INDEPENDENT AUDITOR'S REPORT

To the Members of GVK Energy Limited

Report on the Financial Statements

We have audited the accompanying standalone financial statements of GVK Energy Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

Basis for qualified opinion

As discussed more fully in note 27 to the accompanying financial statements, the Hon'ble Supreme Court of India has de-allocated coal mine allocated to GVK Coal (Tokisud) Private Limited, subsidiary company and Nominated Authority has offered compensation of Rs. 11,129 lakhs as against carrying value of assets of Rs. 34,862 lakhs in books of subsidiary. In the absence of appropriate evidence, we are unable to comment upon the recoverability of investments and share application money with carrying value of Rs. 10,272 lakhs together with consequential impact, if any, arising out of the same in these accompanying financial statements.

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, of loss and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to:

i. Note 33 to the financial statements, regarding losses being incurred by the Company, defaults in loan and interest payments and uncertainties faced by various projects in which the Company has made investments and provided guarantees. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis for the reasons stated in the said note.

ii. Note 28 to the financial statements, regarding uncertainty towards recovery of capacity charge and supplies/availability of natural gas to power generating plants and power projects under construction of subsidiary companies. The Management is confident of obtaining the requisite gas allocation/recover capacity charges and accordingly believes that investments and advances aggregating to Rs. 71,682 lakhs are recoverable in normal course of business.

iii. Note 29 to the financial statements, regarding the uncertainty faced by coal plant with carrying value of Rs. 438,990 lakhs of subsidiary company towards supply of fuel and tariff. However, due to rights available under power purchase agreement whereby a petition has been filed with the regulatory authority and is pending hearing by the said regulator, new coal linkages obtained and other reasons mentioned in the aforesaid note, Management believes that cancellation of coal mine will not impact the operations of the subsidiary company and accordingly no adjustments are required to carrying value of investments and share application money aggregating to Rs. 120,421 lakhs.

The ultimate outcome of the above matters cannot presently be determined, pending approvals, acceptances, legal interpretations, resolution of uncertainty around availability of gas and coal and establishment of profitable oerpations as referred to in the relevant notes to the financial statements referred above, accordingly no provision for any liability and/or adjustment that may result has been made in the financial statements. Our opinion is not qualified in respect of the aforesaid matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we report that:

(a) We have sought and except for the matter described in the Basis for Qualified Opinion paragraph, we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) The matters described in the Basis for Qualified Opinion paragraph, Emphasis of Matter paragraph above and paragraph viii to statement on the matters specified in paragraphs 3 and 4 of the Order above, in our opinion, may have an adverse effect on the functioning of the Company;

(f) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Companies Act, 2013;

(g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above;

(h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report; and

(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

    i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer note 32 to the financial statements;

    ii. The Company did not have any material foreseeable losses in long-term contracts including derivative contracts.

    iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Vikas Kumar Pansari
Partner
Membership Number: 93649

Place of Signature: Hyderabad
Date: May 16, 2016

Annexure 1 referred to in our report of even date
Re: GVK Energy Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company and hence not commented upon.

(ii) (a) The Company's business does not involve inventories and, accordingly, the requirements under Clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.

(v) The Company has not accepted any deposits from the public.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the services of the Company and, accordingly, the requirements under paragraph 3(vi) of the Order are not applicable to the Company and hence not commented upon.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues as applicable have generally been regularly deposited with the appropriate authorities though there has been serious delays in few cases.

(b) According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

Name of the statute	Nature of dues	Amount (Rs. In Lakhs)	Period to which the amount relates	Due date	Date of payment
Income Tax Act, 1961	TDS on interest on loan	64	April 2015 to June 2015	July 7, 2015	Unpaid as on March 31, 2016
Income Tax Act, 1961	TDS on interest on loan	67	July 2015 to September 2015	October 7, 2015	Unpaid as on March 31, 2016
Income Tax Act, 1961	TDS on interest on debenture	33	April 2015 to September 2015	October 7, 2015	Unpaid as on March 31, 2016

(c) According to the records of the Company, the dues outstanding of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount* (Rs. In Lakhs)	Period to which the amount relates	Forum where dispute pending
The Finance Act, 1994	Service Tax	159	November 2010 to March 2012	Central Excise and Service Tax Appellate Tribunal, Banglore
The Finance Act, 1994	Service Tax	147	April 2012 to March 2013	Central Excise and Service Tax Appellate Tribunal, Banglore
The Finance Act, 1994	Service Tax	122	April 2013 to March 2014	Office of the Commissioner of Central Excise & Customs

* Excluding unascertainable liability towards interest and penalty

(viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and debenture holders during the year. The Company did not have any outstanding dues in respect of banks or to government during the year. The lender wise details are tabulated as under:

Particulars	Name of the Lender	Period	Amount (Rs. Lakhs)	Delay in Days
Interest on loans from banks	ECL Finance Limited	April 2015 to June 2015	569	107 to 275
Interest on loans from banks	ECL Finance Limited	July 2015 to September 2015	575	183
Interest on loans from banks	ECL Finance Limited	October 2015 to December 2015	575	92
Interest on loans from banks	ECL Finance Limited	January 2016 to March 2016	844	1
Principal payment on loans	ECL Finance Limited	March 2016	2,250	1
Interest on debentures	Ecap Equities Limited	March 2015 to September 2015	308	183

(ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management and on an overall examination of the balance sheet, we report that monies raised by way of term loans were applied for the purposes for which those were raised.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013 read with section 309 to the Companies Act, 1956.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Vikas Kumar Pansari
Partner
Membership Number: 93649

Place of Signature: Hyderabad
Date: May 16, 2016

Annexure-2 to the Independent Auditor's report of even date on the standalone financial statements of GVK Energy Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of GVK Energy Limited

We have audited the internal financial controls over financial reporting of GVK Energy Limited ("the Company") as of March 31, 2016, in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the internal financial controls over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company;

and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2016:

