

NOTICE



NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the members of SRM Energy Limited will be held on Monday, July 11, 2011 at 12.00 Noon at The Banquet Hall, Hotel Atithi, 77A & B, Nehru Road, Near Domestic Airport, Vile Parle (E), Mumbai-400099 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended March 31, 2011 together with Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. Srinivasan Parthasarathy who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Sudarshan K. Parab, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company, expressing his intention of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Gagan Deep Kumar Rastogi, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company, expressing his intention of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to Section 269 and Schedule XIII of the Companies Act 1956 and all other applicable provisions, if any, Mr. D. Sundararajan who fulfils the required conditions be and is here by appointed as the Managing Director & CEO of the Company without remuneration for a period of five years with effect from July 08, 2010."

By Order of the Board
For SRM Energy Limited

Place: Mumbai.
Dated: April 18, 2011.

Sanjeevlata Samdani
Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the meeting. A form of proxy is given at the end of the Annual Report.
3. The relevant explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of the business under item Nos. 4 to 6 is annexed hereto.
4. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on all working days except Saturdays and holidays upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the company will remain closed from Monday, July 04, 2011 to Monday, July 11, 2011 (both days inclusive).
6. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting, so that, the answers may be made available at the meeting.
7. Members / Proxies who attend the meeting are requested to bring the enclosed attendance slip duly filled and deliver the same at the entrance of the meeting hall.
8. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.
9. Members who are holding Company's shares in dematerialised form are requested to bring details of their DP and client ID number for identification.
10. Brief profile of Directors seeking appointment / reappointment at the forthcoming Annual General Meeting are disclosed hereunder as required in Clause 49 of the Listing Agreement.

Brief profile of directors seeking appointment / reappointment

- **Mr. Srinivasan Parthasarathy**
He is a mechanical engineer and has completed an off campus Doctoral programme from the Birla Institute of Technology & Science ('BITS'). Mr. Srinivasan possesses over 25 years of experience in the energy sector including the fields of project management, generation and operations and maintenance ('O&M'). Prior to joining the Company in March 2008, he was the Chief of the Dadri & Krishnapatnam Ultra Mega Power Projects ('UMPPs') of Reliance Power Limited. Mr. Srinivasan has previously worked as Project in-Charge (Thailand, Korea and China) of General Electric Limited and with National Thermal Power Corporation Limited ('NTPC').
- **Mr. Sudarshan K. Parab**
He is a graduate in Commerce and an Associate Member of Institute of Bankers. He started his career in State Bank of India in 1970 and had a long stint in corporate credit. He joined Axis Bank Ltd. in 1995 and held very key portfolios and contributed significantly to the growth of the bank, before retiring in 2007 as Senior Vice President.
- **Mr. Gagan Deep Kumar Rastogi**
He is a Bachelor of Science in business administration from Boston University – School of Management, Boston, USA. He is a part of Rastogi Family which established Chemipex International group involved in trading, marketing, distribution and consultancy services dating back to the year 1980. He is involved in trading and marketing of mineral fibers between Russia, India and Sri Lanka and supplying raw materials for low-cost roofing products to various clients in India and Sri Lanka.

- **Mr. D. Sundararajan**

He is a Cost Accountant and also holds a graduate degree in law and a post graduate degree in mathematics. Prior to joining the Company in May 2007, Mr. Sundararajan was employed as Executive Director, at Binani Cement Ltd. He possesses over 30 years of experience in various industries viz. banking, infrastructure and telecommunications. In the past Mr. Sundararajan was Head (M&A) at Idea Cellular Limited, Chief Financial Officer at Fascal Limited and at ABG Heavy Industries Limited.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****ITEM NO. 4 & 5**

The Board of Directors of the Company had appointed Mr. Sudarshan K. Parab and Mr. Gagan Deep Kumar Rastogi as the additional Directors of the Company in their Meetings held on July 08, 2010 and February 11, 2011 respectively.

In accordance with Section 260 of the Companies Act, 1956 and the Article 150 of the Articles of Association of the Company, Mr. Sudarshan K. Parab and Mr. Gagan Deep Rastogi would hold office upto the date of this Annual General Meeting.

The Company has received notices in writing from members under Section 257 of the Companies Act, 1956 signifying their intensions to propose Mr. Sudarshan K. Parab, and Mr. Gagan Deep Rastogi as candidatures for the office of Director together with requisite deposit as required by law.

Mr. Sudarshan K. Parab and Mr. Gagan Deep Kumar Rastogi may be deemed to be concerned or interested in the resolution(s) relating to their respective appointment.

The Board of Directors recommends the said resolutions for your approval.

ITEM NO. 6

The Board of Directors of the Company had appointed Mr. D. Sundararajan as Managing Director and CEO of the Company in its meeting held on July 08, 2010 for a period of five years. Mr. D. Sundararajan fulfill all the required conditions and being eligible for the same. He is also appointed as the Managing Director in the Cals Refineries Limited (another Listed Company) w.e.f. 05.02.2011. Further, as the Company is in Project implementation stage and not generating any business income, Mr. D. Sundararajan, Managing Director and CEO of the Company has decided not to take any remuneration from the Company.

In accordance with Section 269 and Schedule XIII of the Companies Act 1956 and all other applicable provisions, if any, the said appointment is required to be approved by the members of the Company.

Mr. D. Sundararajan may be deemed to be concerned or interested in the resolution relating to his respective appointment.

The Board of Directors recommends the said resolutions for your approval.

By Order of the Board
For SRM Energy Limited

Place : Mumbai.
Dated : April 18, 2011.

Sanjeevlata Samdani
Company Secretary

DIRECTORS REPORT



The Directors present herewith the Twenty Fourth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2011.

FINANCIAL RESULTS

(Rs. in Lacs)

| Description | Year Ended 31-03-2011 | Year Ended 31-03-2010 |
|---|--------------------------|--------------------------|
| Other Income | 0.48 | 0.03 |
| TOTAL INCOME | 0.48 | 0.03 |
| Profit / (Loss) before Depreciation and Interest | (38.12) | (3.65) |
| Depreciation & Amortisation | - | - |
| Interest | 2.42 | - |
| Profit/(Loss) from Ordinary Activities before tax | (40.54) | (3.65) |
| Tax Expenses | - | - |
| Net Profit/(Loss) from Ordinary Activities after tax | (40.54) | (3.65) |
| Extra-ordinary Items | - | - |
| Net profit/(Loss) for the year | (40.54) | (3.65) |

OPERATIONS

The Company is in the process of setting up Super Critical Thermal Power Project of 3X660 MW i.e. 1980 MW capacity in Tamilnadu and there are no other operations at present. As such the related expenses incurred during the current period are considered as pre operative expenses pending allocation to the power project.

The Company is in the process of completing the acquisition of the required land. The Company has also submitted application for allotment of Govt. Land falling within the site premises and the same is under process. International Competitive Bidding (ICB) process for award of EPC contract for the project has been successfully completed with the award of EPC contract to China Datang Technologies & Engineering Co. Ltd. (CDTE), a specialized engineering corporation and EPC contractor in China and a subsidiary of China Datang Corporation (CDC), the largest power utility in China. CDTE has been awarded the Letter of Intent (LOI) for supply of 3 (Three) Thermal Power units of 660 MW each based on Super Critical Technology on Turnkey EPC basis at a value of US\$ 1.4 billion on 15th December 2010 in the august presence HE Mr. Wen Jiabao, Hon'ble Premier of the People's Republic of China. The power plant will be completed in 51 months from the commencement of construction, with the first unit being commissioned in 39 months and will comply with the latest CEA guidelines on efficiency norms.

In the same meeting SRM has also signed a Tripartite Memorandum of Understanding (MOU) with CDTE and Industrial and Commercial Bank of China (ICBC), the largest wholesale, retail and the leading investment bank in China with highest market value throughout the world, for financing the export buyer's

credit to the extent of 85% of the EPC contract value backed by insurance from China Export & Credit Insurance Corporation.

The Company has signed an MOU for supply of 7 million tons of Coal from mines located at Mozambique and Malawi, Africa. This MOU along with the existing agreement with Indonesian party for supply of 5 million tons per annum with an option to increase the same to 6.0 million tons per annum will be sufficient to meet the requirements of the project. The Company's application to the Ministry of Coal, Govt. of India for domestic coal linkage for blending is also under its active consideration.

On February 08, 2011 "The Expert Appraisal Committee on Environmental Impact Assessment of Thermal Power and Coal Mine Projects" has recommended for Environmental Clearance for 3X660 MW Super Critical Power Project of the Company. We expect the formal approval from the Ministry within a short time. The Company has also received In principle clearance from the Railway authorities for crossing of Railway lines (for laying overhead Coal Conveyor and underground Sea water pipeline).

The Company has signed an MOU with Cuddalore Port Company Pvt. Ltd. for availing port services from their upcoming port at Cuddalore, which is at a distance of 8 kms from the plant site. As a backup arrangement, an MOU has also been signed with Karaikal Port Company Ltd. for availing Port services for import of Coal.

The promoters of the Company have infused an amount of Rs. 4451.35 lacs upto March 31, 2011 in the form of Share Application Money, which will not be withdrawn from the Company till the required Equity is in place.

DIVIDEND

As the Power project is under implementation and there is no operating income, your directors are not in a position to recommend any dividend.

DIRECTORS

Mr. Sudarshan K. Parab and Mr. Gagan Deep Kumar Rastogi have been appointed as the additional Directors on the Board of your Company with effect from July 08, 2010 and February 11, 2011 respectively. As per the provisions of Section 260 of the Companies Act, 1956 Mr. Sudarshan K. Parab and Mr. Gagan Deep Kumar Rastogi will hold office up to the date of the ensuing Annual General Meeting of the Company.

Your Company has received the notices under section 257 of the Companies Act, 1956 together with the requisite deposits from the shareholders, in respect of Mr. Sudarshan K. Parab and Mr. Gagan Deep Kumar Rastogi, proposing their appointments as the Directors on the Board of the Company. The Resolutions seeking approvals of the members for their appointments as Directors have been incorporated in the Notice Convening the Annual General Meeting.

Mr. Deep Kumar Rastogi, Director of the Company resigned from the Board on February 11, 2011. Your directors record their appreciation for the services and support rendered by him during his tenure on the Board of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Article of Association of the Company,

Mr. Srinivasan Parthasarathy retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment at the ensuing Annual General Meeting of the Company.

Mr. D. Sundararajan, Director & CEO of the Company has been appointed as the Managing Director & CEO of the Company w.e.f. July 08, 2010. The Resolutions seeking approval of the members for his appointment as Managing Director & CEO of the Company has been incorporated in the Notice Convening the Annual General Meeting.

Brief profile of the Directors proposed to be appointed / reappointed as required under Clause 49 of the Listing Agreement are annexed to the Notice of Annual General Meeting forming part of this Annual Report.

PROPOSED RIGHT ISSUE OF THE COMPANY

The Company has filed draft offer letter on August 17, 2010 with the Securities and Exchange Board of India (SEBI) & Bombay Stock Exchange (BSE) for issue of 5,88,90,000 Equity Shares of Rs. 10/- each at Par on a Rights basis to the existing Equity shareholders of the Company in the ratio of 65 (Sixty Five) equity shares for every 10 (Ten) Equity Shares.

In principle approval from BSE has been received vide their letter dated August 31, 2010. The final observation letter no. CFD/DIL/ISSUES/SP/RG/OW/4698/2011 dated February 08, 2011 has been received from SEBI. However SEBI, in their observation letter have directed the Company not to adjust the unsecured loans of the promoter of the Company against the allotment of shares against their entitlement and also against the shares to be allotted as a result of the renunciation or the unsubscribed portion in the Rights Issue.

The Company filed an appeal before the Hon'ble Securities Appellate Tribunal, (SAT) Mumbai, India, against the above directions given by Securities and Exchange Board of India ("SEBI").

SUBSIDIARY COMPANY & RELATED COMPLIANCES

Your Company has one wholly owned subsidiary Company viz. "SRM Energy Tamilnadu Private Limited. As per Section 212 (1) of the Companies Act, 1956, the Company is required to attach to its accounts, the Director's Report, Balance Sheet and Profit and Loss Account etc. of each of its subsidiaries.

As the consolidated accounts present a complete picture of the financial results of the Company and its subsidiary, the Board of Directors have decided to avail the general exemption granted by the Ministry vide its General Circular No. 2/2011, dated - February 08, 2011 under section 212(8) of the Companies Act, 1956.

Accordingly, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the aforesaid wholly owned subsidiary for the year ended March 31, 2011 have not been attached with the financial statements of your Company. However, the annual accounts of the subsidiary Company and the related detailed information are available to the shareholders of the holding and subsidiary company seeking such information at any point of time. The annual accounts of the subsidiary company are kept for inspection by any shareholder in the Registered office of the holding company and of the subsidiary company concerned.

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposits from the public pursuant to Section 58-A of the Companies Act, 1956.

