

ANNUAL REPORT 2010-11

KSK Energy Ventures Limited

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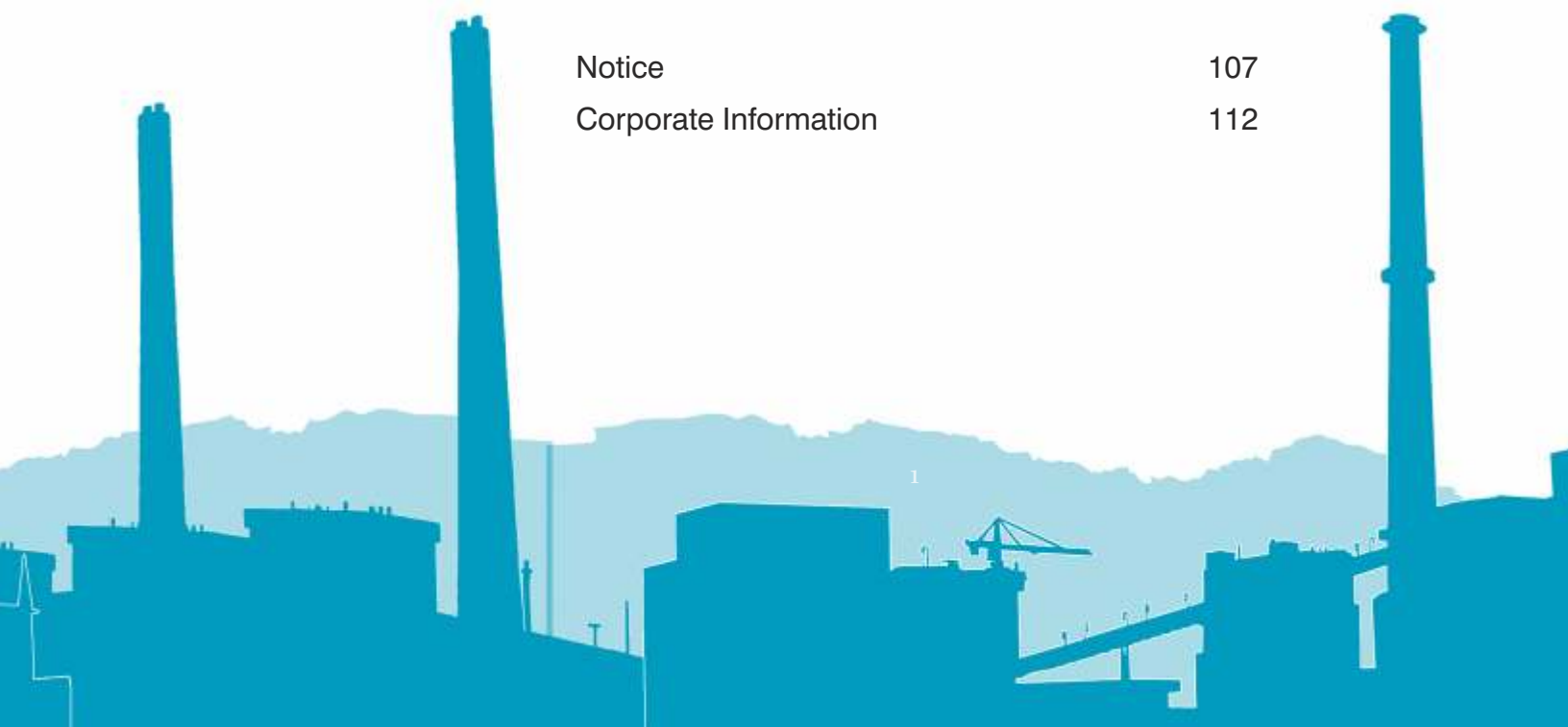
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Chairman's Statement



Dear Shareholders

Amidst various challenges faced by the power generation companies during recent quarters and the power sector as a whole in India, I am pleased to report that KSK Group has continued its asset setup progress and now crossed 900 MW of aggregate generation capacity on ground. As a result of Company's continuous focus on optimizing generation from earlier operational power plants and with addition of new generation capacities from VS Lignite and Wardha, the generation stood at 2,793 million units as against 1,001 million units during the previous year.

KSK has registered an impressive growth in operational capacity while simultaneously experiencing pressures and volatilities with respect to fuel supplies, government policies and tariff realization. It is our belief that, while these developments could last for few quarters, this is only a temporary passing phase as the company has marshalled multiple efforts and strategies to deal and further strengthen the fuel security issues in the fast changing environment and emerge as one of the more stable and stronger player in the Indian power generation landscape. Also, the Company's effort to the alternative coal linkages has begun and we expect this to provide necessary impetus to margin improvements.

Further on the construction side, significant progress has been made with respect to the 3600 MW KSK Mahanadi Power Project at Nariyara, Chhattisgarh with boiler drum lifting for two units having been achieved in recent months and hydro test targeted to be completed for both the units before end of the current financial year. With continual progress in the construction activity at this project site, the

Company anticipates to commission these two units during the second half of 2012 and the balance units thereafter through 2013 and 2014. We believe upon successful completion, this will be one of the largest single location green field projects in India and reinforce the strong project development capabilities of KSK.

While the Company continues its dedicated focus on the construction and setup of the main power plant, the parent and its group companies are supplementing the same through the development of necessary ancillary infrastructure that supports the large power project being developed by KSK. We believe this synergy would enable an immediate synchronized development approach on ground and also provides the Company necessary flexibility to consolidate the power plant with the ancillary infrastructure at a later stage based on internal accruals.

We believe that economic empowerment of our communities alone can help us ensure sustainability of the development that we undertake. At KSK, sustainability initiatives are an integral part of the corporate strategy and we contribute to the community by carrying our business in such a way that ensures overall socio economic development of the areas in which we setup or operate.

Despite certain sectoral challenges and project specific issues such as fuel supplies that are being addressed, it is our belief that the Company is well positioned to catapult itself, in the next few years, to be the single largest independent private power producer with an established operating track record, strong technical, financial and commercial capabilities. A great deal of dedication and commitment has been shown by operating team which enabled us to meet our growth objectives. I would like to take this opportunity to acknowledge their important contributions.

With the best yet to come, I would conclude that there are exciting and challenging times ahead of us and thank all the partners of our growth and shareholders for their continual support.

T.L. Sankar
Chairman

Highlights 2010-11

Operational

- Operating capacity increased to 933 MW. Projects aggregating 3720 MW under construction
- Construction progress underway at 3600 MW KSK Mahanadi project, with boiler drum lifting completed for two units
- KSK Dibbin received in principle Environment Clearance and land acquisition activity to be completed shortly
- Stage - 1 Environment Clearance (forest) obtained for Gare-Pelma mine development and progress on permits and land acquisition underway
- More than 6 GW of development opportunities with progress on development on 1.98 GW thermal project in Orissa
- Progress on detailed project report on hydro projects in Arunachal Pradesh

Operating Capacity

933 MW

Under Construction

3720 MW

Development Opportunities

6 GW

Financial

Figures in INR million, unless otherwise stated

260%  **10,164**

Sale of Energy

55%  **5,712**

EBITDA

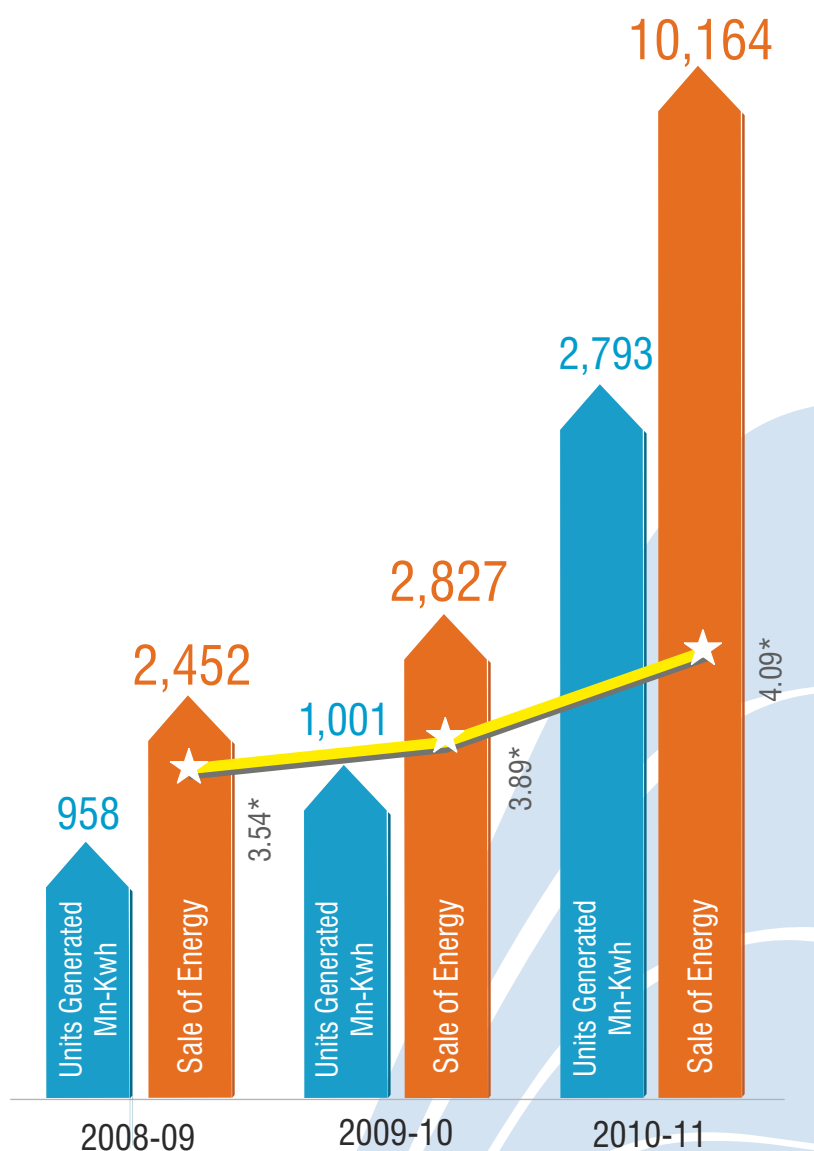
19%  **2,280**

Profit After Tax

33%  **88,475**

Net Fixed Assets & CWIP

* Average tariff in INR/kWh



1

Sitapuram Power, Andhra Pradesh



5



2

Sai Regency Power, Tamilnadu



3

Arasmeta Captive Power, Chhattisgarh



4

KSK Dibbin Hydro Power, Arunachal Pradesh



6



VS Lignite Power, Rajasthan



7

Wardha Power, Maharashtra



Our Presence



Power Plants in Operation - 933 MW 📍

Power Plants under Construction - 3720 MW 📍

Power Plants under Planning - 6000+ MW 📍



KSK Mahanadi Power, Chhattisgarh



8

KSK Wind Energy, Tamilnadu



Directors' Report

Dear Shareholders,

The Directors have the pleasure in presenting the Eleventh Annual Report together with the audited statements of accounts for the year ended March 31, 2011.

STANDALONE FINANCIAL RESULTS

The standalone financials are briefly summarized below:

(Rs. in million)		
Particulars	2010-11	2009-10
Income	1,063.99	1,980.31
Expenditure	495.28	411.39
Depreciation	81.26	13.84
Profit before tax for the year	487.45	1,555.08
Provision for taxation including Deferred tax	152.46	284.60
Profit after tax	334.99	1,270.48
Surplus brought forward from previous year	3,328.44	2,057.96
Amount available for appropriations	3663.43	3,328.44
Preference dividend including tax	46.52	-
Surplus carried over	3,616.91	3,328.44
Earnings per share (Rs.) Basic and diluted	0.77	3.57

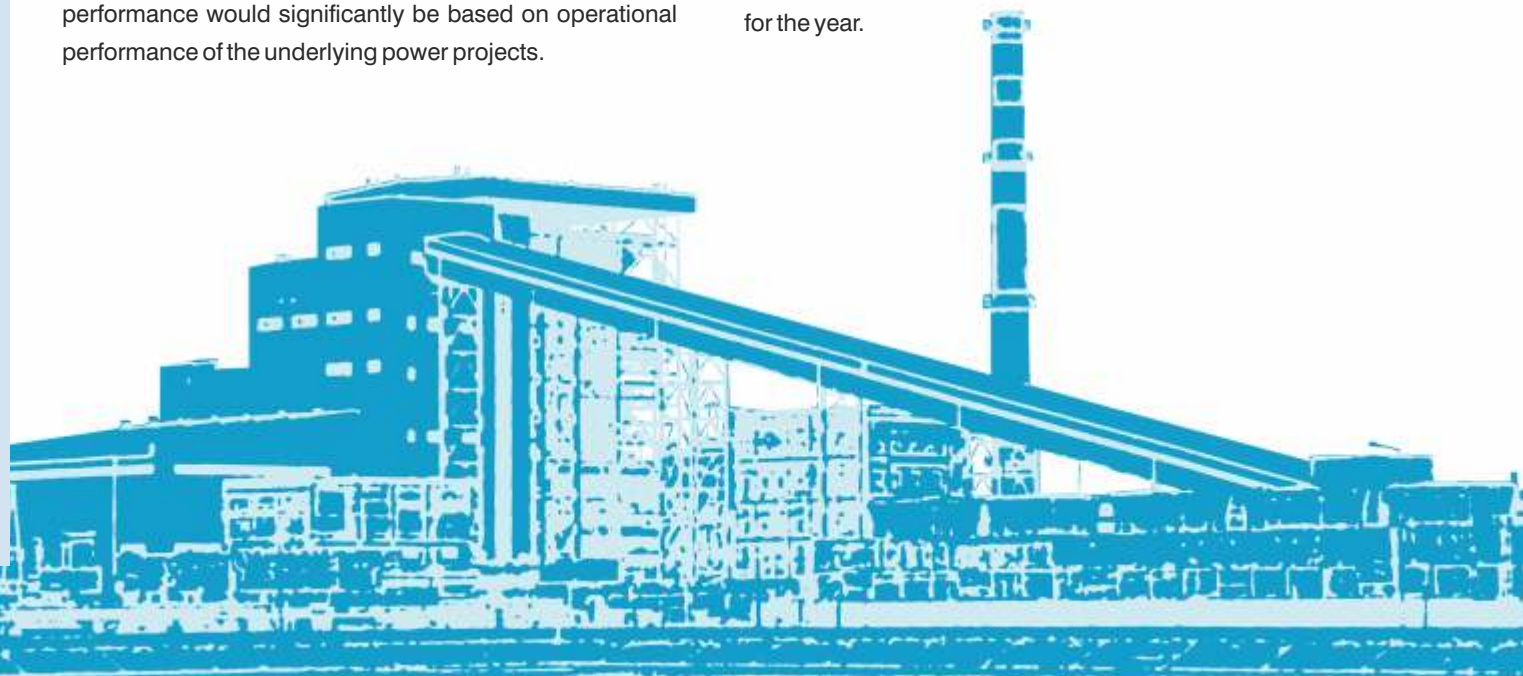
The turnover of the Company has decreased to Rs. 1,063.99 million from Rs. 1,980.31 million. The profit before tax amounted to Rs. 487.45 million as against Rs. 1,555.08 million for the previous year. The profit after tax has decreased to Rs. 334.99 million from Rs. 1,270.49 million. The decrease is mainly attributable to lower project development fee, as substantial part of the development activity of 3600 MW Chhattisgarh project has been completed during 2009-10. Moving forward, the Group performance would significantly be based on operational performance of the underlying power projects.

CONSOLIDATED FINANCIAL RESULTS

During the year 2010-11, the Company has achieved an overall consolidated turnover of Rs. 11,592.64 million.

(Rs. in million)		
Particulars	2010-11	2009-10
Income	11,592.64	5,558.75
Operating expenses (excluding interest and depreciation)	5,880.93	1,864.00
Earnings before interest, tax and depreciation (EBITDA)	5,711.71	3,694.75
Interest and finance charges	2,560.55	1,246.38
Depreciation	1,223.81	259.73
Profit before tax for the year	1,927.35	2,188.64
Provision for taxation including Deferred tax	(352.32)	275.93
Profit after tax	2,279.67	1,912.71
Minority Interest	462.14	161.64
Surplus brought forward from previous year	4,148.35	2,397.28
Amount available for appropriations	5,965.88	4,148.35
Preference dividend including tax	46.52	-
Surplus carried over	5,919.36	4,148.35
Earnings per share (Rs.) Basic and diluted	4.75	4.92

The consolidated income of the Company has increased to Rs. 11,592.64 million from Rs. 5,558.75 million registering a growth of 108%. The EBITDA amounted to Rs. 5,711.71 million as against Rs. 3,694.75 million for the previous year registering a growth of around 55%. The profit after tax has increased to Rs. 2,279.67 million from Rs. 1,912.71 million registering a growth of around 19%. The growth is mainly attributable to increased operations and higher realizations for the year.



Directors' Report

DIVIDEND

The members are aware that the Company is currently involved in implementation of various projects and more specifically the 3600 MW power project through its downstream subsidiaries which is one of the largest single location greenfield project by private enterprise anywhere in India. In order to meet the investment requirements for various ongoing projects, which will contribute to the shareholders' wealth in the long term, the Directors have not recommended any Dividend to the equity shareholders for the financial year 2010-11.

As per the terms of issue and as approved by the shareholders, the Company had paid dividend on 8% Cumulative Redeemable Preference Shares of Rs. 10/- each issued to L&T Infrastructure Finance Company Limited proportionately from the date of allotment.

REVIEW OF OPERATIONS

KSK Energy Ventures Limited (KSK) is a power project development company in India with experience in developing and operating multiple power plants across India. KSK operates in the power generation business and is well positioned with long-term fuel access to various power plants.

KSK presently has operational power plants capable of generating 933 MW of power and further actively involved in construction of two projects aggregating an additional 3720 MW. The Group's initial foray and plans for independent initiatives into power generation from renewable energy sources marks the beginning of another growth initiative.

PRINCIPAL POWER ASSETS

KSK's current principal power projects are as follows:-

Operational Power Plants

- ❶ Arasmeta, a 86 MW coal based power plant in Chhattisgarh;
- ❷ Sai Regency, a 58 MW natural gas based power plant and 18.9 MW wind power project in Tamil Nadu;
- ❸ Sitapuram, a 43 MW coal based power plant in Andhra Pradesh;
- ❹ VS Lignite, a 135 MW lignite based power plant in Rajasthan;
- ❺ Wardha Warora, a 540 MW coal based power plant in Maharashtra; and
- ❻ KSK Wind Energy, a 52 MW Wind power project in Tamil Nadu.

Power projects under construction (Initial / Progressed)

KSK Mahanadi, a 3,600 MW coal based power project in Chhattisgarh; and

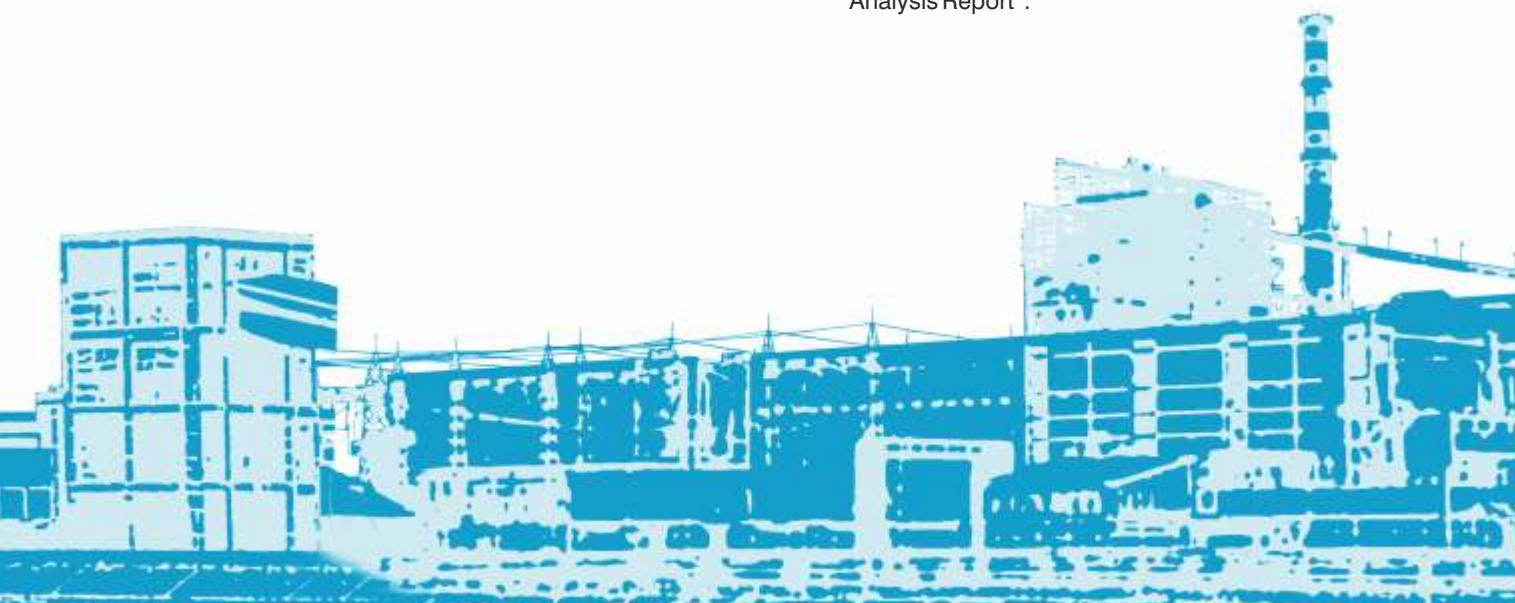
KSK Dibbin, a 120 MW, run-of-the-river hydro electric power project in Arunachal Pradesh.

Planned power projects

Multiple thermal and hydro power projects across India.

REVIEW OF BUSINESS

Further, the operational and financial performance for the financial year 2010-11 of each of the power plants has been outlined in the section titled "Management Discussion and Analysis Report".



Directors' Report

ISSUE OF PREFERENCE SHARES TO L&T INFRASTRUCTURE FINANCE COMPANY LIMITED

During the year under review, the Company has issued 100,000,000 (Hundred million) 8% Cumulative Redeemable Preference Shares (CRPS) of Rs.10/- each at par amounting to Rs. 1,000 million to L&T Infrastructure Finance Company Limited. Consequent to the allotment of CRPS, the paid-up share capital of the Company (equity & preference) has increased from Rs.3,726.30 million to Rs.4,726.30 million.

CORPORATE GOVERNANCE

The Company's Report on Corporate Governance is attached and forms part of this Report. Certificate from the Statutory Auditor of the Company M/s. Umamaheswara Rao & Co., Chartered Accountants confirming the compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

The Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A separate Management Discussion and Analysis Report is also attached and forms part of this report.

PUBLIC DEPOSITS

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under during the financial year under review.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. S.R. Iyer, Mr. Girish N Kulkarni and Mr. Anil Kumar Kutty, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment.

Mr. Abhay M Nalawade and Mr. Henry Klein, Directors have resigned from the Board subsequent to closure of the financial year under review. The Board places on record its sincere appreciation for the services rendered by Mr. Abhay M Nalawade and Mr. Henry Klein during their tenure on the Board.

Mr. K. Bapi Raju ceased to be a Whole-time Director of the Company with effect from December 20, 2010. However, Mr. K. Bapi Raju continues as a Director of the Company.

Further, Mr. K. Bapi Raju was appointed as President – Corporate Affairs of KSK Mahanadi Power Company Limited a subsidiary of the Company w.e.f. January 1, 2011 at a remuneration of Rs. 90 Lakhs per annum. In terms of the provisions of Section 314(1)(a) of the Companies Act, 1956, Mr. K. Bapi Raju being a director of the holding Company shall not hold any office or place of profit except with the consent of the Company accorded by a special resolution at the general meeting held for the first time after the holding of such office or place of profit. In compliance with the above, a special resolution is put up for member's approval in the Notice of the Annual General Meeting of the Company.

SUBSIDIARIES

As at the end of the year, the Company had the following subsidiaries:

1. KSK Electricity Financing India Private Limited;
2. Arasmeta Captive Power Company Private Limited;
3. Sai Regency Power Corporation Private Limited;
4. VS Lignite Power Private Limited;
5. Wardha Power Company Limited;
6. KSK Wardha Infrastructure Private Limited (formerly KSK Technology Ventures Private Limited);
7. KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited);
8. KSK Vidarbha Power Company Private Limited;
9. Sai Maithili Power Company Private Limited;
10. KSK Narmada Power Company Private Limited;
11. KSK Dibbin Hydro Power Private Limited;
12. Kameng Dam Hydro Power Private Limited;
13. J R Power Gen Private Limited;
14. KSK Mahanadi Power Company Limited;
15. KSK Upper Subansiri Hydro Energy Private Limited;

Directors' Report

16. Field Mining and Ispats Limited;
17. KSK Dinchang Power Company Private Limited;
18. KSK Jameri Hydro Power Private Limited; and
19. Tila Karnali Hydro Electric Company Private Limited.

CONSOLIDATED FINANCIAL STATEMENTS

Vide General Circular No.:2/2011 dated February 8, 2011, the Ministry of Corporate Affairs, GoI has granted a general exemption to companies from attaching the Balance Sheet, Profit and Loss Account and other documents referred to in Section 212(1) of the Act in respect of its subsidiary companies, subject to fulfillment of the conditions mentioned therein. Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of the subsidiary companies is contained in the report. The Annual Accounts of the subsidiary companies are open for inspection by any Member / Investor and the Company will make available these documents/ details upon request by any Member of the Company on to any investor of its subsidiary companies who may be interested in obtaining the same. Further, the Annual Accounts of the subsidiary companies will be kept open for inspection by any investor at the Company's Head Office and that of the subsidiary company concerned and would be posted on the website of the Company.

In terms of Clause 32 of the Listing Agreement with the Stock Exchanges and as prescribed by Accounting Standard 21 notified by the Government of India under Section 211(3C) of the Companies Act, 1956, the Audited Consolidated Financial Statements duly audited by Statutory Auditors are annexed.

AUDITORS

M/s. Umamaheswara Rao & Co, Chartered Accountants, Hyderabad, Auditors of the Company will retire at the

forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. As regards the accounts and notes thereof, the same are self explanatory and do not require further explanation.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Conservation of energy : Not applicable
- b) Technology absorption : Not Applicable
- c) Foreign exchange earnings and outgo :

(Rs. in million)

	2010 - 11	2009 - 10
Foreign exchange earnings	-	25.84
Foreign exchange outgo	4.97	11.32

PERSONNEL & INDUSTRIAL RELATIONS

Relations between employees and the management continued to be cordial during the year. The Human Resource Department is committed in its quest to improve and maintain employee morale and satisfaction at all levels.

Particulars of Employees: The particulars of employees as required to be disclosed pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder desirous of obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.



Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- ❶ in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- ❷ appropriate accounting policies have been applied consistently. Judgment and estimates which are reasonable and prudent have been made so as to give true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for the period;
- ❸ proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and

for preventing and detecting fraud and other irregularities;

- ❹ the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities, Customers, Vendors and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the excellent services of the executives, staff and the workers of the Company.

On behalf of the Board of Directors,
KSK Energy Ventures Limited

Place: Hyderabad
Date: August 12, 2011

T.L. Sankar
Chairman

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

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

Particulars	KSK Wardha Infrastructure Private Limited*	KSK Wind Energy Private Limited	KSK Vidarbha Power Company Private Limited*	Sai Maithili Power Company Private Limited*	KSK Narmada Power Company Private Limited*	KSK Dibbin Hydro Power Private Limited*	Kameng Dam Hydro Power Private Limited*	J R Power Gen Private Limited*	KSK Mahanadi Power Company Limited*	KSK Upper Subansiri Hydro Energy Private Limited*	KSK Dinchang Power Company Private Limited*	KSK Jamneri Hydro Power Private Limited*	Tila Karnali Hydro Electric Company Private Limited*	KSK Electricity Financing India Private Limited	Arasmeta Captive Power Company Private Limited	Sai Regency Power Corporation Private Limited	VS Lignite Power Private Limited	Wardha Power Company Limited	Field Mining and Isapats Limited*
1 The financial year of the Subsidiary Company ended on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	July 15, 2011 ³	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
2 Extent of Holding Company's Interest (%)	100.00	74.00	100.00	100.00	100.00	100.00	100.00	99.87 ⁴	89.19	100.00	100.00	100.00	80.00	100.00	51.00	73.92	74.00	87.00	85.00
3 Face Value of Equity Shares held by the Holding Company	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	NR 100/- (Rs. 62.50/-)	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-
4 Number of Equity Shares held by the Holding Company (Nos)	150,000	370,000	10,500	50,000	10,500	10,000	10,000	7,660,330	2,062,549,994	40,000	100,000	110,000	80,000	570,115,305	2,13,005,000	12,360,000	37,000,000	2,271,875,617	170,000
5	Net aggregate amount of profit/(loss) of the subsidiary company of the current financial year so far as it concerns the members of the holding company														1. 25,500,000 Class 'B' Equity Shares of Rs. 10/- each fully paid-up			1. 47,762,190 Class 'A' Equity Shares of Rs. 10/- each fully paid-up	
	- Dealt with or provided in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	2. 13,005,000 Class 'B' Equity Shares of Rs. 10/- each, Rs. per share called up			2. 271,875,617 Class 'B' Equity Shares of Rs. 10/- each, fully paid-up	
	- Not dealt with or provided in the accounts of the holding company	(141.43)	-	-	-	-	-	-	-	-	-	-	-	17.73	130.50	253.48	(215.33)	(547.22)	-
6	Net aggregate amount of profit/(loss) of the subsidiary for the previous financial years so far as it concerns the members of the holding company																		
	- Dealt with or provided in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Not dealt with or provided in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	90.40	266.74	711.03	(36.80)	-	-

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies (Contd..)