(a) The Company's internal financial controls over use of assumptions for analysis of asset impairments were not operating effectively which could potentially result in the Company not recognising possible impairment losses.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India, and except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of March 31, 2016.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the standalone financial statements of GVK Energy Limited, which comprise the Balance Sheet as at March 31, 2016, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 standalone financial statements of GVK Energy Limited and this report does not affect our report dated May 16, 2016, which expressed an unqualified opinion on those financial statements.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Vikas Kumar Pansari
Partner
Membership Number: 93649

Place of Signature: Hyderabad
Date: May 16, 2016

GVK Energy Limited - -
Balance Sheet as at March 31, 2016
(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2016	March 31, 2015
Equity and liabilities			
Shareholders' Funds			
Share capital	3	88,831	44,827
Reserves and surplus	4	163,895	134,308
		252,726	179,135
Non-current liabilities			
Long-term borrowings	5.1	9,214	87,823
Long-term provisions	6	21	29
Other non-curent liabilities	7	146	-
		9,381	87,852
Current liabilities			
Short-term borrowings	5.2	9,115	10,776
Trade payables			
- Total outstanding dues of micro and small enterprises	30	-	-
- Total outstanding dues of creditors other than micro and small enterprises		358	194
Other current liabilities	7	44,805	28,180
Short-term provisions	6	760	79
		55,038	39,229
TOTAL		317,145	306,216
ASSETS			
Non-current assets			
Fixed Assets			
Tangible assets	8	106	7
Intangible assets	9	-	-
Non-current investments	10	306,235	293,982
Deferred tax assets (net)	11	13	17
Long-term loans and advances	15	7,673	7,725
Other non-current assets	12.2	270	1,165
		314,297	302,896
Current assets			
Current investments	13	433	986
Trade receivables	12.1	1,523	753
Cash and bank balance	14	62	94
Short-term loans and advances	15	44	85
Other current assets	12.2	786	1,402
		2,848	3,320
TOTAL		317,145	306,216

Summary of significant accounting policies	2.1	

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No : 101049W/E300004
Chartered Accountants

For and on behalf of the Board of Directors of
GVK Energy Limited

per Vikas Kumar Pansari
Partner
Membership No. 093649

Dr. G V Krishna Reddy
Chairman

G V Sanjay Reddy
Director

Place of Signature: Hyderabad
Date: May 16, 2016

A Isaac George
Director

T Ravi Prakash
Company Secretary

GVK Energy Limited
Statement of profit and loss for the year ended March 31, 2016
(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2016	March 31, 2015
Income			
Revenue from operations	16	4,506	1,279
Other income	17	819	1,050
Total revenue		5,325	2,329
Expenses			
Employee benefit expenses	18	480	563
Operating and other expenses	19	1,909	493
Depreciation and amortisation expense	20	11	6
Finance costs	21	6,540	4,826
Total expense		8,940	5,888
Loss before tax		(3,615)	(3,559)
Tax expenses			
Current tax		994	411
Deferred tax expense / (credit)		4	(1)
Total tax expense		998	410
Loss for the year		(4,613)	(3,969)
Earnings per equity share	22		
Basic		(0.60)	(1.17)
Diluted		(0.60)	(1.17)
Nominal value per share		10	10
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No : 101049W / E300004
Chartered Accountants

For and on behalf of the Board of Directors of
GVK Energy Limited

per Vikas Kumar Pansari
Partner
Membership No. 093649

Dr. G V Krishna Reddy
Chairman

G V Sanjay Reddy
Director

Place of Signature: Hyderabad
Date: May 16, 2016

A Isaac George
Director

T Ravi Prakash
Company Secretary

GVK Energy Limited

Cash Flow Statement for the year ended March 31, 2016

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

		March 31, 2016	March 31, 2015
A.Cash flow from operating activities			
Loss before tax		(3,615)	(3,559)
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortisation expense		11	6
Profit on sale of investments		(68)	(160)
Interest income		(751)	(890)
Interest expense		6,146	4,423
Operating profit/(loss) before working capital changes		1,723	(180)
Movements in working capital:			
Increase in trade payables, other liabilities and provisions		999	125
Increase in trade receivables		(770)	(89)
Decrease in loans and advances		302	1
Decrease in other current assets and other non-current assets		117	22
Cash generated from/ (used in) operations		2,371	(121)
Direct taxes paid		(314)	(242)
Net cash generated from/(used in) operating activities	A	2,057	(363)
B.Cash flows from investing activities			
Purchase of fixed assets		(110)	-
Investments in subsidiaries including share application money*		(774)	(33,550)
Refund of share application money from subsidiaries #		-	963
Advances to subsidiaries #		(3,388)	(6,608)
Refund of advance from subsidiaries		4,853	8,827
Purchase of current investments		(750)	(11,525)
Proceeds from sale / maturity of current investments		1,371	11,494
Redemption of bank deposits		-	341
Interest received		101	1,489
Net cash generated from/ (used in) investing activities	B	1,304	(28,569)
C. Cash flows from financing activities			
Proceeds from long term borrowings		90	17,950
Repayment of long term borrowings		(15)	(750)
Interest paid		(1,807)	(2,736)
(Repayment) of / proceeds from short term borrowings (net)		(1,661)	10,776
Net cash generated from/ (used in) financing activities	C	(3,393)	25,240
Net decrease in cash and cash equivalents	(A+B+C)	(32)	(3,692)
Cash and cash equivalents at the beginning of the year		94	3,786
Cash and cash equivalents at the end of the period		62	94
Components of cash and cash equivalents as at			
Cash and cheques on hand		1	1
Balance with scheduled banks on current accounts		61	93
		62	94
Add: Deposits with bank with original maturity of more than three months		-	-
Cash and bank balance as per balance sheet		62	94

* During the year, shares of Rs. 11,111 has been issued by subsidiary company in lieu of liability taken over. This has been considered as a non-cash item for the purpose of cash flow statement.