THE CORPORATE GOVERNANCE CODE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a compliance report on Corporate Governance is annexed as part of the Annual Report.

DEMATERIALISATION OF SHARES

In terms of the notification issued by the Securities and Exchange Board of India (SEBI) the Company has dematerialized its shares with both the depositories CDSL and NSDL.

DIRECTOR'S RESPONSIBILITY STATEMENT

Your Director's affirm that the audited accounts containing the financial statements for the Financial Year 2010-11 are in conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and the results of operations.

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956 the Board of Directors of the Company hereby state and confirm that:

- a) In the preparation of the Annual Accounts, the applicable accounting standards had been followed and that there are no material departures therefrom.
- b) The Directors had selected such accounting policies, applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit / loss of the Company for that period.
- c) The Directors had taken proper and sufficient care 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.
- d) The Directors had prepared the annual accounts on a going concern basis.

CODE OF CONDUCT

The Code of Conduct, as adopted by the Board of Directors is applicable to all Directors, Senior Management and Employees of the Company. This code is based on fundamental principles, viz. good corporate governance and good corporate citizenship. The Code covers Company's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly work place, transparency and accountability and legal compliance.

AUDITORS

M/s Haribhakti & Company, Chartered Accountants, Mumbai, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that, their appointment, if made, by the Company for the year 2011-12 will be within the limit prescribed under Section 224 (1-B) of the Companies Act, 1956. The Board of Directors recommends their appointment.

AUDITORS' OBSERVATIONS

The Company's present assets are adequate to meet its liabilities. Further, when the proposed Right Issue of Rs.5889 lacs are completed the Net worth would improve. In addition the Company is in the process of raising resources from promoters and investors towards Equity requirements of the project and expects the Net worth to improve substantially once the equity raising is completed. The management is of the strong view that once the power project, which is being set up by the Company becomes operationalized, the Company would turnaround and the net worth would also improve.

PARTICULARS UNDER SECTION 217

Since no employee is receiving remuneration in excess of the limit specified under the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules 1975, statement of particulars of the employees do not form part of the report.

Statement of particulars under Section 217(1)(e) regarding Conservation of Energy and Technology Absorption are presently not applicable to the Company.

Details of foreign exchange outgo are set out in note No. B- 11 of schedule 9 to the Accounts. There have been no Foreign Exchange earnings during the current year and previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement is presented in a separate section forming part of the Annual Report.

APPRECIATION

Your Directors wish to express their sincere appreciation to the Central Government, the State Governments, bankers and the business associates for their excellent support and look forward to continued support in future. Your Directors wish to place on record their appreciation to the employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board of Directors

Place: Mumbai.
Dated: April 18, 2011.

Chairman

CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

**TO
THE MEMBERS OF SRM ENERGY LIMITED
Mumbai**

We have examined the compliance of conditions of corporate governance by **SRM ENERGY LIMITED** for the year ended March 31, 2011 as stipulated in Clause 49 of the Agreements of the said Company with stock exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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 explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

On the basis of representation received from Registrars and Share Transfer agents and as per the records maintained by the Company which are presented to the Share Transfer Committee, we state that during the year ended March 31, 2011 no investor grievances are pending for a period exceeding one month.

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

For **M/s. D.C.TANNA & ASSOCIATES**
Company Secretaries

Place: Mumbai.
Dated: April 18, 2011.

D.C.TANNA
Proprietor

CEO CERTIFICATION

This is to certify to the Board that :

- (a) I have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:
 - (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, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or proposed to be taken to rectify these deficiencies.
- (d) I 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 have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which they 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.

Place: Mumbai.
Dated: April 18, 2011.

D. Sundararajan
Managing Director & CEO

Sector growth

Power is one of the most vital infrastructure inputs for economic development of a country. There is a strong demand for power and energy in India and it is steadily growing with the country's economic growth and rising consumerism. The Indian Power and Energy market today offers one of the highest growth potential for private players. Government reforms, e.g. distribution network Reforms Program, would be the key factor driving the power sector. Reforms such as The Electricity Act and National Electricity Policy have given impetus to the Indian power sector.

The Power & Energy Infrastructure sector in India is poised for a major take-off. During Eleventh five year plan (2007-2012), a capacity addition of over 78,000 MW has to be setup (a commitment of 15,600 MW capacity additions per annum). A record of 14228 MW has been set up in the financial year 2010-11 with Coal based Thermal Power plants contributing around 68% and 41298 MW during the first four years of Eleventh five year plan with the Coal Based Thermal Power Plants contributing around 55%.

As per the Planning Commission of India, to sustain economic growth of over 8 percent, to eradicate poverty and to meet its human development needs, India needs to increase its energy supplies by 4 times and an increase in power generation from the current level of 1,60,000 MW to about 8,00,000 MW by 2030-2031 for which the power sector needs to grow at 1.8 -2.0 times the GDP rate. This would mean a year over year (YOY) capacity addition of 18,000 - 20,000 MW to achieve this ambitious plan and for moving India to a Developed Economy status, as an Economic Global Powerhouse.

The Govt.'s ambitious mission 'Power for All by 2012' would mean achieving the target of 1000 KwHr (Units) of per capita consumption of electricity by this period. It is estimated that capacity addition of more than 100,000 MW would be required in the next five year plan. Indian government has made convenient and investor friendly policies for entry of private sector in the energy segment.

Project at Cuddalore:

The Company is in the process of completing acquisition of the required land. The Company has also submitted application for allotment of Govt. Land falling within the site premises and the same is under process. International Competitive Bidding (ICB) process for award of EPC contract for the project has been successfully completed with the award of EPC contract to China Datang Technologies & Engineering Co. Ltd. (CDTE), a specialized engineering corporation and EPC contractor in China and a subsidiary of China Datang Corporation (CDC), the largest power utility in China. CDTE has been awarded the Letter of Intent (LOI) for supply of 3 (Three) Thermal Power units of 660 MW each based on Super Critical Technology on Turnkey EPC basis at a value of US\$ 1.4 billion on 15th December 2010 in the august presence HE Mr. Wen Jiabao, Hon'ble Premier of the People's Republic of China. The power plant will be completed in 51 months from the commencement of construction, with the first unit being commissioned in 39 months and will comply with the latest CEA guidelines on efficiency norms.

In the same meeting SRM has also signed a Tripartite Memorandum of Understanding (MOU) with CDTE and Industrial and Commercial Bank of China (ICBC), the largest wholesale, retail and the leading investment bank in China with highest market value throughout the world, for financing the export buyer's credit to the extent of 85% of the EPC contract value backed by insurance from China Export & Credit Insurance Corporation.

The Company has signed an MOU for supply of 7 million tons per annum of Coal from mines located at Mozambique and Malawi, Africa. This MOU along with the existing agreement with Indonesian party for supply of 5 million tons per annum, with an option to increase the same to 6.0 million tons per annum will be sufficient to meet the requirements of the project. The Company's application to the Ministry of Coal, Govt. of India for domestic coal linkage for blending is also under its active consideration.

On February 08, 2011, "The Expert Appraisal Committee on Environmental Impact Assessment of Thermal Power and Coal Mine Projects" has recommended for Environmental Clearance for 3X660 MW Super Critical Power Project of the Company. We expect the formal approval from the Ministry within a short time.

The Company has also received 'in principle' clearance from the Railway authorities for crossing of Railway lines. (for laying overhead Coal Conveyor and underground Sea water pipeline).

The Company has signed an MOU with Cuddalore Port Company Pvt. Ltd. for availing port services from their upcoming port at Cuddalore, which is at a distance of 8 kms from the plant site. As a backup arrangement, an MOU has also been signed with Karaikal Port Company Ltd. for availing Port services for import of Coal.

Human Resources

The Company, through its participative work environment, skill development activities, value of commitment, integrity, passion, seamlessness and speed, promotes strong bonding with its employees.

Risk Management

The Risk Management framework of the Company ensures, amongst others, compliance with the requirements of Clause 49 of the Listing Agreement. The framework establishes risk management across all areas and functions of the Company. It has in place, procedures to inform the board members about the risk assessment and minimization process. These processes are periodically reviewed to ensure that the management of the Company controls risks through a defined framework. The various risks, including the risks associated with the economy, regulations, competition, foreign exchange, interest rate etc. are monitored and managed effectively.

Internal Control Systems

The Company has appropriate internal control system for business process, covering operations, financial reporting and compliances with applicable laws and regulations. Regular internal audits and checks ensure that the responsibilities are executed effectively. The audit committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them, as appropriate.

Opportunities, Risks, Concerns and Threats

The Regulatory Mechanism is expected to remain largely stable favourable, transparent and conducive to the growth of the sector. However, from February 2011, the State Electricity Boards will move towards acquiring power on Competitive Bidding process for the new requirements, though the existing power purchase agreements will continue in their original form. This move could lead to moderation in the power prices to certain extent.

The Government estimates that during the current Five Year Plan, the private sector will bring in nearly 19,000 MW, which is 1.7 times the aggregate capacity added in the last 15 years.

According to the Ministry, de-licensing of the generation sector, regulatory and policy framework, open access in transmission, development of electricity markets and procurement of power through competitive bidding process by distribution companies are some of reasons that have led to increase in private participation in the power sector. The participation by the private sector in augmenting domestic manufacturing capacity of power plant equipment has also helped in accelerating the pace of installed power capacity,

Some of the other key constraints in developing power projects include Land acquisition issues, stringent Environmental Norms, equipment supply bottle-necks, unavailability of long tenure debt to private sector, Fuel Supply, Lack of skilled manpower, Inability to stick to set deadlines by the state entities conducting project development activities etc. In addition the slower pace of development of transmission & distribution network, weakening financial health of the State Electricity Boards etc. is also a cause for concern.

Outlook

The gap between demand and supply in the Power Sector is still huge and the Govt. has recognised the need to involve private sector more intensively in the Power Sector to bridge the gap between demand and supply.

Strong participation by the private sector coupled with several initiatives by the Government has already pushed up the installed power generation capacity in the country by around 37% in the last five years, as per report from the Power Ministry. The share of the private sector in power capacity has grown from 11.6% in 2006 to 20% in 2010 and it is estimated that the private players would add nearly 30% of the total capacity addition in the 11th plan and around 60% cent in the 12th Five Year Plan.

Company's Philosophy on Code of Governance

Your Company believes that good corporate governance practice ensures the attainment of the highest levels of transparency, accountability and equity in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and the lenders.

The Company is in compliance with clause 49 of its listing agreements with the BSE and the Indian corporate governance rules applicable to it.

1. BOARD OF DIRECTORS

The Board of Directors consists of 5 directors.
Composition and category of Directors is as follows:

| Name | Position |
|------------------------------|--|
| Mr. Bantval Srinivasa Rao | Non-Executive Chairman & Independent Director |
| Mr. D. Sundararajan | Managing Director & CEO |
| Mr. Srinivasan Parthasarathy | Non-Executive Independent Director |
| Mr. Sudarshan K. Parab | Non-Executive Independent Director (Appointed on 08/07/2010) |
| Mr. Gagan Deep Rastogi | Promoter Director (Appointed on 11/02/2011) |
| Mr. Deep Kumar Rastogi | Promoter Director (Resigned on 11/02/2011) |

- a. Attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies:

| Name of Director | Attendance | Particulars | No. of other Directorship / Chairmanship(s) Board Committees of other Companies | |
|--|---------------|-------------|---|----------------------------|
| | | | Other Directorship (s) # | Committee Membership(s) ## |
| | Board Meeting | Last AGM | | |
| Mr. Bantval Srinivasa Rao | 3 | Yes | 1 | 1 (as Chairman) |
| Mr. D. Sundararajan | 4 | Yes | 1 | Nil |
| Mr.Srinivasan Parthasarathy | 4 | Yes | Nil | Nil |
| Mr. Sudarshan K. Parab (Appointed on 08/07/2010) | 3 | N.A. | 1 | Nil |
| Mr. Gagan Deep Rastogi (Appointed on 11/02/2011) | Nil | N.A. | Nil | Nil |
| Mr. Deep Kumar Rastogi (Resigned on 11/02/2011) | 2 | Yes | 1 | Nil |

The Directorships held by Directors as mentioned above, do not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

In accordance with the Clause 49, Memberships / Chairmanships of only the Audit Committees and Shareholders' / Investors' Grievance Committee of all Public Limited Companies(excluding SRM Energy Limited) have been considered.

b. Number of Board Meetings held and the dates on which held:

Four Board Meetings were held during the year. The dates on which the meetings were held are as follows: April 08, 2010, July 08, 2010, October 08, 2010 and February 11, 2011.

2. COMMITTEES OF THE BOARD

Details of the Standing Committees of the Board and other related information are provided here under:

A. Audit Committee:

Composition: The Board of the Company has reconstituted an Audit Committee, which meets with the requirements under Section 292A of the Companies Act, 1956, comprising the following :-

| | |
|------------------------------|------------|
| Mr. Bantval Srinivasa Rao | - Chairman |
| Mr. Sudarshan K. Parab | - Member |
| Mr. Srinivasan Parthasarathy | - Member |

Mrs. Sanjeevlata Samdani is the Secretary to the Audit Committee.