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

Particulars	KSK Wardha Infrastructure Private Limited*	KSK Wind Energy Private Limited	KSK Vidarbha Power Company Private Limited*	Sai Maithili Power Company Private Limited*	KSK Narmada Power Company Private Limited*	KSK Dibbin Hydro Power Private Limited*	Kameng Dam Hydro Power Private Limited*	J R Power Gen Private Limited*	KSK Mahanadi Power Company Limited*	KSK Upper Subansiri Hydro Energy Private Limited*	KSK Dinching Power Company Private Limited*	KSK Janeri Hydro Power Private Limited*	Tila Karnali Hydro Electric Company Private Limited*(NFR)	Tila Karnali Hydro Electric Company Private Limited*(NFR)	KSK Electricity Financing India Private Limited	Arasmeta Captive Power Company Private Limited	Sai Regency Power Corporation Private Limited	VS Lignite Power Private Limited	Wardha Power Company Limited	Field Mining and Isplats Limited*
	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011 ^a	March 31,2011 ^a	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011	March 31,2011
1 Share capital	1.50	49.10	0.11	0.50	0.11	0.10	0.10	76.70	23,125.50	0.40	1.00	1.10	-	6.22	5,701.15	525.50	214.80	1,735.70	3,961.80	2.00
2 Share application money pending allotment	-	25.88	-	-	-	-	-	73.50	441.00	-	-	-	-	-	-	197.05	-	269.90	689.11	32.40
2 Reserves (includes debit balance of Profit and loss A/c)	-	(40.00)	-	-	-	-	-	-	-	-	-	-	-	-	89.72	423.94	1,160.33	(252.13)	(159.03)	-
3 Total assets	1.50	2,452.77	2.07	5.43	16.76	563.98	591.59	300.83	52,502.97	1,179.87	23.57	18.24	6.22	6.22	5,790.87	4,417.84	3,181.16	9,294.21	26,922.33	52.07
4 Total liabilities	1.50	2,452.77	2.07	5.43	16.76	563.98	591.59	300.83	52,502.97	1,179.87	23.57	18.24	6.22	6.22	5,790.87	4,417.84	3,181.16	9,294.21	26,922.33	52.07
5 Investment (except in case of investment in subsidiaries)	-	52.81	-	-	-	-	-	-	1.00	-	-	-	-	-	200.00	-	25.78	170.00	-	-
6 Turnover (including other income)	-	177.04	-	-	-	-	-	-	-	-	-	-	-	-	26.36	1,040.20	1,965.28	2,512.45	3,889.08	-
7 Profit/(loss) before taxation	-	(141.43)	-	-	-	-	-	-	-	-	-	-	-	-	24.79	142.33	255.28	(220.54)	(1,076.66)	-
8 Provision for taxation	0.03	-	-	-	-	0.01	-	-	75.54	-	-	-	-	-	7.06	11.83	1.80	(5.21)	(529.44)	-
9 Profit/ (loss) after taxation and write back	-	(141.43)	-	-	-	-	-	-	-	-	-	-	-	-	17.73	130.50	253.48	(215.33)	(547.22)	-
10 Proposed dividend (including interim dividend and dividend distribution tax thereon)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

*Companies under construction stage. Tax provision represents the tax on other income earned.

- 1 Arasmeta Captive Power Company Private Limited, VS Lignite Power Private Limited, Sai Regency Power Corporation Private Limited and Wardha Power Company Limited are subsidiaries of KSK Electricity Financing India Private Limited (KSKEFIPL), which is 100% subsidiary of the Company.
- 2 Field Mining and Isplats Limited is a subsidiary of Wardha Power Company Limited.
- 3 The financial year of the subsidiary ends on July 15 every year, however, for the purpose of consolidation the accounts of the subsidiary is being prepared and considered upto March 31, 2011.
- 4 51% of holding has been considered for the purpose of Consolidation.
- 5 The annual accounts for 2010-11 for all the subsidiaries are available at Company's Head office. Any investor either of Holding Company or any subsidiary Company can seek any information at any point of time by making a request in writing to the Company Secretary of the Company. Further, the annual accounts for all the subsidiaries are also available on the Company's website: www.ksk.co.in

Management Discussion and Analysis

ANNEXURE TO THE DIRECTORS' REPORT:

1. INDUSTRY STRUCTURE & DEVELOPMENT

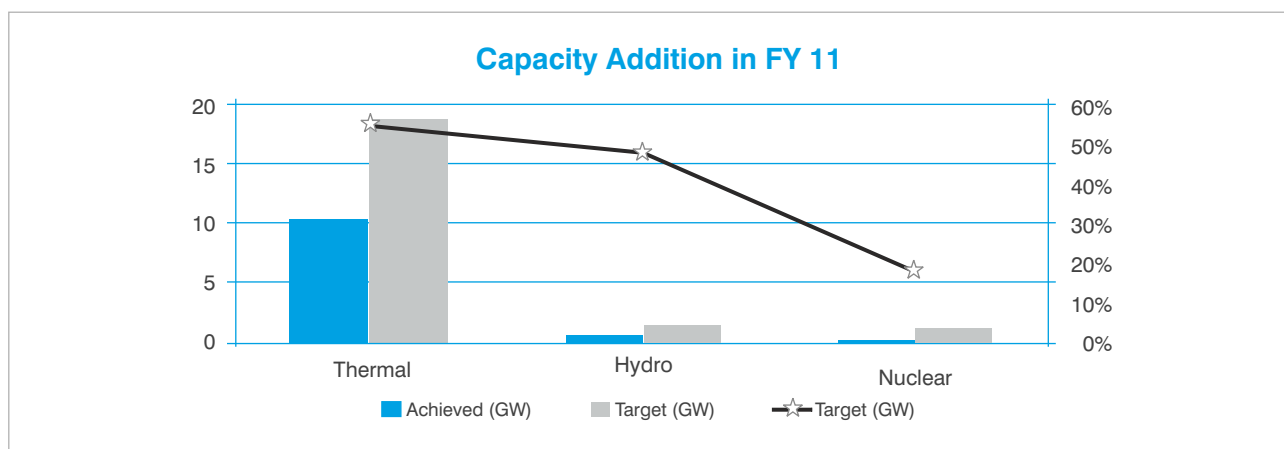
Energy plays a pivotal role in the economic and human development of a nation. The growth of an economy depends on the availability of continuous, reliable and cost-effective energy, as energy being the prime mover of economic growth. The projected growth of Indian economy depends heavily on the performance and growth of power sector.

Presently India is among the largest producers of electricity and also equally in annual consumption terms. With the growing population and economic development, the energy requirement of India is increasing at rapid pace. Consequently liberalization of the power sector was taken up and the share of private companies in installed capacity has gone up to steadily from 11.6% in FY06 to 21% as in FY11.

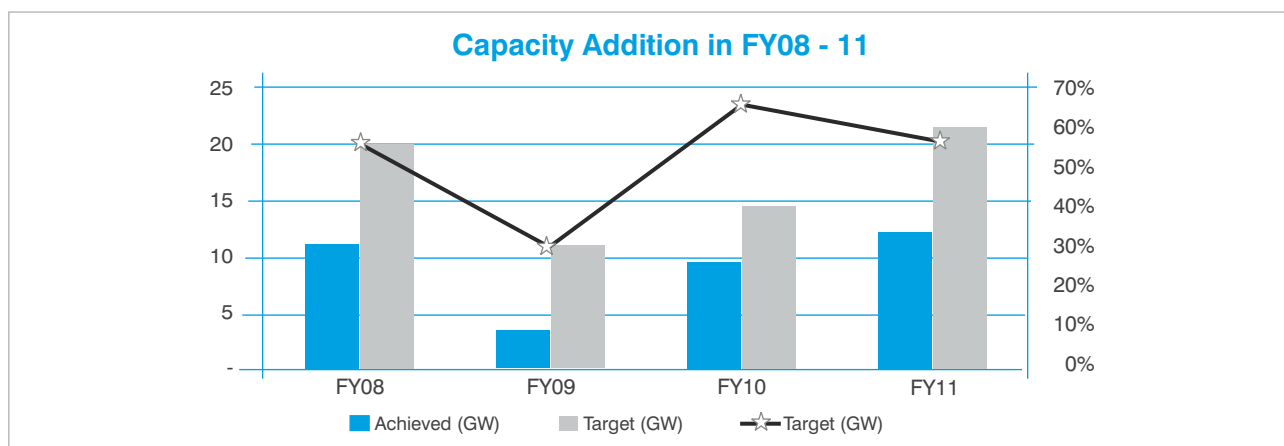
1.1 Installed Capacity and Capacity additions during FY 2010-11

The installed generation capacity of the country as on March 31, 2011 stood at 173,626 MW with the addition of 14,228 MW of capacity during FY 2010-11. However the capacity addition is lower than targeted figure of 21,441 MW. This is the greatest capacity additions in any year till now. India has generated 5.55% more power in comparison to the last fiscal.

With its ambitious mission of "Power for all by 2012", the Government of India is targeting to add 78 GW during the 11th Five Year Plan (FY08 – 12). However, with continuous delays in the construction of the projects due to multiple factors, it is quite unlikely that the target capacity addition would be achieved by March 2012.



Source: CEA



Source: CEA

Management Discussion and Analysis

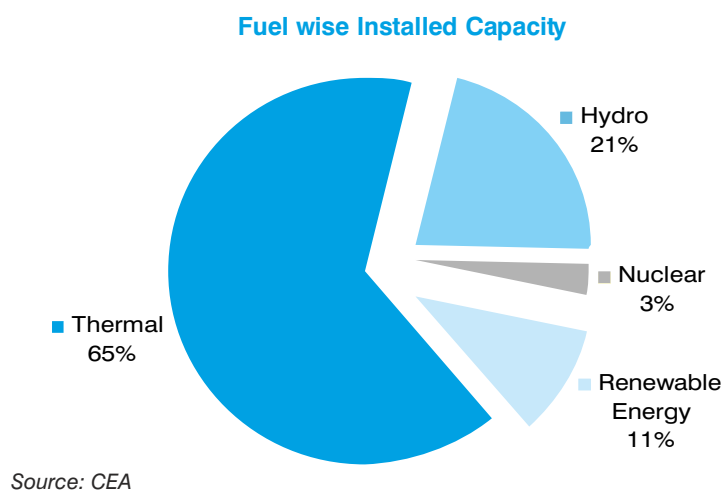
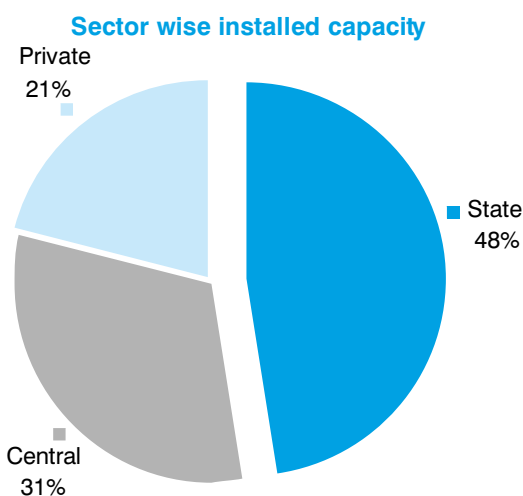
ALL INDIA REGION WISE GENERATING INSTALLED CAPACITY (MW) OF POWER UTILITIES INCLUDING ALLOCATED SHARES IN JOINT AND CENTRAL SECTOR UTILITIES AS ON 31.03.2011

S. No	Region	Thermal				Nuclear	Hydro	Renewable Energy	Total
		Coal	Gas	Diesel	Total				
1	Northern	24,232.50	4,134.76	12.99	28,380.25	1,620.00	13,822.75	3,165.55	46,988.55
2	Western	30,995.50	7,903.81	17.48	38,916.79	1,840.00	7,447.50	5,357.96	53,562.25
3	Southern	19,882.50	4,690.78	939.32	25,512.60	1,320.00	11,299.03	9,341.67	47,473.30
4	Eastern	18,747.88	190.00	17.20	18,955.08	0.00	3,882.12	359.64	23,196.84
5	N. Eastern	60.00	787.00	142.74	989.74	0.00	1,116.00	223.60	2,329.34
6	Islands	0.00	0.00	70.02	70.02	0.00	0.00	6.10	76.12
	All India	93,918.38	17,706.35	1,199.75	112,824.48	4,780.00	37,567.40	18,454.52	173,626.40

Captive Generating capacity connected to the Grid in MW

19,509.00

Sector & Fuel wise generation capacity



Source: CEA

1.2 Power Generation during 2010-11

India's peak power deficit, the shortfall between supply and demand in peak hours, in last fiscal year ending March 2011 narrowed down to 9.8 % from 13.3% a year ago.

During 2010-11 Financial Year, India generated 811.10 billion kilowatt hours (kWh) of power, 5.55% more compared with 768.43 billion kwh a year ago while addition in capacity terms was 9%. This reflects partial and under utilization of installed capacity and fuel shortages may further worsen the situation during coming years.

Thermal electricity, which accounts for about two-thirds of India's power generation and includes using coal, liquid fuel and gas, grew on an annual rate of 3.82% in the last fiscal and 5.30% in March 2011.

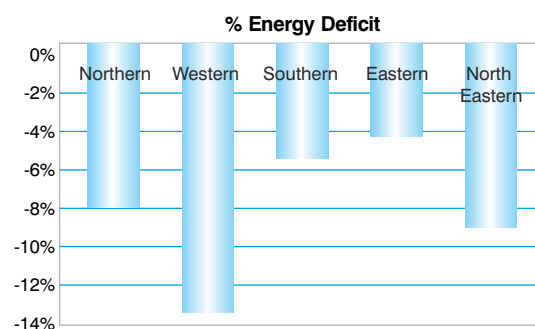
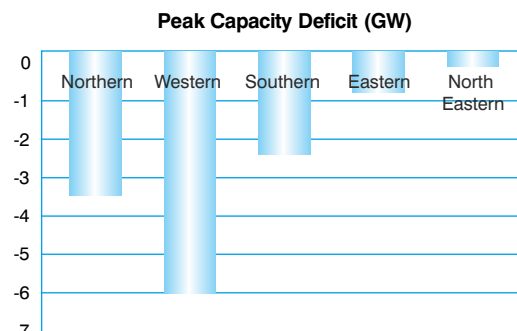
Coal based generation during the year increased by 3.99% from a year ago. Coal fired plants accounted for 54.09% of India's 173.63 GW installed capacity at end of March 2011. Indian utilities have imported 30 million tons of coal as against estimated imports of 46 million tones reflecting the intrinsic limitations on sources as well as logistics associated with import of coal supplies. Needless to mention, we anticipate a gradual return , in the longer term, to power projects capacities based on domestic coal sources to increase as the imported coal projects not only contribute to significant price volatility but also suffer on account of new stipulations by respective sovereign exporting states on pricing and quantity restrictions.

Management Discussion and Analysis

Region wise peak power deficit during 2010-11

Region	Peak Demand (in MW)	Peak Met (in MW)	Surplus / Deficit	
			(in MW)	%
Northern	37,431	34,101	-3,330	-8.9%
Western	40,798	34,819	-5,979	-14.7%
Southern	33,256	31,121	-2,135	-6.4%
Eastern	13,797	13,085	-712	-5.2%
North Eastern	1,913	1,560	-353	-18.5%
All India	127,195	114,686	-12,509	-9.8%

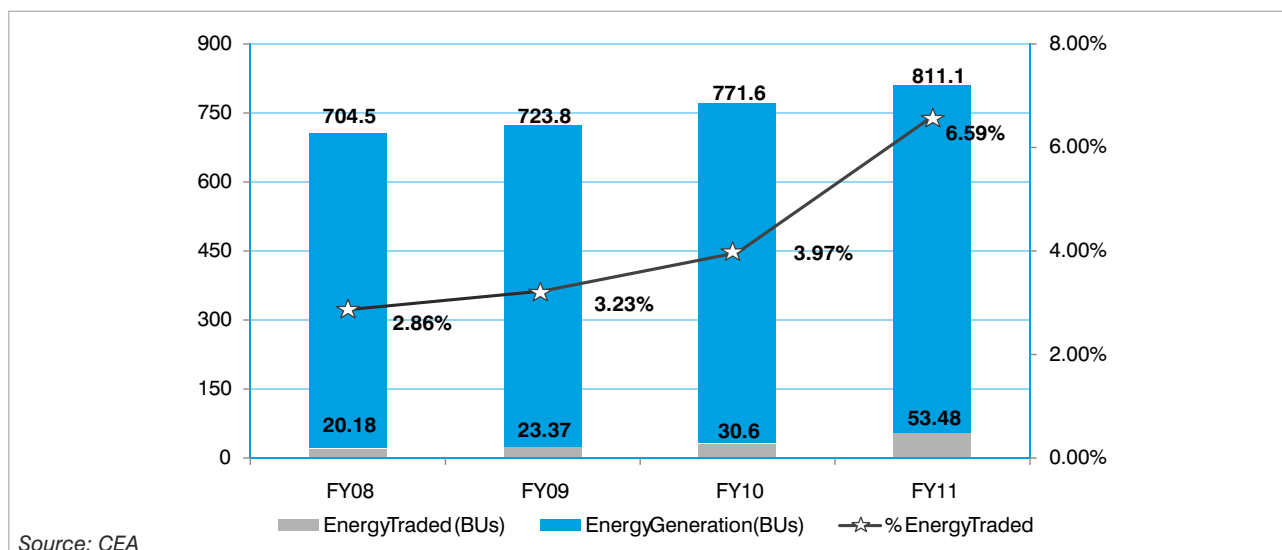
Region	Power Requirement (in MU)	Power Availability (in MU)	Power Surplus / Deficit	
			(in MU)	%
Northern	258,780	237,985	-20,795	-8.0%
Western	268,488	232,871	-35,617	-13.3%
Southern	229,904	217,981	-11,923	-5.2%
Eastern	94,558	90,526	-4,032	-4.3%
North Eastern	9,861	8,992	-869	-8.8%
All India	861,591	788,355	-73,236	-8.5%



Source: CEA

Electricity Tariffs and Short term markets

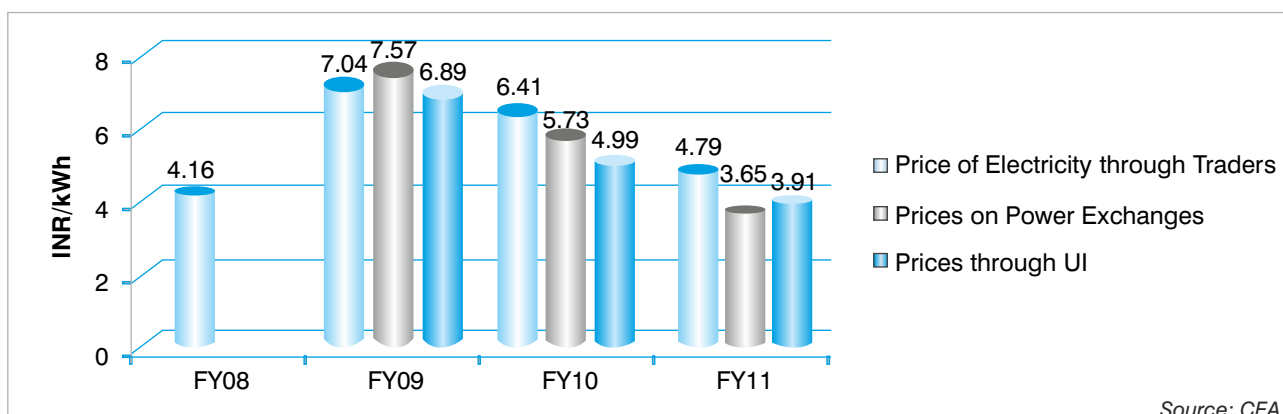
The short term markets in India, even though having a small share of the total electricity generation is on an upward trend. With the advent of good monsoons and lesser demand, the prices of the short term market have dropped significantly over the quarters.



Prices of Power through short term sale

These short term power markets in India, even though having a small share of the total electricity generation is on an upward trend. Short term power markets in India primarily consist of bilateral trades, trades through power exchanges and unscheduled interchange (primarily a settlement mechanism). During the year under review while bilateral trades accounted for 49% of the market, exchanges accounted for 17% and the balance on account of unscheduled interchange.

Management Discussion and Analysis



While the energy quantity traded has been increasing, the tariffs have witnessed significant reduction on account of slow demand growth, exceptionally good monsoons and utilities resistance to purchase at high prices and resorting to load shedding. Weighted average prices on power exchanges have experienced significant fall since June 2010 and touched all time lows of Rs 2.40 / kWh in Nov 2010, barely sufficient to recover / under recovery of the fuel costs in all new power generation assets based on Imported Coal / Natural Gas / Liquefied Natural Gas (LNG)

While it is anticipated that these prices of short term market are expected to increase in line with fuel inflation and demand growth, the relevant trend indicator could bring changes in the bilateral contract markets and lower power supplies on account of fuel shortages.

1.3 Renewable Energy

So far an excessive reliance was preferred on the use of fossil fuel resources like coal, oil and natural gas to meet the power requirement of the country which is not suitable in the long run due to limited availability of the fossil fuel as well as the adverse impact on the environment and ecology, the Company is currently concentrating on hydro power generation as the alternate base / peaking load source to thermal generation. Initiatives on wind are more likely to supplement existing thermal power plants efforts rather than pure greenfield development.

2. OPPORTUNITIES, THREATS & OUTLOOK

Regulations are evolving and paving the way for greater private sector participation. Being a highly regulated sector, not surprisingly policies and regulations are playing a pivotal role in the development of this sector. Over the years, the government has realized the importance of the private sector participation. The Electricity Act, 2003 was a turning point in the reforms process which removed the need for license for generation projects, encouraged competition through international competitive bidding, identified transmission as a separate activity and invited a wider public and private sector participation among other things.

Some of the other major reforms that have been implemented over the years include: unbundling of SEBs, tax benefits, Accelerated Power Development and Reform Program (APDRP) for distribution, permission for trading of power, etc.

Aided by the ambitious plan to add around 78 GW of additional generation capacity in the 11th plan by the year 2012, about INR 7,50,000 crore is likely to be invested in the power sector over next few years. Of this, INR 4, 80,000 crore is expected to be invested in the power generation space.

As a result, there have been a plethora of new projects announced by the private sector companies many of whom have little or no prior experience in this sector. The players in this sector face a number of challenges relating to the project execution, fuel security, power equipment capacities, infrastructure constraints, etc. As the Indian power sector is embarking on increasing the generation and transmission capacities, key challenges lie ahead which also resulted the historical under performance, in achieving target capacity additions.

Management Discussion and Analysis

3. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL EFFICIENCY

During the year under review and until date the Company had completed multiple commissioning of power projects and the aggregate installed capacity stands at 933 MW.

The operational performance for the financial year 2010-11 of each of the operational power plants is provided as under
Rs in Millions

Particulars	Arasmeta Captive (43 MW)	Sai ReGENCY (58 MW)	Sitapuram Power (43 MW)	VS Lignite Power (135 MW)	Wardha Power (270 MW)
Generation (MU)	306.85	443.85	289.19	744.15	895.73
Auxiliary (MU)	30.26	24.29	29.31	87.24	91.34
Net Generation (MU)	276.59	419.56	259.88	656.91	804.39
Plant Load Factor (%)	81%	87%	77%	63%	59%
Income					
Sales	1,036.33	1,947.54	1,079.36	2,483.13	3,850.41
Average Tariff Realization	3.78	4.64	4.26	3.81	4.24

ARASMETA CAPTIVE POWER COMPANY PRIVATE LIMITED ("ACPCPL")

Arasmeta is a coal based power plant with the capability of generating 43MW of power. The plant operating as a base load plant caters to the complete power requirements of Lafarge India. Lafarge has two cement manufacturing facilities at Arasmeta and Sonadih in Chhattisgarh, which are the primary users of power generated by the Arasmeta power plant with available surplus, if any, supplied to the local utility.

Expansion of additional 43 MW power plant, adjacent to the existing captive power plant has been set up to meet the additional energy requirements of Lafarge for the expansion of its cement plant at Sonadih and for its planned cement manufacturing facility in Chhattisgarh and surplus sale to other utilities.

SAI REGENCY POWER CORPORATION PRIVATE LIMITED ("SRPCPL")

This captive power plant is a natural gas-based combined cycle power plant with capability of generating 58 MW of power. The plant is situated in the Kalugoorani village, Ramanthapuram District, Tamil Nadu. The power generated at the plant is wheeled using the grid transmission system to the captive consumers located in the State of Tamil Nadu and surplus to the utilities.

SITAPURAM POWER LIMITED ("SPL")

This captive power plant is coal-based with capability of generating 43 MW of power. The plant is situated in Dondapadu, Andhra Pradesh. Zuari Cement Limited (ZCL) is the captive consumer of the power generated by the Sitapuram power plant and balance supplies to the utilities.

VS LIGNITE POWER PRIVATE LIMITED ("VSLP")

This power plant is a lignite based power plant with a capability of generating 135 MW of power. The power project is situated in Gurha Village, Bikaner District, Rajasthan. The plant supplies power to major industrial customers in Rajasthan and balance to local utility.

WARDHA POWER COMPANY LIMITED, WARORA ("WARDHA")

This power project is coal based with generating capacity of 540 MW comprising four units of 135 MW each. The project is situated at Warora Growth Centre, Chandrapur District, Maharashtra. The entire plant is currently operational and expected to have stabilized generation during the ensuing financial year.

Management Discussion and Analysis

WIND ENERGY INITIATIVES

During the FY11, the company has augmented its renewable energy installed generation base from 52.25 MW to 71.15 MW. The wind generation assets of 18.9 MW has been added in the state of Tamil Nadu in the current year within SRPCPL.

Construction Projects

KSK MAHANADI POWER COMPANY LIMITED - CHHATTISGARH ("KMPCL")

KSK Mahanadi is the largest power project pursued by the Group till date. It is a 3600 MW power plant being setup at Nariyara. The coal supplies are tied up from GIDC's Gare Pelma Sector III coal block and GMDC's Morga II coal block in Chhattisgarh. Insofar as Morga-II of GMDC, the policy uncertainty on account of recent stipulations by the Ministry of Environment and Forest has resulted in extensive diligence on the project progress by government of India and it is anticipated that a solution would be offered by government for alternative remedies in case forest clearance is not provided for Morga-II.

In addition to land acquisition, environment clearance and execution of Implementation Agreement with Chhattisgarh government, Power Purchase Agreement with GUVNL, EPC contracts with SEPCO of China and tie up of requisite project debt has been completed and the civil works at site have begun. Also effort on the associated water intake infrastructure, power evacuation as well as railway siding has also begun. The first two units of 600 MW are expected to get commissioned during second half of FY 2012.

J R POWER GEN PRIVATE LIMITED ("JRPGL")

KSK has signed an MOU with Government of Orissa on 9th April, 2010 to set up 1980 MW (3 X 660) power plant under JR Power Gen Private Limited at Kishorenagar near Angul District, Orissa. Coal supplies are tied up from Naini Coal Block allotted to Pondicherry Industrial Promotion Development and Investment Corporation Limited. Land procurement for the project is under way and other works are progressing.