During the year, share application money amounting to Rs. 506 has been converted to advances given to related parties. This has been considered as a non-cash item for the purpose of cash flow statement.

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No : 101049W / E300004
Chartered Accountants

per Vikas Kumar Pansari
Partner
Membership No. 093649

Place of Signature: Hyderabad
Date: May 16, 2016

For and on behalf of the Board of Directors of
GVK Energy Limited

Dr. G V Krishna Reddy
Chairman

G V Sanjay Reddy
Director

A Isaac George
Director

T Ravi Prakash
Company Secretary

1. Corporate information

GVK Energy Limited ('the Company' or 'GVKEL') provides operation and maintenance service to the owners of power plants. It has also acquired substantial ownership interest into power generating assets.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies

(a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(b) Tangible fixed assets

Fixed asset are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

(c) Depreciation on tangible fixed assets

Depreciation on tangible fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset. The company has used the rates specified in Schedule II to provide depreciation on its fixed assets.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible asset comprises of software which is amortized on a straight line basis over the estimated useful economic life of three years.

(e) Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment loses are recognized in the statement of profit and loss.

(f) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs 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 cost of the respective asset. All other borrowing costs are expensed in the year they occur.

(g) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(h) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of operation and maintenance services

Revenues represent amounts billed or accrued for services rendered and for expenses incurred in relation to such services in accordance with the Operation and Maintenance agreement with its customer.

Per the operations and maintenance agreements, the Company's income comprises of (a) Operating fees (b) Incentive fees and (c) Reimbursement of expenses. Operating fees are receivable based on certain defined levels of Actual Annual Availability ("AAA") of plant or Plant load factor ("PLF") achieved or actual units generated or are fixed. The Company is also eligible to receive incentive fees, if the AAA and / or if the actual generation of power are higher than the defined levels.

Dividends

Dividend income is recognized when the company's right to receive dividend is established by the reporting date.

Interest

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

(i) Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the exchange rate prevailing on the reporting date. Non-monetary items which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(j) Retirement and other employee benefits

(i) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions are due. There are no other obligations other than the contribution payable to the provident fund.

(ii) Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

(v) The company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

(k) Income taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Deferred income taxes reflects the impact of timing differences between taxable income and accounting income originated during the year and reversal of timing differences of earlier years.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognized only if there is reasonable that they can be realized against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

(l) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue, share split and reverse share split (consolidation of shares).

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

(m) 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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

(n) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(o) Contingent liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognises contingent liability but discloses its existence in the financial statement.

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

3. Share capital

	March 31, 2016	March 31, 2015
Authorized shares		
1,500,000,000 (March 31, 2015: 1,500,000,000) equity shares of Rs.10 each	150,000	150,000
1,000,000,000 (March 31, 2015: 1,000,000,000) 0.001% compulsorily convertible preference shares CCPS) of Rs.10 each	100,000	100,000
Issued, subscribed and fully paid-up shares		
888,310,656 (March 31, 2015: 338,117,648) equity shares of Rs.10 each	88,831	33,812
Nil (March 31, 2015: 110,147,059) 0.001% CCPS of Rs.10 each	-	11,015
	88,831	44,827

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity shares

	March 31, 2016		March 31, 2015	
	No.	Rs.	No.	Rs.
At the beginning of the year	338,117,648	33,812	338,117,648	33,812
Issued during the year:				
- Conversion of CCPS into equity shares	242,323,530	24,232	-	-
- Conversion of compulsorily convertible debentures into equity shares	307,869,478	30,787	-	-
	888,310,656	88,831	338,117,648	33,812

Preference shares

	March 31, 2016		March 31, 2015	
	No.	Rs.	No.	Rs.
At the beginning of the year	110,147,059	11,015	110,147,059	11,015
Converted to equity shares during the year	(110,147,059)	(11,015)	-	-
	-	-	110,147,059	11,015

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Terms of conversion/ redemption of CCPS

CCPS carried cumulative dividend of 0.001% per annum. During the year each CCPS has been converted into 2.2 equity shares at price of Rs.45 per equity share.

(d) Shares held by holding company

Out of equity shares issued by the Company, shares held by the holding company are as below:

	March 31, 2016	March 31, 2015
GVK Power & Infrastructure Limited, the holding company		
557,869,478 (March 31, 2015: 250,000,000) equity shares of Rs.10 each fully paid	55,787	25,000

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2016		As at March 31, 2015	
	No.	% holding	No.	% holding
Equity shares of Rs.10 each fully paid up				
GVK Power & Infrastructure Limited	557,869,478	62.80%	250,000,000	73.94%
3I India Infrastructure Investment Limited	176,470,588	19.86%	47,058,824	13.92%
Actis Infrastructure India PCC Limited	76,985,295	8.67%	20,529,412	6.07%
Indivest Pte Limited	76,985,295	8.67%	20,529,412	6.07%
CCPS of Rs.10 each fully paid up				
3I India Infrastructure Investment Limited	-	-	58,823,529	53.40%
Actis Infrastructure India PCC Limited	-	-	25,661,765	23.30%
Indivest Pte Limited	-	-	25,661,765	23.30%

(f) Shares reserved for issue under options

For details of shares reserved for issue on conversion of CCD, please refer note 5.1 regarding terms of conversion of debentures.