Objective: The Audit Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliances with the legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial reporting process of the Company, the audits of the Company's financial statements, the appointment, independence and performance of the statutory auditors and the Company's risk management policies.

Terms of Reference: The terms of reference / powers of the Audit Committee are as follows :

- a. To oversee financial reporting and disclosure process.
- b. To recommend the appointment and removal of statutory auditors and decide their remuneration.
- c. To review financial results and statements, before submission to the Board, focus primarily on-
 - I. Any change in accounting policies and practices.
 - II. Major accounting entries, based on exercise of judgment by the management.
 - III. Qualifications in the draft audit report.
 - IV. Significant adjustments arising out of the audit.
 - V. Going concern assumption.

- VI. Compliance with accounting standards.
- VII. Compliance with Stock Exchange and legal requirements concerning financial statements.
- VIII. Any related party transactions i.e. transactions of the Company of a material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with larger interests of the Company.
- d. To oversee adequacy of internal control systems.
- e. Reviewing adequacy of internal audit function, coverage and frequency of internal audit report.
- f. Discussion with internal auditors and concurrent auditors on any significant findings in their reports and follow up thereon.
- g. Discussion with external auditors before audit commences, as regards nature and scope of audit, as well as having post audit discussions to ascertain any areas of concern.
- h. Reviewing the Company's financial and risk management policies.

Meetings: During the year, the Committee has met four times. The dates on which the meetings were held are as follows: April 08 , 2010, July 08, 2010, October 08, 2010 and February 11, 2011.

B. Shareholders' and investors' grievance committee

Composition: The Board of the Company has constituted a Shareholders'/Investors' Grievance Committee, comprising the following:-

| | |
|---------------------------|------------|
| Mr. D Sundararajan | - Chairman |
| Mr. Sudarshan K. Parab | - Member |
| Mr. Bantval Srinivasa Rao | - Member |

Terms of Reference: The Committee, inter-alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the securities transfers. This committee also deals the matters related to share transfer. The Company has resolved all the complaints received from the shareholders during the year.

The Board has designated Mrs. Sanjeevlata Samdani, Company Secretary as the Compliance Officer.

Meetings: During the year, the Committee has met 24 times. The dates on which the meetings were held are as follows: April 24 , 2010, May 17, 2010, May 31, 2010, June 10, 2010, July 01, 2010, July 15, 2010, July 28,2010, August 11,2010, September 06, 2010, September 09, 2010, September 16, 2010, September 29, 2010, October 05, 2010 , October 18, 2010 , November 15, 2010 November 25, 2010 December 09, 2010, December 27,2010, January 05,2011, January 17, 2011, February 17, 2011 , February 24, 2011, March 03, 2011.

C. Remuneration Committee

Composition: The Board has constituted the Remuneration Committee comprising the following :-

| | |
|------------------------------|------------|
| Mr. Bantval Srinivasa Rao | - Chairman |
| Mr. Sudarshan K. Parab | - Member |
| Mr. Srinivasan Parthasarathy | - Member |

Terms of Reference: The Remuneration Committee has been constituted to recommend/review remuneration of the Managing Director and whole –time Directors, based on their performance and defined assessment criteria.

Meetings: During the year, no Committee meeting was held.

Further, as the Company is in Project implementation stage and not generating any business income, the Managing Director & CEO of the Company has decided not to draw any remuneration from the Company.

Details of remuneration paid to the Directors for the year:

The aggregate value of salary and perquisite for the year ended March 31, 2011, to Whole Time Directors– Rs. Nil.

The non-executives Directors have opted not to take the sitting fees for the Board Meetings.

3. SUBSIDIARY COMPANIES

The Company does not have any material non – listed Indian subsidiary, whose turnover or net worth (paid- up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively of the Company.

As on March 31, 2011, the Company has only one wholly owned subsidiary Company viz. “SRM Energy Tamilnadu Private Limited” with effect from 08/07/2010.

The Minutes of the subsidiary Company as well as statement of significant transactions and arrangements entered into by the unlisted subsidiary Company is placed before the Board Meeting for their review.

4. DISCLOSURES

a) Disclosures on materially significant related party transactions

The related party transactions are placed before Audit Committee as well as to the Board of Directors on a quarterly basis. For the Financial Year ended March 31, 2011 there were no transactions of material nature entered into with any of the related parties which were not on the arm ‘s length basis or that may have conflict with the interest of the Company. The particulars of related party transactions have been disclosed under Note B-8 of Schedule 9 of the Balance Sheet forming part of the Annual Report.

b) Disclosure of Accounting Treatment

The Company has followed all relevant Accounting Standards while preparing the financial statements.

c) Details of non-compliance with regard to the Capital Market

The Company has complied with all the requirements of the Stock Exchange as well as the regulations and guidelines prescribed by the Securities and Exchange Board of India (SEBI). There were no penalties or strictures imposed on the Company by Stock exchanges or SEBI, or any statutory authority on any matter related to capital markets, during the last three years.

d) Disclosure of Risk Management

The Company has an integrated approach to manage the risk inherent in the various aspects of business. The Audit Committee of the Board is regularly informed about the business risks and steps are taken to mitigate the same.

5. MANAGEMENT DISCUSSION AND ANALYSIS

A detailed report on Management Discussion and Analysis forms part of the Directors' Report.

6. SHAREHOLDER'S INFORMATION

a. Communication to Shareholders

The Company's quarterly financial results, presentation, official news release and other general information about the Company are uploaded on the Company's website (www.srmenergy.in). The quarterly financial results of the Company are generally published in Free Press Journal and NavShakti, Mumbai.

b. General Body Meetings

Location and time for last 3 years General Meetings were:

| Year | AGM | Location | Date | Time |
|-----------|----------------------|--|------------|------------|
| 2007-2008 | Court Convened EGM | Killachand Hall, IMC Building, IMC Marg, Churchgate, Mumbai -400020 | 11.08.2008 | 11:30 a.m. |
| 2007-2008 | 21 st AGM | Killachand Hall, IMC Building, IMC Marg, Churchgate, Mumbai -400020 | 12.01.2009 | 12:00 Noon |
| 2008-2009 | 22 nd AGM | Killachand Hall, IMC Building, IMC Marg, Church gate, Mumbai -400020 | 23.09.2009 | 11:30 a.m. |
| 2009-2010 | 23 rd AGM | Killachand Hall, IMC Building, IMC Marg, Church gate, Mumbai -400020 | 17.05.2010 | 11:30 a.m. |

c. Details of Special Resolution (s) passed at General Meeting during last three years Annual General Meetings (AGM)

| Year | AGM | Detail of Special Resolution, if any. |
|-----------|----------------------|---|
| 2007-2008 | 21 st AGM | N.A. |
| 2008-2009 | 22 nd AGM | One Special Resolution under section 17 and all other applicable provisions of the Companies Act, 1956. |
| 2009-2010 | 23 rd AGM | N.A. |

d. Extraordinary General Meetings (EGM)

No EGM was held during the last financial year.

e. Details of Resolution(s) passed through postal ballot

On August 13, 2010 the following Resolutions were passed with requisite majority through postal ballot during the last financial year.

| Sr. No. | Particulars of Business |
|---------|---|
| 1. | Amendment to sub clause A of Clause III of the Memorandum of Association of the Company for insertion of objects relating to carry on the business of Coal , Coke, Petroleum Product and allied activities. |
| 2. | Amendment to sub clause B of Clause III of the Memorandum of Association of the Company by deleting existing sub Clause 3 and 4 which was related to fibre business. |
| 3. | Increase in Authorized Capital from Rs.11.30 crores to Rs.100 crores. |
| 4. | Increase in Borrowing Limits under section 293 (1) (d) of the Companies Act, 1956, to Rs. 1000 crores. |
| 5. | Creation of Charge on the assets of the company, up to the limits specified above, under section 293 (1) (a) of the Companies Act, 1956. |
| 6. | Issue of equity shares, in terms of Section 81(1A) of the Companies Act, 1956 for a sum up to Rs. 60,00,00,000 (Rupees Sixty Crores Only). |
| 7. | Giving of loans/ guarantee(s), / or provide any security (ies) in terms of Section 372A will not at any time exceed Rs. 500 crores (Rupees Five Hundred Crores). |

7. CEO/ CFO CERTIFICATION

As required by Clause 49 of the Listing Agreement, the CEO/ CFO certifications appended as an annexure to this report.

8. REPORT ON CORPORATE GOVERNANCE

This Corporate Governance Report forms part of the Annual Report. The Company is in full compliance with all the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchange.

9. COMPLIANCE

A Certificate from M/s D.C.Tanna & Associates, Practicing Company Secretary, confirming compliance with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange is annexed and forms part of this Annual Report.

GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting (For Financial Year 2010- 2011)

Date and Time : July 11, 2011 at 12.00 Noon
 Venue : The Banquet Hall, Hotel Atithi, 77A & B, Nehru Road,
 Near Domestic Airport, Vile Parle (E), Mumbai - 400099

2. Financial Calendar (Tentative and subject to change)

| | |
|---|----------------|
| Financial Results for the Quarter ending June 30, 2011 | July 2011 |
| Financial Results for the Quarter ending September 30, 2011 | October 2011 |
| Financial Results for the Quarter ending December 31, 2011 | January 2012 |
| Financial Results for the Quarter ending March 31, 2012 | June 2012 |
| Annual General Meeting | September 2012 |

3. Books closure date Monday, July 04, 2011
to
Monday, July 11, 2011
(Both days inclusive).
4. Listing of Equity Shares Bombay Stock Exchange
5. (a) Stock Code: BSE Code-523222
(b) Demat ISIN Numbers ISIN No. INE 173J01018
In NSDL/CDSL for Equity Shares:
6. Stock Market Data:

| Months | Bombay Stock Exchange (BSE) (In Rs.) | | Volume (No. of Shares) |
|----------------|--------------------------------------|-------------------|---------------------------|
| | Month's High Price | Month's Low Price | |
| April 2010 | 22.45 | 15.35 | 45100 |
| May 2010 | 23.80 | 17.15 | 42300 |
| June 2010 | 19.20 | 15.45 | 15700 |
| July 2010 | 21.55 | 17.85 | 55200 |
| August 2010 | 49.35 | 22.15 | 197000 |
| September 2010 | 44.60 | 27.50 | 60000 |
| October 2010 | 31.75 | 24.35 | 16800 |
| November 2010 | 37.50 | 26.10 | 15600 |
| December 2010 | 34.90 | 28.00 | 44900 |
| January 2011 | 31.90 | 26.95 | 8400 |
| February 2011 | 28.80 | 21.60 | 20604 |
| March 2011 | 29.45 | 25.00 | 12357 |

Source: www.bseindia.com

7. **Registrar and Share Transfer Agents:** Datamatics Financial Services Ltd.,
Plot No. B-5, Part B Cross Lane, MIDC,
Andheri - East, Mumbai - 400 093.
Tel. No. : +91-22-66712151-2156
Fax : +91-22-66712161
8. **Share Transfer System:** Presently, the share transfers which are received in Physical form are processed and the share certificates returned within a period of 15 to 20 days from the date of receipt, subject to the documents being valid and complete in all respects.

9. Distribution of shareholding as on March 31, 2011

| Categories | No. of Shares | % |
|--------------------------|----------------|---------------|
| Non Resident Indians/OCB | 26700 | 0.30 |
| Financial Institutions | 0 | 0 |
| Mutual Funds/UTI | 305700 | 3.37 |
| Bodies Corporate | 6723615 | 74.21 |
| Resident Individuals | 2003985 | 22.12 |
| Total | 9060000 | 100.00 |

10. Investors' Correspondence
For shares held in physical form
For shares held in Demat form

A. For transfer/ dematerialization of shares and any other query related to the shares of the company

Datamatics Financial Services Ltd,
Plot No. B-5, Part B Cross Lane,
MIDC, Andheri - East,
Mumbai - 400 093.
Tel. No. : +91-22-66712151-2156
Fax : +91-22-66712161

To the depository
Participant

B. Any Query on Annual Report

SRM Energy Limited
Regd. & Admin Office:
601, Pressman House, 70 A,
Nehru Road, Near Orchid Hotel,
Vile Parle - East, Mumbai - 400 099.

To
The Members of SRM Energy Limited

1. We have audited the attached Balance Sheet of SRM Energy Limited as at March 31, 2011 and also the Profit and Loss Account of the Company for the year ended on that date and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion we draw attention to Note B-13 of the Notes to Accounts in the financial statements with regard to the preparation of the financial statements on a going concern assumption. The Company incurred a net loss of Rs. 4,054,549 during the year ended 31.3.2011 and as of that date, the Company's net worth has been substantially eroded. The company's ability to continue as a going concern is dependent on the factors mentioned in note therein and no adjustment have been made accompanying financial statements.
5. Further to our comments in paragraph 3 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 those books.
 - (iii) the Balance Sheet, profit and loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (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 the section 211 of the Companies Act, 1956.
 - (v) On the basis of the 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 are disqualified as on March, 31 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 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 give 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 case of the Balance Sheet, of the state of affairs of the company as at March 31, 2011;
 - (b) In case of the profit and loss account, of the loss for the year ended on that date; and
 - (c) In case of the Cash flow statement, of the cash flows for the year ended on that date.