KSK DIBBIN HYDRO POWER PRIVATE LIMITED - ARUNACHAL PRADESH ("KDHPPL")

KSK Dibbin Power Project, run-of-the-river-hydro-electric power project on the Kameng Basin, Arunachal Pradesh. After detailed studies, submission of the Detailed Project Report (DPR) a clearance has been obtained for setup of 120 MW station at the identified location. Land acquisition deposit has been paid and the bid mechanism for selection of the EPC contractor has been initiated.

Planned Projects

Continuous effort underway both in the Hydro power projects in Arunachal Pradesh & Nepal as well as other thermal power projects based on fuel secured through government collaboration to undertake preliminary development activity for accelerating their development cycle. Also, effort is currently underway on additional hydro opportunities and fuel resources for larger growth opportunities.

4. RISKS & CONCERNS THE MANAGEMENT PERCEIVE

Power generation activity, though delicensed in the Indian context, is a critical business sector in the infrastructure segment and suffers multiple risks and uncertainties.

- ④ Delays in land acquisition, permits and clearances as well large overhead of coordination with various agencies
- ④ Shortages in fuel linkages and dependence on e-auction / market based purchase / import of coal
- ④ Delay in environment permits / Forest clearances often for power plants and associated coal blocks
- ④ Disruptions in Mining plans & activities, associated transportation constraints, equipment failure and unexpected maintenance problems

Management Discussion and Analysis

- ❶ Limited availability of domestic power plant equipment and new government regulations on overseas suppliers / contractor personnel visas / work permits for execution
- ❶ Shortage of skilled manpower within Indian shore and inability to augment overseas contractors to meet planned targets
- ❶ Quality concerns of equipment and timely construction to be addressed through high cost resource supplementing, supervision and inspection
- ❶ Challenges in development of support Infrastructure
- ❶ Introduction of new levies, cess, taxes and duties by the government both with respect to power generation, mineral and all other associated business
- ❶ Safety, health and environment risks inherent to the activity of mining and power generation and associated litigation and damage claims
- ❶ Global Financial crisis and limitations in availability of capital
- ❶ Limited local Rupee Debt financing and associated volatility due to credit / liquidity scenarios as well as interest rate risks due to floating interest rate regimes
- ❶ Significant social unrest as well as agitations with respect to proposed assets, political interference and associated reversal of policy positions
- ❶ Exchange rate fluctuations and sustained appreciation of foreign currencies
- ❶ Political, legal and regulatory risks including regional instability, extremism, regional conflicts, embargoes and other forms of resistance that could disrupt all short and medium term plans and targets

The Group

The Company's main business is power generation & power project development. Its principal risks are therefore related to the Power generation and associated businesses in general, and also the particular circumstances of the specific power projects it is currently constructing or pursuing for development.

Some of the other risks faced by the Group include the following:

Power project Operations - Availability and Profitability

Given the significant capital outlay involved in the construction of a power project and all due care being exercised to tie-up requisite raw materials and other variables, often there are surprises on the ground. Also certain factors such as off taker load requirements, fuel quality and grid constraints etc could curtail the generation potential.

Implication

These could significantly alter actual performance vis-à-vis the Target. Further, continuous non availability of fuel could lead to claims from off takers as well as rigidities of PPA mechanism could expose to fuel price and financing cost volatilities and significant impact on EBIDTA, Profitability and Cash Flows.

Mitigation

- ❶ The Group has a dedicated operations team to ensure maximum availability for continuous base load operations
- ❶ New generation technologies, skilled man power / expert O&M contractors' staff to ensure periodic maintenance and trouble shooting responsibilities
- ❶ Adequate spares as well as continuous effort to localize spares procurement
- ❶ Dedicated fuel tie-ups wherever possible as well as rupee financing and foreign currency financing to leverage arbitrage opportunities

Management Discussion and Analysis

- 📍 Fuel tie-up strategy, timely access to fuel and keeping seasonality factors
- 📍 Industrial off take for robust sales arrangements along with power sales to utilities

Government Policy and Regulations:

Though the Electricity Act 2003 and subsequent policy initiatives to promote independent power generation by private players are progressive, often the disjointed approaches of the individual ministries / departments of the government and the myopic regulations by the government / local regulators create uncertainties in the operating environment.

Implication

The Company's construction and operations activities are regulated by multiple permits and clearances, regulations including environment norms, which are continuously evolving or being modified. The failure to obtain or comply with the same would prevent the Group from achieving its growth targets and could lead to financial losses, damages and claims

Mitigation

- 📍 The need for necessary permits and the evolving landscape are assessed in detail before decisions made with respect to the project opportunities
- 📍 Close hands on monitoring by the management team of - the business regulatory requirements, compliances thereto and periodic review of status there of
- 📍 Ability to anticipate governmental policy changes or ad-hoc prescriptions are beyond the control of management. However, KSK continues to have a positive, healthy and working engagement with various stakeholders to pro-actively prepare and address new regulations for timely clearances and corrective action

Project Execution - Time and Costs

The Company is dependent on various third party contractors to fulfill their contractual obligations and achieve timely completion of the power project construction. Some times third party actions / decisions could hold up performance of certain parties and hence inability to contain cost escalations.

Implication

Project execution delays not only increase the cost of project execution but put significant strain on company resources - financial, manpower and others often resulting significant loss of opportunity, higher financing costs and other losses

Mitigation

- 📍 Close monitoring of the project teams through Project management Group and active contractor engagement to address issues
- 📍 Risk of over runs mitigated through turnkey EPC contracts of Lump sum Turnkey basis for major part of the project scope
- 📍 Key concerns addressed through periodic review meeting of top management teams - at site and head offices
- 📍 Hands on stake holder engagement to iron out policy inconsistencies, bureaucratic lethargy and red tape

Ability to retain Fiscal / tax incentives

The Company is dependent on various fiscal and tax incentives involved with power generation activity

Implication

Any ad-hoc policy changes, stringent infeasible criteria, reversal of government policy may lead to enhanced project costs, unviable debt levels and / or sponsor equity specifications. Also investor returns could be significantly alter on account of such changes

Management Discussion and Analysis

Mitigation

- 📍 Close monitoring of the various incentive regimes and ensuring timely adherence to specifications / norms where timelines are of essence
- 📍 Representation to respective ministries / resort to legal remedies
- 📍 Continuously monitor impact and wherever agreed and applicable pass on the same through tariff mechanism to power consumers

Timely access to Fuel- vital raw material

The Company is dependant on coal supplies to operate its various facilities. In certain instances it is dependent on supply of Gas, Lignite, Furnace oil / Lubricants to successfully operate its facilities.

Implication

Any mismatches in identification, development, contracting, transportation and supplies of fuel to the power plant would lead to immense financial losses and lost generation opportunity.

Mitigation

- 📍 Develop alternate markets for fuel sourcing , preferably domestic before looking abroad
- 📍 Highly skilled manpower to develop and operate captive mines, wherever dedicated fuel blocks are available
- 📍 Align consumption and storage practices in line with preferences and economics of third party suppliers / service providers / logistics providers
- 📍 Additional investment, wherever required on own infrastructure to support off take points

Customer concentration - Asset specific customer base

The Company is dependant on small number of customers to supply its output and derive its revenue and profitability

Implication

Since Power Purchase Agreements (PPAs) are the fundamental basis of the off take arrangements and often signed ahead of the time, before project construction completion, and hence are based on certain underlying assumptions and principles with respect to project. If counter parties don't perform contractual obligations or chose to engage in continuous litigation, it puts tremendous strain on the company resources, cash flows and the operating cycles.

Mitigation

- 📍 Attempt to capture appropriate language remedies for PPA administration and continuous customer interactions for mutual problem addressal
- 📍 Resort to arbitral / judicial remedies wherever contractual non performance or significant overdue positions getting built
- 📍 Seek performance securities and regulatory directions for enforcement of contractual obligations

Funding Requirements - Incremental capital expenditure and Future Growth

The Company operates in capital intensive industry and has significant financing requirements.

Implication

This requires continuous access to various capital providers of debt and equity from a spectrum of banks, insurance companies, financial insurance, pension funds, and capital markets. Further timely servicing of interest / returns provide basis for future funding.

Management Discussion and Analysis

Mitigation

- ④ The Company attempts to maintain a healthy liquidity position through a combination of financing and internal cash accruals from operating projects
- ④ The company also maintains, at respective operating companies, working capital facilities from local banks and negotiated positions for seamless rollover whenever they expire, unless exceptional circumstances
- ④ The company attempts to respond to ongoing obligations from the operating cash flows from the business operations and any specific facilities from banks / institutions availed from time to time
- ④ Further banking covenants are monitored to ensure repayment schedules in line with anticipated cash flows and moratorium for reserve build up

Local Stakeholder Management - Sustainable Progress

The Company operates multiple power projects in various locations, each with its own set of circumstances, challenges, cultures and local activism levels.

Implication

Since all projects are in remote locations, often closer to potential fuel sources, each of the project sites is faced with unique challenges on local people expectation, community and political under currents, environmental and other activism. Also concerns of local residents about health, safety, pollution and other hazards.

Mitigation

- ④ The Company management emphasis on active stake holder engagement at least 6-12 months prior to project initiation, corporate social responsibility initiatives and continual consultation and engagement programs
- ④ Formal policy on health and safety accompanied by regular review
- ④ Equipments to monitor emissions from plants and compliances
- ④ Working with local communities, leaders for review of challenges and solutions to address the same

Fluctuation in Foreign exchange rates and compliance to new standards

The Company operates in an environment wherein certain part of the capital equipment and certain specific raw material procured in foreign exchange, while all revenue are in Indian Rupees.

Implication

The Company's majority of revenue and costs are incurred in Indian Rupees. Also the currency protections in certain contracts provide additional uncertainty to the cost or profit estimates.

Mitigation

- ④ Wherever applicable enter into forward contracts / appropriate hedge mechanism initiated at appropriate times
- ④ Formal policies on currency volatility being formulated for implementation
- ④ Monitoring standard evolution and structure contracts for complience and minimal variations

5. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Internal Controls Systems are implemented:

- ④ To safeguard the Company's assets from loss or damage
- ④ To keep constant check on cost structure
- ④ To provide adequate financial and accounting controls and implement accounting standards

Management Discussion and Analysis

The system is improved and modified continuously to meet with changes in business conditions, statutory and accounting requirements. Internal controls are adequately supported by Internal Audit Department and periodic review by Management. The Audit Committee meets periodically :

- 🔗 With the management and statutory auditors to review financial statements
- 🔗 With the internal auditors to review adequacy/scope of internal audit function, significant findings of any abnormal nature.

6. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Human Resources continue to be one of the major focus areas of the Company. During FY 10-11 a net addition of manpower at the group was 449 people, taking the manpower strength above 1200 levels. Resource optimization and talent management would be the major thrust areas of the Company moving forward. To manage the talent pool, Company has initiated various HR efforts to supplement the organization's effort of ambitious business growth.

Envisaging the manpower increase in large number in the coming year and identifying the importance of HR focus on talent management, Company has strategized various HR initiatives like Competency Mapping & Assessment, Leadership Pipeline development and Succession Planning, Compensation & Benefits study and other initiatives of critical importance.

7. CORPORATE SUSTAINABILITY INITIATIVES

Promoting Community Leadership along with opportunities of setting up and operating power plants across various locations in 6 Indian states has been an essential ingredient of company's growth. The group believes in sustainability being the core of any community and all initiatives to primarily focus on development of the neighboring communities. The thrust areas continue to be Education, Health, Socio-Economic Empowerment, Infrastructure Development and Cultural & Social Contribution.

It has been the group's experience that as we move towards larger scale of power generation projects, these sustainability initiatives cannot be looked from the narrow myopic view as a necessary social license to operate but more grand, integral and wholesome philosophy that brings dignity to human life and enables a rounded and sustained effort to build healthy and sustainable communities wherever the business activities are pursued. Below are highlights of our some of the sustainability initiatives in the thrust areas.

KSK is deeply committed to being a good and responsible corporate citizen by being a proactive, integral and responsible member of the community and the environment in which it operates. KSK brings about transformation in the quality of life of people living in and around the operation areas of the company through positive intervention in social up-liftment programs. The company is equally concerned about the environment and is committed towards restoring nature's balance by maintaining a clean and green environment.

The group's sustainability initiatives towards community are essentially focused on five thrust areas; Education, Health, Socio-Economic Empowerment, Infrastructure Development and Cultural & Social Contribution

Promoting Quality Education

Our approach to the issues in education focuses on addressing the critical issues of; quality, access, equity in access, infrastructure and bridging the urban-rural disparity in vocational training.

Quality: During the period, 23 additional teachers are supported by KSK in Govt. schools of our neighboring communities in 3 locations

Access: During the period, one primary public school has been constructed in Maharashtra. KSK has also provided a school bus facility to 207 children to be able to help them attend secondary and higher education.

Management Discussion and Analysis

Equity in Access: In the period, 35 merit scholarships at school level, 28 scholarships to pursue Engineering and Polytechnic and Fee reimbursement for 5 students pursuing Medical & Mgmt studies have been provided for the children from our neighboring community. Besides scholarships, we have also provided other physical resources such as 15,000 LED study lamps, 1,026 school bags and sports material to 10 schools in the operational area.

Infrastructure: We are committed to providing child friendly environment at our neighboring schools, as a first step towards provided necessary infrastructural facilities in 5 schools.

Vocational Training: We understand the huge gap existing between education and employability of the youth in our neighborhood communities and also realize the potential of vocational training in the growing economy. KSK has established one ITI centre in Chhattisgarh and supported 187 ITI students through fee reimbursement initiative.

Building Healthier Communities

India today faces the problem of massive inequities in access to health care, in a predominantly urban based health care setting which has off late been dominated by growing large private sector.

Alarming, the proportion of people who are unable to access any form of health treatment due to inability to pay is quite large and increasing. KSK has two models of health care delivery for its neighboring communities. While mobile clinic model provides preventive services at the door step of the client, mega camp model seeks to address major health concerns of the community. Through mobile clinic, 306 camps have been organized, reaching out to 9,627 patients in the period and 3 mega eye camps have been conducted treating 303 patient.

Facilitating Socio-economic empowerment

We believe that economic empowerment of our communities alone can help us ensure sustainability of the development that we undertake.

Under economic empowerment, in period, we organized training in tailoring for 58 adolescent girls and women.

Veterinary camps conducted Seed distribution and training programmes were organized for farmers and entrepreneurship initiative support to local youth.

We are committed to encouraging recruitment from project affected families in all our sites and have so far recruited 2500 locals in 6 project locations.

Developing rural infrastructure

We believe that developing infrastructure is essential for sustaining and multiplying growth of the society.

We are also committed to developing infrastructural facilities such as roads, sanitation facilities, drinking water facilities and others that improve community's access to basic services and livelihood opportunities.

In 2010-11, KSK has taken up pond deepening works in 10 locations and one canal cleaning done for better water conservation. Drinking water facilities have significantly improved by installing 32 hand pumps and repairing 34 defunct pumps. We have also contributed to rural electrification by fixing 34 street lights and electric poles and improved rural connectivity by laying 24 approach roads. Community toilets were provided for 3 villages and one community hall constructed for common use.

During the year, landscaping was carried out in 5 locations, besides planting 6000 plants and reached out to 7 villages in midsummer through water tankers and by constructing one water tank.

Fostering cultural and social contributions

KSK now operates across 8 locations in 6 states and proactively seeks to deepen its communication with local communities. Given the cultural diversity of India, it is essential for us to respect and adhere to the cultures and traditions of each community we work with.

Management Discussion and Analysis

Building relationship for us is sharing and being part of the joys and sorrows of our communities. Thus we support village festivals, religious celebrations, sports & games events, besides extending helping hand in the hour of natural calamities, emergencies etc.

Other initiatives

- Maintenance of Sitapuram temple
- Donation of blankets to the elderly during peak winter in the north India
- Sponsorship of sports events
- Donation to village festivals & religious celebrations in multiple communities during the year
- Bus passes to children with disabilities

The Company would continue to proactively promote the public interest by encouraging community growth and development and voluntarily support initiatives of wider Community Leadership through promotional campaigns of their inspirational work in visual and electronic media.

8. INFORMATION TECHNOLOGY AND SYSTEMS

The Company has focused to keep Information Systems on continuous development towards expansion and integration of infrastructure for long term use, centralized data management and monitoring on secured manner, identifying the company needs and Employees collaboration towards I.T facility, maintaining the System healthiness for 24/7 service, tied-up with various software vendors to use licensed copies of the software products with compliance as per the corporate policy.

During the year under review, amongst others, the group has implemented software for Raw Material and Stores management at select locations, Disaster Recovery Centre for all the required Hardware, Internet Connection and Base Software as a part of Data security and backup, Remote Plant Monitoring System to access on line data from one of the power plants and web based online Performance Management System Software.

9. FINANCIAL PERFORMANCE

Consolidated Financials

The Consolidated financial statements of KSK Energy Ventures Limited and its subsidiaries ("the Group" or "the Company") are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India.

Revenues

Sales and other operating income

(Rs. Million)				
Particulars	2010-11	% of total revenue	2009-10	% of total revenue
Sales and operating income	11,435.51	99%	4,922.26	89%
Other Income	157.13	1%	636.49	11%
Total	11,592.64	100%	5,558.75	100%

Management Discussion and Analysis

The total sales and operating income have increased by 132% from Rs 4,922 million for the year ended 31 March 2010 to Rs 11,436 million for the year ended 31 March 2011. The inter se distribution of the sales and operating income is as follows:

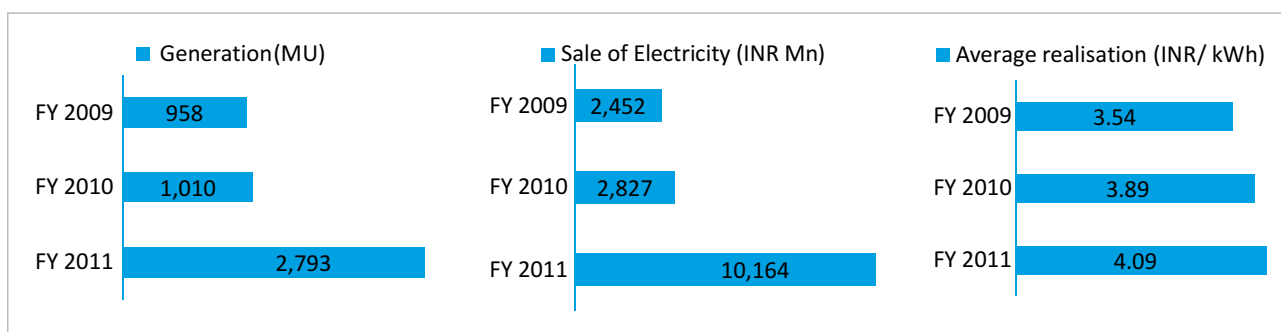
(Rs. Million)				
Particulars	2010-11	% of total revenue	2009-10	% of total revenue
Income from sale of energy	10,163.63	88.88%	2,827.02	57.43%
Project development fees (PDF)	795.48	6.96%	1,603.06	32.57%
Corporate support services	2.19	0.02%	2.19	0.04%
Other Operating Income	474.21	4.14%	489.99	9.96%
Total	11,435.51	100.00%	4,922.26	100.00%

Income from sale of energy is primarily from the multiple subsidiaries of the Company with a small minor quantity from the wind assets.

Project development activities primarily represent the fees charged by KSK on the achievement of development and construction milestones of the projects under development. We have experienced decrease from INR 1603.06 million during the year ended March 2010 to INR 795.48 million reflecting the maturity of the asset portfolio towards construction and operating assets. Project development fees are expected to be far lesser in the coming years and income from sale of energy would be in the mainstay and dominant mix of revenue and profitability henceforth.

Income from sale of energy

Sale of energy, registered a growth of 260% primarily on account of operation of two subsidiaries, namely, VS Lignite Power Private Limited ("VSLP") and Wardha Power Company Limited ("WPCL") which have contributed to INR 2439.08 million and INR 3,850.41 million respectively during the year ended March 2011. The other operational plants also experienced an increase of 38% (from INR 2,782.97million during the year ended March 2010 to INR 3,830.09 during the year ended March 2011) primarily on account of increased generation as well as additional power generated from wind sources.



Other Income

Decreased by 75% to Rs 157.13 million for the current year as compared to Rs 636.49 million for the previous year as outlined below:

(Rs. Millions)		
Particulars	2010-11	2009-10
Interest income	80.03	279.81
Profit on sale of investments	0.78	219.91
Foreign Exchange gain, net	20.02	0.05
Other miscellaneous income	56.30	136.72
Total	157.13	636.49

Management Discussion and Analysis

Decrease in interest income on account of deployment of capital in the projects, profit on sale of investments during 2009-10 which mainly represents sale of short term investments in Gujarat Mineral Development Corporation (GMDC) and Bank of India (BOI) and Foreign exchange gain represents the gain on restatement/settlement of foreign currency loan

Expenditure

Generation and operating expenses

(Rs. Millions)		
Particulars	2010-11	2009-10
Consumption of raw material	4,232.27	1,209.00
Other generation expenditure	824.46	213.47
Total	5,056.73	1,422.47

On account of commissioning of VLSP and Wardha the total no of units generated has increased by 177% to 2,793 million units (FY 2010: 1,010 million units) on a Consolidated basis. However, the total of generation and operating expenses indicated an increase of 255% to 5,056.73 million (FY 2010: 1,422.47 million). A significant portion of the increase in the costs of revenues is largely on account of the costs of revenue attributable to VSLP and WPCL amounting to 3,273.17 million.

Administration and other expenses

On a Consolidated basis, the administration and other expenses have registered an increase of 87% over the previous year from Rs 441.53 million in 2009-10 to Rs 824.20 million in 2010-11. The broad break up of the administration and other expenses is as follows:

(Rs. Millions)		
Particulars	2010-11	2009-10
Personnel cost	288.96	119.98
Administration expenses	535.24	321.55
Total	824.20	441.53

General and administrative expenses have experienced an upward trend mainly on account of further capacity addition, requirement to increase the operating base of manpower, infrastructure to handle future growth and rebate given to customers for prompt payment.

Interest and finance charges

The gross interest and finance charges on Consolidated basis before capitalization increased to Rs 7,277.45 million in 2010-11 from Rs 5,126.28 million in 2009-10. The Company mobilized additional average borrowings of Rs 24,047.63 million during the 2010-11 to finance its capital expenditure and working capital requirements resulting in increased interest expense at Rs 2,151.17 million.

The breakup of interest and finance charges for the current year and previous year are as follows:

(Rs. Millions)		
Particulars	2010-11	2009-10
Interest of fixed period loans	4,405.63	3,068.92
Interest on other loans	2,373.70	828.88
Finance and other charges	498.13	1,228.48
	7,277.45	5,126.28
Less: Transferred to CWIP	4,716.90	3,879.90
Total	2,560.55	1,246.38

Taxes

The tax provided on Consolidated basis amounted to Rs. (352.32) millions (including MAT credit of Rs. 192.81 millions) for 2010-11 against of Rs. 275.93 millions for 2009-10. The main reason for decrease in tax expenses is on account of deferred tax asset on carry forward of losses in WPCL. The Group made effective use of various tax benefits available and such benefits have resulted in lower effective tax rate in some of our major operating subsidiaries.

Management Discussion and Analysis

Earnings per share (EPS)

The EPS during the year under consideration is slightly lower at Rs 4.75 as against of the previous year of Rs 4.92 which is mainly due to reduced attributable profit for the year.

Business Segment Analysis

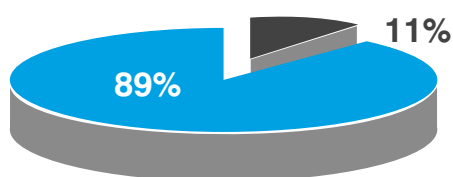
For detailed description of the Company's business segment, refer to note 13 of Schedule 21

The summary of relative distribution of the revenues among the segments is as under:

Segment	2011		2010		% change
	Rs (Million)	% of total	Rs (Million)	% of total	
Project development	1,271.88	11%	2,095.24	43%	(39%)
Power generation	10,163.63	89%	2,827.02	57%	260%

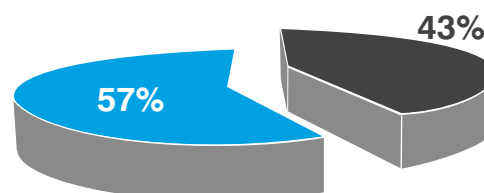
Segment Revenue - 2011

■ Project development ■ Power generation



Segment Revenue - 2010

■ Project development ■ Power generation



The summary of relative distribution of profit before interest and tax (PBIT) among the segments is as under:

Segment	2011		2010		% change
	Rs (Million)	% of total	Rs (Million)	% of total	
Project development	1,106.57	26%	1,847.93	66%	(40%)
Power generation	3,224.20	74%	950.60	34%	239%

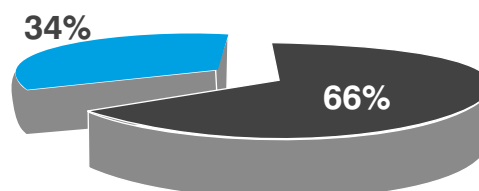
Segment PBIT - 2011

■ Project development ■ Power generation



Segment PBIT - 2010

■ Project development ■ Power generation



Project Development

The segment revenue and segment PBIT for the project development has decreased by 39% and 40% respectively over the previous year, mainly on account of substantial part of the development activity of 4600+ MW of power plants have been completed during 2009-10. Project Development Fee is expected to be far lesser in the coming years and income from sale of energy would be in the mainstay and dominant mix of revenue mix and profitability henceforth.

Management Discussion and Analysis

Power generation

The segment revenue and segment results for the power generation segment has recorded a significant growth of 260% and 239% respectively over the previous year, mainly on account of increased operations in terms of generation of 2,793 million Kwh in 2011 as compared to 1,010 million Kwh in 2010 and increase in average tariff realization from Rs 3.89 per Kwh to Rs 4.09 per Kwh in 2011.

10. RISK MANAGEMENT

Implementation and review of the risk management initiatives are periodically reported to the Board, which helps in identification of new risk areas, their impact on the business of the Company and to initiate risk mitigation strategies, as may be necessary well in advance to reduce the impact of the risk in our business process.

The regulatory mechanism for power generation plants with potential supplies to utilities continues to be challenging with policy incongruities and policy conflicts between state and central governments. Further, the recent artificial crowd out of the PPA market by NTPC between Oct 2010- Jan 2011 has created additional difficulties on utility procurement markets. Also, the much anticipated improved credit profiles of distribution utilities and improved balance sheets has not actualized and hence the associated risks of utility supplies continue unaddressed on various power plants across the country.

Most important, the continual shortfall of coal production by coal India and associated fuel shortages increase the risk of non availability of fuel and associated risk of potential stranded assets.

However the Company is continuously working on appropriate fuel supply as well as power supply obligations that would leave only little scope for volatility. Further, in so far as the larger assets are concerned, the effort of tie up for coal through appropriate cost plus / government dispensation coal blocks to minimize the risk of higher generation cost continues. We anticipate that the current policy uncertainty on "Go / No-Go" categorization by the Ministry of Environment & Forest to be suitably resolved and achieve fuel certainty for the larger power project under construction during the current year.

11. CAUTIONARY STATEMENT

Certain Statements in this Management Discussion and Analysis describing the Company's business, plans estimates and expectations, numerical or otherwise, may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include economic conditions, government permission, significant changes in political and regulatory environment in India, tax laws, litigation, labour relations and interest costs amongst others.

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company is firmly committed to fulfill the objective of good Corporate Governance. Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability in all facets of its operations and in its interactions with its stake holders including shareholders, employees, the Government and the lenders.

2. BOARD OF DIRECTORS

Composition and Category of Directors

As on March 31, 2011, the Board of the Company consists of 10 Directors. The Company has an optimum combination of Executive and Non – Executive Directors. The Board comprises of eight Non – Executive Directors and two Executive / Whole-time Directors.