4. Reserves and surplus

	March 31, 2016	March 31, 2015
Securities premium account		
Balance as per the last financial statements	129,390	129,390
Add: premium on issue of shares	34,200	-
	163,590	129,390
Surplus in the statement of profit and loss		
Balance as per the last financial statements	4,918	8,887
Loss for the year	(4,613)	(3,969)
Net surplus in the statement of profit and loss	305	4,918
	163,895	134,308

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

5. Borrowings

5.1 Long-term borrowings

	Non-current portion		Current maturities	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Debentures				
5,117,647 (March 31, 2015: 83,322,610) 0.001% compulsorily convertible debentures of Rs.100 each (unsecured)	5,118	83,323	-	-
45 (March 31, 2014: Nil) 14.50% Non-convertible debentures of Rs.10,000,000 each (secured)	4,050	4,500	450	-
Term Loans				
From banks-vehicle loan (secured)	46	-	29	-
From financial institutions (secured)	-	-	26,450	26,450
	9,214	87,823	26,929	26,450
The above includes Amount disclosed under the head "other current liabilities" (note 7)	-	-	(26,929)	(26,450)
Net amount	9,214	87,823	-	-

a. Each 0.001% Compulsorily Convertible Debentures is convertible into certain number of equity shares such that the investor's shareholding in the Company is equal to the investor stake. Investor stake is the proportion of all amounts invested by the investor in the Company, whether in the form of subscription to equity shares or CCPSs to the post money valuation of the Company. The conversion date will be earlier of (i) December 31, 2016 and (ii) the date on which the process of merger and/or demerger of the Company and/or listing of any securities of the Company commences.

b. Each 14.50% Non-convertible debenture is secured by way of pledge of 40% of equity shares of AHPCL, pledge of 26% fully paid up equity shares of borrower, pledge of 49% of equity shares of GVKPGSL, pledge of 49% of equity shares of GVKCTCPL on pari- passu basis and by the Corporate Guarantee by GVKPIL. The debentures are repayable at a premium of 3.60% per annum in three unequated annual instalments starting from July 31, 2016.

c. Term loan from financial institutions carries an interest rate of 18.1% p.a. Loan amounting to Rs. 26,450 is secured by way of pledge of 40% of equity shares of AHPCL and pledge of 26% fully paid up equity shares of borrower on pari-passu basis and by the Corporate Guarantee of GVKPIL. Further, loan to the extent of Rs. 12,450 is secured by pledge of 49% of equity shares of GVKPGSL and pledge of 49% of equity shares of GVKCTCPL on pari-passu basis. The loan to the extent of Rs. 14,000 is repayable in three annual instalments starting from March 30, 2016 with an option to lender to demand repayment of the entire loan once in every six months from September 30, 2015. The balance loan amounting to Rs. 12,450 is repayable in three unequated annual instalments along with interest starting from March 30, 2016 with an option to lender to demand repayment of the entire loan once in every six months from December 30, 2015.

d. Vehicle loans from banks are secured by charge over assets for which finance is provided. The loans are repayable in thirty six equated instalments commencing from September 2015 and carries interest of 10% p.a.

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

5.2 Short term borrowings

	March 31, 2016	March 31, 2015
Interest free loans from related parties repayable on demand (unsecured)	9,115	10,776
	9,115	10,776

6. Provisions

	Long-term		Short-term	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Provision for employee benefits				
Provision for gratuity (note 23)	21	29	4	-
Provision for leave benefits	-	-	21	24
	21	29	25	24
Other provisions				
Provision for income tax (net)	-	-	735	55
	-	-	735	55
	21	29	760	79

7. Other liabilities

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Premium on redemption of debentures	146	-	16	-
Current maturities of long-term debt (note 5)	-	-	26,929	26,450
Payable for purchase of investment	-	-	11,111	-
Interest accrued and due on debentures	-	-	308	-
Interest accrued but not due on debentures	-	-	294	3
Interest accrued and due on loans	-	-	1,731	-
Interest accrued but not due on loans	-	-	3,873	1,702
Others	-	-	543	25
	146	-	44,805	28,180

The Company has not made repayment of loans and interest in certain cases. The details of payments not made as at year end are as follows:

	March 31, 2016		March 31, 2015	
Particulars	Amount	Period of delay	Amount	Period of delay
Principal due on term loans	2,250	1	-	-
Interest due on term loans	312	183	-	-
Interest due on term loans	575	92	-	-
Interest due on term loans	844	1	-	-
Interest due on debentures	308	183	-	-

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

8. Tangible assets (cost)

	Office equipment	Data processing equipment	Vehicles	Total
As at April 01, 2014	11	6	-	17
Additions	-	-	-	-
As at March 31, 2015	11	6	-	17
Additions	-	-	110	110
As at March 31, 2016	11	6	110	127
Depreciation				
Upto April 01, 2014	2	2	-	4
Charge for the year	3	3	-	6
Upto March 31, 2015	5	5	-	10
Charge for the year	3	1	7	11
Upto March 31, 2016	8	6	7	21
Net Block				
As at March 31, 2015	6	1	-	7
As at March 31, 2016	3	-	103	106

9. Intangible assets (cost)

	Computer software
As at April 01, 2014	9
Additions	-
As at March 31, 2015	9
Additions	-
As at March 31, 2016	9
Amortization	
Upto April 01, 2014	9
Charge for the year	-
Upto March 31, 2015	9
Charge for the period	-
Upto March 31, 2016	9
Net Block	
As at March 31, 2015	-
As at March 31, 2016	-

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

10. Non-current investments

	March 31, 2016	March 31, 2015
Trade investments (cost)		
Unquoted equity instruments		
Investment in subsidiaries		
1,118,200,000 (March 31, 2015: 1,118,200,000) equity shares of Rs.10 each fully paid-up in Alaknanda Hydro Power Company Limited	111,820	111,820
418,938,901 (March 31, 2015: 418,938,901) equity shares of Rs.10 each fully paid-up in GVK Gautami Power Limited (note 28)	46,900	46,900
244,800,000 (March 31, 2015: 244,800,000) equity shares of Rs.10 each fully paid-up in GVK Industries Limited (note 28)	17,395	17,395
1,202,537,700 (March 31, 2015: 1,080,000,000) equity shares of Rs.10 each fully paid-up in GVK Power (Goindwal Sahib) Limited (note 29)	120,253	108,000
98,652,100 (March 31, 2015: 98,652,100) equity shares of Rs.10 each fully paid-up in GVK Coal (Tokisud) Company Private Limited (note 27)	9,866	9,866
9,900 (March 31, 2014: 9,900) equity shares of Rs.10 each fully paid-up in GVK Power (Khadur Sahib) Private Limited	1	1
	306,235	293,982
Aggregate amount of unquoted investments	306,235	293,982