For Haribhakti & Co.
Chartered Accountants
FRN No.103523W

Place: Mumbai.
Date: April 18,2011.

Sarah George
Partner
Membership No.45255

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of SRM Energy Ltd. on the financial statements for the year ended 31st March 2011

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the Company have been physically verified by the management and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion the frequency of verification is reasonable.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- (ii) The Company did not carry any inventory during the year hence clause 4(ii)(a), 4(ii)(b) and 4(ii) (c) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. and hence clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (b) As informed, the Company has taken interest free unsecured loan from one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 416,304,851 and the year-end balance of loan taken from such a party was Nil.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (d) In respect of the above loan there are no stipulations as to repayment. However the loan has been converted into share application money during the year.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct weakness in the aforesaid internal control system of the Company.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) In our opinion and according to the information and explanation provided to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act .

- (ix) (a) *Undisputed statutory dues of income tax have not been regularly deposited with the appropriate authorities and there have been delay in many cases.* The provisions relating to employees state insurance and provident fund are not applicable to the company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (c) According to the records of the Company, the dues outstanding of income-tax account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amount (Rs) | Period to which the amount relates | Forum where dispute is pending |
|----------------------|----------------|-------------|------------------------------------|--------------------------------|
| Income Tax Act ,1961 | Income Tax | Rs.184,962 | A.Y 2006-2007 | CIT(Appeals) 14 |
| Income Tax Act ,1961 | Income Tax | Rs. 305,352 | A.Y 2005-2006 | CIT(Appeals) 14 |
| Income Tax Act ,1961 | Income Tax | Rs. 462,795 | A.Y 2004-2005 | CIT(Appeals)14 |
| Income Tax Act ,1961 | Income Tax | Rs. 113,813 | A.Y 2003-2004 | CIT(Appeals)14 |

- (x) The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and it has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) The Company has not borrowed any amount during the year from banks, financial institution or debenture holders. Hence the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) The Company has not obtained any term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds of Rs. 15,860,565 raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanation given to us the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company did not raise any money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For Haribhakti & Co.
Chartered Accountants
FRN No.103523W

Place : Mumbai.
Date : 18-04-2011.

Sarah George
Partner
Membership No.45255

BALANCE SHEET
AS AT 31ST MARCH, 2011



| | Schedule | As at 31.03.2011 Amount (Rs.) | As at 31.03.2010 Amount (Rs.) |
|--|----------|----------------------------------|----------------------------------|
| Sources of Funds | | | |
| Shareholder's Funds | | | |
| Share Capital | 1 | 90,600,000 | 90,600,000 |
| Share Application Money | | 445,134,851 | - |
| Loan Funds | | | |
| Unsecured Loans | 2 | 9,100,000 | 389,654,851 |
| TOTAL | | 544,834,851 | 480,254,851 |
| Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | 3 | 117,187,433 | 106,310,546 |
| Less : Accumulated Depreciation | | 647,559 | 216,360 |
| Net Block | | 116,539,874 | 106,094,186 |
| Capital Work-in-Progress | | 363,961,355 | 317,520,113 |
| | | 480,501,229 | 423,614,299 |
| Investments | | | |
| | 4 | 100,000 | - |
| Current Assets, Loans & Advances | | | |
| Cash & Bank Balance | 5 | 562,526 | 142,784 |
| Loans & Advances | | 2,036,548 | 2,095,231 |
| | | 2,599,074 | 2,238,015 |
| Less: Current Liabilities & Provision | 6 | 10,253,679 | 13,431,141 |
| Net Current Liabilities | | (7,654,605) | (11,193,126) |
| Profit and Loss Account (Debit Balance) | | | |
| | | 71,888,227 | 67,833,678 |
| TOTAL | | 544,834,851 | 480,254,851 |
| Significant Accounting Policies and Notes on accounts | | | |
| | 9 | | |

Schedule annexed form an integral part of the Accounts.

As per our attached report of even date

For and on behalf of the Board of Directors

For Haribhakti & Co.
Chartered Accountants

S. R. Dakhera
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sarah George
Partner

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

Place : Mumbai.
Date : 18.4.2011.

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



| | Schedule | For The Year Ended 31.03.2011 Amount (Rs.) | For The Year Ended 31.03.2010 Amount (Rs.) |
|--|--------------|--|--|
| INCOME | | | |
| Other Income | 7 | 48,034 | 2,629 |
| | TOTAL | 48,034 | 2,629 |
| EXPENDITURE | | | |
| Administrative and Other Expenses | 8 | 3,860,126 | 368,121 |
| Interest expenses | | 242,457 | - |
| | TOTAL | 4,102,583 | 368,121 |
| Net Loss before and after Tax | | (4,054,549) | (365,492) |
| Balance brought forward from earlier years | | (67,833,678) | (67,468,186) |
| Balance Carried to Balance Sheet | | (71,888,227) | (67,833,678) |
| Earning Per Share (Basic & Diluted) | | (0.45) | (0.04) |
| Significant Accounting Policies and Notes on accounts | 9 | | |

Schedule annexed form an integral part of the Accounts.

As per our attached report of even date
For Haribhakti & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Sarah George
Partner

S. R. Dakhera
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

Place : Mumbai.
Date : 18.4.2011.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2011



| | For The Year Ended 31.03.2011 Amount (Rs.) | For The Year Ended 31.03.2010 Amount (Rs.) |
|---|--|--|
| (A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| NET LOSS BEFORE TAX | (4,054,549) | (365,492) |
| TDS Assets Written off Now Recovered | (3,934) | - |
| Interest and Finance Charges | 242,457 | - |
| Interest Earned | (4,921) | - |
| OPERATING (LOSS) / PROFIT BEFORE WORKING CAPITAL CHANGES | (3,820,947) | (365,492) |
| ADJUSTMENT FOR | | |
| Trade and other receivable | 362,961 | 19,690 |
| Trade payable | <u>(2,910,046)</u> | <u>751,926</u> |
| CASH FLOW USED IN THE OPERATIONS | (6,368,032) | 406,124 |
| Income Tax / Fringe Benefit Tax Refund/(Paid) | 26,427 | (346,500) |
| NET CASH USED IN THE OPERATING ACTIVITIES (A) | <u>(6,341,605)</u> | <u>59,624</u> |
| (B) CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| Investments in and Advances to Subsidiaries | (100,000) | 461,420 |
| Purchase of Fixed Assets including CWIP | (55,386,553) | (51,819,966) |
| Sale of Fixed Assets | <u>5,500</u> | <u>62,000</u> |
| NET CASH USED IN INVESTMENT ACTIVITIES (B) | <u>(55,481,053)</u> | <u>(51,296,546)</u> |
| (C) CASH FLOW FROM FINANCE ACTIVITIES | | |
| Receipt of Share Application Money | 28,830,000 | - |
| Proceeds from Unsecured Loans | 35,750,000 | 51,295,350 |
| Interest Expense | <u>(2,337,600)</u> | <u>(393,334)</u> |
| NET CASH GENERATED FROM FINANCIAL ACTIVITIES (C) | <u>62,242,400</u> | <u>50,902,016</u> |
| (D) NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C) | 419,742 | (334,906) |
| (E) CASH & CASH EQUIVALENTS - OPENING BALANCE | 142,784 | 477,690 |
| (F) CASH & CASH EQUIVALENTS - CLOSING BALANCE | <u>562,526</u> | <u>142,784</u> |

As per our attached report of even date
For Haribhakti & Co.
Chartered Accountants

For and on behalf of the Board of Directors

S. R. Dakhera
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sarah George
Partner

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

Place : Mumbai.
Date : 18.4.2011.

SCHEDULE ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2011

| | As at 31.03.2011 Amount (Rs.) | As at 31.03.2010 Amount (Rs.) |
|--|----------------------------------|----------------------------------|
| SCHEDULE 1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 11,300,000 (Previous year 11,300,000) | | |
| Equity Shares of Rs. 10/- each | <u>113,000,000</u> | <u>113,000,000</u> |
| | <u>113,000,000</u> | <u>113,000,000</u> |
| Issued, subscribed and paid up | | |
| 9,060,000 (Previous year 9,060,000) | | |
| Equity Shares of Rs.10/- each, fully paid up | <u>90,600,000</u> | <u>90,600,000</u> |
| | <u>90,600,000</u> | <u>90,600,000</u> |

Notes:

- 1) 6,450,000 (Previous year 6,450,000) Equity Shares are held by the Holding Company - Spice Energy Pvt. Ltd.
- 2) 6,000,000 (Previous year 6,000,000) Equity Shares have been issued for consideration other than cash pursuant to Scheme of Amalgamation

SCHEDULE 2
UNSECURED LOANS

Long Term

-From Holding Company - 389,654,851

Short Term

Inter Corporate Deposit -
(Repayable within one year Rs, 91,00,000 (P.Y: Nil)) 9,100,000 389,654,851

SCHEDULE 3
FIXED ASSETS

(Amount in Rs.)

| PARTICULARS | GROSS BLOCK (AT COST) | | | DEPRECIATION | | | | NET BLOCK | | |
|---|-----------------------|---------------------------|---------------------------------|--------------------|------------------|--------------------------|------------------|------------------|--------------------|--------------------|
| | As on 01.04.2010 | Additions During the Year | Sales/Discarded During the Year | As on 31.03.2011 | Up to 31.03.2010 | Provided During the Year | Adjustment/ Sale | Up to 31.03.2011 | As on 31.03.2011 | As on 31.03.2010 |
| Goodwill | 30,000,000 | - | - | 30,000,000 | - | - | - | - | 30,000,000 | 30,000,000 |
| Land | 75,187,027 | 10,314,360 | - | 85,501,387 | - | - | - | - | 85,501,387 | 75,187,027 |
| Furniture & Fixtures | 264,314 | - | 21,000 | 243,314 | 30,031 | 34,393 | 3,853 | 60,571 | 182,743 | 234,283 |
| Office & Factory Equipments | 333,415 | 198,734 | 7,648 | 524,501 | 25,825 | 246,538 | 5,932 | 266,431 | 258,070 | 307,590 |
| Computers | 525,790 | 392,441 | - | 918,231 | 160,504 | 160,053 | - | 320,557 | 597,674 | 365,286 |
| TOTAL | 106,310,546 | 10,905,535 | 28,648 | 117,187,433 | 216,360 | 440,984 | 9,785 | 647,559 | 116,539,874 | 106,094,186 |
| Previous Year | 31,246,776 | 75,241,176 | 177,406 | 106,310,546 | 12,105,692 | 134,540 | 12,023,872 | 216,360 | 106,094,186 | |
| Capital Work-in-Progress including advances | | | | | | | | | 363,961,355 | 317,520,113 |

Notes:

- 1 Capital Work-in-Progress includes:
 - i) Rs.172,043,716 (Previous Year Rs. 177,812,973) on account of capital advances
 - ii) Rs.191,917,639 (Previous Year Rs.139,707,140) on account of Pre-operative expenses pending allocation (refer note no. B-1 of Schedule 9)
- 2 Depreciation and Amortisation for the period 440,984
 Less: Transferred to Preoperative expenses pending allocation (440,984)
 Depreciation & Amortisation as per Profit and Loss Account -

SCHEDULE ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2011

| | As at 31.03.2011 Amount (Rs.) | As at 31.03.2010 Amount (Rs.) |
|--|----------------------------------|----------------------------------|
| SCHEDULE 4 | | |
| INVESTMENTS (At Cost) | | |
| Long Term | | |
| Non trade (Unquoted) | | |
| -Investment in Subsidiary Company | | |
| 10,000 (P.Y.NIL) Equity Shares in SRM Energy Tamilnadu Pvt. Ltd. of Rs. 10/- each fully paid up | 100,000 | - |
| | <u>100,000</u> | <u>-</u> |
| SCHEDULE 5 | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| CURRENT ASSETS | | |
| CASH & BANK BALANCES | | |
| Cash in Hand | 7,756 | 11,905 |
| Balances with Scheduled Banks in Current Accounts | 554,770 | 130,879 |
| | <u>562,526</u> | <u>142,784</u> |
| LOANS AND ADVANCES | | |
| (unsecured, considered good) | | |
| Advances Recoverable in cash or in Kind or for Value to be Received | 440,009 | 235,473 |
| Advance Income Tax including TDS | 16,539 | 34,111 |
| Security Deposits | 1,580,000 | 1,825,647 |
| | <u>2,036,548</u> | <u>2,095,231</u> |
| | <u>2,599,074</u> | <u>2,238,015</u> |
| SCHEDULE 6 | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| CURRENT LIABILITIES | | |
| Sundry Creditors | | |
| - Dues to Micro, Small and Medium Enterprises | - | - |
| - Dues to other than Micro, Small and Medium Enterprises | 8,450,647 | 7,332,013 |
| Other Liabilities | 577,649 | 5,482,545 |
| | <u>9,028,296</u> | <u>12,814,558</u> |
| PROVISIONS | | |
| Provision for Gratuity | 463,461 | 229,979 |
| Provision for Leave Encashment | 761,922 | 386,604 |
| | <u>10,253,679</u> | <u>13,431,141</u> |