Attendance of each Director at the Board Meetings, last Annual General Meeting & Number of other Directorships and chairmanship / membership of committee of each Director in various Companies is as follows:

Name of the Director & Category	Attendance Particulars		No. of other Directorships		*Committee Membership	*Committee Chairmanship
	Board Meetings	Last AGM	Public	Others#		
Mr. T. L. Sankar Chairman / Independent Director	4	Yes	1	5	1	3
Mr. S. R. Iyer Independent Director	4	Yes	4	5	5	7
Mr. Abhay M Nalawade@ Independent Director	4	No	1	5	1	-
Mr. Girish N Kulkarni Independent Director	3	No	2	9	-	-
Mr. Henry Klein@ Non-Executive Director	2	No	-	7	-	-
Mr. Anil Kumar Kutty Non-Executive Director	2	No	1	4	1	-
Mr. Tanmay Das Non-Executive Director	4	Yes	-	14	-	-
Mr. K. Bapi Raju Non-Executive Director	4	No	1	7	-	-
Mr. K.A. Sastry Whole-time Director / Promoter Director	4	Yes	4	24	3	3
Mr. S. Kishore Whole-time Director / Promoter Director	4	Yes	4	24	6	1

@ Mr. Abhay M Nalawade has resigned as Director w.e.f., August 12, 2011
Mr. Henry Klein has resigned as Director w.e.f., June 30, 2011

Report on Corporate Governance

Other Directorships include Directorships in Foreign Companies, Private Limited Companies and Companies under Section 25 of the Companies Act, 1956.

* Membership / Chairmanship in Audit & Shareholders/Investors Grievance Committees of all public limited companies whether listed or not including KSK Energy Ventures Limited are considered. Foreign companies, private limited companies and companies under Section 25 of the Companies Act, 1956 have been excluded.

Number of Board Meetings:

The Board of KSK Energy Ventures Limited met four times during the financial year under review on the following dates: May 29, 2010; August 7, 2010; October 30, 2010 and February 12, 2011.

The maximum time gap between any two meetings did not exceed four months.

Committees of the Board:

The Committees appointed by the Board focus on specific areas and make informed decisions within the authority delegated. Each Committee of the Board is guided by its Charter, which defines the composition, scope and powers of the Committee.

The Committees also make specific recommendations to the Board on various matters from time to time. All observations, recommendations and decisions of the Committees are placed before the Board for information or for approval.

The Company has four Board-level Committees namely:

- Audit Committee
- Shareholders/Investors Grievance Committee
- Remuneration Committee
- Finance and Authorisation Committee

3. AUDIT COMMITTEE

The management is responsible for the Company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audit of the Company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audit. The Board of Directors has entrusted the Audit Committee to supervise these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial reporting.

The terms of reference, role and scope of the Audit Committee are in line with those prescribed by Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee are as follows:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;

Report on Corporate Governance

- c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
 6. Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
 7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. Discussion with internal auditors, any significant findings and follow up thereon.
 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularities or a failure of internal control systems of a material nature and reporting the matter to the Board.
 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 11. To look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
 12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
 13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Composition, meetings and attendance particulars of the Audit Committee during the year is as follows:

The Audit Committee met four times during the year on: May 29, 2010; August 7, 2010; October 25, 2010 and February 12, 2011.

Sl. No	Name of the Director	Category	No. of Meetings attended
1	Mr. S.R. Iyer	Chairman	4
2	Mr. T.L. Sankar	Member	4
3	Mr. Abhay M. Nalawade@	Member	4
4	Mr. Girish N. Kulkarni	Member	2

@ Mr. Abhay M Nalawade has resigned as Director w.e.f., August 12, 2011

4. REMUNERATION COMMITTEE

Terms of reference:

The Remuneration Committee is responsible to determine on behalf of the Board and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

Composition:

Remuneration Committee consists of Non-Executive independent Directors viz. Mr. T. L. Sankar, Mr. S. R. Iyer and Mr. Girish N. Kulkarni*. Mr. T.L. Sankar is the Chairman of the Committee.

Attendance during the year:

During the year, no meetings of the Remuneration Committee were held.

* Appointed in place of Mr. Abhay M. Nalawade effective from August 12, 2011

Report on Corporate Governance

Remuneration Policy:

Whole-time Directors are appointed by shareholder's resolution. No severance fees is payable to the Whole-time Directors. All components of remuneration to the Whole-time Directors are fixed in line with the Company's policies.

The remuneration for the Whole-time Directors is recommended by the Remuneration Committee to the Board for consideration.

The independent directors receive sitting fee for attending meetings of the Board and Audit Committee. The remuneration paid to the Directors during the year under review was in conformity with the applicable provisions of the Companies Act, 1956, duly considered and approved by the Board and the shareholders.

The appointment of Whole-time Directors is governed by resolutions passed by the Board of Directors, Members of the Company and the Service Agreements entered into by the Company with the Whole-time Directors, which cover the terms and conditions of such appointment read with the service rules of the Company. The notice period for Whole-time Directors is six months as per the Service Agreements.

The Company has no stock option scheme and hence no stock options have been granted to the Directors.

Details of Remuneration paid to Directors for the year ended March 31, 2011:

(Amount in Rs.)

Name of the Director	Sitting Fees	Salary	Perquisites	Commission	Total
Mr. T. L. Sankar	160,000	-	-	-	160,000
Mr. S. R. Iyer	160,000	-	-	-	160,000
Mr. Abhay M Nalawade	160,000	-	-	-	160,000
Mr. Girish N Kulkarni	100,000	-	-	-	100,000
Mr. Henry Klein	-	-	-	-	-
Mr. Anil Kumar Kutty	-	-	-	-	-
Mr. Tanmay Das	-	-	-	-	-
Mr. K. Bapi Raju	-	1,342,980	-	-	1,342,980
Mr. K.A. Sastry	-	9,000,000	-	-	9,000,000
Mr. S.Kishore	-	9,000,000	-	-	9,000,000

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders' Grievance Committee is empowered to perform all the functions of the Board in relation to handling of Shareholder's Grievances. It primarily focuses on:

- Review of investor complaints and their redressal;
- Review of the queries received from investors;
- Review of the work done by Share Transfer Agent; and
- Review of corporate actions related work.

The Shareholders' Grievance Committee consists of three Directors. The Chairman of the Committee is a Non-executive Independent Director. The Committee met four times during the year on May 29, 2010; August 7, 2010; October 30, 2010 and February 12, 2011.

Composition of the Shareholders/Investors Grievance Committee as on March 31, 2011 and attendance record during the year 2010-11 is as follows:

Name of the Director	Category	No. of Meetings attended
Mr. T.L. Sankar	Chairman	4
Mr. K.A. Sastry	Member	4
Mr. S. Kishore	Member	4

Report on Corporate Governance

The Company Secretary, Mr. M.S. Phani Sekhar has been designated as Compliance Officer of the Company in compliance with the Listing Agreement with the Stock Exchanges.

The status of investor complaints received during the year is as follows:

Description	Received	Resolved	Pending
Non receipt of electronic credits	Nil	Nil	Nil
Non receipt of refund order	Nil	Nil	Nil
TOTAL	Nil	Nil	Nil

6. GENERAL BODY MEETINGS

(i & ii) Location, date, time of Annual General Meetings (AGM) held during last 3 Years and the details of special resolutions passed in the previous three AGMs are as under:

Financial Year	Date and time of AGM	Location	Details of Special Resolutions passed
2007-08	May 10, 2008 4.00 P.M.	8-2-293/82/A/431/A Road No. 22, Jubilee Hills, Hyderabad - 500 033.	One Special Resolution under Section 31 for alteration of Article 53(2) of the Articles of Association regarding payment of sitting fee to Non-executive Directors was passed
2008-09	July 27, 2009 11.00 A.M.	KLN Prasad Auditorium, FAPCCI, Federation House, 11-6-841, Red Hills, Hyderabad - 500 004.	One Special Resolution under section 81(1A) for Issue of securities through ADR / GDR / FCCB or any other permitted securities / instruments was passed.
2009-10	September 6, 2010 11.00 A.M.	NIFT Auditorium, National Institute of Fashion Technology, Opp. Hi-tech City, Madhapur, Cyberabad, Hyderabad - 500 081.	No Special Resolution passed

(iii) Details of voting pattern for the special resolutions passed through Postal Ballot during the year:

No special resolution was passed through postal ballot during the year 2010 - 11

None of the items to be passed at the ensuing Annual General Meeting is required to be passed through Postal Ballot.

7. DISCLOSURES:

- There were no materially significant related party transactions that may have potential conflict with the interests of the Company at large. The details of transactions with related parties are placed before the Audit Committee and the Committee has reviewed the same for the year ended March 31, 2011. The details of related party transactions are disclosed in Note 10 Schedule 19 to the Accounts in the Annual Report.
- There was no incidence of non-compliance during the last three years by the Company on any matter related to Capital Market. There were no penalties imposed nor strictures passed on the Company by Stock Exchange, SEBI or any statutory authority.
- The Board has not yet deliberated the matter relating to whistle blower policy. No personnel have been denied access to the Audit Committee.

Report on Corporate Governance

- iv) The Company has complied with all the mandatory requirements of Clause 49. Non-mandatory requirements except for Remuneration Committee have not been adopted and are being reviewed for implementation.

8. MEANS OF COMMUNICATION

The quarterly results are normally published in all India editions of Business Line, Business Standard (national daily) and Andhra Prabha (regional newspaper). Further the quarterly financial results/shareholding patterns, official news releases are posted on Company's website: www.ksk.co.in.

9. GENERAL SHAREHOLDER INFORMATION

- (a) Annual General Meeting Date and time : Saturday, September 17, 2011 at 11.00 A.M.
 Venue : NIFT Auditorium, National Institute of Fashion Technology, Opp. Hi-tech City, Madhapur, Cyberabad, Hyderabad - 500 081
- (b) Financial Year Calendar (Tentative)
 Results for the quarter ending June 30, 2011 : Second week of August, 2011
 Results for the quarter ending September 30, 2011 : Second week of November, 2011
 Results for the quarter ending December 31, 2011 : Second week of February, 2012
 Results for the quarter & year ending March 31, 2012 : Mid / Last week of May, 2012
- (C) Book Closure date : Saturday, September 10, 2011 to Saturday, September 17, 2011 (both days inclusive)

(d) Listing on Stock Exchanges with Stock Code

Name and Address of the Stock Exchange	Scrip Code / Trading Symbol
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	532997
National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051.	KSK

Listing fee for the year 2011-12 has been paid to all the Stock Exchanges where the Company's shares are listed.

ISIN Code for Demat: The ISIN allotted to the Company is INE143H01015

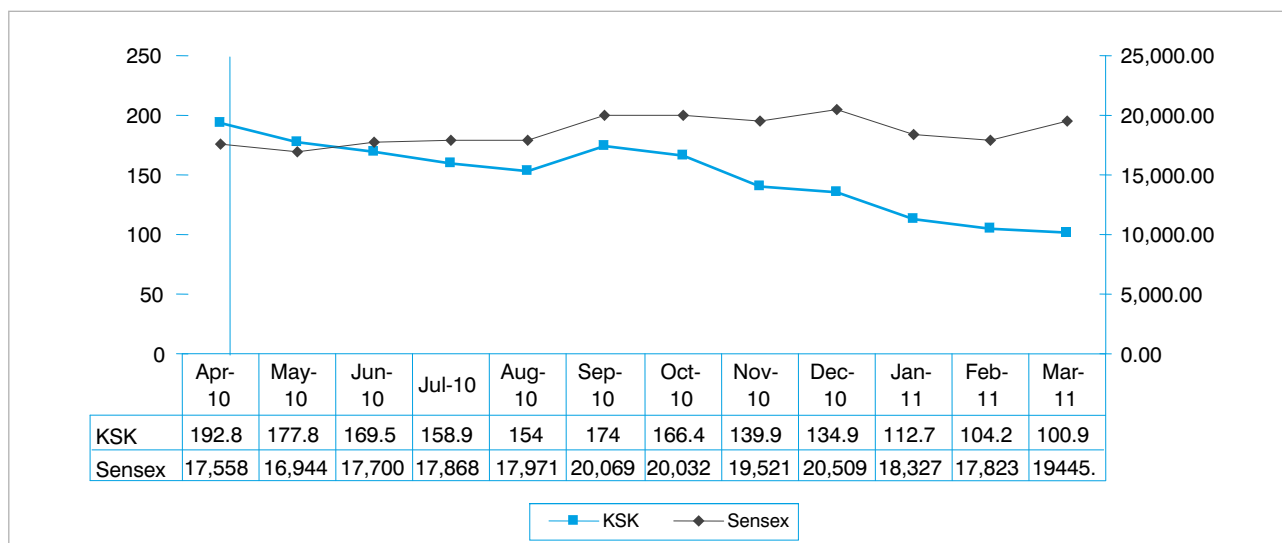
(e) Market Information:

- (i) Market Price Data: High, low during each month and trading volumes of the Company's Equity shares during the last financial year at NSE and BSE are given below.

MONTH	NSE			BSE		
	High	Low	Volume	High	Low	Volume
April, 2010	203.90	184.15	59,24,691	204.50	184.50	31,47,942
May, 2010	206.70	173.00	29,53,470	206.50	173.50	13,65,060
June, 2010	182.30	160.35	29,41,407	182.45	162.30	9,62,558
July, 2010	174.70	150.95	13,56,294	175.80	155.50	11,99,258
August, 2010	192.70	153.00	65,32,192	174.45	153.30	39,23,577
September, 2010	186.90	153.10	1,03,50,995	188.80	154.00	44,78,248
October, 2010	186.85	135.35	38,36,141	186.70	155.90	21,08,501
November, 2010	170.90	135.00	22,46,364	170.90	133.00	9,46,809
December, 2010	153.80	124.55	12,92,913	152.60	122.95	6,47,708
January, 2011	136.70	100.05	55,84,374	136.95	104.00	1,05,51,052
February, 2011	118.55	101.50	39,30,985	118.80	103.15	5,93,292
March, 2011	111.70	97.10	23,30,462	111.50	98.50	13,50,374

Report on Corporate Governance

(ii) Performance of share price of the Company in comparison to the BSE



- (f) **Registrar and Transfer Agents** : Karvy Computershare Private Limited
 (Share transfer and Communication regarding shares, refund orders, and dividends etc)
 Plot No. 17-24, Vittal Rao Nagar,
 Madhapur, Hyderabad - 500 081.
 Ph: 040-23420815-28
 Fax: 040-23420814
 Email: einward.ris@karvy.com

Contact Person : Mr. Anandan.K

(g) Share Transfer System

The Company has appointed M/s. Karvy Computershare Private Limited, as its Registrar and Share Transfer Agent, who are fully equipped to carry out share transfer activities and redress investor complaints. Company Secretary is the Compliance Officer for redressal of all shareholders' grievances.

(h) Distribution of shares & Shareholding Pattern

(i) Distribution of Shares as on March 31, 2011

DISTRIBUTION SCHEDULE AS ON 31/03/2011					
S.No	No. of Shares	No. of shareholders	% of shareholders	Total No. of Shares	% of shares
1	1 - 500	15,424	92.92	1,560,404	0.42
2	501 - 1000	542	3.27	441,592	0.12
3	1001 - 2000	270	1.63	407,223	0.11
4	2001 - 3000	92	0.55	233,773	0.06
5	3001 - 5000	72	0.43	310,644	0.08
6	5001 - 10000	61	0.37	476,954	0.13
7	10001 - 20000	39	0.23	589,587	0.16
8	20001 - 50000	20	0.12	582,689	0.16
9	50001 - 100000	14	0.08	998,845	0.27
10	100001 & ABOVE	66	0.40	367,028,743	98.50
	Total:	16,600	100.00	372,630,454	100.00

Report on Corporate Governance

(ii) Shareholding Pattern as on March 31, 2011

Category	No of Shares	%
A. Promoters Holding		
Promoters	204,706,586	54.94
Sub -Total: A	204,706,586	54.94
B. Public Shareholding		
Mutual Funds /UTI	7,423,567	1.99
Financial Institutions /Banks	16,943,613	4.55
Foreign Institutional Investors	39,748,753	10.67
Bodies Corporate	16,024,048	4.30
Non Resident Indians	126,354	0.03
Foreign Bodies	83,264,909	22.34
Indian Public	4,392,624	1.18
Sub -Total: B	167,923,868	45.06
GRAND TOTAL (A+B)	372,630,454	100.00

(i) Dematerialisation of Shares and Liquidity

The Company's shares are compulsorily traded in dematerialized form and are available for trading on both Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The shares of the Company are actively traded in the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

(j) Outstanding GDRs/ADRs/Warrants on any convertible instruments, conversion date and likely impact on equity:

As on March 31, 2011, the Company does not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

(k) Address for investor's correspondence

- | | |
|---|---|
| <p>(i) Registrar and Transfer Agents
(Share transfer and Communication regarding Shares, Refund Orders, and Dividends etc)</p> | <p>:</p> <p>Karvy Computershare Private Limited
Plot No. 17- 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081.
Ph: 040-23420815-28
Fax: 040-23420814
E-mail: einward.ris@karvy.com</p> |
| <p>(ii) Any query on Annual Report</p> | <p>:</p> <p>Corporate Affairs Department
KSK Energy Ventures Limited
8-2-293/82/A/431/A,
Road No. 22, Jubilee Hills,
Hyderabad - 500 033.
Ph: 040-23559922-25
Fax: 040-23559930</p> |

(l) Other Shareholder information

(i) Corporate Identity Number (CIN)

The CIN allotted to the Company by the Ministry of Corporate Affairs, Government of India is **L45204AP2001PLC057199**.

Report on Corporate Governance

(ii) Shareholder's Relations Team

The Shareholder's Relations Team is located at the Registered Office of the Company.

Contact Person: Compliance Officer Ph: 040-23559922-25 Fax: 040-23559930

In compliance with Clause 47(f) of the Listing Agreement, a separate email ID investors@ksk.co.in has been set up as a dedicated ID solely for the purpose of dealing with shareholders' complaints.

(iii) Shares held in electronic form

Shareholders holding shares in electronic form may please note that instructions regarding change of address, nomination and power of attorney should be given directly to the Depository Participant.

(iv) Reconciliation of Share Capital Audit

As stipulated by SEBI, a qualified Practicing Company Secretary carries out Reconciliation of Share Capital Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges as well as placed before the Board of Directors. The audit confirms that the total listed and paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in electronic form (held with NSDL and CDSL).

10. Other disclosures as per Clause 49 of the Listing Agreement

(i) Clause 49(I)(D): Code of Conduct

The Company has adopted a Code of Conduct as required under Clause 49(I)(D) of the Listing Agreement with Stock Exchanges, which applies to all the Board Members and Senior Management of the Company. The Board Members and senior management personnel have affirmed their compliance on an annual basis and their confirmations have been received in this regard. The Code of Conduct is available on the Company's website: www.ksk.co.in

A declaration to this effect signed by the Whole-time Directors is attached.

(ii) Clause 49(IV)(B): Disclosure of Accounting Treatment

The Company has complied with the appropriate accounting policies and has ensured that they have been applied consistently. There have been no deviations from the treatment prescribed in the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956. Significant Accounting Policies are provided elsewhere in the Annual Report.

(iii) Clause 49(IV)(E)

- (a) None of the Independent / Non-executive Directors has any pecuniary relationship or transactions with the Company which in the judgment of the Board may affect the independence of the Director except receiving sitting fee for attending Board / Committee meetings.
- (b) Except Mr. Girish N Kulkarni and Mr. Anil Kumar Kutty who are holding 100 and 375 shares of the Company respectively, no other Non-Executive Director is holding any shares in the Company.

(iv) Management Discussion and Analysis Report

The Management Discussion and Analysis Report are provided elsewhere and form part of this Annual Report.

Report on Corporate Governance

(v) **Clause 49(IV)(G): Shareholders Information**

- a. Appointment / Re-appointment of Directors: The brief resume of Directors retiring by rotation, including nature of their experience in specific functional areas, names of companies in which they hold directorship and membership of committees of the Board is appended to the Notice for calling Annual General Meeting.
- b. None of the Directors are related to each other.

(vi) **Clause 49(V): CEO/CFO certification**

The CEO and CFO certification of the financial statements for the year 2010-11 is provided elsewhere in this Annual Report.

(vii) **Details of Shares in the Escrow Account as on March 31, 2011: (Clause 5A of the Listing Agreement)**

Particulars	No. of Shareholders	No. of Shares
Aggregate number of shareholders and the outstanding shares in the Escrow account lying at the beginning of the year	6	175
Number of shareholders who approached issuer for transfer of shares from suspense account during the year	1	25
Number of shareholders to whom shares were transferred from suspense account during the year	1	25
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	5	150

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

(viii) **Prevention of Insider Trading: [Regulation 12 of the SEBI (Prohibition of Insider Trading) Regulations, 1992]**

In pursuance of the SEBI (Prohibition of Insider Trading) Regulations, 1992, the Board had approved the "Code of Conduct for prevention of Insider Trading". The Board has designated Company Secretary as the Compliance Officer.

Auditors' Certificate regarding compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To
The Members of
KSK Energy Ventures Limited

We have examined the compliance of conditions of Corporate Governance by KSK Energy Ventures Limited, for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with the management has conducted the affairs of the Company.

For **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

(R.R. Dakshina Murthy)

Partner

Place: Hyderabad

Date: August 12, 2011

Membership No: 211639

FRN 004453S

Certificate of Compliance with the Code of Conduct

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management personnel have affirmed compliance with the Code of Conduct for the year ended March 31, 2011.

Place: Hyderabad

Date: May 6, 2011

Sd/-

S. Kishore

Whole-time Director

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

The Board of Directors,
KSK Energy Ventures Limited.

C E R T I F I C A T E

We, S. Kishore, Whole-time Director and C. Srinivas, Group Head of KSK Energy Ventures Limited, to the best of our knowledge and belief hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2011 and:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are no transactions entered into by the company during the year that are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design and operations of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the audit committee:
 - (i) Significant changes in internal control over financial reporting during the year;
 - (ii) Significant changes in accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-
C. Srinivas
Group Head

Sd/-
S. Kishore
Whole-Time Director

Place: Hyderabad

Date: May 6, 2011

Auditor's Report

TO THE MEMBERS KSK ENERGY VENTURES LIMITED

We have audited the attached Balance Sheet of KSK ENERGY VENTURES LIMITED as at March 31, 2011, the profit and loss account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditors' Report) Order, 2003 and amendment order 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- i. 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;
- 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 such books;
- iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account of the Company;
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- v. On the basis of written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Sec. 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the Notes there on, the information required by the 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - b. In the case of the Profit and Loss account of the company, of the profit of the company for the year ended on that date;
 - c. In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

(R.R. Dakshina Murthy)

Partner

Place: Hyderabad

Date: May 06, 2011

Membership No: 211639

FRN 004453S

Annexure to Auditors' Report

Referred to in paragraph 1 of our report of even date:

In our opinion and according to the information and explanations given to us:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
The Company has a fixed programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has physically verified the fixed assets during the year. No material discrepancies were noticed on such verification.
There was no disposal of a substantial part of fixed assets.
2. The Clause relating to Inventories is not applicable to the company, as the Company has not carried out any manufacturing activity.
3. (a) During the year the Company has granted loans and advances from time to time to fourteen Companies covered in the register maintained under section 301 of the Companies Act, 1956 aggregating to Rs 589 crores and the year-end balance of such loans was Rs 551.14 crores.
In our opinion, the rate of interest and other terms and conditions of such loans and advances made are not prima facie prejudicial to the interests of the company.
(b) During the year the Company has not taken unsecured loans from Companies covered in the register maintained under section 301 of the companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business. We have not observed any major weakness in the internal control system during the course of the audit.
5. According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956, particulars of which are required to be entered into the register maintained under that section.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an Internal Audit System commensurate with its size and the nature of its business.
8. Maintenance of cost records U/s 209 (1) (d) of the Companies Act, 1956 are not applicable to the Company.
9. According to the information and explanations give to us and on the basis of examination of books of accounts, the provident fund, professional tax and service tax dues have been regularly depositing by the Company with the appropriate authorities.
According to the information and explanations given to us, no undisputed dues payable in respect of income tax, wealth tax and material statutory dues were in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.
According to the information and explanations given to us, there were no dues in respect of income tax, customs duty, wealth tax and service tax which have not been deposited with the appropriate authorities on account of any dispute.
10. The clause relating to accumulated losses is not applicable to the Company. The Company has not incurred any cash losses during the financial year and in the immediate preceding financial year.
11. The Company has not defaulted in payment of dues to a Financial Institution/Banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund, nidhi, mutual benefit fund or a society.
14. As per the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interests of the Company.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.

Annexure to Auditors' Report

17. According to the Information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been utilized for long term investment.
18. The Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under section 301 of the Act, 1956.
19. The Company has not issued any debentures. Accordingly the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
20. According to the information and explanations given to us by management, no fraud on or by the Company has been noticed or reported during the year.

for **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

(R.R. Dakshina Murthy)

Partner

Place: Hyderabad

Date: May 06, 2011

Membership No: 211639

FRN 004453S

Balance Sheet as at March 31, 2011

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

Particulars	Schedule	As at March 31	
		2011	2010
SOURCES OF FUNDS			
Shareholder's funds			
Share capital	1	4,726.30	3,726.30
Reserves and surplus	2	22,356.82	22,074.17
		27,083.12	25,800.47
Loan funds			
Secured loans	3	7,394.50	6,226.51
Unsecured loans	4	1,120.50	978.65
Deferred tax liability	19(7)	184.67	33.03
		35,782.79	33,038.66
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	1,524.20	1,486.34
Less: depreciation		114.01	32.75
Net block		1,410.19	1,453.59
Capital Work in progress		9.08	156.80
Investments	6	29,512.43	8,180.63
Current assets, loans and advances			
Cash and bank balances	7	542.16	2,590.34
Sundry debtors	8	134.32	0.55
Other current assets	9	194.69	190.46
Loans and advances	10	7,668.70	24,063.25
		8,539.87	26,844.60
Less: Current liabilities and provisions			
Current liabilities	11	3,667.01	3,596.17
Provisions	12	21.77	0.79
		3,688.78	3,596.96
Net current assets			
		4,851.09	23,247.64
		35,782.79	33,038.66

Significant accounting policies and notes to accounts: 19

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

As per our report of even date

for and on behalf of the Board

For **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

R.R. Dakshina Murthy

Partner

Sd/-

S. Kishore

Whole-time Director

Sd/-

K. A. Sastry

Whole-time Director

Sd/-

Narendra Mehra

Company Secretary

Membership No: 211639

Firm Registration No: 004453S

Place: Hyderabad

Date: May 06, 2011

Profit and Loss Account for the year ended March 31, 2011

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

Particulars	Schedule	For the year ended March 31	
		2011	2010
INCOME			
Income from operations	13	1,059.65	1,637.71
Other income	14	4.34	342.60
		1,063.99	1,980.31
EXPENDITURE			
Generation expenses	15	5.39	0.98
Personnel expenses	16	109.89	77.20
Administration and other expenses	17	92.29	185.17
Interest and finance charges (net)	18	287.71	148.04
Depreciation	5	81.26	13.84
		576.54	425.23
PROFIT BEFORE TAX		487.45	1,555.08
Provision for taxation			
- Current tax		107.15	253.92
- Deferred tax		151.63	30.68
- Mat credit		(106.32)	-
PROFIT AFTER TAX		334.99	1,270.48
Balance brought forward		3,328.44	2,057.96
Balance available for appropriation		3,663.43	3,328.44
APPROPRIATION			
Preference dividend		39.89	-
Dividend tax		6.63	-
BALANCE CARRIED FORWARD TO BALANCE SHEET		3,616.91	3,328.44
EARNINGS PER SHARE :			
Basic - face value Rs.10 per share (Rs.)	19(11)	0.77	3.57
Diluted- face value Rs.10 per share (Rs.)		0.77	3.57

Significant accounting policies and notes to accounts

19

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

As per our report of even date

for and on behalf of the Board

For **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

R.R. Dakshina Murthy

Partner

Sd/-

S. Kishore

Whole-time Director

Sd/-

K. A. Sastry

Whole-time Director

Sd/-

Narendra Mehra

Company Secretary

Membership No: 211639

Firm Registration No: 004453S

Place: Hyderabad

Date: May 06, 2011

Cash Flow Statement for the year ended March 31, 2011

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

Particular	For the year ended March 31	
	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	487.45	1,555.08
Adjustment for		
Depreciation	81.26	13.84
Interest and finance charges	856.54	926.42
Profit on sale investments	-	(219.91)
Dividend income	-	(4.20)
Interest income	(568.83)	(778.40)
Others, net	3.93	(75.70)
Operating profit before working capital changes	860.35	1,417.13
Adjustment for		
(Increase) / decrease in current assets	(293.24)	(1,061.94)
Increase / (decrease) in current liabilities	123.48	3,507.17
Cash generated from operations	690.59	3,862.36
Taxes paid	(143.99)	(322.92)
Net cash flow from operating activities	546.60	3,539.44
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(41.06)	(231.50)
Purchase of windmills undertaking	-	(1,199.64)
Sale of fixed assets	-	0.50
Advance for investments, net	(472.75)	(2,635.93)
Loans given, net	(3,293.57)	(13,486.36)
Payment for acquisition	-	(1,000.00)
Purchase of investments	(911.24)	(900.40)
Sale of investments	5.70	1,660.97
Dividend received	-	4.20
Interest received	564.61	1,052.27
Net Cash used in investing activities	(4,148.31)	(16,735.89)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue, net of share issue expenses	994.17	5,048.07
Payment of preference dividend including dividend tax	(27.09)	-
Repayment of loans	(4,197.94)	(7,082.25)
Proceed from loans	5,653.71	9,776.85
Interest and finance charges	(869.32)	(854.63)
Net Cash flow from financing activities	1,553.53	6,888.04
Net increase/(decrease) in cash and cash equivalents	(2,048.18)	(6,308.41)
Cash and cash equivalents at the beginning of the year	2,590.34	8,898.75
Cash and cash equivalents at the end of the year	542.16	2,590.34

Cash Flow Statement for the year ended March 31, 2011(Contd..)