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

11. Deferred tax assets (net)

	March 31, 2016	March 31, 2015
Provision for gratuity	8	10
Provision for compensated absences	7	8
Fixed assets: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting	(2)	(1)
	13	17

12. Trade receivables and other assets

12.1 Trade receivables

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	-	-	557	-
Other receivables				
Unsecured, considered good	-	-	966	753
	-	-	1,523	753

Trade receivables include dues from related parties:

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
GVK Industries Limited	-	-	1,388	753
Alaknanda Hydro Power Company Limited	-	-	135	-

12.2 Other Assets

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Unsecured, considered good				
Unbilled revenues	77	79	91	5
Share application money to subsidiaries	168	1,042	-	-
	245	1,121	91	5
Others				
Accrued interest	-	-	675	1,194
Unamortized expenditure				
Ancillary cost of arranging the borrowings	25	44	20	203
	25	44	695	1,397
	270	1,165	786	1,402

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

13. Current investments

	March 31, 2016	March 31, 2015
Current investments (valued at lower of cost and fair value)		
Quoted mutual funds- other than trade		
7,423 (March 31, 2015: 27,338) units of Rs. 1,000 each fully paid-up of Taurus Ultra Short Term Bond Fund – Short term growth plan	117	430
838 (March 31, 2015: Nil) units of Rs. 1,000 each fully paid up of HDFC Liquid Fund – Growth	25	-
Nil (March 31, 2015: 23,544) units of Rs. 1,000 each fully paid up of Axis Banking Debt Fund – Growth	-	300
1,444,558 (March 31, 2015: 1,384,517) units of Rs. 10 each fully paid up of Franklin India Ultra Short Bond Fund - Super Institutional Plan – Growth	291	252
Nil (March 31, 2015: 190) units of Rs. 1000 each fully paid up of Reliance Money Manager Fund-growth Plan Growth	-	4
	433	986
Aggregate amount of quoted investments (Market value Rs. 539) (March 31, 2015: Rs. 1,099)	433	986

14. Cash and bank balances

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	61	93
Cash on hand	-	-	1	1
	-	-	62	94

15. Loans and advances

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Loans and advances to related parties (note 24)				
Unsecured, considered good	7,673	7,464	-	-
Advances recoverable in cash or kind				
Unsecured considered good	-	261	8	61
Other loans and advances				
Prepaid expenses	-	-	36	9
Other advances	-	-	-	15
	7,673	7,725	44	85

GVK Energy Limited
Notes to financial statements for the year ended March 31, 2016
(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

16. Revenue from operations

	March 31, 2016	March 31, 2015
Revenue from operations		
- Operation and maintenance services	4,506	1,270
- Manpower and consultancy fees	-	9
	4,506	1,279

17. Other income

	March 31, 2016	March 31, 2015
Profit on sale of investments		
Current, Non trade	68	160
Interest income on		
- Bank deposits	-	31
- Others	751	859
	819	1,050

18. Employee benefit expenses

	March 31, 2016	March 31, 2015
Salaries, wages and bonus	424	490
Contribution to provident and other funds	20	23
Retirement and other employee benefit expense	7	22
Staff welfare expenses	29	28
	480	563

19. Operating and other expenses

	March 31, 2016	March 31, 2015
Communication costs	15	15
Travelling and conveyance	42	56
Operating and maintenance expenses	351	198
Legal and professional fees	1,386	104
Insurance	16	11
Payment to auditor (Refer details below)	17	22
Rates and taxes	45	33
Printing and stationery	1	2
Directors' sitting fees	4	3
Membership and sponsorship	26	39
Miscellaneous expenses	6	10
	1,909	493

Payment to auditor (including service tax)

	March 31, 2016	March 31, 2015
As auditor:		
Audit fee (Rs. 5 of March 2014 is included in previous year)	16	21
In other capacity:		
Other services (certification fees)	-	-
Reimbursement of expenses	1	1
	17	22

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

20. Depreciation and amortisation expense

	March 31, 2016	March 31, 2015
Depreciation of tangible assets	11	6
Amortisation of intangible assets	-	-
	11	6

21. Finance costs

	March 31, 2016	March 31, 2015
Interest on:		
- debentures	655	12
- rupee term loans	5,268	4,397
- vehicle loan	5	-
- others	56	14
Guarantee commission	192	120
Premium on redemption of debentures	162	-
Amortization of ancillary borrowing costs	202	275
Bank charges	-	8
	6,540	4,826

22. Earnings per share (EPS)

	March 31, 2016	March 31, 2015
Loss after tax	(4,613)	(3,969)
Less : dividends on compulsory convertible preference shares and tax thereon	-	0
Net profit for calculation of basic EPS	(4,613)	(3,969)
Net loss as above	(4,613)	(3,969)
Add: Interest on compulsory convertible debentures and tax thereon	0	1
Add : Dividends on compulsory convertible preference shares & tax thereon	-	-
Net profit for calculation of diluted EPS	(4,613)	(3,968)
	No.	No.
Weighted average number of equity shares in calculating basic EPS	769,553,149	338,117,648
Add: Weighted average number of equity shares which would be issued on the conversion of compulsory convertible preference shares*	-	-
Add: Weighted average number of equity shares which would be issued on the conversion of compulsory convertible debentures*	-	-
Weighted average number of equity shares in calculating diluted EPS	769,553,149	338,117,648

*Anti- dilutive due to losses made during the current and previous year.