SCHEDULE ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| Particulars | For The Year Ended 31.03.2011 Amount (Rs.) | For The Year Ended As at 31.03.2010 Amount (Rs.) |
|---|--|--|
| SCHEDULE 7 | | |
| OTHER INCOME | | |
| Interest on income tax refunds | 4,921 | - |
| Interest-Others | - | 569 |
| Excess Provision for earlier years written back | - | 2,060 |
| Bad Debts written off Recovered | 39,179 | - |
| TDS Written off Recovered | 3,934 | - |
| | <u>48,034</u> | <u>2,629</u> |

SCHEDULE 8**ADMINISTRATIVE & OTHER EXPENSES**

| | | |
|--|------------------|----------------|
| Advertisement Expenses | 147,667 | - |
| AGM Expenses | 28,299 | - |
| Auditors' Remuneration | 1,102,186 | 93,755 |
| Business Promotion Expenses | 124,472 | - |
| Rates and Taxes | 2,500 | - |
| Postage, Telephone & Telex | 110,995 | - |
| Printing and Stationery | 108,370 | - |
| Legal and Professional Charges | 1,224,259 | 7,180 |
| Annual Listing Fees | 61,418 | 54,809 |
| Right Issue Expenses | 680,609 | - |
| Secretarial Service Charges | 229,240 | 211,377 |
| Miscellaneous Expenses | 6,962 | 1,000 |
| Liability written back in earlier years now paid off | 33,149 | - |
| | <u>3,860,126</u> | <u>368,121</u> |

SCHEDULE 9

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011.**A. SIGNIFICANT ACCOUNTING POLICIES:****i. Basis of preparation of financial statements**

The Financial statements have been prepared to comply in all material respect with the mandatory Accounting Standards notified by companies (Accounting Standards) rules, 2006 (as amended) & the relevant provisions of the companies act 1956. The financial statements have been prepared under the historical cost convention on an accrual basis in case of assets for which provisions for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the company & are consistent with those used in the previous year.

ii. Use of estimates

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

iii. Fixed assets

Fixed Assets are stated at cost less accumulated depreciation & impairment losses (if any). Cost comprises the purchase price & any attributable cost of bringing the asset to its working conditions for its intended use. Borrowing cost relating to the acquisition of the fixed asset which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

In respect of accounting periods commencing on or after 7th December, 2006, exchange difference arising on reporting of the long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

iv. Expenditure During Construction Period

- a) The expenditure incurred for the project is accounted under the head preoperative expenditure and shall be capitalized on completion of the project.
- b) Advances paid towards acquisition of the fixed assets which have not been installed or put to use and the cost of the assets not put to use before the period end are disclosed under capital work-in-progress.

v. **Depreciation & Amortization**

Depreciation on Fixed Assets is provided on Straight Line Method as per the useful lives of the assets estimated by the management or at the rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher except for goodwill which will be amortised over a period of five years after the commencement of commercial production of the power project. Depreciation on additions is charged proportionately from the date of acquisition. Assets individually costing less than or equal to rupees Five thousand has been fully depreciated in the year of purchase.

The depreciation has been provided on the following basis:

| Particulars | Useful Life |
|------------------|--------------|
| Office Equipment | 3 – 10 years |
| Furniture | 10 years |
| Computers | 5 years |

vi. **Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price & value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

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

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

vii. **Investments**

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

viii. **Foreign Currency transactions**

Foreign Currency transactions are recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated asset and liabilities (monetary items) are translated into reporting currency at the exchange rates prevailing on the Balance Sheet date. Exchange difference arising on settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary items) are capitalized if related to the project or recognized in the profit and loss account.

ix. Employee benefits

Employee benefits such as salaries, allowances, non-monetary benefits which fall due for payment within a period of twelve months after rendering service, are charged as expense to the profit and loss account in the period in which the service is rendered.

Employee benefits under defined benefit plans, such as leave encashment and gratuity which fall due for payment after a period of 12 months from rendering serviced or after completion of employment, are measured by the projected unit credit method, on the basis of actuarial valuation carried out by the third party actuaries at each balance sheet date. The Companies obligations recognized in the Balance sheet represents the present value of obligations as reduced by the fair value of plan assets, where applicable.

Actuarial gains and losses are recognized immediately in the profit and loss account.

x. Borrowing Cost

Borrowing cost which are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the respective asset. All other borrowing cost are expensed in the period they occur. Borrowing cost consists of interest & other cost that an entity incurs in connection with the borrowing of funds. In determining the amount of borrowing cost eligible for capitalization during a period, any income earned on the temporary investments of those borrowings is deducted from the borrowing costs incurred.

xi. Leases

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

xii. Earning Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

xiii. Taxation :

- (i) Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.
- (ii) At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognizes, unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

xiv. Provisions

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

xv. Contingent Liabilities

Contingent Liabilities, if any, are disclosed in the Notes on Accounts. Provision is made in the accounts in respect of those contingencies which are likely to materialize into liabilities after the year end till the approval of the accounts by the Board of Directors and which have material effect on the position stated in the Balance Sheet.

xvi. Cash Flow Statement

The cash flow statement is prepared by 'indirect method' set out in accounting standard 3 on "Cash Flow Statement" and presents the cash flow statement by operating investing and financing activities of the Company. Cash and cash equivalents presented in the cash flow statement consists of cash on hand and balance in current accounts.

B. Notes to Accounts**1. Business Activities**

The company is in the process of setting up the Thermal Power Project of 3* 660 MW i.e 1980MW capacities in Tamilnadu. As such the related expenses incurred during the current year as per details below are considered as pre operative expenses pending capitalization (included under Capital Work in Progress) and will be apportioned to the assets on completion of the project:

(Amount in Rs.)

| Particulars | | As on 31.03.2011 | As on 31.03.2010 |
|---|---------|------------------|------------------|
| Opening Balance | (A) | 139,707,140 | 94,591,881 |
| Less: Reversal of expenses pertaining to previous years | (B) | 77,905 | 12,000,000 |
| Add: Expenditure incurred during the current year | | | |
| Salaries and Perquisites | | 14,666,842 | 17,494,682 |
| Staff Welfare Expenses | | 26,217 | 18,902 |
| Professional Fees | | 22,836,657 | 22,358,843 |
| Travelling & Conveyance Expenses | | 4,515,212 | 2,603,925 |
| Telephone / Internet Expenses | | 399,393 | 979,078 |
| Auditors' Remuneration | | 222,525 | 220,600 |
| Advertisement | | 2,590 | 65,071 |
| Rent and Compensation | | 3,765,726 | 9,807,053 |
| Vehicle Running Expenses | | 299,574 | 462,577 |
| Repairs and Maintenance | | 220,530 | 344,390 |
| Electricity Expenses | | 311,207 | 329,567 |
| Printing & Stationery | | 1,449,513 | 325,171 |
| Courier/Postage | | 54,734 | 84,807 |
| Miscellaneous Expenses | | 1,558,355 | 1,227,921 |
| Loss/Discard in Sale of Assets | | 13,363 | 91,534 |
| Interest and Bank Charges | | 1,505,878 | 669,768 |
| Depreciation & Amortisation | | 440,984 | 134,540 |
| Total | | 52,289,301 | 57,218,429 |
| Less : Other Income | | 897 | 103,170 |
| Net Expenses for the year | (C) | 52,288,404 | 57,115,259 |
| Closing Balance | (A-B+C) | 191,917,639 | 139,707,140 |

2. Contingent Liabilities not provided for

(Amount in Rs.)

| Sr. No. | Particulars | 2010-11 | 2009-10 |
|---------|--|-----------|---------|
| I | Disputed dues of Income tax due to non/late deposit of TDS for the assessment years 2003-04 to 2006-07 | 1,066,922 | - |

3. Capital Commitment

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for in the accounts as at 31.3.2011: Nil (Previous year: Nil).

4. In the opinion of the Board, the realizable value of Current Assets, Loans and Advances in the ordinary course of business would not be less than the amount at which they are stated in the Balance Sheet and provision for all known and determined liabilities are adequately made.

5. Auditors Remuneration

(Amount in Rs.)

| Particulars | 2010-11 | 2009-2010 |
|---------------------------------------|------------------|----------------|
| Audit fees (including limited review) | 341,930 | 286,780 |
| Certification and other fees | 965,125 | 27,575 |
| Out of pocket expenses | 17,656 | - |
| Total | 1,324,711 | 314,355 |

6. **Disclosure of 'Employee Benefits' as per Accounting Standard 15 are as follows:**

Defined Benefit Plans

Gratuity

| Actuarial Assumptions | 2010-11 | 2009-10 |
|---|---------|---------|
| Discount Rate (Per annum) | 8.25% | 8% |
| Rate of increase in Compensation levels | 5% | 5% |
| Attrition | 2% | 2% |

(Amount in Rs.)

| Particulars | 31/3/2011 | 31/3/2010 |
|--|-----------------|-----------------|
| I) Change in Present Value of Obligation | Gratuity | Gratuity |
| Present value of defined benefits obligation as at the beginning of the year | 229,979 | 164,904 |
| Interest Cost | 34,493 | 33,370 |
| Current Service Cost | 201,179 | 252,226 |
| Benefits Paid | - | - |
| Actuarial (Gain) / loss on obligation | (2,190) | (220,521) |
| Present value of defined benefits obligation as at the end of the year | 463,461 | 229,979 |
| II) Amount recognised in the Balance Sheet | | |
| Liability at the end of the year | 463,461 | 229,979 |
| Fair Value of Plan Assets at the end of the year | - | - |
| Difference | 463,461 | 229,979 |
| Unrecognised Past Service Cost | - | - |
| Unrecognised Transitional Liability | - | - |
| Amount recognised in the Balance Sheet | 463,461 | 229,979 |
| III) Expenses recognised in the Pre-operative Expenses | | |
| Current Service Cost | 201,179 | 252,226 |
| Past Service Cost | - | - |
| Interest Cost | 34,493 | 33,370 |
| Expected Return on Plan Assets | - | - |
| Recognition of Transitional Liability | - | - |
| Net Actuarial (Gain)/Loss Recognised in the year | (2,190) | (220,521) |
| Total expenses recognised in the Preoperative Expenses | 233,482 | 65,075 |
| IV) Balance Sheet Reconciliation | | |
| Liability at the beginning of the year | 229,979 | 164,904 |
| Expenses as above | 233,482 | 65,075 |
| Employers' Contribution | - | - |
| Amount recognised in the Balance Sheet | 463,461 | 229,979 |

V) Experience Adjustment

| Particulars | 2010-2011 Gratuity | 2009-2010 Gratuity | 2008-2009 Gratuity |
|--|-----------------------|-----------------------|-----------------------|
| Experience adjustment on liability {loss/(gain)} | 16,754 | (220,521) | 110,562 |

In assessing the Companies Post retirement liabilities, the Company monitors mortality assumptions and uses up to date mortality tables the base being the LIC 1994-96 ultimate tables.

The estimates of future salary increase, considered in actuarial valuation, take account of inflation seniority, promotion, and other relevant factors, such as supply and demand in the employment market.

7. Segment Reporting :

The Company is in the process of setting up Power Project, which in the context of AS-17 on 'Segment Reporting', constitutes single operating segment.

8. Related Party Transactions as per Accounting Standard (AS) – 18:
A. List of Related Parties

Parties with whom the Company has entered into transactions during the year

1) Holding Company:

Spice Energy Pvt. Ltd.

2) Subsidiaries:

SRM Energy Tamilnadu Pvt. Ltd. (w.e.f. 07.07.2010)
 Spice Cement Pvt. Ltd. (Upto 29.07.2009)
 Spice Fuel Ventures Pvt. Ltd. (Upto 29.07.2009)
 Spice Power Transmission Pvt. Ltd. (Upto 29.07.2009)

3) Key Management Personnel :

Deep Rastogi (upto 11.02.2011)
 Gagan Rastogi (w.e.f 11.02.2011)

4) Enterprises over which key management personnel and relatives of such personnel exercise significant influence

Hitkari Hitech Fibres Pvt. Ltd. (upto 21.04.2010)
 Sovinchem Industries Pvt. Ltd.