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

Particular	For the year ended March 31	
	2011	2010
Notes		
1. Cash and cash equivalents includes:		
Cash in hand	0.12	0.06
Balances with scheduled banks in:		
current accounts	50.87	86.17
deposit accounts	491.17	2,504.11
	542.16	2,590.34

2. Previous year figures have been regrouped / reclassified to conform to the classification of the current year

As per our report of even date

for and on behalf of the Board

For **Umamaheswara Rao & Co.,**
Chartered Accountants

Sd/-
R.R. Dakshina Murthy
Partner

Sd/-
S. Kishore
Whole-time Director

Sd/-
K. A. Sastry
Whole-time Director

Sd/-
Narendra Mehra
Company Secretary

Membership No: 211639

Firm Registration No: 004453S

Place: Hyderabad

Date: May 06, 2011

Schedules forming part of Balance Sheet

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

Particulars	As at March 31	
	2011	2010
1 SHAREHOLDER'S FUNDS		
Authorised		
4,000,000,000 (March 31, 2010: 4,000,000,000) equity shares of Rs.10/- each.	40,000.00	40,000.00
1,031,500,000 (March 31, 2010: 1,031,500,000) preference shares of Rs.10/- each.	10,315.00	10,315.00
	50,315.00	50,315.00
Issued, subscribed and paid up capital		
372,630,454 (March 31, 2010: 372,630,454) equity shares of Rs.10/- each fully paid up. (Out of the above 191,222,031 (March 31, 2010: 191,222,031) equity shares of Rs.10 each fully paid are held by KSK Energy Limited, Mauritius, the holding company) (Of the above shares 70,195,429 equity shares are allotted as fully paid up by way of bonus shares out of the securities premium and capitalization of the profits.)	3,726.30	3,726.30
100,000,000 (March 31, 2010: Nil) 8% Compulsorily redeemable preference shares of Rs.10/- each fully paid up. (Above preference shares are redeemable at premium over the period of 5 years, starting from end of the 3rd year from the date of allotment)	1,000.00	-
	4,726.30	3,726.30
2 RESERVES AND SURPLUS		
Securities premium		
Opening balance	18,745.73	13,962.91
Add : on allotment of shares	-	4,893.99
Less: share issue expenses	5.82	111.17
	18,739.91	18,745.73
Profit and loss account		
Opening balance	3,328.44	2,057.96
Add: Profit for the year	288.47	1,270.48
	3,616.91	3,328.44
	22,356.82	22,074.17
3 SECURED LOANS		
Term loans		
Rupee loans from banks (Secured by corporate guarantee given by KSK Power Ventur plc)	-	1,022.08
Rupee loans from others (Secured by pledge of 52,000,000 equity shares of Rs.10 each of KSK Energy Ventures Limited held by KSK Energy Limited, Mauritius.)	2,625.00	3,500.00

Schedules forming part of Balance Sheet

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

Particulars	As at March 31	
	2011	2010
Working capital demand /cash credit loans (Secured by First pari-passu charge on fixed assets and current assets.)	2,952.76	-
Other loans and advances from banks (Secured by pledge of deposits)	1,548.86	1,704.43
Foreign currency loans (Secured by pledge of deposits)	267.88	-
	7,394.50	6,226.51
4 UNSECURED LOANS		
Long term loans		
From others	230.00	230.00
Short term loans		
From others	890.50	748.65
	1,120.50	978.65

Schedules forming part of Balance Sheet

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

5 FIXED ASSETS

Particulars	Gross Block			Depreciation			Net Block	
	As at April 1, 2010	Additions	Deletions	As at March 31, 2011	As at April 1, 2010	For the year	As at March 31, 2011	As at March 31, 2010
Free hold land and site development	162.09	3.18	-	165.27	-	-	165.27	162.09
Buildings	2.83	0.33	-	3.16	0.06	0.05	3.05	2.79
Lease hold improvements	-	17.76	-	17.76	-	3.87	13.89	-
Plant and machinery	1,240.29	-	-	1,240.29	4.14	65.49	1,170.66	1,236.15
Electrical works	3.06	0.49	-	3.55	0.82	0.18	2.54	2.23
Furniture and fixtures	11.38	1.73	-	13.11	2.61	2.00	8.50	8.77
Vehicles	9.18	-	-	9.18	2.75	0.87	5.56	6.43
Computers	24.21	6.37	-	30.58	8.49	4.40	17.69	15.72
Office equipment	18.95	5.69	-	24.64	2.78	1.07	20.80	16.16
Computer software	14.35	2.31	-	16.66	11.10	3.33	2.23	3.25
Total	1,486.34	37.86	-	1,524.20	32.75	81.26	1,410.19	1,453.59
Previous year	209.59	1,278.71	1.96	1,486.34	19.10	13.84	1,453.59	

Schedules forming part of Balance Sheet

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

Particulars	As at March 31	
	2011	2010
6 INVESTMENTS		
Long term investments		
<i>(unquoted, fully paid up)</i>		
3,636,363 (March 31, 2010: Nil) Equity shares of Rs.10 each in Terra Energy Limited.	160.00	-
Investment in Subsidiary		
<i>(unquoted, fully paid up)</i>		
50,000 (March 31, 2010: 50,000) Equity shares of Rs 10 each in Sai Maithili Power Company Private Limited.	0.50	0.50
10,500 (March 31, 2010: 10,500) Equity shares of Rs 10 each in KSK Narmada Power Company Private Limited.	0.10	0.10
370,000 (March 31, 2010: 10,500) Equity shares of Rs 10 each in KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	3.70	0.11
4,410,000 (March 31, 2010: Nil) 16% Optionally convertible cumulative redeemable preference shares of Rs.10 each in KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	145.53	-
570,115,305 (March 31, 2010: 570,115,305) Equity shares of Rs.10 each in KSK Electricity Financing India Private Limited.	7,527.58	7,527.58
150,000 (March 31, 2010: 150,000) Equity shares of Rs.10 each in KSK Wardha Infrastructure Private Limited (formerly KSK Technology Ventures Private Limited.)	1.50	1.50
10,500 (March 31, 2010: 10,500) Equity shares of Rs 10 each in KSK Vidarbha Power Company Private Limited .	0.10	0.10
10,000 (March 31, 2010: 10,000) Equity shares of Rs 10 each in KSK Dibbin Hydro Power Private Limited.	0.10	0.10
10,000 (March 31, 2010: 10,000) Equity shares of Rs 10 each in Kameng dam Hydro Power Private Limited.	0.10	0.10
7,660,330 (March 31, 2010: 10,410) Equity shares of Rs 10 each in J R Power Gen Private Limited.	76.60	0.10
2,062,549,994 (March 31, 2010: 49,994) Equity shares of Rs 10 each in KSK Mahanadi Power Company Limited.	20,625.50	0.50
Nil (March 31, 2010: 62,500,000) Equity shares of Rs 10 each in Wardha Power Company Limited.	-	625.00
47,762,190 (March 31, 2010: Nil) Class A Equity shares of Rs 10 each in Wardha Power Company Limited .	725.62	-
Nil (March 31, 2010: 24,942,477) Class A Equity shares of Rs 10 each, Rs 1/- paid up in Wardha Power Company Limited .	-	24.94
40,000 (March 31, 2010: Nil) Equity shares of Rs 10 each in KSK Upper Subansiri Hydro Energy Private Limited.	0.40	-
100,000 (March 31, 2010: Nil) Equity shares of Rs 10 each in KSK Dinchang Power Company Private Limited.	1.00	-
110,000 (March 31, 2010: Nil) Equity shares of Rs 10 each in KSK Jameri Hydro Power Private Limited.	1.10	-
80,000 (March 31, 2010: Nil) Equity shares of NRs 100 (in Rs.62.50) each in Tila Karnali Hydro Electric Company Private Limited.	5.00	-
4,760,000 (March 31, 2010: Nil) 6% Convertible Preference shares of Rs 10 each in Sai Regency Power Corporation Private Limited.	238.00	-
	29,512.43	8,180.63

Schedules forming part of Balance Sheet

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

Particulars	As at March 31	
	2011	2010
7 CASH AND BANK BALANCES		
Cash on hand	0.12	0.06
Balances with scheduled bank		
Current accounts	50.87	86.17
Deposit accounts *	491.17	2,504.11
	542.16	2,590.34
<i>*Out of the above, Rs. 487.20 have been pledged with the banks for availing credit facilities</i>		
8 SUNDRY DEBTORS		
<i>(Unsecured, considered good)</i>		
Debts outstanding for a period exceeding six months	33.28	-
Others debts	101.04	0.55
	134.32	0.55
9 OTHER CURRENT ASSETS		
Interest accrued on deposits and advances	194.69	190.46
	194.69	190.46
10 LOANS AND ADVANCES		
<i>(Unsecured, considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	511.42	1,437.70
Other advances	5,546.80	15,101.62
Security deposits	260.35	258.63
Advance for purchase of investments	1,058.38	7,123.79
Balance with statutory authorities	8.29	1.19
MAT credit entitlement	106.32	-
Advance income tax <i>(net of provision for tax Rs.690.66 (March 31, 2010 Rs.740.94))</i>	177.14	140.32
	7,668.70	24,063.25
11 CURRENT LIABILITIES		
Sundry creditors		
- Dues to micro, small and medium enterprises	-	-
- Dues to others	3,638.20	3,562.71
Interest accrued but not due	25.17	29.01
Other liabilities	3.64	4.45
	3,667.01	3,596.17
12 PROVISIONS		
For wealth tax	0.01	0.02
<i>(net of advance wealth tax Rs.0.08 (March 31, 2010 Rs. 0.05))</i>		
For retirement benefits	2.33	0.77
For preference dividend	16.66	-
For dividend tax	2.77	-
	21.77	0.79

Schedules forming part of Profit and Loss Account

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

Particulars	For the year ended March 31	
	2011	2010
13 INCOME FROM OPERATIONS		
Sale of electricity	209.27	6.75
Project development fees	795.48	1,603.06
Corporate support services fees	54.90	27.90
	1,059.65	1,637.71
14 OTHER INCOME		
Profit on sale of investments	-	219.91
Dividend income	-	4.20
Miscellaneous income	4.34	118.49
	4.34	342.60
15 GENERATION EXPENSES		
Operation and maintenance expenses	5.39	0.98
	5.39	0.98
16 PERSONNEL EXPENSES		
Salaries, wages and bonus	99.65	71.51
Contribution to provident and other funds	5.13	2.06
Staff welfare expenses	5.11	3.63
	109.89	77.20
17 ADMINISTRATION AND OTHER EXPENSES		
Printing and stationery	3.10	2.30
Communication expenses	5.69	5.17
Office expenses	7.03	4.42
Legal and professional charges	23.22	24.69
Rent	15.76	12.85
Electricity expenses	4.52	3.68
Seminar expenses/ subscription	2.31	1.44
Travel and conveyance	5.28	9.68
Insurance charges	5.59	3.24
Directors sitting fees	0.58	0.74
Repair and maintenance	7.57	6.48
Auditors' remuneration		
Audit fees	2.00	2.00
For certification (including tax audit)	0.06	0.10
Advances written off	-	41.14
Donations	1.07	60.00
Miscellaneous expenses	8.51	7.24
	92.29	185.17
18 INTEREST AND FINANCE CHARGES (NET)		
Interest on fixed period loans	496.80	754.65
Interest on others	331.36	110.13
Finance charges	28.38	61.66
	856.54	926.44
Less: Interest income	568.83	778.40
	287.71	148.04

Schedule 19: Significant accounting policies and notes to accounts

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

1. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Convention

The Financial Statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in India (GAAP) and comply with the mandatory Accounting Standards as specified in the Companies (Accounting Standards) Rules 2006 ('Rules'), other pronouncements of the Institute of Chartered Accountants of India (ICAI) to the extent applicable, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India.

b. Use of estimates

The Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure relating to contingent assets and contingent liabilities as on date of financial statements and the reported amounts of income and expenses during the period. Actual results could differ from the estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c. Fixed assets and depreciation

Fixed assets are stated at cost of acquisition. Cost of acquisition is inclusive of freight, duties, levies and all incidentals directly or indirectly attributable to bringing the asset to its working condition for its intended use. The cost of fixed assets includes cost of initial warranty/ insurance spares purchased along with the capital asset, which are grouped as single item under respective assets.

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

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

Depreciation on initial/ warranty spares are provided on the same rates applicable for that Asset group, irrespective of its actual usage.

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

Leasehold improvements are amortized over the period of lease.

d. Foreign currency transactions

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

At the Balance Sheet date, foreign currency monetary items are reported using the closing/contracted rate. Non monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.

All exchange differences are recognized as income or expense in the period in which they arise.

e. Investments

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

f. Revenue recognition

Revenue in the form of project development fees for services rendered in relation to development work of potential power projects is recognized when such fees is assured and determinable under the terms of the respective contract.

Consultancy income is recognised proportionately with the degree of completion of contract.

Dividend income is recognized when the right to receive the same is established.

Interest income is recognized on time proportion basis taking into account the amount outstanding and at the rate applicable.

Sale of energy is recognised on accrual basis in accordance with the relevant agreements.

Corporate support service income is recognised when such income is assured and determinable under the terms of the respective contract.

g. Retirement benefits

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

Gratuity, which is defined benefits, are provided for on the basis of an actuarial valuation at the Balance Sheet date, carried out by an independent actuary.

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

h. Cash flow statement

Cash flows are reported using the indirect method, where by the net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated and presented separately.

i. Taxes on income

Income tax expense comprises current tax, deferred tax and MAT credit.

Current tax

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

MAT Credit

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

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

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

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

j. Earnings per share

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

k. Provisions and contingencies

The Company recognises a provision when there is a present obligation as a result of past obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

l. Leases

Lease that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense as and when the payments are made over the lease term.

m. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

1) Contingent liabilities

Particulars	As at March 31	
	2011	2010
Bank guarantees / Letter of credits outstanding	3,837.54	5,075.90
Corporate guarantees	10,719.50	5,780.42

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

2) Estimated value of the contracts to be executed on capital account and not provided for

Particulars	As at March 31	
	2011	2010
Capital commitments	2.78	601.87

3. MANAGERIAL REMUNERATION

Particulars	For the year ended March 31	
	2011	2010
Salaries	19.30	7.77
Contribution to provident fund	0.03	0.03

The directors are covered under the Company's gratuity policy along with other employees of the Company. Proportionate amount of gratuity is not included in the aforementioned disclosure.

4. The Company pledged the investments in the following entities in favour of the lenders for extending the loans to the respective companies:

Details of shares pledged	Number of shares pledged	
	As at March 31	
	2011	2010
Equity shares of Rs. 10/- each in KSK Wind Energy Private Limited.	0.27	-
16% Optionally convertible cumulative redeemable preference shares of Rs.10/-each in KSK Wind Energy Private Limited.	2.63	-

5. OPERATING LEASES

The Company has entered in to certain operating lease agreements. An amount of Rs 15.76 (March 31, 2010: Rs. 12.85) paid under such agreements has been disclosed as "Rent" under Administration and operating expenses in the Profit and Loss account.

The schedule of future minimum rental payments in respect of non-cancelable operating leases is setout below:

Particulars	As at March 31	
	2011	2010
Lease obligations		
Within one year of the balance sheet date	2.57	2.39
Due in a period between one year and five years	2.83	-

6. As at March 31, 2011 there are no amounts including interest payable to Micro, Small and Medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the Company.

7. DEFERRED TAX

Particulars	As at March 31	
	2011	2010
Deferred tax liability / (asset) on account of depreciation	185.43	33.29
Deferred tax liability /(asset) on gratuity	(0.76)	(0.26)
Deferred tax (asset) / liability - net	184.67	33.03

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

8. The Company had made an Initial Public Offer of its equity shares during the year 2008-09. The issue was oversubscribed 0.6 times. The details of funds received towards initial public offer, including securities premium thereon, and utilization of such funds are given below:

Particulars	As at March 31, 2011
Funds raised from initial public offer (IPO) (including Interest)	9,043.84
Utilization	
Investments/advances in KSK Mahanadi Power Company Limited *	8,499.43
IPO expenses (including service tax)	544.42
Balance of unutilized monies out of the IPO funds in liquid funds	Nil

*Refer note 18 of schedule 19

9. EMPLOYEE BENEFIT PLANS

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

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

Particulars	As at March 31	
	2011	2010
Present value of obligation at the beginning of the year	4.15	2.48
Interest cost	0.33	0.19
Current service cost	2.02	1.27
Past Service Cost (non vested benefits)	0.47	-
Past Service Cost (vested benefits)	3.57	-
Benefits paid	-	-
Actuarial loss/(gain) on obligation	(1.32)	0.21
Present value of obligation at the end of the year	9.22	4.15

Changing the fair value of assets

Particulars	As at March 31	
	2011	2010
Fair value of plan assets at the beginning of the year	3.38	2.51
Expected return on plan assets	0.44	0.26
Contributions	2.88	0.64
Benefits Paid	-	-
Actuarial gain/(loss) on plan assets	(0.13)	(0.03)
Fair value of plan assets at the end of the year	6.57	3.38

Amounts recognized in the balance sheet

Particulars	As at March 31	
	2011	2010
Present value of obligation as at the end of the year	9.22	4.15
Fair value of plan assets at the end of the year	6.57	3.38
Funded status	(2.65)	(0.77)
Unrecognised Actuarial Gain/(Loss)	-	-
Unrecognised Past Service Cost-non vested benefits	0.32	-
Net Asset/(Liability) recognized in the balance sheet	(2.33)	(0.77)

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

Amounts recognized in the statement of profit and loss

Particulars	For the year ended March 31	
	2011	2010
Current service cost	2.02	1.27
Interest cost	0.33	0.19
Past Service Cost (non vested benefits)	0.16	-
Past Service Cost (vested benefits)	3.57	-
Expected return on plan assets	(0.44)	(0.26)
Unrecognised Past Service Cost-non vested benefits	-	-
Net actuarial (gain) / loss recognized for the period	(1.19)	0.24
Expenses recognized in the statement of profit and loss	4.45	1.44

Asset Information

Particulars	As at March 31	
	2011	2010
Insurance managed funds	100%	100%

Principal actuarial assumptions as at balance sheet date

Particulars	As at March 31	
	2011	2010
Discount rate	8%	8%
Expected return on plan assets	9%	9.15%

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

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

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

10. RELATED PARTY DISCLOSURES

i) Parties where control exists

Name of the party	Relationship
1. KSK Power Ventur plc	Step-up Holding company
2. KSK Energy Limited, Mauritius	Holding company
3. KSK Electricity Financing India Private Limited	Subsidiary company
4. J R Power Gen Private Limited	Subsidiary company
5. KSK Dibbin Hydro Power Private Limited	Subsidiary company
6. Kameng Dam Hydro Power Private Limited	Subsidiary company
7. KSK Narmada Power Company Private Limited	Subsidiary company
8. KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	Subsidiary company
9. KSK Vidarbha Power Company Private Limited	Subsidiary company
10. Sai Maithili Power Company Private Limited	Subsidiary company
11. KSK Wardha Infrastructure Private Limited (formerly KSK Technology Ventures Private Limited)	Subsidiary company
12. KSK Mahanadi Power Company Limited	Subsidiary company
13. KSK Upper Subansiri Hydro Energy Private Limited	Subsidiary company
14. KSK Dinchang Power Company Private Limited	Subsidiary company
15. KSK Jameri Hydro Power Private Limited	Subsidiary company
16. Tila Karnali Hydro Electric Company Private Limited	Subsidiary company
17. Sai Regency Power Corporation Private Limited	Step-down subsidiary
18. VS Lignite Power Private Limited	Step-down subsidiary
19. Wardha Power Company Limited	Step-down subsidiary
20. Arasmeta Captive Power Company Private Limited	Step-down subsidiary
21. Field Mining and Ispats Limited	Step-down subsidiary

ii) Parties where significant influence exists and where the transactions have taken place during the year

Name of the party	Relationship
1. Sitapuram Power Limited	Joint venture
2. S N Nirman Infra Projects Private Limited	Fellow subsidiary
3. KSK Water Infrastructures Private Limited	Fellow subsidiary

iii) Key Management Personnel

Name of the party	Relationship
1. S. Kishore	Whole-time Director
2. K .A .Sastry	Whole-time Director
3. K .B .Raju	Director

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

iv. Related party transactions

Particulars	For the year ended March 31	
	2011	2010
Project development fee		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Mahanadi Power Company Limited *	404.75	1,569.25
KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	61.35	-
J R Power Gen Private Limited	247.50	-
Arasmeta Captive Power Company Private Limited	-	16.56
VS Lignite Power Private Limited	-	17.25
Wardha Power Company Limited	44.08	-
Sai Regency Power Corporation Private Limited	37.80	-
	795.48	1,603.06
Corporate support services fee		
<i>Stepdown subsidiaries</i>		
Arasmeta Captive Power Company Private Limited	4.30	4.30
Sai Regency Power Corporation Private Limited	5.80	5.80
VS Lignite Power Private Limited	13.50	13.50
Wardha Power Company Limited	27.00	-
	50.60	23.60
<i>Joint venture</i>		
Sitapuram Power Limited	4.30	4.30
	4.30	4.30
Interest income		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Dibbin Hydro Power Private Limited	56.28	47.08
Kameng Dam Hydro Power Private Limited	61.55	59.93
KSK Mahanadi Power Company Limited *	95.92	298.76
J R Power Gen Private Limited	3.78	11.61
KSK Upper Subansiri Hydro Energy Private Limited	134.34	-
Arasmeta Captive Power Company Private Limited	35.02	24.26
Sai Regency Power Corporation Private Limited	12.64	0.31
VS Lignite Power Private Limited	36.32	14.97
Wardha Power Company Limited	53.98	-
	489.83	456.92
<i>Joint venture</i>		
Sitapuram Power Limited	38.34	41.37
	38.34	41.37
Interest expense		
<i>Subsidiaries/Stepdown subsidiaries:</i>		
KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	62.11	4.52
Wardha Power Company Limited	-	18.47
	62.11	22.99

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

Particulars	For the year ended March 31	
	2011	2010
Advance for investments		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Mahanadi Power Company Limited *	15,496.25	8,351.30
KSK Narmada Power Company Private Limited	-	2,250.00
J R Power Gen Private Limited	129.00	-
KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	175.00	-
KSK Dinchang Power Company Private Limited	1.00	-
KSK Jameri Hydro Power Private Limited	1.10	-
Tila Karnali Hydro Electric Company Private Limited	35.00	-
Arasmeta Captive Power Company Private Limited	-	50.00
Sai Regency Power Corporation Private Limited	238.00	-
Wardha Power Company Limited	-	1,091.46
	16,075.35	11,742.76
<i>Fellow subsidiaries /Joint venture</i>		
KSK Energy Company Private Limited	-	28.70
KSK Surya Photovaltaic Venture Private Limited	-	80.00
	-	108.70
Refund of advance for investments		
<i>Subsidiaries/Stepdown subsidiaries:</i>		
KSK Narmada Power Company Private Limited	-	2,250.00
KSK Mahanadi Power Company Limited *	802.35	6,918.71
Arasmeta Captive Power Company Private Limited	-	80.00
Wardha Power Company Limited	22.82	643.12
	825.17	9,891.83
<i>Fellow subsidiaries</i>		
KSK Surya Photovaltaic Venture Private Limited	-	80.00
KSK Energy Company Private Limited	-	28.70
	-	108.70
Loans given to		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Dibbin Hydro Power Private Limited	158.53	472.93
Kameng Dam Hydro Power Private Limited	84.85	507.11
J R Power Gen Private Limited	200.42	380.64
KSK Narmada Power Company Private Limited	0.20	-
KSK Mahanadi Power Company Limited *	443.63	14,393.24
KSK Upper Subabsiri Hydro Energy Private Limited	1,147.57	-
KSK Dinchang Power Company Private Limited	7.56	-
KSK Jameri Hydro Power Private Limited	4.98	-
Arasmeta Captive Power Company Private Limited	422.52	222.39
Sai Regency Power Corporation Private Limited	350.22	30.04
VS Lignite Power Private Limited	1,174.99	607.21
Wardha Power Company Limited	1,706.30	18.49
Others	0.03	-
	5,701.80	16,632.05

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

Particulars	For the year ended March 31	
	2011	2010
<i>Fellow Subsidiaries /Joint venture</i>		
Sitapuram Power Limited	161.50	121.21
S N Nirman Infra Projects Private Limited	0.25	-
	161.75	121.21
Refund of the loans advanced from		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Dibbin Hydro Power Private Limited	3.82	356.04
Kameng Dam Hydro Power Private Limited	0.07	430.00
J R Power Gen Private Limited	96.62	357.71
KSK Mahanadi Power Company Limited *	13,979.21	578.64
KSK Upper Subabsiri Hydro Energy Private Limited	0.43	-
Arasmeta Captive Power Company Private Limited	0.02	775.09
Sai Regency Power Corporation Private Limited	264.02	30.04
VS Lignite Power Private Limited	476.59	607.21
Wardha Power Company Limited	484.50	18.49
	15,305.28	3,153.22
<i>Fellow subsidiaries /Joint venture</i>		
Sitapuram Power Limited	140.00	165.71
S N Nirman Infra Projects Private Limited	0.25	-
	140.25	165.71
Loans taken from		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	451.94	1,692.11
Wardha Power Company Limited	-	440.50
	451.94	2,132.61
Repayment of loan		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	306.03	944.73
Wardha Power Company Limited	-	440.50
	306.03	1,385.23
Deposits (included in current liabilities)		
<i>Stepdown subsidiaries</i>		
Sai Regency Power Corporation Private Limited	22.50	-
VS Lignite Power Private Limited	23.20	-
Wardha Power Company Limited	48.70	-
KSK Mahanadi Power Company Limited *	-	3,500.00
	94.40	3,500.00
Other advances (included in current liabilities)		
<i>Stepdown subsidiaries</i>		
Wardha Power Company Limited	13.50	-
	13.50	-

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

v. The Company has the following amounts dues from/to related parties

Particulars	As at March 31	
	2011	2010
Advances (included in loans and advances)		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Dibbin Hydro Power Private Limited (Max. amt outstanding Rs 523.30 (As at 31 March 10 Rs 467.71)).	519.90	365.19
Kameng Dam Hydro Power Private Limited (Max. amt outstanding Rs. 511.19 (As at 31 March 10 Rs 502.10)).	511.19	426.41
J R Power Gen Private Limited (Max. amt outstanding Rs 150.16 (As at 31 March 10 Rs 304.07)).	150.10	46.30
KSK Narmada Power Company Private Limited (Max. amt outstanding Rs 16.65 (As at 31 March 10 Rs 16.48)).	16.65	16.45
KSK Vidarbha Power Company Private Limited (Max. amt outstanding Rs 1.97 (As at 31 March 10 Rs 1.94)).	1.97	1.94
KSK Mahanadi Power Company Limited * (Max. amt outstanding Rs 13,814.60 (As at 31 March 10 Rs 14,097.82)).	279.02	13,814.60
Sai Maithili Power Company Private Limited (Max. amt outstanding Rs 4.93 (As at 31 March 10 Rs 4.93)).	4.93	4.93
KSK Upper Subansiri Hydro Energy Private Limited (Max. amt outstanding Rs 1,147.15 (As at 31 March 10 Rs Nil)).	1,147.13	-
KSK Dinchang Power Company Private Limited (Max. amt outstanding Rs 22.57 (As at 31 March 10 Rs Nil)).	22.57	-
KSK Jameri Hydro Power Private Limited (Max. amt outstanding Rs 17.14 (As at 31 March 10 Rs Nil)).	17.14	-
Arasmeta Captive Power Company Private Limited (Max. amt outstanding Rs 482.80 (As at 31 March 10 Rs 613.00)).	482.80	60.30
Sai Regency Power Corporation Private Limited (Max. amt outstanding Rs 264.96 (As at 31 March 10 Rs 30.00))	86.20	-
VS Lignite Power Private Limited (Max. amt outstanding Rs 698.40 (As at 31 March 10 Rs 261.52))	698.40	-
Wardha Power Company Limited (Max. amt outstanding Rs 1,221.80 (As at 31 March 10 Rs 10.00))	1,221.80	-
	5,159.80	14,736.12
<i>Joint venture</i>		
Sitapuram Power Limited (Max. amt outstanding Rs 407.50 (As at 31 March 10 Rs 384.00)).	312.00	290.50
	312.00	290.50
Loans taken (included in loan funds)		
<i>Subsidiaries</i>		
KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited) (Max. amt outstanding Rs 1,046.01 (As at 31 March 10 Rs 848.93))	890.50	744.59
	890.50	744.59

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

Particulars	As at March 31	
	2011	2010
Interest receivable (included in other current assets)		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Mahanadi Power Company Limited *	7.67	92.26
KSK Dibbin Hydro Power Private Limited	14.62	10.61
Kameng Dam Hydro Power Private Limited	14.57	14.10
KSK Upper Subansiri Hydro Energy Private Limited	32.33	-
Arasmeta Captive Power Company Private Limited	13.01	4.56
Sai Regency Power Corporation Private Limited	4.73	-
J R Power Gen Private Limited	0.53	-
V S Lignite Power Private Limited	18.12	6.94
Wardha Power Company Limited	27.72	-
	133.30	128.47
<i>Joint venture</i>		
Sitapuram Power Limited	8.87	8.70
	8.87	8.70
Interest payable (included in loan funds/current liabilities)		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	-	4.06
Wardha Power Company Limited	-	12.57
	-	16.63
Receivables (included in loans and advances)		
<i>Subsidiaries/Stepdown subsidiaries</i>		
J R Power Gen Private Limited	122.85	-
VS Lignite Power Private Limited	-	30.53
Wardha Power Company Limited	16.20	-
Sai Regency Power Corporation Private Limited	9.38	-
	148.43	30.53
Advance for Investments (included in loans and advances)		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Mahanadi Power Company Limited *	441.00	5,747.10
KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	25.87	-
J R Power Gen Private Limited	73.50	21.00
Tila Karnali Hydro Electric Company Private Limited	30.00	-
Wardha Power Company Limited	488.01	1,188.69
	1,058.38	6,956.79

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

Particulars	As at March 31	
	2011	2010
Deposits (included in current liabilities)		
<i>Subsidiaries/Stepdown subsidiaries</i>		
KSK Mahanadi Power Company Limited *	3,500.00	3,500.00
Sai Regency Power Corporation Private Limited	22.50	-
Wardha Power Company Limited	48.70	-
VS Lignite Power Private Limited	23.20	-
	3,594.40	3,500.00
Other advances (included in current liabilities)		
<i>Stepdown subsidiaries</i>		
Wardha Power Company Limited	13.50	-
	13.50	-
Managerial Remuneration Payable		
S. Kishore	0.57	0.17
K.A. Sastry	0.57	0.17
K.B.Raju	-	0.12
	1.14	0.46

* Refer note no.18 of schedule 19

- f) Equity held in subsidiaries and step down subsidiary have been disclosed under "Investment", (Schedule 6).
- g) Details of managerial remuneration paid are given in note 3, schedule 19
- h) The Company has provided securities by way of pledge of investments for loans taken by subsidiaries.
- i) The holding company has pledged certain shares held in the Company as security towards the borrowing of the Company.
- j) Corporate Guarantees of Rs.15,912.70 (March 31, 2010 Rs. 9,280.42), Bank Guarantees of Rs. 3,562.16 (March 31, 2010 Rs. 5,075.90) and Letter of credit limits of Rs. 275.38 (March 31, 2010 Rs. Nil) has been given by the Company on behalf of subsidiaries and fellow subsidiaries.
- k) Corporate Guarantees of Rs. 7,487.60 (March 31, 2010 Rs. 6,082.98) has been given by step-up holding company on behalf of the Company.