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

23. Gratuity and other post-employment benefit plans

The Company has funded defined benefit gratuity plan. Employees are eligible for gratuity benefits on termination or retirement in accordance with Payment of Gratuity Act, 1972. The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the plan:

(A) Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	March 31, 2016	March 31, 2015
Current service cost	7	7
Interest cost on benefit obligation	4	4
Expected return on plan assets	(2)	(2)
Net actuarial (gain) / loss recognized in the year	(6)	10
Net benefit expense / (income)	3	19

(B) Balance sheet

Benefit liability

	March 31, 2016	March 31, 2015
Present value of defined benefit obligation	62	63
Fair value of plan assets	37	34
Plan liability	25	29

(C) Changes in the present value of the defined benefit obligation are as follows:

	March 31, 2016	March 31, 2015
Opening defined benefit obligation	63	56
Current service cost	7	7
Interest cost	4	4
Benefits paid	(7)	(15)
Actuarial (gains) / losses on obligation	(5)	11
Closing defined benefit obligation	62	63

(D) Changes in fair value of plan assets are as follows:

	March 31, 2016	March 31, 2015
Opening balance	34	30
Expected return on plan assets	2	3
Actual company contributions	-	-
Actuarial gain	1	1
Closing fair value of plan assets	37	34

The Company expects to contribute Rs. 4 to gratuity fund during the next year.

(E) The principal assumptions used in determining gratuity benefit obligations for the company's plans are shown below:

	March 31, 2016	March 31, 2015
Discount rate	7.80%p.a.	7.80% p.a.
Expected rate of return on assets	7% p.a.	7% p.a.
Employee turnover	5%	5%

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(F) Amounts for the current and previous four periods are as follows:

	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Gratuity					
Defined benefit obligation	(62)	(63)	(56)	(65)	(70)
Plan assets	37	34	30	14	-
Surplus / (deficit)	(25)	(29)	(26)	(51)	(70)
Experience adjustments on plan liabilities	5	(4)	10	22	(22)
Experience adjustments on plan assets	1	(1)	(0)	(0)	-
Actuarial gain / (loss) due to change of assumptions	-	(7)	5	(3)	3

24. Related party disclosures

Name of the related party	Nature of relationship
GVK Power & Infrastructure Limited (GVKPIL)	Holding Company
GVK Industries Limited GVK Gautami Power Limited Alakananda Hydro Power Company Limited (AHPCL) GVK Power (Goindwal Sahib) Limited (GVKPGSL) GVK Coal (Tokisud) Company Private Limited (GVKCTCPL) GVK Power (Khadur Sahib) Private Limited	Subsidiaries
GVK Developmental Projects Private Limited	Fellow Subsidiary
Dr. G V Krishna Reddy, Chairman and Director Mr. A Issac George , Director Mr. K Venugopal, Director Ms. G V Indira Krishna Reddy, Director Mr. G V Sanjay Reddy, Director Mr. Krishna Ram Bhupal, Director	Key management personnel
TAJ GVK Hotels & Resorts Limited Orbit Travel and Tours Private Limited GVK Technical & Consultancy Services Private Limited Pinakini Share & Stock Broker Limited GVK Projects & Technical Services Limited	Companies over which the key management personnel exercise significant influence

GVK Energy Limited

Notes to financial statements for the year ended March 31, 2016

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

24. Details of related parties transactions during the year

Particulars	GVK Industries Limited	GVK Gaumtami Power Limited	Alakananda Hydro Power Company Limited	GVK Power (Goindwal Sahib) Limited	GVK Coal (Tokisud) Company Pvt.Ltd	GVK Power (Khadur Sahib) Private Limited	GVK Power & Infrastructure Limited
Transactions during the year							
Fees for power plant operations	1,801	-	586	-	-	-	-
	(566)	-	-	-	-	-	-
Reimbursement of expenses	659	-	1,460	-	-	-	-
	(704)	-	-	-	-	-	-
Services provided	-	-	-	-	-	-	-
	(9)	-	-	-	-	-	-
Services received	-	-	-	-	-	-	192
	-	-	-	-	-	-	(120)
Investment in equity shares	-	-	-	12,253*	-	-	-
	-	-	(27,920)	(20,050)	(2,714)	-	-
Loans taken	-	-	-	-	-	-	-
	-	-	-	-	-	-	(2,357)
Loans repaid	-	-	-	-	-	-	-
	-	-	-	-	-	-	(2,280)
Share application money given	-	-	-	774	-	-	-
	-	-	(14,805)	(16,369)	(1,080)	-	-
Share application money refunded	-	-	-	-	-	-	-
	-	-	(1)	(862)	(100)	-	-
Loans / advance given	1,227	1,207	928	-	26	-	-
	(5,558)	(1,043)	-	-	-	-	-
Loans refunded	3,062	1,294	498	-	-	-	-
	(6,547)	(2,279)	-	-	-	-	-
Interest income	723	28	-	-	-	-	-
	(839)	(20)	-	-	-	-	-
Interest expense	-	-	-	-	-	-	0
	-	-	-	-	-	-	(7)
Remuneration	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Director sitting fees	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Balances outstanding							
Receivables / (Payables) - March 31, 2016	8,860	83	667	168	406	23	(40)
Receivables / (Payables) - March 31, 2015	9,332	163	102	536	380	23	(201)
Note: 1. Previous year figures are in parenthesis except for receivable / (payable) at year end.					-	-	

2. Refer note 25 for details of shares pledged and corporate guarantees issued by the Company for securing loan of subsidiaries, holding company, associate and fellow subsidiary.

3. Debentures issued to GVK Power & Infrastructure Limited are compulsorily convertible into shares. Hence, the same are not disclosed as payable.

4. The advances / loans and guarantees have been provided to meet normal business needs of the respective entity.

5. *Of the aforesaid amount, shares amounting to Rs. 11,111 were allotted to the Company for consideration other than cash.