B. Transactions with Related Parties

(Amount in Rs.)

| Particulars | Holding Company | | Subsidiaries | | Enterprises over which key management personnel and their relatives exercise significant influence | |
|---|-----------------|-------------|--------------|---------|--|-----------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Loans taken | 26,650,000 | 54,868,258 | - | - | - | - |
| Share Application Money Received | 28,830,000 | - | - | - | - | - |
| Conversion of Loan Taken into share application money | 416,304,851 | - | - | - | - | - |
| Purchase/(Sale) of Investments in Subsidiaries | 100,000 | (400,000) | - | - | - | - |
| Temp. advance received back (net) | - | - | - | 15,300 | - | - |
| Temp. advance received back (net) | - | - | - | 15,300 | - | - |
| Temp. advance received back (net) | - | - | - | 15,300 | - | - |
| Temp. advance received back (net) | - | - | - | 15,520 | - | - |
| Temp. Loans taken | - | - | - | - | - | 875,703 |
| Temp. Loans repaid | - | - | - | - | - | 3,448,611 |
| Temp. Loans taken | - | - | - | - | 9,100,000 | - |
| Interest Paid | - | - | - | - | 1,627,892 | - |
| Temp. Loans taken | - | - | - | - | - | 8,400,000 |
| Temp. Loans repaid | - | - | - | - | - | 8,400,000 |
| Closing Balance: | | | | | | |
| Loan Payable | - | 389,654,851 | - | - | 9,100,000 | - |

9. Disclosure as required by Accounting Standard (AS) -19 are as follows:

The company has taken office premises under lease and license agreement against refundable interest free deposit. These are generally cancellable and are renewable by mutual consent on mutually agreed terms. The obligation towards non-cancellable leases are as under :

(Amount in Rs.)

| Lease Obligation | For the year ended 31.3.2011 | For the year ended 31.3.2010 |
|-------------------------|------------------------------|------------------------------|
| Not Later than one year | 545,985 | 1,756,800 |

Total lease expense recognised in the pre operative expenses during the year was Rs. 3,765,726/- (Previous Year : Rs 5,359,329/-)

10. Earnings Per Share (EPS):

| Particulars | 31.3.2011 | 31.3.2010 |
|--|--------------------|-----------|
| Net Loss as per Profit and Loss Account (in Rs.) | (4,054,549) | (365,492) |
| Weighted average number of equity shares (par value of Rs. 10/- each) | 9,060,000 | 9,060,000 |
| Earnings per share (Face value of Rs. 10/- each) Basic and Diluted (in Rs.) | (0.45) | (0.04) |

Note: There is no dilution to the basic EPS as the results are anti-dilutive.

11. Expenditure in foreign currency :

(Amount in Rs.)

| Particulars | 31.3.2011 | 31.3.2010 |
|---------------------|----------------|-----------|
| Travelling expenses | 381,578 | 161,131 |

12. Deferred Tax:

(Amount in Rs.)

| Particulars | Opening as on 1.4.2010 | Adjustments during the year | Closing as on 31.3.2011 |
|-------------------------------|---------------------------|--------------------------------|----------------------------|
| Deferred Tax asset | | | |
| Unabsorbed Depreciation | 133,904 | 61,571 | 195,475 |
| Unabsorbed Losses | 15,932,110 | 284,066 | 16,216,176 |
| Employee Benefit | 190,524 | 188,119 | 378,643 |
| Total | 16,256,538 | 533,756 | 16,790,294 |
| Deferred Tax liability | | | |
| Depreciation | 90,734 | 62,865 | 27,869 |
| Total | 90,734 | 62,865 | 27,869 |
| Net Deferred Tax Asset | 16,165,804 | 470,891 | 16,762,425 |

Deferred Tax Asset has not been recognized considering the principle of virtual certainty as per Accounting Standard -22 'Accounting for Taxes on Income'.

13. Going Concern:

Though the Company's net worth has been substantially eroded, earlier businesses have been discontinued and the Company has been incurring cash losses, the management is of the strong view that once the power project, which is being set up by the Company gets going, the Company would have a turnaround. Even otherwise, the Company's present assets are adequate to meet its liabilities. The promoter is also committed to provide necessary funding to meet Company's Liabilities. Accordingly the accounts have been drawn under going concern assumption.

- 14.** During the year, the Company has acquired a wholly-owned subsidiary Company, SRM Energy Tamil Nadu Private Limited, which has not commenced its operating activities. The Management is evaluating the option of transferring its Cuddalore Power Division to this subsidiary after successful completion of the proposed Rights Issue.
- 15.** Based on the information available with the company, both the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 and interest paid / payable during the year under the terms of said act under the terms of MSMED Act are Nil (previous year Nil).
- 16.** Previous year figures have been regrouped and rearranged wherever necessary.

As per our attached report of even date

For Haribhakti & Co.

Chartered Accountants

Sarah George

Partner

Place : Mumbai.

Date : 18.4.2011.

For and on behalf of the Board of Directors

S. R. Dakhera
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE
Information as required under Part IV of the Schedule VI of the Companies Act, 1956

I. Registration Details

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 37364 | State Code | 11 |
| Balance Sheet Date | 31.03.2011 | | |

II. Capital Raised during the year (Amount in Rs. Thousand)

| | | | |
|--------------|---|-------------------|---|
| Public Issue | - | Right Issue | - |
| Bonus Issue | - | Private Placement | - |

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

| | | | |
|---|-----------|-------------------------------|---------|
| Total Liabilities | 544,834 | Total Assets | 544,834 |
| Source of Funds | | Reserves & Surplus | - |
| Paid up Capital | 535,734 * | Unsecured Loans | 9,100 |
| *Includes Share Application Money of Rs. 445134 Thousand. | | | |
| Secured Loans | - | Investments | 100 |
| Application of Funds | | Miscellaneous Exp. | - |
| Net Fixed Assets | 480,501 | | |
| Net Current Assets | (7,655) | | |
| Accumulated Losses | 71,888 | | |

IV. Performance of Company (Amount in Rs. Thousand)#

| | | | |
|----------------------------|---------|---------------------------|---------|
| Turnover/Income | 48 | Total Expenditure | 4,103 |
| Profit / (Loss) Before Tax | (4,055) | Profit / (Loss) After Tax | (4,055) |
| Earning per Share | (0.45) | Dividend Rate % | - |

V. Generic Names of Principal Products/Services of the Company (As per monetary terms)

| | | | |
|-----------------------------|------|---------------------|---------|
| Item Code No. (ITC Code) | N.A. | Product Description | Power # |
|-----------------------------|------|---------------------|---------|

The Company is in process of setting up power project.

**STATEMENT PURSUANT TO SECTION 212 (3)
OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**



| | |
|---|---|
| Name of the Subsidiary Company | SRM Energy Tamilnadu Private Limited |
| 1 Financial year of the Subsidiary Company ended on | March 31, 2011 |
| 2 Extent of the Holding Company's interest in the Subsidiary % Holding (Equity) | 10,000 Equity Shares of Rs.10/- each 100% |
| 3 Net aggregate amount of Profits/(Losses) of the subsidiary not dealt with in the accounts of SRM Energy Limited for the year ended 31st March, 2011 | Amount (Rs.) |
| a) For the above Financial Year of the subsidiary so far as they concern members of the Company. | (32,720) |
| b) For previous years of the subsidiary since it became a subsidiary so far as they concern the members of the Company | - |

For and on behalf of the Board of Directors

S. R. Dakhera
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

Place : Mumbai.
Date : 18.4.2011.

**AUDITORS' REPORT ON CONSOLIDATED ACCOUNTS
TO THE BOARD OF DIRECTORS OF SRM ENERGY LTD.**



1. We have audited the attached Consolidated Balance Sheet of **SRM Energy Limited** (“the Company”) and its subsidiary (the Company and its subsidiary constitute “the Group”) as at 31st March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company’s Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. 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 the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary whose financial statements reflect total assets of Rs.77,398 as at 31st March, 2011, total revenue of Rs Nil and net cash outflows amounting to Rs. 11,099 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditor whose report have been furnished to us and our opinion in so far as it relates to the amounts included in respect of this subsidiary is based solely on the report of the other auditor.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
5. Without qualifying our opinion we draw attention to Note B-11 of the Consolidated Notes to Accounts in the financial statements with regard to the preparation of the financial statements on a going concern assumption. The Company incurred a net loss of Rs. 4,087,269 during the year ended 31.3.2011 and as of that date, the Company’s net worth has been substantially eroded. The company’s ability to continue as a going concern is dependent on the factors mentioned in note therein and no adjustment have been made accompanying financial statements.
6. Based on our audit and on consideration of report of other auditor on the separate financial statements of the subsidiary and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

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

For Haribhakti & Co.
Chartered Accountants
Registration No.103523W

Place: Mumbai.
Date: April 18, 2011.

Sarah George
Partner
Membership No.45255

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2011



| | Schedule | Amount (Rs.) |
|--|--------------|--------------------|
| Sources of Funds | | |
| Shareholder's Funds | | |
| Share Capital | 1 | 90,600,000 |
| Share Application Money | | 445,134,851 |
| Loan Funds | | |
| Unsecured Loans | 2 | 9,100,000 |
| | TOTAL | 544,834,851 |
| Application of Funds | | |
| Fixed Assets | | |
| Gross Block | 3 | 117,187,433 |
| Less : Accumulated Depreciation | | 647,559 |
| Net Block | | 116,539,874 |
| Capital Work-in-Progress | | 363,961,355 |
| | | 480,501,229 |
| Current Assets, Loans & Advances | | |
| Cash & Bank Balance | 4 | 639,924 |
| Loans & Advances | | 2,036,548 |
| | | 2,676,472 |
| Less:Current Liabilities & Provisions | 5 | 10,263,797 |
| Net Current Liabilities | | (7,587,325) |
| Profit and Loss Account (Debit Balance) | | 71,920,947 |
| | TOTAL | 544,834,851 |
| Significant Accounting Policies and Notes on accounts | | |
| | 9 | |

Schedule annexed form an integral part of the Accounts.

As per our attached report of even date

For and on behalf of the Board of Directors

For Haribhakti & Co.
Chartered Accountants

S. R. Dakhera
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sarah George
Partner

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

Place : Mumbai.
Date : 18.4.2011.

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



| | Schedule | Amount (Rs.) |
|--|--------------|---------------------|
| INCOME | | |
| Other Income | 6 | 48,034 |
| | TOTAL | 48,034 |
| EXPENDITURE | | |
| Administrative and Other Expenses | 7 | 3,886,474 |
| Interest and Finance Charges | 8 | 248,829 |
| | TOTAL | 4,135,303 |
| Net Loss before and after Tax | | (4,087,269) |
| Balance brought forward from earlier years | | (67,833,678) |
| Balance Carried to Balance Sheet | | (71,920,947) |
| Earning Per Share (Basic & Diluted) | | (0.45) |
| Significant Accounting Policies and Notes on accounts | 9 | |

Schedule annexed form an integral part of the Accounts.

As per our attached report of even date

For and on behalf of the Board of Directors

For Haribhakti & Co.
Chartered Accountants

S. R. Dakhara
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sarah George
Partner

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

Place : Mumbai.
Date : 18.4.2011.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2011**



| Particulars | Amount (Rs.) |
|---|---------------------|
| (A) CASH FLOW FROM OPERATING ACTIVITIES | |
| NET LOSS BEFORE TAX AND EXTRA ORDINARY ITEMS | (4,087,269) |
| ADJUSTMENTS FOR | |
| TDS Assets Written off Now Recovered | (3,934) |
| Interest and Finance Charges | 248,829 |
| Interest earned | (4,921) |
| OPERATING LOSS BEFORE WORKING CAPITAL CHANGES | (3,847,295) |
| ADJUSTMENT FOR | |
| Trade and other receivable | 362,960 |
| Trade payable | (2,899,928) |
| CASH USED IN OPERATING ACTIVITIES | (6,384,263) |
| Income Tax | 26,427 |
| NET CASH USED IN OPERATING ACTIVITIES (A) | (6,357,836) |
| (B) CASH FLOW FROM INVESTMENT ACTIVITIES | |
| Purchase of Fixed Assets including CWIP | (55,386,553) |
| Sale of Fixed Assets | 5,500 |
| NET CASH USED IN INVESTMENT ACTIVITIES (B) | (55,381,053) |
| (C) CASH FLOW FROM FINANCE ACTIVITIES | |
| Receipt of Share Application Money | 28,830,000 |
| Proceeds from Unsecured Loans | 35,750,000 |
| Interest Expense | (2,343,972) |
| NET CASH GENERATED FROM FINANCIAL ACTIVITIES (C) | 62,236,028 |
| (D) NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C) | 497,138 |
| (E) CASH & CASH EQUIVALENTS - OPENING BALANCE | 142,784 |
| (F) CASH & CASH EQUIVALENTS - CLOSING BALANCE | 639,924 |

As per our attached report of even date

For and on behalf of the Board of Directors

For Haribhakti & Co.
Chartered Accountants

S. R. Dakhera
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sarah George
Partner

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

Place : Mumbai.
Date : 18.4.2011.