11. EARNINGS PER SHARE (EPS)

The Computation of EPS as per AS 20 is set out below:

Particulars	For the year ended March 31	
	2011	2010
Net Profit after Tax	334.99	1,270.48
Less: preference dividend including tax thereon	46.52	-
Net Profit attributable to shareholders - for Basic EPS	288.47	-
Net Profit attributable to shareholders - for Diluted EPS	288.47	-
Weighted average number of shares outstanding during the year for the purpose of calculation of Basic and diluted EPS	372.63	355.92
Earning per share - Basic and diluted (Rs.)	0.77	3.57

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

12. EARNINGS IN FOREIGN CURRENCY

Particulars	For the year ended March 31	
	2011	2010
Profit on settlement of investments	-	25.84
	-	25.84

13. EXPENDITURE IN FOREIGN CURRENCY ON ACCRUAL BASIS

Particulars	For the year ended March 31	
	2011	2010
Foreign travel	0.02	0.25
Share issue expenses	-	7.43
Interest expense	3.54	-
Other expenditure	1.41	3.64
	4.97	11.32

14. SEGMENT REPORTING

The Segment report has been prepared in accordance with the Accounting Standard 17 "Segment Reporting". There is only one geographical segment as all the business and operations of the Company are carried out in India.

For the purpose of business segments, the Company is engaged in two segments, viz., Project development and power generation.

Year ended March 31, 2011	Project development activities	Power generating activities	Reconciling / Elimination activities	Total
Revenue	1,387.57	209.27	-	1,596.84
Segment result	1,171.84	136.16	-	1,308.00
Unallocated income				35.98
Finance costs				(856.54)
Profit before tax				487.45
Taxation charge				(152.46)
Profit after tax				334.99
Segment assets	37,101.47	1,331.54	-	38,433.01
Unallocated assets				1,038.56
Total assets				39,471.57
Segment liabilities	3,642.07	1.50	-	3,643.57
Unallocated liabilities				8,744.87
Total liabilities				12,388.44
Other segment information				
Depreciation	15.77	65.49	-	81.26
Capital expenditure	40.13	-	-	40.13

15. In the opinion of the Board of Directors, sundry debtors, loans and advances as at March 31, 2011 stated would be realized in the ordinary course of the Company's business are expected to produce at least the amount at which they are stated in the Balance Sheet.

Schedule 19: Significant accounting policies and notes to accounts (Contd..)

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

16. The information required as per clause 4C and notes thereon of part II of Schedule VI to the Companies Act, 1956 Licensed and installed capacity, actual production and sales:

Particulars	For the year ended March 31	
	2011	2010
Licensed capacity (MW)	31.80	31.80
Installed capacity (MW)	31.80	31.80
Actual generation (million KWH)	73.69	2.39
Units sold (million KWH)	72.35	2.33

17. Additional information pursuant to the provisions of Paragraphs 3 and 4 of Part II of Schedule VI of the Companies Act, 1956 - to the extent Not Applicable or Nil has not been furnished.

18. Demerger of undertaking of Wardha Power Company Limited under Scheme of Arrangement under section 391 to 394 read with sections 100 to 103 of the Companies Act, 1956.

A scheme of arrangement (hereinafter referred to as Scheme) between the Wardha Power Company Limited (Transferor Company) and KSK Mahanadi Power Company Limited (Transferee Company) and its respective lenders and shareholders was approved by the Honorable High Court of Andhra Pradesh vide its order dated February 26, 2010. The scheme, amongst others, provided demerger of 3600 MW power generating facility at Nariyara, Janjgir-Champa District, in the State of Chhattisgarh (hereinafter referred to as Demerged Undertaking) on a going-concern basis with all its assets and liabilities as defined in the scheme. The appointed date for demerger is 1 August, 2009. The scheme has become effective from March 31, 2010 and demerged undertaking stands transferred to and vest in as a going-concern to transferee company at its book values.

19. The Company has issued 100 million 8% Compulsorily Redeemable Preference Shares of Rs 10/- each amounting to Rs. 1,000 to L&T Infrastructure Finance Company Limited on October 1, 2010.

20. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

Particulars	As at March 31			
	2011		2010	
Loans	Rs. 267.88	US \$ 5.90	-	-
Interest on loans	Rs. 1.46	US \$ 0.03	-	-

21. Previous year figures have been regrouped / reclassified wherever necessary to conform to the current year's classification.

As per our report of even date

For and on behalf of the Board

For **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

R.R. Dakshina Murthy

Partner

Sd/-

S. Kishore

Whole-time Director

Sd/-

K. A. Sastry

Whole-time Director

Sd/-

Narendra Mehra

Company Secretary

Membership No: 211639

Firm Registration No: 004453S

Place: Hyderabad

Date: May 06, 2011

Balance Sheet Abstract and Company's General Business Profile

(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration details

Registration No.	L45204AP2001PLC057199	State code No	01
Balance Sheet date	3/31/2011		

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

Public issue	NIL	Rights issue	NIL
Bonus issue	NIL	Private placement	1,000,000

III. Position of mobilisation and deployment of funds (Amount in Rs. thousands)

Total liabilities	35,782,788	Total Assets	35,782,788
Sources of funds			
Paid-up capital	4,726,305	Reserves and surplus	22,356,825
Secured loans	7,394,503	Unsecured loans	1,120,500
Share application money	NIL	Deffered tax liability	184,658
Application of Funds			
Net fixed assets	1,419,275	Investments	29,512,450
Net current assets	4,851,090	Miscellaneous expenditure	-
Accumulated losses	-		

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

Turnover	1,063,989	Total expenditure	576,543
Profit before tax	487,447	Profit after tax	334,990
Earnings per share	0.77	Dividend rate (%)	NIL

V. Generic names of three principal products/services of Company (as per monetary terms)

Item code. No. (ITC Code)	Not applicable
Product description	Project management and power generation

For and on behalf of the Board

Sd/- S. Kishore Whole-time Director	Sd/- K. A. Sastry Whole-time Director	Sd/- Narendra Mehra Company Secretary
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Place: Hyderabad
Date: May 6, 2011

Consolidated Auditors' Report

TO THE BOARD OF DIRECTORS OF KSK ENERGY VENTURES LIMITED

We have audited the attached Consolidated balance sheet of KSK Energy Ventures Limited ('the Company') and its subsidiaries and Joint Venture (collectively referred as 'the KSK group') as at March 31, 2011 and the Consolidated profit and loss account and the Consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of subsidiaries namely KSK Mahanadi Power Company Limited, KSK Narmada Power Company Private Limited, KSK Wind Energy Private Limited, KSK Vidarbha Power Company Private Limited, KSK Wardha Infrastructure Private Limited (formerly KSK Technology Ventures Private Limited), Sai Maithili Power Company Private Limited, KSK Dibbin Hydro Power Private Limited, Kameng Dam Hydro Power Private Limited, JR Power Gen Private Limited, KSK Upper Subansiri Hydro Energy Private Limited, KSK Jameri Hydro Power Private Limited, KSK Dinchang Power Company Private Limited, Tila Karnali Hydro Electric Company Private Limited, Arasmeta Captive Power Company Private Limited, Sai Regency Power Corporation Private Limited, Wardha Power Company Limited, and joint venture namely Sitapuram Power Limited whose financial statements reflect total assets of Rs. 94,104.58 millions as at March 31, 2011, total revenue of Rs. 7,628.94 millions and cash flows amounting to Rs. 3,022.68 millions. The financial statements and other information of the subsidiaries and joint venture have been audited by other auditors whose reports have been furnished to us and our opinion, in so far it relates to amounts included in respect of these subsidiaries, and joint venture, is based solely on the report of other auditors.

We report that the Consolidated financial statements have been prepared by the company's management in accordance with the requirements of the accounting standards (AS) 21, Consolidated financial statements and Accounting Standard (AS) 27, financial reporting of interest in joint ventures issued by the Institute of Chartered Accountants of India.

Based on our audit as aforesaid, and on consideration of reports of other auditors on financial statements and on other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of Consolidated Balance sheet, of the state of the KSK Group as at March 31, 2011;
- ii) in the case of Consolidated Profit and Loss Account, of the Profit for year ended on that date; and
- iii) in the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

(R.R. Dakshina Murthy)

Partner

Place: Hyderabad

Date: May 06, 2011

Membership No: 211639

FRN 004453S

Consolidated Balance Sheet as at March 31, 2011

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

Particulars	Schedule	As at March 31	
		2011	2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	4,726.30	3,726.30
Reserves and surplus	2	24,659.12	22,894.08
		29,385.42	26,620.38
Minority interest	3	4,854.70	1,947.05
Loan funds			
Secured loans	4	69,537.12	52,106.75
Unsecured loans	5	943.73	1,283.07
Deferred tax liability	21 (8)	291.99	122.52
		105,012.96	82,079.77
APPLICATION OF FUNDS			
Fixed assets	6		
Gross block		33,780.51	16,604.97
Less: Depreciation		2,086.57	816.19
Net block		31,693.94	15,788.78
Capital work in progress		56,781.21	50,899.75
Goodwill		2,017.86	1,980.29
Investments	7	409.60	31.67
Deferred tax asset	21 (8)	529.44	-
Current assets, loans and advances			
Inventories	8	763.29	491.39
Sundry debtors	9	2,199.27	448.56
Cash and bank balances	10	13,592.30	11,943.34
Other current assets	11	649.61	528.74
Loans and advances	12	5,917.88	4,459.22
		23,122.35	17,871.25
Less: Current liabilities and provisions			
Current liabilities	13	9,461.49	4,412.41
Provisions	14	79.95	79.56
		9,541.44	4,491.97
Net current assets		13,580.91	13,379.28
		105,012.96	82,079.77

Significant accounting policies and notes to Consolidated accounts: 21

The schedule referred to above forms an integral part of Consolidated Balance Sheet.

As per our report of even date

for and on behalf of the Board

For **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

R.R. Dakshina Murthy

Partner

Sd/-

S. Kishore

Whole-time Director

Sd/-

K. A. Sastry

Whole-time Director

Sd/-

Narendra Mehra

Company Secretary

Membership No: 211639

Firm Registration No: 004453S

Place: Hyderabad

Date: May 06, 2011

Consolidated Profit and Loss Account for the year ended March 31, 2011

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

Particulars	Schedule	For the year ended March 31	
		2011	2010
INCOME			
Sales and operating income	15	11,435.51	4,922.26
Other income	16	157.13	636.49
		11,592.64	5,558.75
EXPENDITURE			
Raw material consumed		4,232.27	1,209.00
Manufacturing expenses	17	824.46	213.47
Personnel expenses	18	288.96	119.98
Administrative and other expenses	19	535.24	321.55
Interest and finance charges	20	2,560.55	1,246.38
Depreciation and amortisation	6	1,223.81	259.73
		9,665.29	3,370.11
PROFIT BEFORE TAX AND MINORITY INTEREST		1,927.35	2,188.64
Provision for Tax			
Current tax		200.46	364.31
MAT credit		(192.81)	(150.45)
Deferred tax		(359.97)	62.07
Profit after tax before minority interest		2,279.67	1,912.71
Less: Minority interest		462.14	161.64
PROFIT AFTER TAX AND MINORITY INTEREST		1,817.53	1,751.07
Add: Balance brought forward		4,148.35	2,397.28
Profit available for appropriation		5,965.88	4,148.35
Appropriations			
Preference dividend		39.89	-
Dividend tax		6.63	-
BALANCE CARRIED TO CONSOLIDATED BALANCE SHEET		5,919.36	4,148.35
EARNINGS PER SHARE			
Basic - face value Rs.10 per share (Rs.)		4.75	4.92
Diluted - face value Rs.10 per share (Rs.)		4.75	4.92

Significant accounting policies and notes to Consolidated accounts: 21

The schedule referred to above forms an integral part of Consolidated Profit and Loss Account.

As per our report of even date

for and on behalf of the Board

For **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

R.R. Dakshina Murthy

Partner

Sd/-

S. Kishore

Whole-time Director

Sd/-

K. A. Sastry

Whole-time Director

Sd/-

Narendra Mehra

Company Secretary

Membership No: 211639

Firm Registration No: 004453S

Place: Hyderabad

Date: May 06, 2011

Consolidated Cash Flow Statement for the year ended March 31, 2011

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

Particulars	For the year ended March 31	
	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,927.35	2,188.64
Adjustments for		
Depreciation and amortization	1,223.81	259.73
Dividend income	(6.59)	(4.20)
Profit on sale of investment	(0.78)	(219.91)
Interest income	(80.03)	(279.81)
Interest and finance charges	2,560.55	1,246.38
Others, net	9.32	(69.06)
Operating profit before working capital changes	5,633.63	3,121.77
Adjustments for		
(Increase) in current assets	(3,508.13)	(1,592.85)
Increase in current liabilities	929.81	604.12
Cash generated from operations	3,055.31	2,133.04
Direct taxes paid	(353.76)	(477.64)
Net cash from operating activities	2,701.55	1,655.40
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets / capital work-in-progress	(14,561.44)	(33,529.24)
Sale of fixed assets	30.30	23.52
Purchase of windmill undertakings	(11.00)	(1,199.64)
Purchase of long term investments	(52.81)	-
Sale of long term investment	-	777.88
(Purchase) / sale of short term investments, net	(163.55)	69.03
Advance for investment	(81.00)	(160.00)
Advance for investment - refund	7.00	1,103.00
Payment for acquisition	-	(1,000.00)
Inter corporate deposit - given	(180.24)	(262.06)
Inter corporate deposit - repaid	120.92	561.49
Interest income	645.39	802.28
Dividend income	13.09	25.55
Net cash used in investing activity	(14,233.34)	(32,788.19)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue and application money, net of share issue expenses	994.17	5,048.07
Proceeds from share issue and application money in subsidiary to minority interest	2,502.55	135.55
Payment of preference dividend including dividend tax	(27.09)	-
Proceeds from long term borrowings	19,923.50	40,186.74
Repayment of long term borrowings	(11,413.53)	(9,394.35)
Proceeds from short term borrowings, net	8,438.87	894.01
Interest and finance charges paid	(7,238.10)	(4,867.20)
Net cash from financing activities	13,180.37	32,002.82
Net increase in cash and cash equivalents	1,648.58	870.03
Effect on cash of acquisition of controlling interest in subsidiary	0.38	-
Cash and cash equivalents at the beginning of the year	11,943.34	11,073.31
Cash and cash equivalents at the end of the year	13,592.30	11,943.34

Consolidated Cash Flow Statement for the year ended March 31, 2011 (Contd..)

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

Particulars	For the year ended March 31	
	2011	2010
Notes:		
1 Cash and cash equivalents includes:		
Cash in hand	3.15	2.15
Balances with scheduled banks in:		
Current accounts	2,489.93	760.37
Deposit accounts	11,096.16	11,180.20
Balances with non-scheduled banks in:		
Current accounts	3.06	0.62
	13,592.30	11,943.34

2 Previous year figures have been regrouped/reclassified to conform to the classification of the current year

As per our report of even date

for and on behalf of the Board

For **Umamaheswara Rao & Co.,**
Chartered Accountants

Sd/-

R.R. Dakshina Murthy

Partner

Sd/-

S. Kishore

Whole-time Director

Sd/-

K. A. Sastry

Whole-time Director

Sd/-

Narendra Mehra

Company Secretary

Membership No: 211639

Firm Registration No: 004453S

Place: Hyderabad

Date: May 06, 2011

Schedules forming part of Consolidated Balance Sheet

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

Particulars	As at March 31	
	2011	2010
1 SHARE CAPITAL		
Authorized		
4,000,000,000 (March 31, 2010: 4,000,000,000) equity shares of Rs. 10/- each	40,000.00	40,000.00
1,031,500,000 (March 31, 2010: 1,031,500,000) preference shares of Rs.10/- each	10,315.00	10,315.00
	50,315.00	50,315.00
Issued, Subscribed and Paid up		
372,630,454 (March 31, 2010: 372,630,454) equity shares of Rs. 10/- each fully paid up (Out of the above 191,222,031 (March 31, 2010: 191,222,031) equity shares of Rs.10/- each fully paid are held by KSK Energy Limited, Mauritius, the holding Company.)	3,726.30	3,726.30
100,000,000 (March 31, 2010: Nil) 8% Compulsorily redeemable preference shares of Rs. 10/- each fully paid up (Above preference shares are redeemable at premium over the period of 5 years, starting from end of the 3rd year from the date of allotment)	1,000.00	-
	4,726.30	3,726.30
2 RESERVES AND SURPLUS		
Securities premium		
Opening balance	18,745.73	13,962.91
Add: On allotment of shares	-	4,893.99
Less: Share issue expenses	5.83	111.17
	18,739.90	18,745.73
Foreign currency translation reserve		
Opening balance	-	-
Add: Movement during year	(0.14)	-
	(0.14)	-
Profit and loss account		
Opening balance	4,148.35	2,397.28
Add: Profit for the year	1,771.01	1,751.07
	5,919.36	4,148.35
	24,659.12	22,894.08
3 MINORITY INTEREST		
Minority interest	4,787.10	1,290.07
Preference share capital in JV entities held by others	35.20	35.20
Share application money in subsidiaries held by others	32.40	621.78
	4,854.70	1,947.05

Schedules forming part of Consolidated Balance Sheet

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

Particulars	As at March 31	
	2011	2010
4 SECURED LOANS*		
Term loans		
Rupee loans from bank	19,005.20	9,341.71
Rupee loans from others	21,892.04	20,050.46
Foreign currency loans from banks	14,477.61	16,955.62
Working capital loans	5,410.60	185.67
Other loans and advances from banks	8,751.67	5,573.29
	69,537.12	52,106.75
<i>*Refer note 15 under Schedule 21, for details of security provided for above loans.</i>		
5 UNSECURED LOANS		
Long term loans		
From others	804.83	1,181.31
Short term loans		
From others	138.90	101.76
	943.73	1,283.07

Schedules forming part of Consolidated Balance Sheet

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

6 FIXED ASSETS

Particulars	Gross Block			Depreciation			Net Block	
	As at April 1, 2010	Additions	Adjustments / Deletions	As at March 31, 2011	As at April 1, 2010	For the year	As at March 31, 2011	As at March 31, 2010
Free hold land and site development	1,383.02	390.05	34.08	1,738.99	-	-	1,738.99	1,383.02
Lease hold land	1,000.99	268.07	-	1,269.06	12.79	12.50	1,243.77	988.20
Building	1,155.84	3,274.60	1.70	4,428.74	49.55	109.74	4,269.49	1,106.29
Lease hold improvement	7.86	47.61	-	55.47	0.82	11.74	42.95	7.04
Plant and machinery	12,752.32	13,691.03	591.47	25,851.88	652.97	1,097.86	24,114.19	12,099.35
Furniture and fitting	41.86	18.57	-	60.43	9.27	7.01	44.15	32.59
Vehicle	61.16	20.37	0.48	81.05	10.82	6.86	63.24	50.34
Computer	70.76	43.26	0.10	113.92	9.14	6.66	98.12	61.62
Office equipment	54.64	27.39	-	82.03	14.43	10.35	57.25	40.21
Computer software	76.52	22.42	-	98.94	56.40	20.75	21.79	20.12
Total	16,604.97	17,803.37	627.83	33,780.51	816.19	1,283.47	31,693.94	15,788.78
Previous year	6,144.83	10,487.77	27.63	16,604.97	512.83	305.00	15,788.78	50,899.75
Capital work in progress								

Schedules forming part of Consolidated Balance Sheet

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

Particulars	As at March 31	
	2011	2010
7 INVESTMENTS		
Long term investments		
<i>(quoted, fully paid up)</i>		
330,818 (March 31, 2010: Nil) equity shares of Rs. 10/- each in Thiru Arooran Sugars Limited (Market value Rs 32.12 as on March 31, 2011, source from NSE)	52.81	-
<i>(unquoted, fully paid up)</i>		
3,636,363 (March 31, 2010: Nil) equity shares of Rs.10/- each in Terra Energy Limited	160.00	-
Current investments		
<i>(quoted, fully paid up)</i>		
14,996,251 (March 31, 2010: Nil) units of Rs 10.0025/- each in IDFC Cash Fund - Super Inst Plan C - Daily Dividend	150.00	-
Nil (March 31, 2010: 3,066,364) units of Rs 10.0015/- each in IDFC Money Manager Fund -Dividend plan	-	30.67
507,584 (March 31, 2010: Nil) units of Rs.11.3929/- each in IDFC Money Manager Fund -Treasury plan - Super Inst Plan C Growth	5.79	-
1,497,040 (March 31, 2010: Nil) units of Rs.13.3597/- each in IDFC Ultra Short Term Fund - Growth	20.00	-
1,993,924 (March 31, 2010: Nil) units of Rs.10.0325/- each in SBI Premier Liquid fund	20.00	-
84,837.07 (March 31, 2010: 84,837.07) units of Rs.11.7873/- each in SBI-SHF-Ultra Short Term fund	1.00	1.00
	409.60	31.67
8 INVENTORIES		
<i>(at lower of cost or net realisable value)</i>		
Raw materials*	296.43	271.80
Stores, spares and consumables*	466.86	219.59
	763.29	491.39
<i>*includes material in transit of Rs.185.65 (March 31, 2010: Rs.0.66)</i>		
9 SUNDRY DEBTORS		
<i>(Unsecured)</i>		
Considered good		
Debts outstanding for a period exceeding six months	831.84	82.11
Other debts	1,367.43	366.45
Considered doubtful		
Debts outstanding for a period exceeding six months	-	4.22
Less: Provision for doubtful debts	-	(4.22)
	2,199.27	448.56

Schedules forming part of Consolidated Balance Sheet

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

Particulars	As at March 31	
	2011	2010
10 CASH AND BANK BALANCES		
Cash, cheques and drafts on hand	3.15	2.15
Balances with scheduled banks in:		
Current accounts	2,489.93	760.37
Deposit accounts*	11,096.16	11,180.20
Balances with non-scheduled banks in:		
Current accounts	3.06	0.62
	13,592.30	11,943.34
*Out of above, deposits worth Rs. 10,932.30 (March 31, 2010: 10,531.18) have been pledged with the Banks/Financial institutions for availing credit facilities		
11 OTHER CURRENT ASSETS		
Interest accrued on deposits and advances	649.61	528.74
	649.61	528.74
12 LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	2,350.30	1,271.23
Balances with statutory authorities	9.84	41.27
Security deposit	1,391.74	1,189.56
Advance tax (net of provision for tax - Rs. 818.05, March 31, 2010: Rs. 882.95)	203.43	160.71
Inter corporate deposits	1,538.31	1,479.00
Advance for purchase of investment	81.00	167.00
MAT credit entitlement	343.26	150.45
(Unsecured, considered doubtful)		
Advances considered doubtful	-	1.65
Less: Provision for doubtful debts	-	(1.65)
	5,917.88	4,459.22
13 CURRENT LIABILITIES		
Sundry creditors		
- due to micro, small and medium enterprises	-	-
- due to others	8,977.96	3,762.99
Other liabilities	121.59	181.99
Forward cover payable	4,444.13	4,886.68
Less: Forward cover receivable	(4,358.19)	(4,773.19)
Interest accrued but not due	276.00	353.94
	9,461.49	4,412.41
14 PROVISIONS		
For taxation (net of advance tax - Rs. 237.89 , March 31, 2010: Rs. 244.85)	35.13	69.76
For retirement benefits	25.39	9.80
For preference dividend	16.66	-
For dividend tax	2.77	-
	79.95	79.56

Schedules forming part of Consolidated Profit and Loss Account

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

Particulars	For the year ended March 31	
	2011	2010
15 SALES AND OPERATING INCOME		
Sale of electricity	10,163.63	2,827.02
Project development fees	795.48	1,603.06
Corporate support services fees	2.19	2.19
Other operating income	474.21	489.99
	11,435.51	4,922.26
16 OTHER INCOME		
Interest received on deposits and others	80.03	279.81
Dividend income	6.59	4.20
Profit on sale of investments	0.78	219.91
Foreign exchange gain, net	20.02	0.05
Miscellaneous income	49.71	132.52
	157.13	636.49
17 MANUFACTURING EXPENSES		
Consumption of stores and spares	201.54	35.25
Carriage inward / freight	26.40	10.08
Power and fuel	275.79	59.26
Operation and maintenance expenses	294.47	102.44
Repair and maintenance - plant and machinery	26.26	6.44
	824.46	213.47
18 PERSONNEL EXPENSES		
Salaries, wages and bonus	261.83	109.36
Contribution to provident and other funds	15.18	4.70
Staff welfare expenses	11.95	5.92
	288.96	119.98

Schedules forming part of Consolidated Profit and Loss Account

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

Particulars	For the year ended March 31	
	2011	2010
19 ADMINISTRATIVE AND OTHER EXPENSES		
Rents, rates and taxes	29.45	22.07
Printing and stationery	5.09	2.70
Communication expenses	11.93	8.02
Insurance charges	47.70	16.86
Legal and professional charges	59.12	33.68
Audit fees	4.57	4.69
Selling and advertisement expenses	163.21	12.08
Travel and conveyance	20.63	12.79
Claims/bad debts written off	24.60	43.30
Electricity expenses	5.68	4.33
Loss on sale of fixed assets	0.06	1.36
Office expenses	51.48	19.46
Repairs and maintenance - building and others	28.35	10.76
Corporate support service charges	2.57	2.69
Transmission charges	62.99	54.92
Donation*	17.81	65.97
Provision for doubtful debts	-	5.87
<i>*Refer note 22 under schedule 21</i>		
	535.24	321.55
20 INTEREST AND FINANCE CHARGES		
Interest on fixed period loans	2,026.96	1,035.29
Interest on others	420.72	135.18
Finance charges	112.87	75.91
	2,560.55	1,246.38

Schedule 21: Significant accounting policies and notes to Consolidated accounts

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

1. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting convention

The Consolidated Financial Statements of KSK Energy Ventures Limited and its Subsidiaries (“the Group” or “the Company”) have been prepared and presented under the historical cost convention on the accrual basis in accordance with Indian Generally Accepted Accounting Principles (GAAP). GAAP comprises Accounting Standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. The Consolidated Financial Statements are rounded off to the nearest thousands.

b. Use of estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure relating to contingent liabilities on the date of Consolidated Financial Statements and reported amounts of income and expenditure for the period. Actual results could differ from these estimates. Examples of such estimates include provision for doubtful debt, future obligation under employee retirement benefit plan, income taxes, useful life of fixed assets, etc. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed assets and depreciation

Fixed assets are stated at cost of acquisition. Cost of acquisition is inclusive of freight, duties, levies and all incidentals directly or indirectly attributable to bringing the asset to its working condition for its intended use. Cost of fixed assets includes cost of initial warranty / insurance spares purchased along with the capital asset, which are grouped as single item under respective assets.