GVK Energy Limited

Notes to financial statements for the year ended March 31, 2016

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

24. Details of related parties transactions during the year

Particulars	GVK Technical & Consultancy Services Pvt. Ltd.	GVK Projects & Technical Services Private Limited	GVK Developmental Projects Private Limited	Pinakani Share and Stock Broker Limited	TAJ GVK Hotels & Resorts Limited	Orbit Travel and Tours Private Limited	Dr. G V Krishna Reddy
<u>Transactions during the year</u>							
Fees for power plant operations	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Reimbursement of expenses	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Services provided	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Services received	989	-	-	-	2	6	-
	(95)	-	-	(3)	(2)	(21)	-
Investment in equity shares	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Loans taken	-	-	686	-	-	-	-
	-	(7,000)	(3,700)	-	-	-	-
Loans repaid	-	45	2,227	-	-	-	-
	-	-	-	-	-	-	-
Share application money given	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Share application money refunded	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Loans / advance given	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Loans refunded	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Director sitting fees	-	-	-	-	-	-	0
	-	-	-	-	-	-	(0)
<u>Balances outstanding</u>							
Receivables / (Payables) - March 31, 2016	(131)	(6,955)	(2,159)	(5)	(0)	(0)	-
Receivables / (Payables) - March 31, 2015	259	(7,000)	(3,700)	(5)	(1)	(2)	-
Note: 1. Previous year figures are in parenthesis except for receivable / (paya		-	-	-			

2. Refer note 25 for details of shares pledged and corporate guarantees issue

3. Debentures issued to GVK Power & Infrastructure Limited are compulsor

4. The advances / loans and guarantees have been provided to meet normal l

5. *Of the aforesaid amount, shares amounting to Rs. 11,111 were allotted to

GVK Energy Limited
Notes to financial statements for the year ended March 31, 2016
(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)
24. Details of related parties transactions during the year

Particulars	Mr. A Issac George	Mrs. G V Indira Krishna Reddy	Mr. G V Sanjay Reddy	Mr. Krishna Ram Bhupal	Mr. K Venugopal
Transactions during the year					
Fees for power plant operations	-	-	-	-	-
	-	-	-	-	-
Reimbursement of expenses	-	-	-	-	-
	-	-	-	-	-
Services provided	-	-	-	-	-
	-	-	-	-	-
Services received	-	-	-	-	-
	-	-	-	-	-
Investment in equity shares	-	-	-	-	-
	-	-	-	-	-
Loans taken	-	-	-	-	-
	-	-	-	-	-
Loans repaid	-	-	-	-	-
	-	-	-	-	-
Share application money given	-	-	-	-	-
	-	-	-	-	-
Share application money refunded	-	-	-	-	-
	-	-	-	-	-
Loans / advance given	-	-	-	-	-
	-	-	-	-	-
Loans refunded	-	-	-	-	-
	-	-	-	-	-
Interest income	-	-	-	-	-
	-	-	-	-	-
Interest expense	-	-	-	-	-
	-	-	-	-	-
Remuneration	-	-	-	-	67
	-	-	-	-	(79)
Director sitting fees	0	-	0	0	-
	(1)	(0)	(0)	(0)	-
Balances outstanding					
Receivables / (Payables) - March 31, 2016	-	-	-	-	-
Receivables / (Payables) - March 31, 2015	-	-	-	-	-

Note: 1. Previous year figures are in parenthesis except for receivable / (paya

2. Refer note 25 for details of shares pledged and corporate guarantees issue

3. Debentures issued to GVK Power & Infrastructure Limited are compulsor

4. The advances / loans and guarantees have been provided to meet normal l

5. *Of the aforesaid amount, shares amounting to Rs. 11,111 were allotted to

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

25. Contingent liabilities

a. The Company has provided security by way of pledge of its investments in respect of amounts borrowed by the following subsidiaries:

Name of the subsidiary	Number of Shares Pledged	
	March 31, 2016	March 31, 2015
GVK Industries Limited	124,848,000	124,848,000
GVK Gautami Power Limited	268,764,369	268,764,369
Alaknanda Hydro Power Company Limited	670,920,000	670,920,000
GVK Power (Goindwal Sahib) Limited	613,294,227	531,012,700
GVK Coal (Tokisud) Company Private Limited	50,312,571	50,312,571

b. The Company had pledged 24,480,000 shares held by the Company in GVK Industries Limited as security for loan of Rs. Nil (March 31, 2015: 16,667) taken by GVK Power & Infrastructure Limited, the holding company. During the year, the loan has been repaid, however the pledge has not been released.

c. The Company had pledged 63,648,000 shares held by the Company in GVK Industries Limited as security for loan of Rs. 62,594 (March 31, 2015: 49,444) taken by GVK Airport Developers Limited, fellow subsidiary.

d. The Company had issued corporate guarantee as collateral security in favour of the lenders of Alakananda Hydro Power Company Limited in connection with loan facilities whose closing balance as at March 31, 2016 is Rs. 412,642 (March 31, 2015 : Rs. 396,165).

e. The Company has issued corporate guarantee as collateral security in favour of the lenders of GVK Power (Goindwal Sahib) Limited in connection with loan facilities whose closing balance as at March 31, 2016 is Rs. 325,592 (March 31, 2015: Rs. 257,078).

f. The Company has issued corporate guarantee as collateral security in favour of the lenders of GVK Coal (Tokisud) Company Private Limited in connection with loan facilities whose closing balance as at March 31, 2016 is Rs. 21,930 (March 31, 2015: Rs. 22,500).

g. The Company has issued corporate guarantee as collateral security in favour of the lenders of GVK Industries Limited in connection with loan facilities whose closing balance as at March 31, 2016 is Rs. 1,820 (March 31, 2015: Rs. 2,423)

h. The Company has issued corporate guarantee as collateral security in favour of the lenders of GVK Gautami Power Limited in connection with loan facilities whose closing balance as at March 31, 2016 is Rs. 107,368 (March 31, 2015: Rs. 96,202).

Management is of the opinion that the aforesaid companies will be able to meet their obligations as they arise and consequently no adjustment is required to be made to the carrying value of the security / guarantee provided.