SCHEDULES OF CONSOLIDATED ACCOUNTS



SCHEDULE ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars Amount (Rs.)

SCHEDULE 1 SHARE CAPITAL Authorised

| | |
|--|--------------------|
| 11,300,000 Equity Shares of Rs. 10/- each | <u>113,000,000</u> |
| | <u>113,000,000</u> |
| Issued, subscribed and paid up | |
| 9,060,000 Equity Shares of Rs.10/- each, fully paid up | <u>90,600,000</u> |
| | <u>90,600,000</u> |

Notes:

- 1) 6,450,000 Equity Shares are held by the Holding Company - Spice Energy Pvt. Ltd.
- 2) 6,000,000 Equity Shares have been issued for consideration other than cash pursuant to Scheme of Amalgamation.

SCHEDULE 2 UNSECURED LOANS Short Term

| | |
|--|------------------|
| Inter Corporate Deposit (Repayable within one year Rs, 91,00,000) | <u>9,100,000</u> |
| | <u>9,100,000</u> |

SCHEDULE 3 FIXED ASSETS

(Amount in Rs.)

| Particulars | GROSS BLOCK (AT COST) | | | DEPRECIATION | | | | NET BLOCK | |
|---|-----------------------|---------------------------------|---------------------------------------|---------------------|---------------------|--------------------------------|---------------------|---------------------|---------------------|
| | As on 01.04.2010 | Additions During the Year | Sales/Discarded During the Year | As on 31.03.2011 | Up to 31.03.2010 | Provided During the Year | Adjustment/ Sale | Up to 31.03.2011 | As on 31.03.2011 |
| Goodwill | 30,000,000 | - | - | 30,000,000 | - | - | - | - | 30,000,000 |
| Land | 75,187,027 | 10,314,360 | - | 85,501,387 | - | - | - | - | 85,501,387 |
| Furniture & Fixtures | 264,314 | - | 21,000 | 243,314 | 30,031 | 34,393 | 3,853 | 60,571 | 182,743 |
| Office & Factory Equipments | 333,415 | 198,734 | 7,648 | 524,501 | 25,825 | 246,538 | 5,932 | 266,431 | 258,070 |
| Computers | 525,790 | 392,441 | - | 918,231 | 160,504 | 160,053 | - | 320,557 | 597,674 |
| TOTAL | 106,310,546 | 10,905,535 | 28,648 | 117,187,433 | 216,360 | 440,984 | 9,785 | 647,559 | 116,539,874 |
| Capital Work-in-Progress including advances | | | | | | | | | 363,961,355 |

Notes:

- 1 Capital Work-in-Progress includes:
 - i) Rs.172,043,716 on account of capital advances
 - ii) Rs.191,917,639 on account of Pre-operative expenses pending allocation (refer note no. B-1 of Schedule 9)
- 2 Depreciation and Amortisation for the year 440,984
 Less: Transferred to Preoperative expenses pending allocation (440,984)
 Depreciation & Amortisation as per Profit and Loss Account -

SCHEDULE ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2011

| Particulars | Amount (Rs.) | |
|--|--------------|-------------------|
| SCHEDULE 4 | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| CURRENT ASSETS | | |
| CASH AND BANK BALANCES | | |
| Cash in Hand | 28,126 | |
| Balances with Scheduled Banks in Current Accounts | 611,798 | |
| | | <u>639,924</u> |
| LOANS AND ADVANCES | | |
| (unsecured, considered good) | | |
| Advances Recoverable in Cash or in Kind or for Value to be Received | 440,009 | |
| Advance Income Tax including TDS | 16,539 | |
| Security Deposits | 1,580,000 | |
| | | <u>2,036,548</u> |
| | | <u>2,676,472</u> |
| SCHEDULE 5 | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| CURRENT LIABILITIES | | |
| Sundry Creditors | 8,460,765 | |
| Other Liabilities | 577,649 | |
| | | <u>9,038,414</u> |
| PROVISIONS | | |
| Provision for Gratuity | | 463,461 |
| Provision for Leave Encashment | | 761,922 |
| | | <u>10,263,797</u> |

**SCHEDULE ANNEXED TO AND FORMING PART OF CONSOLIDATED PROFIT AND LOSS
ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

| Particulars | Amount (Rs.) |
|--|--------------|
| SCHEDULE 6 | |
| OTHER INCOME | |
| Interest on income tax refunds | 4,921 |
| Bad Debts Recovered | 39,179 |
| TDS Written off Recovered | 3,934 |
| | 48,034 |
| SCHEDULE 7 | |
| ADMINISTRATIVE AND OTHER EXPENSES | |
| Advertisement Expenses | 147,667 |
| AGM Expenses | 28,299 |
| Auditors' Remuneration | 1,102,186 |
| Business Promotion Expenses | 124,472 |
| Rates and Taxes | 2,500 |
| Postage, Telephone & Telex | 110,995 |
| Printing and Stationery | 109,000 |
| Legal and Professional Charges | 1,235,165 |
| Annual Listing Fees | 61,418 |
| Right Issue Expenses | 680,609 |
| Secretarial Service Charges | 229,240 |
| Miscellaneous Expenses | 6,962 |
| Liability written back in earlier years now paid off | 33,149 |
| Pre Operative Expenses Written off | 9,512 |
| Preliminary Expenses Written off | 5,300 |
| | 3,886,474 |
| SCHEDULE 8 | |
| INTEREST & FINANCE CHARGES | |
| Interest to Others | 242,457 |
| Bank Charges | 6,372 |
| | 248,829 |

SCHEDULE 9**CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011.****A. SIGNIFICANT ACCOUNTING POLICIES:****i. Basis of preparation of financial statements**

SRM Energy Limited (the "Company") has prepared the Consolidated Financial Statements by consolidating its accounts with its subsidiary in accordance with Accounting Standard (AS)-21 on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

ii. Principles of consolidation

The financial statements of all these companies are prepared according to uniform accounting policies, in accordance with generally accepted accounting principles in India. The effects of intercompany transactions between the consolidated companies are eliminated in consolidation.

iii. Companies included in Consolidation

| Name of the consolidated entity | Country of Incorporation | Nature of Interest | % of Interest |
|--|---------------------------------|---------------------------|----------------------|
| SRM Energy Tamilnadu Pvt. Ltd. | India | Subsidiary | 100 |

iv. Use of estimates

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

v. Fixed assets

Fixed Assets are stated at cost less accumulated depreciation & impairment losses (if any). Cost comprises the purchase price & any attributable cost of bringing the asset to its working conditions for its intended use. Borrowing cost relating to the acquisition of the fixed asset which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

In respect of accounting periods commencing on or after 7th December, 2006, exchange difference arising on reporting of the long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

vi. **Expenditure During Construction Period**

- a) The expenditure incurred for the project is accounted under the head preoperative expenditure and shall be capitalized on completion of the project.
- b) Advances paid towards acquisition of the fixed assets which have not been installed or put to use and the cost of the assets not put to use before the period end are disclosed under capital work-in-progress.

vii. **Depreciation & Amortization**

Depreciation on Fixed Assets is provided on Straight Line Method as per the useful lives of the assets estimated by the management or at the rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher except for goodwill which will be amortised over a period of five years after the commencement of commercial production of the power project. Depreciation on additions is charged proportionately from the date of acquisition. Assets individually costing less than or equal to rupees Five thousand has been fully depreciated in the year of purchase.

The depreciation has been provided on the following basis:

| Particulars | Useful Life |
|------------------|--------------|
| Office Equipment | 3 – 10 years |
| Furniture | 10 years |
| Computers | 5 years |

viii. **Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price & value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

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

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

ix. **Foreign Currency transactions**

Foreign Currency transactions are recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated asset and liabilities (monetary items) are translated into reporting currency at the exchange rates prevailing on the Balance Sheet date. Exchange difference arising on settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary items) are capitalized if related to the project or recognized in the profit and loss account.

x. Employee benefits

Employee benefits such as salaries, allowances, non-monetary benefits which fall due for payment within a period of twelve months after rendering service, are charged as expense to the profit and loss account in the period in which the service is rendered.

Employee benefits under defined benefit plans, such as leave encashment and gratuity which fall due for payment after a period of 12 months from rendering serviced or after completion of employment, are measured by the projected unit credit method, on the basis of actuarial valuation carried out by the third party actuaries at each balance sheet date. The Companies obligations recognized in the Balance sheet represents the present value of obligations as reduced by the fair value of plan assets, where applicable.

Actuarial gains and losses are recognized immediately in the profit and loss account.

xi. Borrowing Cost

Borrowing cost which are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the respective asset. All other borrowing cost are expensed in the period they occur. Borrowing cost consists of interest & other cost that an entity incurs in connection with the borrowing of funds. In determining the amount of borrowing cost eligible for capitalization during a period, any income earned on the temporary investments of those borrowings is deducted from the borrowing costs incurred.

xii. Leases

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

xiii. Earning Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

xiv. Taxation:

- (i) Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.
- (ii) At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognizes, unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

xv. Provisions

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

xvi. Contingent Liabilities

Contingent Liabilities, if any, are disclosed in the Notes on Accounts. Provision is made in the accounts in respect of those contingencies which are likely to materialize into liabilities after the year end till the approval of the accounts by the Board of Directors and which have material effect on the position stated in the Balance Sheet.

xvii. Cash Flow Statement

The cash flow statement is prepared by 'indirect method' set out in accounting standard 3 on "Cash Flow Statement" and presents the cash flow statement by operating investing and financing activities of the Company. Cash and cash equivalents presented in the cash flow statement consists of cash on hand and balance in current accounts.

B. Notes to Accounts**1. Business Activities**

The company is in the process of setting up the Thermal Power Project of 3*660MW i.e 1980 MW capacities in Tamilnadu. As such the related expenses incurred during the current year as per details below are considered as pre operative expenses pending capitalization (included under Capital Work in Progress) and will be apportioned to the assets on completion of the project:

(Amount in Rs.)

| Particulars | | As on 31.03.2011 |
|---|---------|------------------|
| Opening Balance | (A) | 139,707,140 |
| Less: Reversal of expenses pertaining to previous years | (B) | 77,905 |
| Add: Expenditure incurred during the current year | | |
| Salaries and Perquisites | | 14,666,842 |
| Staff Welfare Expenses | | 26,217 |
| Professional Fees | | 22,836,657 |
| Travelling & Conveyance Expenses | | 4,515,212 |
| Telephone / Internet Expenses | | 399,393 |
| Auditors' Remuneration | | 222,525 |
| Advertisement | | 2,590 |
| Rent and Compensation | | 3,765,726 |
| Vehicle Running Expenses | | 299,574 |
| Repairs and Maintenance | | 220,531 |
| Electricity Expenses | | 311,207 |
| Printing & Stationery | | 1,449,513 |
| Courier/Postage | | 54,734 |
| Miscellaneous Expenses | | 1,558,355 |
| Loss/Discard in Sale of Assets | | 13,363 |
| Interest and Bank Charges | | 1,505,878 |
| Depreciation & Amortisation | | 440,984 |
| Total | | 52,289,301 |
| Less : Other Income | | 897 |
| Net Expenses for the year | (C) | 52,288,404 |
| Closing Balance | (A-B+C) | 191,917,639 |

2. Contingent Liabilities not provided for

| Sr. No. | Particulars | 2010-11 |
|---------|--|-----------|
| 1 | Disputed dues of Income tax due to non/late deposit of TDS for the assessment years 2003-04 to 2006-07 | 1,066,922 |

3. Capital Commitment

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for in the accounts as at 31.03.2011: Nil

4. In the opinion of the Board, the realizable value of Current Assets, loans and Advances in the ordinary course of business would not be less than the amount at which they are stated in the Balance Sheet and provision for all known and determined liabilities are adequately made.

5. Disclosure of 'Employee Benefits' as per Accounting Standard 15 are as follows:

(A) Defined Benefit Plans

Gratuity

| Actuarial Assumptions | 2010-11 |
|---|---------|
| Discount Rate (Per annum) | 8.25% |
| Rate of increase in Compensation levels | 5% |
| Attrition | 2% |

(Amount in Rs.)

| Particulars | 31.03.2011 |
|--|-----------------|
| I) Change in Present Value of Obligation | Gratuity |
| Present value of defined benefits obligation as at the beginning of the year | 229,979 |
| Interest Cost | 34,493 |
| Current Service Cost | 201,179 |
| Benefits Paid | - |
| Actuarial (Gain) / loss on obligation | (2,190) |
| Present value of defined benefits obligation as at the end of the year | 463,461 |
| II) Amount recognised in the Balance Sheet | |
| Liability at the end of the year | 463,461 |
| Fair Value of Plan Assets at the end of the year | - |
| Difference | 463,461 |
| Unrecognised Past Service Cost | - |
| Unrecognised Transitional Liability | - |
| Amount recognised in the Balance Sheet | 463,461 |
| III) Expenses recognised in the Pre- operative Expenses | |
| Current Service Cost | 201,179 |
| Past Service Cost | - |
| Interest Cost | 34,493 |
| Expected Return on Plan Assets | - |
| Recognition of Transitional Liability | - |
| Net Actuarial (Gain)/Loss Recognised in the year | (2,190) |
| Total expenses recognised in the Preoperative Expenses | 233,482 |
| IV) Balance Sheet Reconciliation | |
| Liability at the beginning of the year | 229,979 |
| Expenses as above | 233,482 |
| Employers' Contribution | - |
| Amount recognised in the Balance Sheet | 463,461 |

V) **Experience Adjustment**

(Amount in Rs.)

| Particulars | 2010-2011 Gratuity |
|--|-----------------------|
| Experience adjustment on liability {loss/(gain)} | 16,754 |

In assessing the Companies Post retirement liabilities, the Company monitors mortality assumptions and uses up to date mortality tables the base being the LIC 1994-96 ultimate tables.