Machinery spares of the nature of capital spares are capitalized at the time of their purchase whether procured at the time of purchase of the fixed asset concerned or subsequently. Where such spares are replaced, the carrying cost of the worn out spares are written off. The total cost of such capital spares is allocated on a systematic basis over a period not exceeding the useful life of the principal item.

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

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

Depreciation on initial / warranty spares are provided on the same rates applicable for that asset group, irrespective of its actual usage.

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

Leasehold improvements are amortized over the lease period.

d. Capital work in progress

Capital work in progress is carried at cost and incidental and attributable expenses including interest and depreciation on fixed assets in use during construction are carried as part of “Expenditure During Construction Period, Pending Allocation” to be allocated on major assets on commissioning of the project.

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

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Advances paid towards the acquisition of fixed assets outstanding at each Balance Sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work in progress.

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

e. Revenue recognition

Revenue in the form of project development fees for services rendered in relation to development work of potential power projects is recognized when such fees is assured and determinable under the terms of the respective contract.

Corporate Support Service income is recognized when such income is assured and determinable under the terms of the respective contract.

Consultancy income is recognized in proportion with the degree of completion of contract.

Dividend Income is recognized when the unconditional right to receive the income is established.

Interest is recognized using the time proportionate method, based on the underlying interest rates.

Sale of energy is recognized on accrual basis in accordance with the relevant agreements.

Claims for delayed payment charges, and any other claim which, the Group is entitled to under the power purchase agreements, on the grounds of prudence are accounted for in the year of acceptance.

Warranty claims/ liquidated damages are not treated as accrued due to uncertainty of realization/ acceptance and are therefore accounted for on receipt / acceptances.

Insurance Claims are accounted based on certainty of realization.

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

f. Investments

Long-term investments, other than investments in associates, are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long-term investments. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

g. Cash Flow Statement

Cash flows are reported using the indirect method, where by the net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated and presented separately.

h. Inventories

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

Raw materials	Weighted average
Stores, spares and consumables	First-in-first-out

i. Retirement benefits**Provident fund**

Eligible employees receive benefits from a provident fund, which is a defined contribution scheme. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee salary. The contribution made by the Company is charged to the Profit and Loss Account.

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Gratuity

In accordance to the Payment of Gratuity Act, 1972, the Company provides for the gratuity, a defined benefit retirement plan ("the gratuity plan") covering the eligible employees. The gratuity plan provides for a lump sum payment to the vested employees at retirement, death, incapacitation or termination of the employment, of an amount based on the respective employee salary and the tenure of the employment with the Company.

Liabilities with regard to the gratuity plan are determined by independent actuarial valuation at each Balance Sheet date.

The Company recognizes the net obligation of the gratuity plan in the Balance Sheet as an asset or liability, respectively in accordance with Accounting Standard (AS) 15, "Employee Benefits".

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Profit and Loss Account.

j. Foreign currency transaction

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

At the Balance Sheet date, foreign currency monetary items are reported using the closing / contracted rate. Non monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.

The foreign exchange differences arising on account of the restatement of long-term foreign currency monetary items, related to acquisition of depreciable capital assets are being capitalized as per the amendment to Accounting Standard (AS) 11 "The Effect of Changes in Foreign Exchange Rates" made by the Central Government, vide notification dated March 31, 2009.

In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the Balance Sheet date, the exchange difference is calculated and recorded in accordance with AS-11 (Revised). The exchange difference on such a forward exchange contract is calculated as the difference of the foreign currency amount of the contract translated at the exchange at the reporting date, or the settlement date where the transaction is settled during the reporting period and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change.

The premium or discount on all such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or expense for the period.

In translating the financial statements of a non-integral foreign operation for incorporation in Consolidated financial statements, the assets and liabilities, both monetary and non-monetary are translated at the closing rates and the income and expenses are translated at the dates of the transaction and all the resulting exchange differences are accumulated in foreign exchange fluctuation reserve until the disposal of the investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

Other exchange differences are recognized as income or expense in the period in which they arise.

k. Taxes on income

Income tax expense / (income) comprises of current tax, deferred tax and MAT credit.

Current tax

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

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets.

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

The break-up of the deferred tax assets and liabilities as at the Balance Sheet date has been arrived at after setting-off deferred tax assets and liabilities where the Company has legally enforceable right and an intention to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

MAT credit

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

l. Earnings per share

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

m. Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized. If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense as and when the payments are made over the lease term.

n. Provisions and contingencies**Provisions and contingencies**

The Company recognizes a provision when there is a present obligation as a result of past obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Onerous contract

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

o. Impairment of assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2. DESCRIPTION OF BUSINESS

KSK Energy Ventures Limited ("KSKEVL" or the "Company") and its Subsidiaries, Joint Venture entities and Associate entities (hereinafter collectively referred to as the "Group") are engaged in the business of

- ❶ Development of Power Projects
- ❷ Investment in Power Projects
- ❸ Generation of Power

3. BASIS OF CONSOLIDATION

The Consolidated Financial Statements relate to KSK Energy Ventures Limited, its Subsidiaries, Associates and interest in Joint Ventures.

a. Basis of accounting

The financial statements of the Subsidiary / Associates / Joint Venture Companies in the consolidation are drawn up to the same reporting date as that of the Company.

The Consolidated Financial Statements have been prepared in accordance with Accounting Standards (AS) 21 "Consolidated Financial Statements", (AS) 23 "Accounting for Investments in Associates" and (AS) 27 "Financial Reporting of Interest in Joint Ventures", in Consolidated Financial Statements notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and GAAP.

b. Principles of consolidation

The Consolidated Financial Statements have been prepared as per the following principles:

The financial statements of the Company and its Subsidiaries are combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions and unrealized profits or losses.

The Consolidated Financial Statements include the interest of the Company in Joint Ventures, which has been accounted for using the proportionate consolidation method of accounting whereby the Company's share of each of assets, liabilities, income and expenses of a jointly controlled entity is considered as separate line item.

Preference share capital in Joint Venture entities and share application money in subsidiaries held by the outsiders, shown separately together with minority interest under Schedule 3 to Balance Sheet.

The Group accounts for investments by the equity method of accounting where it is able to exercise significant influence over the operating and financial policies of the investee. Inter company profits and losses have been proportionately eliminated until realised by the investor or investee.

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements except as otherwise stated in the notes to the accounts.

The difference between the cost of investment in the Subsidiary / Joint Venture and the share of net assets at the time of acquisition of shares is identified in the Financial Statements as goodwill or capital reserve as the case may be.

Minority interest's share of profit of Consolidated subsidiaries is identified and adjusted against income of the group in order to arrive at the surplus attributable to the shareholders of the Company.

c. Particulars of Subsidiaries and Joint Ventures:

(% of Shareholding)

S. No.	Name of the Company	Country of incorporation	As at March 31	
			2011	2010
	Subsidiary Companies			
1.	KSK Narmada Power Company Private Limited	India	100.00	100.00
2.	KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	India	74.00	100.00
3.	KSK Vidarbha Power Company Private Limited	India	100.00	100.00
4.	KSK Wardha Infrastructure Private Limited (formerly KSK Technology Ventures Private Limited)	India	100.00	100.00
5.	Sai Maithili Power Company Private Limited	India	100.00	100.00
6.	KSK Dibbin Hydro Power Private Limited	India	100.00	100.00
7.	Kameng Dam Hydro Power Private Limited	India	100.00	100.00
8.	Arasmeta Captive Power Company Private Limited	India	51.00	51.00
9.	KSK Electricity Financing India Private Limited	India	100.00	100.00
10.	VS Lignite Power Private Limited	India	74.00	74.00
11.	Sai Regency Power Corporation Private Limited	India	73.92	73.92
12.	Wardha Power Company Limited *	India	87.00	80.79
13.	KSK Mahanadi Power Company Limited*	India	89.19	99.99
14.	J R Power Gen Private Limited	India	51.00	51.00
15.	KSK Upper Subansiri Hydro Energy Private Limited	India	100.00	-
16.	KSK Jameri Hydro Power Private Limited	India	100.00	-
17.	KSK Dinchang Power Company Private Limited	India	100.00	-
18.	Tila Karnali Hydro Electric Company Private Limited	Nepal	80.00	-
19.	Field Mining and Ispats Limited	India	85.00	-
	Joint Venture Company			
20.	Sitapuram Power Limited	India	49.00	49.00

*Refer note 20

4. a. Contingent liabilities

Particulars	As at March 31	
	2011	2010
Letter of credit outstanding	275.38	-
Corporate guarantees outstanding	904.66	869.99

b. Claims against the Company not acknowledged as debt Rs.116.02 (March 31, 2010: Rs.11.73).

c. Estimated amount of contracts remaining to be executed on capital account and not provided for in the Company, its Subsidiaries and Joint Ventures:

Schedule 21: Significant accounting policies and notes to Consolidated accounts (contd..)

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

Particulars	As at March 31	
	2011	2010
Estimated value of contracts remaining to be executed on capital account not provided for	109,515.79	113,293.43

5. OPERATING LEASES

The Consolidated entities have entered in to certain operating lease agreements. An amount of Rs. 66.15 (March 31, 2010: Rs. 43.22) paid under such agreements has been disclosed as "Rent" under Administrative and other expenses in the Consolidated Profit and Loss Account and expenditure during construction period, pending allocation.

The schedule of future minimum rental payments in respect of non-cancelable operating leases is set out below:

Particulars	As at March 31	
	2011	2010
Lease Obligations		
Within one year of the balance sheet date	15.76	13.86
Due between one to five years	13.63	14.54
Due after five years	-	-

6. JOINTLY CONTROLLED ENTITIES

Proportionate consolidation of interests

The Company has a 49% interest in Sitapuram Power Limited, a Joint Venture (JV) in India. Sitapuram Power Limited ("the Company") was incorporated on July 18, 2005 and is engaged in the business of generation of electricity. The Company was set up as a special purpose entity by Zuari Cements Limited and KSK Energy Ventures Limited to build and operate a 43 MW captive power plant in Sitapuram to cater to the power requirements of Zuari Cements Limited.

The Group has, in accordance with AS 27 "Financial Reporting of Interest in Joint Ventures" issued by the ICAI, accounted for its 49% interest in the JV by the proportionate consolidation method. Thus the Group's Income Statement, Balance Sheet and Cash Flow Statement incorporate the Group's share of income, expenses, assets, liabilities and cash flows of the JV on a line-by-line basis.

The aggregate amount of the assets, liabilities, income and expenses related to the Group's share in the JV included in these financial statements, as at and for the period ended March 31, 2011 are given below:

Particulars	As at March 31	
	2011	2010
Balance Sheet		
Secured loan	558.24	486.46
Unsecured Loan	157.23	146.61
Deferred tax liability	35.45	26.18
Fixed assets, net	777.68	786.77
Current assets, loans and advances		
Inventories	28.06	45.95
Sundry debtors	100.61	49.78
Cash and bank balances	107.65	13.86
Loans and advances	180.56	155.89
Current liabilities	28.76	14.00
Provisions	1.78	0.16
Net Current assets	386.34	251.32
Claims against the Company not acknowledged as debts	4.45	11.73
Estimated amount of contracts remaining to be executed on capital account and not provided for	2.51	44.19

Schedule 21: Significant accounting policies and notes to Consolidated accounts (contd..)

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

Particulars	For the year ended March 31	
	2011	2010
Income		
Sales	528.89	603.92
Other Income	22.97	10.74
Expenditure		
Manufacturing expenses	354.53	368.76
Personnel expenses	9.01	6.21
Administrative and other expenses	30.59	27.22
Interest and Finance charges	70.81	79.13
Depreciation and amortization	43.40	42.84
Profit before tax	43.52	90.50
Provision for tax		
- Current tax	(8.70)	(15.47)
- MAT credit	8.70	25.16
- Deferred tax	(9.26)	(8.17)
Profit after tax	34.26	92.02

7. BORROWING COST

The borrowing cost attributable to the acquisition or construction of fixed assets amounting to Rs. 4,716.90 (March 31, 2010: 3,881.24) has been capitalized during the year.

8. DEFERRED TAX

Deferred tax liability, net of deferred tax assets arising on account of timing difference are given below:

Particulars	As at March 31	
	2011	2010
Deferred tax liability on account of depreciation	608.46	122.79
Deferred tax asset on account of carry forward of losses	(844.17)	-
Deferred tax asset on gratuity	(1.74)	(0.27)
Deferred tax liability / (assets), net as at the end of the year	(237.45)	122.52

9. EARNINGS PER SHARE (EPS)

The computation of EPS as per AS 20 is set out below:

Particulars	For the year ended March 31	
	2011	2010
Net profit after tax & minority interest	1,817.53	1,751.07
Less: Preference dividend and tax thereon	46.52	-
Net profit attributable to shareholders - for basic EPS	1,771.01	1,751.07
Net profit attributable to shareholders - for diluted EPS	1,771.01	1,751.07
Weighted average number of shares outstanding during the year for the purpose of calculation of basic and diluted EPS (in millions)	372.63	355.92
Earnings per share - Basic / Diluted (in Rs.)	4.75	4.92

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

10. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

The following are outstanding foreign exchange forward contracts

Particulars	Purpose	As at March 31	
		2011	2010
Forward contract	Hedge of expected future payable	US \$ 96.00	US \$ 106.00

Particulars of Unhedged foreign Currency Exposure

Particulars	As at March 31			
	2011		2010	
Loans	Rs.10,119.42	US \$ 222.91	Rs.12,182.42	US \$ 270.54
Interest on loans	Rs.186.83	US \$ 4.12	Rs. 271.94	US \$ 6.04
Import creditors (including retention money)	Rs. 5,649.65	US \$ 124.45	Rs.1,730.99	US \$ 38.44
Import creditors (including retention money)	Rs. 3.43	Euro 0.05	-	-
Cash with Bank	Rs. 2.99	CNY 0.43	Rs. 0.23	CNY 0.03
Cash with Bank	-	-	Rs. 0.40	US \$ 0.01
Cash with Bank	Rs. 0.07	NR 0.12	-	-

11. The Company had made an Initial Public Offer of its equity shares during the year 2008-09. The issue was oversubscribed 0.6 times. The details of funds received towards Initial Public Offer, including securities premium thereon, and utilization of such funds are given below

Particulars	As at March 31 2011
Funds raised from Initial Public Offer (including interest)	9,043.85
Utilization	
Investment / Advance - KSK Mahanadi Power Company Limited*	8,499.43
IPO Expenses (including service tax)	544.42
Balance of unutilized monies out of the IPO funds in liquid funds	Nil

* Refer note 20

12. EMPLOYEE BENEFIT PLANS

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

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

Particulars	As at March 31	
	2011	2010
Benefit obligation at the beginning of the year	19.58	6.86
Interest cost	1.56	0.51
Current Service cost	27.50	11.27
Past Service Cost- (non vested benefits)	14.54	-
Past Service Cost -(vested benefits)	5.39	-
Benefits paid	-	-
Actuarial (gain) / loss	(12.98)	0.94
Benefit obligation at the end of the year	55.59	19.58

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Change in the fair value of assets

Particulars	As at March 31	
	2011	2010
Fair value of plan assets at the beginning of the year	9.78	5.59
Expected return on plan assets	1.34	0.67
Contributions	10.08	3.54
Benefits paid	-	-
Actuarial gains/(loss)	(0.24)	(0.02)
Fair value of plan assets at the end of the year	20.96	9.78

Amount recognized in the Balance Sheet

Particulars	As at March 31	
	2011	2010
Present value of funded obligations	55.59	(19.58)
Fair value on plan assets	20.96	9.78
Net (liability) / asset	(34.63)	(9.80)
Unrecognized actuarial gain / (loss)	-	-
Unrecognized past service cost -non vested cost	9.24	-
Net (liability) / asset	(25.39)	(9.80)

Expense recognized in the Profit and Loss Account

Particulars	For the year ended March 31	
	2011	2010
Current service cost	27.50	11.26
Interest cost	1.56	0.51
Past Service Cost- (non vested benefits)	5.30	-
Past Service Cost -(vested benefits)	5.39	-
Expected return on plan assets	(1.34)	(0.67)
Net actuarial (Gain) / loss recognized in the year	(12.74)	0.96
Amount included in "personnel expense"	25.67	12.06

Asset information

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

Summary of actuarial assumptions

Particulars	For the year ended March 31	
	2011	2010
Discount rate	8.0%	8.0%
Expected return on plan assets	9.0%	9.0%

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

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

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

13. SEGMENT REPORTING

The Segment report of the Group has been prepared in accordance with the Accounting Standard 17 "Segment Reporting". There is only one reportable geographical segment as per Accounting Standard 17.

For the purpose of reporting business segments, the Group is engaged in two segments, viz., Project development and power generation.

Year ended March 31, 2011	Project development activities	Power generating activities	Reconciling/ Elimination activities	Total
Revenue	1,412.15	10,163.63	(140.27)	11,435.51
Segment Result	1,194.85	3,224.20	(88.28)	4,330.77
Unallocated income				157.13
Finance costs				(2,560.55)
Profit before tax				1,927.35
Taxation income				352.32
Profit after tax				2,279.67
Segment assets	1,266.36	107,318.16	(161.93)	108,422.59
Unallocated assets				6,131.81
Total assets				114,554.40
Segment liabilities	51.86	11,776.87	(161.93)	11,666.80
Unallocated liabilities				68,647.48
Total liabilities				80,314.28
Other segment information				
Depreciation and amortization	15.77	1,208.04	-	1,223.81
Capital expenditure	89.88	23,594.95	-	23,684.83

Year ended March 31, 2010	Project development activities	Power generating activities	Reconciling/ Elimination activities	Total
Revenue	2,148.84	2,827.02	(53.60)	4,922.26
Segment Result	1,875.82	950.60	(27.89)	2,798.53
Unallocated income				636.49
Finance costs				(1,246.38)
Profit before tax				2,188.64
Taxation charge				(275.93)
Profit after tax				1,912.71
Segment assets	2,088.02	77,659.87	(30.53)	79,717.36
Unallocated assets				6,854.38
Total assets				86,571.74
Segment liabilities	26.37	4,258.09	(30.53)	4,253.93
Unallocated liabilities				53,750.38
Total liabilities				58,004.31
Other segment information				
Depreciation and amortization	9.70	250.03	-	259.73
Capital expenditure	1,093.62	35,646.37	-	36,739.99

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

14. RELATED PARTY DISCLOSURE**i. Parties where control exists**

S No.	Name of the party	Relationship
1.	KSK Power Ventur plc	Step up holding Company
2.	KSK Energy Limited, Mauritius	Holding Company
3.	KSK Electricity Financing India Private Limited	Subsidiary Company
4.	J R Power Gen Private Limited	Subsidiary Company
5.	KSK Dibbin Hydro Power Private Limited	Subsidiary Company
6.	Kameng Dam Hydro Power Private Limited	Subsidiary Company
7.	KSK Narmada Power Company Private Limited	Subsidiary Company
8.	KSK Wind Energy Private Limited (formerly Bahur Power Company Private Limited)	Subsidiary Company
9.	KSK Vidarbha Power Company Private Limited	Subsidiary Company
10.	Sai Maithili Power Company Private Limited	Subsidiary Company
11.	KSK Wardha Infrastructure Private Limited (formerly KSK Technology Ventures Private Limited)	Subsidiary Company
12.	KSK Mahanadi Power Company Limited	Subsidiary Company
13.	KSK Upper Subansiri Hydro Energy Private Limited	Subsidiary Company
14.	KSK Jameri Hydro Power Private Limited	Subsidiary Company
15.	KSK Dinchang Power Company Private Limited	Subsidiary Company
16.	Tila Karnali Hydro Electric Company Private Limited	Subsidiary Company
17.	Field Mining and Ispats Limited	Step-down subsidiary
18.	Sai Regency Power Corporation Private Limited	Step-down subsidiary
19.	VS Lignite Power Private Limited	Step-down subsidiary
20.	Wardha Power Company Limited	Step-down subsidiary
21.	Arasmeta Captive Power Company Private Limited	Step-down subsidiary

ii. Parties where significant influence exists and where the transactions have taken place during the year

S No.	Name of the party	Relationship
1.	Sitapuram Power Limited	Joint venture
2.	KSK Mineral Resources Private Limited	Fellow subsidiary
3.	KSK Energy Company Private Limited	Fellow subsidiary
4.	KSK Surya Photovoltaic Venture Private Limited	Fellow subsidiary
5.	SN Nirman Infra Projects Private Limited	Fellow subsidiary
6.	KSK Water Infrastructures Private Limited	Fellow subsidiary

iii. Key Management Personnel

S No.	Name of the party	Relationship
1	S. Kishore	Whole-time Director
2	K. A. Sastry	Whole-time Director
3	K. B. Raju	Director

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

iv. Related Party transactions

Particulars	For the year ended March 31	
	2011	2010
Project development fee		
<i>Subsidiaries</i>		
KSK Wind Energy Private Limited	61.35	-
J R Power Gen Private Limited	247.50	-
KSK Mahanadi Power Company Limited	404.75	1,569.25
	713.60	1,569.25
<i>Stepdown subsidiaries</i>		
Arasmeta Captive Power Company Private Limited	-	16.56
Sai Regency Power Corporation Private Limited	37.80	-
VS Lignite Power Private Limited	-	17.25
Wardha Power Company Limited	44.08	-
	81.88	33.81
Corporate support services fee		
<i>Joint venture</i>		
Sitapuram Power Limited	2.19	2.19
	2.19	2.19
Interest income		
<i>Subsidiaries</i>		
KSK Dibbin Hydro Power Private Limited	59.62	50.42
Kameng Dam Hydro Power Private Limited	68.46	66.84
KSK Mahanadi Power Company Limited	95.92	298.76
KSK Upper Subabsiri Hydro Power Private Limited	134.34	-
J R Power Gen Private Limited	3.78	11.61
	362.12	427.63
<i>Stepdown subsidiaries</i>		
Arasmeta Captive Power Company Private Limited	31.88	17.76
Sai Regency Power Corporation Private Limited	11.79	-
VS Lignite Power Private Limited	-	14.47
Wardha Power Company Limited	39.86	-
	83.53	32.23
<i>Joint venture</i>		
Sitapuram Power Limited	19.56	21.10
	19.56	21.10
Interest charges		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	3.25	5.62
	3.25	5.62
<i>Subsidiaries</i>		
KSK Mahanadi Power Company Limited	4.65	4.54
	4.65	4.54

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Particulars	For the year ended March 31	
	2011	2010
<i>Stepdown subsidiaries</i>		
Wardha Power Company Limited	3.10	18.47
	3.10	18.47
Advance for investment in share application		
<i>Fellow subsidiaries</i>		
KSK Energy Company Private Limited	-	253.70
KSK Surya Photovoltaic Venture Private Limited	-	80.00
	-	333.70
Refund of advance for investment in share application		
<i>Fellow subsidiaries</i>		
KSK Energy Company Private Limited	-	253.70
KSK Surya Photovoltaic Venture Private Limited	-	80.00
	-	333.70
Refund of advance for investment		
<i>Fellow subsidiaries</i>		
KSK Energy Company Private Limited	-	1,103.00
	-	1,103.00
Loans given to		
<i>Fellow subsidiaries</i>		
SN Nirman Infra Project Private Limited	21.10	-
	21.10	-
<i>Joint Venture</i>		
Sitapuram Power Limited	82.37	61.82
	82.37	61.82
Refund of the loans advanced from		
<i>Joint venture</i>		
Sitapuram Power Limited	71.40	84.51
	71.40	84.51
Loans taken from		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	-	134.10
	-	134.10
Repayment of loan		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	96.70	37.40
	96.70	37.40
Project advances		
<i>Fellow subsidiaries</i>		
KSK Water Infrastructures Private Limited	771.94	365.51
	771.94	365.51
Lignite excavation charges		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	283.39	15.13
	283.39	15.13

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Particulars	For the year ended March 31	
	2011	2010
Deposits		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	-	200.00
KSK Energy Company Private Limited	-	450.00
SN Nirman Infra Projects Private Limited	19.00	-
	19.00	650.00
Water supply charges		
<i>Fellow subsidiaries</i>		
SN Nirman Infra Projects Private Limited	91.15	23.45
	91.15	23.45
Assets obtained on lease		
<i>Fellow subsidiaries</i>		
SN Nirman Infra Projects Private Limited	(547.76)	547.76
	(547.76)	547.76
Managerial remuneration		
S. Kishore	9.00	3.00
K.A. Sastry	8.98	3.00
K.B.Raju	1.35	1.80
	19.33	7.80

v. The Company has the following amount due from / to related parties

Particulars	As at March 31	
	2011	2010
Advances/Deposit		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	200.00	200.00
SN Nirman Infra Project Private Limited	40.10	-
KSK Energy Company Private Limited	450.00	450.00
	690.10	650.00
<i>Joint venture</i>		
Sitapuram Power Limited	159.12	148.16
	159.12	148.16
Loans taken		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	-	96.70
	-	96.70
Deposits taken		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	270.00	270.00
	270.00	270.00
Interest receivable		
<i>Joint venture</i>		
Sitapuram Power Limited	4.52	4.44
	4.52	4.44

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Particulars	As at March 31	
	2011	2010
Interest payable		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	-	5.62
	-	5.62
Payable		
<i>Fellow subsidiaries</i>		
KSK Mineral Resources Private Limited	28.29	58.51
SN Nirman Infra Projects Private Limited	29.23	30.73
	57.52	89.24
Project advances		
<i>Fellow subsidiaries</i>		
KSK Water Infrastructures Private Limited	1,137.45	365.51
	1,137.45	365.51
Managerial remuneration payable		
S. Kishore	0.57	0.17
K. A. Sastry	0.57	0.17
K. B. Raju	-	0.12
	1.14	0.46

The Group has given corporate guarantees of Rs. 904.66 (March 31, 2010 Rs 869.99), letter of credit of Rs.275.38 (March 31, 2010 Rs. Nil) on behalf of various fellow subsidiaries.

The Group has obtained corporate guarantees of Rs. 9,984.85 (March 31, 2010 Rs. 7,882.98) from step-up holding company.

