt. Ltd                                     | 10,137,848    | -             |
| n.     | GMR Corporate Affairs Pvt. Ltd   | 2,08,62,838   | -             |
| o.     | Raxa Security Services Ltd   | 1,07,75,855   | -             |
| p.     | GMR Infrastructure Ltd   | 270,000,000   | -             |
| q.     | GMR Varalakshmi Foundation   | 20,33,603     | -             |

**GMR RAJAHMUNDRY ENERGY LTD**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

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.

7. 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.No. | Particulars                              | 2010-11          | 2009-10   |
| a.     | Lease Rentals under cancelable lease     | 35,488,347       | 7,957,412 |
| b.     | Lease Rentals under non cancelable lease | -                | -         |

**8. Calculation of Earnings per Share**

|        |   | Amount in Rupees |             |
|--------|---|------------------|-------------|
| Sl.No. | 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         | 50,000           | -           |
| c.     | Add: Shares allotted during the year  | 493,450,000      | 50,000      |
| d.     | Total No of Equity Shares outstanding at the end of the year                | 493,500,000      | 50,000      |
| e.     | Weighted average No of Equity shares for Basic earnings per Share           | 206,448,493      | 50,000      |
| f.     | Add: Potential Equity Shares on allotment of share application money        | -                | -           |
| g.     | Weighted average No of Equity shares of Diluted earnings per Share          | 206,448,493      | 50,000      |
| h.     | Loss as per Profit and Loss Account ( Amount in Rupees) [h/g]               | (22,911,766)     | (5,073,206) |
| i.     | Basic Earnings per Share of Rs 10 each ( Annualized ) ( in Rupees ) [h/g]   | (0.11)           | (101.46)    |
| j.     | Diluted Earnings per Share of Rs 10 each ( Annualized ) ( in Rupees ) [h/g] | (0.11)           | (104.46)    |

9. Balances shown under Loans and Advances. Creditors and Advances to suppliers are subject to confirmation

**GMR RAJAHMUNDRY ENERGY LTD**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

10. 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

**11. 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

12. Unhedged foreign currency exposure as at Balance sheet date:

| Sl.No. | Particulars                | Currency | Amount in Foreign Currency |         | Amount in Rupees |         |
|--------|----------------------------|----------|----------------------------|---------|------------------|---------|
|        |                            |          | 2010-11                    | 2009-10 | 2010-11          | 2009-10 |
| A      | Buyer's Credit             | USD      | 69,597,859                 |         | 3,141,647,333    |         |
| B      | Sundry Creditors - Payable | USD      | 9,075,312                  |         | 409,669,509      |         |
|        |                            | EURO     | 116,719                    |         | 7,381,310        |         |
| C      | Retention Money Payable    | USD      | 2,023,457                  |         | 91,338,849       |         |
|        |                            | EURO     | 297,001                    |         | 18,782,343       |         |

GMR RAJAHMUNDRY ENERGY LTD

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

13. Investments Purchased and Sold during the year

Short-term Mutual Funds - Unquoted

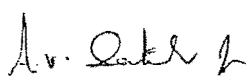
Purchased and Sold during 1st April, 2010 to 31st March 2011

| Description  | Purchases during the year |                 | Sold during the year |                 |
|--|---------------------------|-----------------|----------------------|-----------------|
|  | No of Units               | Rupees in Lakhs | No of Units          | Rupees in Lakhs |
| Axis Liquid Fund - Institutional Growth              | 641,943.84                | 6858.00         | 641,943.84           | 6,879.73        |
| Birla Sunlife Cash Plus Inst. Prem. - Growth         | 33,988,117.62             | 5277.01         | 33,988,117.62        | 5,290.56        |
| ICICI Pru. Inst. Liquid Plan Sup. Inst. Gorw-F.V.100 | 5,032,307.86              | 7,125.00        | 5,032,307.86         | 7,151.98        |
| IDFC Cash Fund - Super Inst Plan C - Growth          | 28,299,900.44             | 3,303.00        | 28,299,900.44        | 3,321.03        |
| TATA Liquid Super High Inv. Fund - Appreciation      | 105,122.54                | 1,852.00        | 105,122.54           | 1,855.46        |
| UTI Liquid Cash Plan Institutional - Growth Option   | 137,524.07                | 2,170.00        | 137,524.07           | 2,178.80        |

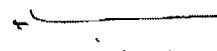
14. The Previous year figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

For on Behalf of Girish Murthy & Kumar

For and on behalf of the Board

  
A V Satish Kumar

  
B V N Rao

  
Raaj Kumar

Partner  
Chartered Accountants  
Membership No.26526  
F R N : 0009343

Director

Director

Place: Bangalore  
Date : 04<sup>th</sup> May, 2011

Place: Bangalore  
Date : 04<sup>th</sup> May, 2011