The estimates of future salary increase, considered in actuarial valuation, take account of inflation seniority, promotion, and other relevant factors, such as supply and demand in the employment market.

6. **Segment Reporting** :

The Company is in the process of setting up Power Project, which in the context of AS-17 on 'Segment Reporting', constitutes single operating segment.

7. **Related Party Transactions as per Accounting Standard (AS) – 18:**A. **List of Related Parties**

Parties with whom the Company has entered into transactions during the year

1) **Holding Company:**

Spice Energy Pvt. Ltd.

2) **Enterprise over which key management personnel and relatives of such personnel exercise significant influence**

Sovinchem Industries Pvt. Ltd.

3) **Key Management Personnel :**

Deep Rastogi (upto 11.02.2011)
Gagan Rastogi (w.e.f 11.02.2011)

B. Transactions with Related Parties:

(Amount in Rs.)

| Particulars | Holding Company | Enterprise in which key management personnel and their relatives exercise significant influence |
|---|-----------------|---|
| | 2010-11 | 2010-11 |
| Loans taken | 26,650,000 | - |
| Share Application Money Received | 28,830,000 | - |
| Conversion of Loan Taken into share application money | 416,304,851 | - |
| Temp. Loans taken | - | 9,100,000 |
| Interest Paid | - | 1,627,892 |
| Closing Balance: | | |
| Loan Payable | - | 9,100,000 |

8. Disclosure as required by Accounting Standard (AS) -19 are as follows:

The company has taken office premises under lease and license agreements against refundable interest free deposit. These are generally cancellable and are renewable by mutual consent on mutually agreed terms. The obligation towards non-cancellable leases are as under :

| Lease Obligation | For the year ended 31.3.2011 |
|-------------------------|------------------------------|
| Not Later than one year | Rs. 545,985 |

Total lease expense recognised in the pre operative expenses during the year was Rs. 3,765,726/-

9. Earnings Per Share (EPS):

(Amount in Rs.)

| Particulars | 31.03.2011 |
|--|-------------|
| Net Loss as per Profit and Loss Account (in Rs.) | (4,087,269) |
| Weighted average number of equity shares (par value of Rs. 10/- each) | 9,060,000 |
| Earnings per share (Face value of Rs. 10/- each)- Basic and Diluted (in Rs.) | (0.45) |

Note: There is no dilution to the basic EPS as the results are anti-dilutive.

10. Deferred Tax:

(Amount in Rs.)

| Particulars | Opening as on 1.4.2010 | Adjustments during the year | Closing as on 31.3.2011 |
|-------------------------------|---------------------------|--------------------------------|----------------------------|
| Deferred Tax asset | | | |
| Unabsorbed Depreciation | 133,904 | 61,571 | 195,475 |
| Unabsorbed Losses | 15,932,110 | 284,066 | 16,216,176 |
| Employee Benefit | 190,524 | 188,119 | 378,643 |
| Total | 16,256,538 | 533,756 | 16,790,294 |
| Deferred Tax liability | | | |
| Depreciation | 90,734 | 62,865 | 27,869 |
| Total | 90,734 | 62,865 | 27,869 |
| Net Deferred Tax Asset | 16,165,804 | 470,891 | 16,762,425 |

Deferred Tax Asset has not been recognized considering the principle of virtual certainty as per Accounting Standard -22 'Accounting for Taxes on Income'

11. Going Concern :

Though the Company's net worth has been substantially eroded, earlier businesses have been discontinued and the Company has been incurring cash losses, the management is of the strong view that once the power project, which is being set up by the Company gets going, the Company would have a turnaround. Even otherwise, the Company's present assets are adequate to meet its liabilities. The promoter is also committed to provide necessary funding to meet Company's Liabilities. Accordingly the accounts have been drawn under going concern assumption.

12. The Ministry of Corporate Affairs, Government of India vide circular No. 2/2011 has granted a general exemption to companies under section 212(8) whereby section 212(1) shall not apply if the conditions mentioned in the above referred circular are fulfilled. The details as required under condition (iv) of the circular are given below:

| Sr. No. | Particulars | Amount (Rs.) |
|---------|-------------------------------|--------------|
| 1. | Share Capital | 100,000 |
| 2. | Reserves & Surplus | - |
| 3. | Total Assets | 67,280 |
| 4. | Total Liabilities | - |
| 5. | Details of investment | - |
| 6. | Turnover | - |
| 7. | Profit/(Loss) before Taxation | (32,720) |
| 8. | Provision for Taxation | - |
| 9. | Profit/(Loss) after Taxation | (32,720) |
| 10. | Proposed Dividend | - |

13. This is being the first year of consolidation hence, figures of previous year have not been given.

As per our attached report of even date

For and on behalf of the Board of Directors

For Haribhakti & Co.
Chartered Accountants

S. R. Dakhera
Head - Accounts

D. Sundararajan
Managing Director & CEO

P. Srinivasan
Director

Sarah George
Partner

Sanjeevlata Samdani
Company Secretary

B. S. Rao
Director

S. Parab
Director

Place : Mumbai.
Date : 18.4.2011.

Persons constituting Group within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 for the purpose of inter-se transfer of shares of the Company under regulation 3(1)(e)(i) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following :

1. Mr. Deep Kumar Rastogi
2. Mr. Gagan Deep Kumar Rastogi
3. Mrs. Neetu Jain Rastogi
4. Mr. Vishal Deep Kumar Rastogi
5. Cals Refineries Limited
6. Spice Energy Pvt. Ltd.
7. SRM Exploration Pvt. Ltd.
8. SRM Branding Solutions Pvt. Ltd.
9. Nyra Holdings Pvt. Ltd. (Earlier known as Spice Refineries Pvt. Ltd.)
10. Team India Motor Racing Pvt. Ltd.
11. India One Hotels Pvt. Ltd.
12. Spice Exploration Pvt. Ltd.
13. SRM Energy Tamilnadu Private Limited
14. SRM Energy Limited (Isle of Man)
15. DGV Holdings Private Limited
16. DGV investment Limited, GBC 1 (Mauritius)
17. Norita Resources Limited (Hong Kong)
18. Any company / entity promoted by any of the above.

To,
The Members,
SRM Energy Limited

SUB.: - EMAIL ID DETAILS

Ref. Govt. Circular no.17/2011 dt.21.4.2011

Sir/Madam,

The Ministry of Corporate Affairs has taken 'Green Initiatives in the Corporate Governance' by allowing paperless compliances by the Companies after considering sections 2, 4, 5 and 81 of the Information Technology Act, 2000 for legal validity of compliances under the Companies Act through electronic mode. The Information Technology Act, 2000 permits service of documents etc. in electronic mode.

Section 53 of the Companies Act, 1956 provides service of documents under 'Certificate of Posting' as one of the accepted mode of service which has been followed by your Company so far. However, the Department of Posts has recently discontinued the postal facility under 'Certificate of posting' vide their letter dated 23.02.2011.

Keeping in view above, it is hereby clarified by the Ministry of Corporate affairs that a company would have complied with Section 53 of the Companies Act; if the service of document has been made through electronic mode, provided the company has obtained e-mail addresses of its members for sending the notice/ documents through e-mail by giving an advance opportunity to every shareholders to register their e-mail address and change therein from time to time with the Company.

Therefore, you are requested to provide us your E-MAIL details for speedy exchange of informations. Kindly provide us the following details. **You can also confirm the same on following email address(es):-**

1. **investor_relation@srmenergy.in**
2. **Datamatics Financial Services Ltd., Mumbai – 400093**
Tel. No.: 66712151 Fax No.: 66712161 Email: investorsqry@dfssl.com

✂ Cut here

Registration of E-mail id with the Company

The Company Secretary
SRM Energy Limited
601, Pressman House,
70-A, Nehru Road, C.T.S No.76 & 87,
Vile Parle (East), Mumbai-400099.

Please register my/our email id with the company as mentioned here in below for serving documents through electronic mode to me/us. I/we hereby submit the required details. In case of any change in it, I/we will forward you the same.

| | |
|--|--|
| NAME | |
| DP ID & CLIENT ID | |
| FOLIO NO. (s) (in case of physical holding) | |
| EMAIL ID | |

Signature(s) of the Shareholder*_____

* If shares are held jointly first shareholder's sign on the aforesaid slip is essential.

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 **SRM ENERGY LTD.**

REGD. & ADMIN OFFICE: 601, PRESSMAN HOUSE, 70A, NEHRU ROAD, C.T.S. NO. 76& 87,
VILE PARLE (EAST), MUMBAI – 400 099 TEL. NO. 6741 8901 & 2 , FAX : 6741 8900

PROXY

I/We _____ of _____ in the district of _____ being a Member/Members of the above named Company, hereby appoint _____ of _____ in the district of _____ of failing him _____ of _____ in the district of _____ as my/our Proxy to attend and vote for me/us and on my/our behalf at the Twenty Fourth Annual General Meeting of the Company to be held on Monday, July 11, 2011 at 12.00 noon at The Banquet Hall, Hotel Atithi, 77A & B, Nehru Road, Near Domestic Airport, Vile Parle (E), Mumbai - 400099.

Signed this _____ day of _____ 2011.

Signature : _____

Affix
Re. 1.00
Revenue
Stamp

Reference Folio No. /Client ID No.

No. of shares.....

This form is to be used *in favour / *against of the resolution. Unless otherwise instructed the proxy will act as he thinks fit.

* Strike out which over is not desired.

Note : The Proxy must be returned so as to reach the Registered Office of the Company, SRM Energy Limited 601, Pressman House, 70 A, Nehru Road, Near Orchid Hotel, Vile Parle –East, Mumbai-99 not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.

Cut here

✂ Cut here

 **SRM ENERGY LTD.**

REGD. & ADMIN OFFICE: 601, PRESSMAN HOUSE, 70A, NEHRU ROAD, C.T.S. NO. 76& 87,
VILE PARLE (EAST), MUMBAI – 400 099 TEL. NO. 6741 8901 & 2 , FAX : 6741 8900

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting Hall)

Name of the Shareholder (In BLOCK LETTERS) _____

Member's Folio No./Client ID No. _____

Name of the Proxy (In BLOCK LETTERS) _____

(To be filled if the proxy attends instead of the member)

No of Shares held _____

I hereby record my presence at the Twenty Fourth Annual General Meeting of the Company to be held on Monday, July 11, 2011 at 12.00 noon at The Banquet Hall, Hotel Atithi, 77A & B, Nehru Road, Near Domestic Airport, Vile Parle (E), Mumbai-400099

SIGNATURE OF THE ATTENDANCE MEMBER / PROXY

1. Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at entrance, duly signed.
2. Shareholder / Proxy holder desiring to attend the meeting should bring his copy of the Annual Report for reference at the Meeting.

BOARD OF DIRECTORS

| | |
|------------------------------|---|
| Mr. Bantval Srinivasa Rao | Director |
| Mr. D. Sundararajan | Managing Director & CEO |
| Mr. Srinivasan Parthasarathy | Director |
| Mr. Sudarshan K. Parab | Director (Appointed on July 08, 2010) |
| Mr. Gagan Deep Kumar Rastogi | Director (Appointed on February 11, 2011) |
| Mr. Deep Kumar Rastogi | Director (Resigned on February 11, 2011) |

COMPANY SECRETARY

Mrs. Sanjeevlata Samdani

BANKERS

AXIS BANK

AUDITORS

M/s Haribhakti & Co.
Chartered Accountants, Mumbai

REGISTERED & ADMIN OFFICE

601, Pressman House, 70A,
Nehru Road, C.T.S. No. 76 & 87,
Vile Parle (East), Mumbai - 400 099.
Tel. No.: +91-22-67418901 / 8902
Fax : +91-22-67418900

REGISTRAR & SHARE TRANSFER AGENTS

Datamatics Financial Services Ltd.,
Plot No. B - 5, Part B Cross Lane, MIDC,
Andheri - East, Mumbai - 400 093.
Tel. No.: +91-22-66712151 / 2156
Fax : +91-22-66712161

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VILE PARLE (EAST), MUMBAI – 400 099