15. DETAILS OF SECURITY PROVIDED FOR VARIOUS CREDIT FACILITIES AS AT MARCH 31, 2011

Particulars	Loan Outstanding	Security
Name of Entity: KSK Energy Ventures Limited		
Term Loan from Life Insurance Corporation of India	2,625.00	Pledge of 52,000,000 shares of KSKEVL held by KSK Energy Limited, Mauritius.
Working Capital Loan from Andhra Bank	1,479.56	1) Paripassu first charge on the current assets with other working capital lenders under multiple banking. 2) For Letter of Credit: Equipment/materials procured under LCs 3) Collateral Security: Paripassu first charge on the fixed assets of the Company (present & future) along with other member banks under Multiple Banking Arrangement. Corporate Guarantee of KSK Power Ventur Plc.
Working Capital Loan from Bank of India	1,473.19	1) Paripassu charge on all current and fixed assets of the Company. 2) Corporate Guarantee of KSK Power Ventur Plc.
Foreign Currency Loan from Bank of India	68.10	Secured by pledge of fixed deposit.
Foreign Currency Loan from Axis Bank Limited	199.78	Secured by pledge of fixed deposit.

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Particulars	Loan Outstanding	Security
Short Term Loan from Andhra Bank	487.94	Secured by pledge of fixed deposit.
Short Term Loan from UCO Bank	288.02	Secured by pledge of fixed deposit.
Short Term Loan from HDFC Bank	772.74	Secured by pledge of fixed deposit.
Name of Entity: Sitapuram Power Limited		
Cash Credit from State Bank of India	199.92	First paripassu charge on current assets (including all receivables and intangibles) on paripassu basis with IDFC and IDBI.
Term Loan from State Bank of India	363.60	Secured by first charge on entire block of assets on paripassu basis with other lenders and also secured by
Term loan from Industrial Development Bank of India	193.75	pledge of 260,000 equity shares of Rs 10/- each, 104,000 15% preference shares of Rs100/- each and 931,224 18% preference shares of Rs.100/- each held in the Company by KSK Electricity Financing India Private Limited.
Term loan from Infrastructure Development Finance Company Limited	336.11	
LAD UCO Bank	45.89	Secured by pledge of fixed deposit.
Name of Entity: VS Lignite Power Private Limited		
Working Capital Loan from State Bank of India	423.99	Paripassu first charge on fixed assets and current assets along with term lenders.
Term Loan from State Bank of India	862.17	Corporate Guarantee of KSKEVL
Term loan from Bank of Baroda	246.05	Secured by joint mortgage by deposit of title deeds in respect of the immovable properties and paripassu first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, present and future rights, title, interest, benefits etc in respect of project documents and also secured by pledge of 24,000,000 equity shares of Rs 10/- each and 54,480,000 14% preference shares of Rs10/- each held in the Company by KSK Electricity Financing India Private Limited.
Term loan from Rural Electrification Corporation Limited	975.00	
Term loan from Housing & Urban Development Corporation Limited	1,462.50	
Term loan from UCO Bank	614.26	
Term loan from Infrastructure Development Finance Company Limited	1,534.50	
Name of Entity: Wardha Power Company Limited		
Term loan from Rural Electrification Corporation Limited	9,339.67	First charge paripassu by way of mortgage on all the Company's immovable properties including land, present and future and by hypothecation of movable properties including movable plant and machinery, machinery spares, tools and accessories, furniture and also secured by pledge of 139,339,967 equity shares of Rs 10/- each held in the Company by KSK Electricity Financing India Private Limited
Term loan from Housing & Urban Development Corporation Limited	3,116.87	
Term loan from Indian Overseas Bank	1,995.28	
Working Capital - Cash Credit from Oriental Bank of Commerce	556.31	Paripassu first charge on entire present and future current assets of the Company with other member banks and second charge on the assets which are charged to term lenders.

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Particulars	Loan Outstanding	Security
Term Loan from Oriental Bank of Commerce	972.35	First charge paripassu by way of mortgage on all the Company's immovable properties including land, present and future and by hypothecation of movable properties including movable plant and machinery, machinery spares, tools and accessories, furniture vehicle and all other movable assets and also secured by Pledge of 69,327,167 equity shares of Rs. 10/- each held by in the Company by KSK Electricity Financing India Private Limited.
Term loan from Bank of India	1,403.83	
Term Loan from UCO Bank	1,486.44	
Working Capital - Cash Credit from State Bank of India	636.27	Paripassu first charge along with term lenders on all present and future fixed assets, book debts and other movable assets of the Company including documents of title to goods.
LAD from Bank of India	700.00	Secured by pledge of fixed deposit.
LAD from UCO Bank	47.96	Secured by pledge of fixed deposit.
Working Capital - Indian Overseas Bank	379.03	Primary: First charge on the entire assets of the company on paripassu basis with term loan and working capital lenders. Collateral: Pledge of promoters share in project aggregating to 51% of the equity share capital in favor of consortium of lenders of primary or senior debt.
Name of the Entity: KSK Mahanadi Power Company Limited		
Term Loan from Indian Bank	1,446.35	Paripassu first charge on all movable machinery and movable assets of the Company with other Term Loan lenders disbursed the loan on individual documentation.
Term Loan from Indian Overseas Bank	2,491.22	
Term Loan from Bank of Baroda	512.17	
Foreign Currency Loan from Bank of Baroda	451.60	
Term Loan from Oriental Bank of Commerce	651.81	
Term Loan from Jammu & Kashmir Bank	180.04	
Term Loan from United Bank Of India	350.13	
Term Loan from Punjab National Bank	1,517.52	1) Paripassu first charge on all the movable assets of the Company and 2) Corporate Guarantee of KSK Energy Ventures Limited.
Short Term loan from HDFC Bank Limited	2,041.26	1) Pari passu first charge on all movable machinery, plant and moveable assets of the Company of the borrower's present and future movable goods and assets, including inventory and all receivables,
Short Term loan from Axis Bank	2,894.31	2) Corporate guarantee by KSK Energy Ventures Limited 3) Equitable Mortgage of private land of 650.62 acres, leasehold land of 512.65 acres 4) Assignment of ABG to the extent of Rs.750 crores given by SEPCO-EPC contractor. 5) Fixed Deposit Receipts with Bank of India.
Short Term loan from Dhanlaxmi Bank Limited	744.03	
Foreign Currency Loan from Bank of India	13,649.57	
Foreign Currency Loan from Allahabad Bank	108.57	

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Particulars	Loan Outstanding	Security
LAD from UCO Bank	110.22	Secured by pledge of fixed deposit.
Term Loan from State Bank of India	1,500.99	Corporate Guarantee of KSK Energy Ventures Limited (Until Lenders Confirmation Notice is issued by Power Finance Corporation)
Name of Entity: Sai Regency Power Corporation Private Limited		
Term loan from Bank of Baroda	439.76	1) A First charge on wind project assets 2) First charge on Escrow Trust & Retention Account (TRA) account of the receivables of the project. Company to maintain TRA with Bank of Baroda exclusively for the wind mill project. Where all cash inflows from the Project shall be deposited and all proceeds shall be utilized in a manner and priority to be decided by Bank of Baroda. 3) First charge on rights, interest, guarantees obligations etc on the project. Note: Security 1 and 2 to be shared on reciprocal basis with present lenders of the Gas Based Thermal Power Project of 57.95 MW in Tamilnadu.
Term loan from State Bank of India	619.73	Term Loans are secured by hypothecation of all the Company's immovable and movable assets including current assets both present and future ranking paripassu between Lenders and also secured by pledge of 12,360,000 equity shares of Rs 10/- each held in the Company by KSK Electricity Financing India Private Limited.
Term loan from State Bank of Mysore	69.14	First Charge on entire Current Assets.
Cash credit from Indian Overseas Bank	104.93	Secured by pledge of fixed deposit.
LAD from UCO Bank	62.91	Secured by pledge of fixed deposit.
LAD from Dhanlaxmi Bank Ltd.	310.73	Secured by pledge of fixed deposit.
Name of Entity: KSK Wind Energy Private Limited		
Term loan from Infrastructure Development Finance Company Limited	1,222.97	1) Mortgage and charge of entire immovable properties of the Company, both present and future, cash flows, receivables, book debts and revenues of the Company of whatsoever nature and wherever arising both present and future. intangible assets of the Company including but not limited to goodwill and uncalled capital both present and future and by assignment or creation of security interest 2) Hypothecation of entire movable properties of the Company including movable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable properties of whatsoever nature. 3) Irrevocable and unconditional corporate guarantee of KSKEVL.

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Particulars	Loan Outstanding	Security
Term Loan from State Bank of India	640.60	<p>4) Pledge of shares held by KSK Energy Ventures Limited in the Company equivalent to 51% of total paid up capital</p> <p>5) Interim security: Till 27.3 MW wind mill assets of KSK Energy Ventures Limited are transferred to KSK Wind Energy Private Limited. The interim security shall be fully discharged on transfer of rightful ownership of KSK Energy Ventures Limited 27.3 MW wind mill assets to KSK Wind Energy Private Limited by KSK Energy Ventures Limited.</p> <p>6) Mortgage of land admeasuring 54.24 acres situated at Tamilnadu</p> <p>1) Equitable mortgage of 43.04 acres of land located at different wind mill sites in Tamil Nadu.</p> <p>2) Hypothecation of 26 Wind Turbine Generators</p> <p>3) Corporate Guarantee of KSK Energy Ventures Limited</p>
LAD from UCO Bank	121.10	Secured by pledge of fixed deposit.
Name of Entity: Arasmeta Captive Power Company Private Limited		
Working capital loan from State Bank of India	259.33	Paripassu first charge and mortgage in favor of IDFC and SBI in a form satisfactory to IDFC and SBI on all the company's current assets and immovable properties, present and future.
Term loan from State Bank of India	732.56	Secured by joint mortgage by deposit of title deeds in respect of the immovable properties on paripassu basis with other lenders and paripassu first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, both present and future rights, title, interest, benefits etc in respect of project documents and also secured by pledge of 25,500,000 equity shares of Rs 10/- each held in the Company by KSK Electricity Financing India Private Limited.
Term loan of from Infrastructure Development Finance Company Limited (Phase-I)	353.57	Secured by joint mortgage by deposit of title deeds in respect of the immovable properties on paripassu basis with other lenders and paripassu first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, present and future rights, title, interest, benefits etc in respect of project documents and also secured by pledge of 25,500,000 equity shares of Rs 10/- each held in the Company by KSK Electricity Financing India Private Limited. In addition to the existing security, additional security of leasehold property of 24.08 acres and 9.66 acres in Akaltara Revenue Circle of Jajigir-Champa District of Chhattisgarh and free hold land admeasuring 4.49 acres situated at Amoroop villages, Akaltara, Dist. Janjgir-Champa, Chhattisgarh as detailed in schedules to Declaration & Undertaking with all plant and machinery attached, buildings and superstructures present and future.

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

Particulars	Loan Outstanding	Security
LAD from UCO Bank	142.79	Secured by pledge of fixed deposits
Term loan from Infrastructure Development Finance Company Limited (Phase-II)	990.00	Secured by joint mortgage by deposit of title deeds in respect of the immovable properties on paripassu basis with other lenders and first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, both present and future rights, title, interest, benefits etc in respect of project documents and also secured by pledge of 25,500,000 equity shares of Rs 10/- each held in the Company by KSK Electricity Financing India Private Limited. Additionally Secured by a charge and assignment of the cash flows from the Phase II Project and Project Documents pertaining to Phase II Project (except the construction contracts). In addition to the existing security, additional security of leasehold property of 24.08 acres and 9.66 acres in Akaltara Revenue Circle of Jajgir-Champa District of Chhattisgarh and free hold land admeasuring 4.49 acres situated at Amoroop villages, Akaltara, Dist. Janjgir-Champa, Chhattisgarh with all plant and machinery attached, buildings and superstructures present & future.
Term Loan from L & T Infrastructure Finance Company Limited(Phase-II)	107.25	<ol style="list-style-type: none"> 1) First mortgage and pari passu charge on all immovable properties, present and future, hypothecation of movables, including movable plant and machinery, spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future 2) First pan passu charge / assignment in favor of the Lender of all the present and future book debts, bills, monies receivables and and/or other consumables and general stores, including a charge on the bank accounts subject only to the first charge of working capital lenders 3) Pledge of shares held/subscribed by the Sponsors in the equity share capital of the Borrower representing 25,500,000 equity shares of Rs 10/- each held in the Company by KSK Electricity Financing India Private Limited 4) First pari passu charge on the Trust and Retention Account, Letter of Credit, Debt Service Reserve Account and any other reserves and bank accounts of the Borrower wherever maintained.
Name of Entity: Kameng Dam Hydro Power Private Limited		
LAD from UCO Bank	5.00	Secured by pledge of fixed deposits

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

16. i) Claims receivable amounting to Rs.162.48 in Sitapuram Power Limited ("Joint venture entity"), represents penal demand charges levied by Andhra Pradesh Southern Power Distribution Company Ltd ("SPDCL") towards temporary outage of the generating plant on Zuari Cements Limited ("ZCL"), the captive consumer, which has been passed on to the Company. The Company has contended the basis for the charges levied by SPDCL and along with the captive consumer has filed a petition with Andhra Pradesh Electricity Regulatory Commission ("APERC") for revision of the charges claiming that the levy is unreasonable and APERC has dismissed the petition. The Company has filed an appeal before Appellate Tribunal for Electricity against the order of APERC. The Appellate Tribunal for Electricity has allowed the appeal in favor of the Company vide its judgment dated November 19, 2010. As per the judgment, the captive consumer is in the process of filing application with SPDCL for claiming the refund. Upon receipt of the refund of aforesaid amount from SPDCL, the claims receivables of the Company will be settled by the captive consumer.
- ii) Amounts receivable in Sitapuram Power Limited from Zuari Cements Limited ("ZCL") ("Holding Company") of Rs. 138.15 includes certain amounts claimed / deductions made by ZCL aggregating to Rs. 138.02 which has not been accepted by the Company. The Company is in the process of carrying out a reconciliation of the balances. The Company based on its evaluation of claims believes that these are tenable and hence all outstanding amounts are recoverable. Pending completion of the reconciliation process, no adjustments have been recorded in the underlying financial statements.
17. As per the terms of the Power Purchase Agreement ('PPA') entered in between Arasmeta Captive Power Company Private Limited ('ACPCPL') and Lafarge India Private Limited ('Customer'), ACPCPL and the customer are required to carry out an annual reconciliation of the energy supplied at the end of each billing period clearly showing units of energy supplied against the minimum guaranteed units as per PPA, active energy supplied from planned and unplanned surplus and any excess or shortfall of the customer's take or pay obligations. This reconciliation is currently under progress. The management is however confident that this reconciliation will not result in any claims against ACPCPL.
18. During the year ended March 31, 2010, the Company has raised an amount of Rs. 5,159.25 by issuing 26,525,714 equity shares of Rs 10/- each at a premium of Rs. 184.50 to Qualified Institutional Buyers ("QIBs") through qualified institutions placement under Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended. The Shares were allotted on November 17, 2009 and as a result the paid up share capital has increased to Rs. 3,726.30. The Company has raised the funds for Investment in new projects, expansion of existing projects, repayment of loans, working capital and general corporate purpose.
19. **Investment in subsidiaries made during the year**
 - i. The Company has made investment of Rs. 0.40 in the equity shares of KSK Upper Subansiri Hydro Energy Private Limited. Consequently KSK Upper Subansiri Hydro Energy Private Limited has become 100% subsidiary of the Group.
 - ii. The Company has made investment of Rs. 1.10 in the equity shares of KSK Jameri Hydro Power Private Limited. Consequently KSK Jameri Hydro Power Private Limited has become 100% subsidiary of the Group.
 - iii. The Company has made investment of Rs. 1.00 in the equity shares of KSK Dinchang Power Company Private Limited. Consequently KSK Dinchang Power Company Private Limited has become 100% subsidiary of the Group.
 - iv. The Company has made investment of Rs. 5.00 in the equity shares of Tila Karnali Hydro Electric Company Private Limited. Consequently Tila Karnali Hydro Electric Company Private Limited has become subsidiary of the Group.
 - v. WPCL has made investment of Rs. 129.00 in the equity shares of Field Mining And Ispats Limited. Consequently Field Mining And Ispats Limited has become subsidiary of the Group.

Schedule 21: Significant accounting policies and notes to Consolidated accounts (Contd..)

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

20. Demerger of undertaking of Wardha Power Company Limited under Scheme of Arrangement under section 391 to 394 read with sections 100 to 103 of the Companies Act, 1956.

A scheme of arrangement (hereinafter referred to as Scheme) between the Wardha Power Company Limited (Transferor Company) and KSK Mahanadi Power Company Limited (Transferee Company) and its respective lenders and shareholders was approved by the Honorable High Court of Andhra Pradesh vide its order dated February 26, 2010. The scheme, amongst others, provided demerger of 3600 MW power generating facility at Nariyara, Janjgir-Champa District, in the State of Chhattisgarh (hereinafter referred to as Demerged Undertaking) on a going-concern basis with all its assets and liabilities as defined in the scheme. The appointed date for demerger is August 1, 2009. The scheme has become effective from March 31, 2010 and demerged undertaking stands transferred to and vest in as a going-concern to transferee Company at its book values.

21. The Company has issued 100 million 8% Compulsorily Redeemable Preference Shares of Rs 10/- each amounting to Rs. 1,000 to L&T Infrastructure Finance Company Limited on October 1, 2010.
22. The following are the political contributions made by the Group within the limits prescribed Under section 293A of the Companies Act, 1956

Particulars	March 31	
	2011	2010
All India Congress Committee	-	20.00
Bharatiya Janata party	12.00	20.00
	12.00	40.00

23. Previous year figures have been regrouped / reclassified to conform to the classification of the current year.

As per our report of even date

For and on behalf of the Board

For **Umamaheswara Rao & Co.,**

Chartered Accountants

Sd/-

R.R. Dakshina Murthy

Partner

Sd/-

S. Kishore

Whole-time Director

Sd/-

K. A. Sastry

Whole-time Director

Sd/-

Narendra Mehra

Company Secretary

Membership No: 211639

Firm Registration No: 004453S

Place: Hyderabad

Date: May 06, 2011

NOTES



KSK Energy Ventures Limited

Registered Office: 8-2-293/82/A/431/A, Road No. 22, Jubilee Hills, Hyderabad - 500 033

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of KSK ENERGY VENTURES LIMITED will be held on Saturday, September 17, 2011 at NIFT Auditorium, National Institute of Fashion Technology, Opp. Hi-tech City, Madhapur, Cyberabad, Hyderabad – 500 081 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit & Loss Account for the Year ended as on that date together with the reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. S.R. Iyer, who retires, by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Girish N Kulkarni, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anil Kumar Kutty, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint M/s. Umamaheswara Rao & Co., Chartered Accountants, Hyderabad, having Firm Registration No. 004453S issued by the Institute of Chartered Accountants of India as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:
“RESOLVED THAT in accordance with the provisions of Section 314(1) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the appointment of Mr. K. Bapi Raju (a Non-Executive Director of the Company) as “President – Corporate Affairs” in KSK Mahanadi Power Company Limited, a subsidiary of the Company w.e.f. 1st January, 2011 on such remuneration and terms & conditions as set out in the explanatory statement attached hereto.”

By order of the Board of Directors of
KSK Energy Ventures Limited

Sd/-
M.S. Phani Sekhar
Company Secretary

Place: Hyderabad
Date: August 12, 2011

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto. The relevant details of persons seeking re-appointment as Directors under Item Nos. 2 to 4 above, as required by Clause 49 of Listing Agreement entered into with Stock Exchanges, are also annexed.
3. The Register of Members and Share Transfer books will remain closed from Saturday, September 10, 2011 to Saturday, September, 17, 2011 (both days inclusive) in connection with the Annual General Meeting to be held on September 17, 2011.
4. Members desiring to seek any information / clarifications on the Annual Accounts are requested to write to the Company at least 7 (seven) days before the Annual General Meeting to enable the management to compile and keep the information ready.
5. Corporate members intending to send their Authorised Representatives to attend the meeting are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the meeting.
6. Members / Proxies are requested to bring their copies of Annual Reports to the meeting. Copies of Annual Reports will not be provided at the meeting.
7. All communications relating to shares may please be addressed to the Company's Share Transfer Agent at the following address:
M/s. Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081.
Tel: 040-23420815-28, Fax: 040-23420814
Email: einward.ris@karvy.com
8. Copies of all documents referred to in the Notice and Explanatory Statement annexed hereto are available for inspection at the Registered Office of the Company between 10.00 AM to 4.00 PM on all working days till the date of the Annual General Meeting.
9. Members who attend the meeting are requested to complete the attendance slip and deliver same at the entrance of the meeting hall.

Important Communication to Members

The Ministry of Corporate Affairs, has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including annual report can be sent by e-mail to its members. To support this green initiative, members who have not registered their e-mail addresses so far, are requested to register their e-mail address, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses by filling the form available in the website of the Company (www.ksk.co.in) and send it to M/s. Karvy Computershare Private Limited, Registrar and Share Transfer Agent, Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 6:

Mr. K. Bapi Raju, Director of the Company was appointed as "President – Corporate Affairs" in KSK Mahanadi Power Company Limited, a subsidiary of the Company w.e.f. 1st January, 2011 at a total remuneration of Rs. 90 Lakhs per annum.

Since Mr. K. Bapi Raju is a Director of the Company and shall receive remuneration from KSK Mahanadi Power Company Limited, a subsidiary of the Company, his appointment as "President – Corporate Affairs" in the said subsidiary is required to be approved by the members of the Company by passing a Special Resolution in pursuance of the provisions of Section 314 of the Companies Act, 1956.

The Board of Directors recommend passing of the resolution as a special resolution for your approval.

None of the Directors except Mr. K. Bapi Raju is concerned or interested in the resolution.

By order of the Board of Directors of
KSK Energy Ventures Limited

Sd/-

M.S. Phani Sekhar
Company Secretary

Place: Hyderabad
Date: August 12, 2011

Details of Directors seeking re-appointment in terms of Clause 49(IV) (G) of the Listing Agreement:

Name of the Director	Mr. S.R.Iyer
Date of Birth	28.05.1940
Date of Appointment	12.05.2005
Qualifications	B.Sc, CAIIB
Brief Resume and Expertise in specific functional area	Mr. S. R. Iyer is the former and first Executive Chairman of Credit Information Bureau (India) Limited. initially promoted by the State Bank of India (SBI) & HDFC Limited. Mr. Iyer has vast knowledge and rich experience in the banking industry. He was earlier the Managing Director of State Bank of Mysore and the Managing Director of the State Bank of India. He had been a Director on the Boards of all the seven Associate Banks of SBI as also on the Boards of two overseas and six domestic subsidiaries of SBI. He had also served as a Director of National Stock Exchange of India Ltd. and GE Capital Business Process Management Services Pvt. Limited. Mr. S. R. Iyer is presently associated with the National Dairy Development Board as a Member of its Investment Committee.
Directorships held in other Companies	<ol style="list-style-type: none"> 1. Zodiac Clothing Company Limited 2. IDMC Limited 3. P N Writer and Company Private Limited 4. KSK Power Ventur plc 5. KSK Electricity Financing India Private Limited 6. Writer Lifestyle Private Limited 7. Kannada Prabha Publications Limited 8. Writer Safeguard Private Limited 9. Can Fin Homes Limited
Committee Memberships/ Chairmanships	<p>Zodiac Clothing Company Limited Audit Committee</p> <p>IDMC Limited Audit Committee</p> <p>P N Writer and Company Private Limited Audit Committee</p> <p>Writer Lifestyle Private Limited Audit Committee</p> <p>Writer Safeguard Private Limited Audit Committee</p> <p>KSK Energy Ventures Limited Audit Committee</p> <p>KSK Electricity Financing India Private Limited Audit Committee</p>
Shareholding, if any, in the Company	Nil
Relationship with other directors	None

Name of the Director	Mr. Girish N. Kulkarni
Date of Birth	07.07.1966
Date of Appointment	26.07.2002
Qualifications	B.E, PG Diploma in Business Administration
Brief Resume and Expertise in specific functional area	<p>Mr. Girish N Kulkarni, Non-Executive Director, has a Bachelors Degree in Engineering from the Indian Institute of Technology, Mumbai and a Post Graduate Diploma in Business Administration from the Indian Institute of Management, Ahmedabad. Mr. Kulkarni has approximately 20 years of operating and investment experience in different aspects of the Indian capital markets. He started his professional career as a project finance officer with ICICI, after which he became the head of equity sales, trading and research at ICICI Securities Limited. Mr. Kulkarni has been involved in numerous IPOs in the Indian capital markets and several mergers and acquisition assignments. Mr. Kulkarni is the advisor to the India Technology Fund, an early stage venture fund investing in technology companies. He is also the Founder and Managing Director of Suyash Advisors, the India advisor to Monsoon Capital, an India dedicated alternative asset fund managing about USD 500 million for investment in public and private equities and real estate projects in India.</p>
Directorships held in other Companies	<ol style="list-style-type: none"> 1. Suyash Outsourcing Private Limited 2. GNS Outsourcing Private Limited 3. DQ Entertainment (International) Limited 4. CBay Systems (India) Private Limited 5. Sansera Engineering Private Limited 6. Bill Forge Private Limited 7. Topwave Trading Company Private Limited 8. Servion T Global Solutions Private Limited 9. Enzen Global Solutions Private Limited 10. Gatil Properties Private Limited 11. Phoenix Living Spaces Private Limited
Committee Memberships / Chairmanships	KSK Energy Ventures Limited Audit Committee
Shareholding, if any, in the Company	100 equity shares
Relationship with other directors	None

Name of the Director	Mr. Anil Kumar Kutty
Date of Birth	12.10.1953
Date of Appointment	03.05.2008
Qualifications	M.Sc (Physics)
Brief Resume and Expertise in specific functional area	<p>Mr. Anil Kumar Kutty, Non-Executive Director, has a Masters degree in Physics from the Delhi University. He has over three decades of experience in various fields including banking, administrative service and power sector.</p> <p>Mr. Kutty is an officer of 1978 batch of IAS. He has handled several key assignments in the power sector during his tenure in the State Government of Andhra Pradesh and the Government of India. He acted as Member Secretary of APSEB from 1996 to 1999. In addition to his duties as head of commercial and administration departments, he was in charge of power sector reforms in Andhra Pradesh which became the role model for the entire country. He was also the first Chairman and Managing Director of APTRANSCO. He also worked as Joint Secretary, Ministry of Power, Government of India from 2002 to 2007 wherein he has handled policy and other issues relating to hydro power, transmission and IPPs.</p>
Directorships held in other Companies	<ol style="list-style-type: none"> 1. KSK Energy Resources Private Limited 2. KSK Mahanadi Power Company Limited 3. KSK Surya Photovoltaic Venture Private Limited 4. KSK Surya Ventures Limited, Mauritius 5. KSK Solar Ventures plc, Isle of Man
Committee Memberships / Chairmanships	KSK Mahanadi Power Company Limited Audit Committee
Shareholding, if any, in the Company	375 shares
Relationship with other directors	None

Corporate Information

Board of Directors

Mr. T. L. Sankar
Mr. S.R. Iyer
Mr. Girish Nilkanth Kulkarni
Mr. K.A. Sastry
Mr. S. Kishore
Mr. K.Bapi Raju
Mr. Anil Kumar Kutty
Mr. Tanmay Das
Mr. Henry Klein (resigned w.e.f. June 30, 2011)
Mr. Abhay M Nalawade (resigned w.e.f. August 12, 2011)

Company Secretary

Mr. M.S. Phani Sekhar

Registered Office

8-2-293/82/A/431/A,
Road No 22, Jubilee Hills,
Hyderabad - 500 033, Andhra Pradesh, India.
Ph : 040-23559922-25,
Fax : 040-23559930,
E-mail : info@ksk.co.in

Statutory Auditors

M/s. Umamaheshwara Rao & Co.,
Chartered Accountants,
Flat No. 5-H, Krishna Apartments, Ameerpet 'X' Roads,
Hyderabad – 500 073.
Andhra Pradesh, India.

Bankers

Andhra Bank
Bank of India
Axis Bank

Registrar & Share Transfer Agent

Karvy Computershare Private Limited,
Plot No 17 - 24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081.
Andhra Pradesh, India.
Ph: 040-23420815 - 28
Fax: 040-23420814
E-mail: einward.ris@karvy.com

Shares Listed at

National Stock Exchange of India Limited
Bombay Stock Exchange Limited

Website

www.ksk.co.in



KSK ENERGY VENTURES LIMITED

8-2-293/82/A/431/A, Road No. 22, Jubilee Hills,
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