26. Commitments

During the year ended March 31, 2011, the Company, GVK Power and Infrastructure Limited (Holding Company) and certain private equity investors ('investors') entered into an investment agreement pursuant to which the Holding Company has undertaken to conduct an initial public offering of the Company's equity shares ('Qualified IPO' or 'QIPO') within 72 months from the date of investment agreement (preferred listing period). If the Company does not make a QIPO during the preferred listing period and no offer for sale or demerger takes place within 12 months of the preferred listing period, then, at any time thereafter, the investors will have a put option with respect to all of the securities held by the Investor ("Put Right") on the Holding Company and the Company at the higher of

i) 20% IRR from the date of investment to the date of receipt of proceeds from the investor ("Put IRR") and ii) the fair market value of the investor's shares. Provided the Put IRR shall be reduced to 15% IRR, if at least 3 private sector initial public offerings with an issue size of Rs.100,000 or more each have not taken place in India between the 36th month to the 60th month from date of investment agreement.

The Company believes that it would be able to successfully conduct QIPO in the preferred listing period or successfully complete offer for sale or demerger.

27. The Honourable Supreme Court vide is decision of September 24, 2014 held that allotment of various coal blocks including those allotted to GVK Coal (Tokisud) Company Private Limited, subsidiary company is arbitrary and illegal and has cancelled the allotment. Subsequently, the government promulgated The Coal Mines (Special Provisions) Ordinance 2014, which intends to take appropriate action to deal with situation arising pursuant to the Honourable Supreme Court's judgment. The subsidiary company has filed writ petition before the Hon'ble High Court of Delhi impugning the decision of the Nominated Authority, Ministry of Coal which quantified the compensation payable to the subsidiary company for taking over the Tokisud Coal Block as Rs. 11,129 against the carrying value of assets of Rs. 34,862 in the books of subsidiary company. The Management believes that the subsidiary will be appropriately reimbursed for cancelled coal mine and accordingly no provision is required to be made to investments and share application money with carrying value of Rs. 10,272.

28. The subsidiary companies, GVK Industries Limited (GVKIL) and GVK Gautami Power Limited (GVKGPL) had commenced construction of phase III and phase II power plants respectively on which they have incurred aggregated cost of Rs. 15,651 (March 31, 2015: Rs. 15,655). Due to lower supply / availability of gas, the subsidiary companies have temporarily suspended the construction activities and intend to resume construction once natural gas is available which Management expects to happen in foreseeable future. Further, Phase II of GVKIL and Phase I of GVKGPL having fixed assets with Written Down Value of Rs. 183,249 (March 31, 2015: Rs. 196,252) have during the current financial year achieved 6% PLF (March 31, 2015: Nil) and 2.6% PLF (March 31, 2015: Nil) respectively. Also, GVKIL and GVKGPL have incurred losses of Rs. 4,751 (March 31, 2015: Rs. 6,916) and Rs. 21,968 (March 31, 2015: Rs. 20,474) respectively. Further, certain banks have classified loan balances of GVKIL as non-performing asset. However, GVKIL is in the process of regularization of loans by using proceeds of its disposal of Phase I plant post which it is planning to tie-up for additional loans and GVKGPL has already obtained moratorium for payments until mid of next year.. Further, the Company is confident that Government of India will take necessary steps / initiatives to improve the situation of natural gas for e.g. scheme envisaging supplying of domestic gas to gas based upto the target plant load factor ('PLF'), selected through a reverse e-bidding process and also intervention / sacrifices to be collectively made by all stakeholders. Further, Management based on its rights under power purchase agreement to recover capacity charges and in view of installing alternate fuel equipment and on the basis of aforesaid discussions believes the subsidiary companies will continue to be in operation in foreseeable future despite continued losses. The Company accordingly believes that it is appropriate to recognise investments and advances aggregating to Rs. 64,295 (March 31, 2015: 64,295) and Rs. 7,387 (March 31, 2015: Rs. 8,658) respectively at carrying value and no provision for diminution is necessary.

29. GVK Goindwal (Sahib) Limited, subsidiary company has subsequent to year completed construction of its 540 MW power project with carrying value of Rs. 438,990 and has completed commercial test but not declared availability in the absence of coal. In the wake of cancellation of coal mine as referred in note 27, Management has obtained coal linkage for six months, taken opinion for running plant on imported coal, tied up for importing coal and is mulling other options such as, obtaining coal linkage locally and has filed petition with Punjab State Electricity Regulatory Commission (PSERC) for re-negotiation of terms of power purchase agreement such as rate revision, approval for using imported coal etc. claiming force majeure and change in law as envisaged under Power Purchase Agreement. PSERC in its interim order has allowed the subsidiary company to run the plant on imported fuel for upto two and half years within which the Company should make arrangements for coal on long term basis. Management based on internal assessment / legal advise believes that cancellation of coal mine will not impact the operations of the upcoming power project and accordingly no provision is required to be made to investments and share application money with carrying value of Rs. 120,421.

30. Micro, small and medium enterprises

The identification of micro, small and medium enterprise suppliers as defined under the provisions of "Micro, small and medium enterprises Act, 2006" is based on Management's knowledge of their status. There are no dues to micro, small and medium enterprises as on March 31, 2016: Nil (March 31, 2015: Nil).

31. Segment reporting

The Company's operations fall within a single business segment "Operation and Maintenance of power plants" and single geographical segment and therefore segment information is not provided.

32. The Company has pending litigations with service tax authorities impact of which is not expected to be material upon the financial statements.

33. The Company has incurred losses of Rs. 4,613 and Rs. 3,969 in the current and previous year respectively. The Company has delayed payment of loans and interest and certain loan and interests are overdue as at balance sheet date. Further, as discussed in notes 25 and 26, the Company has provided guarantees and commitments and as further detailed in notes 27, 28 and 29 uncertainties are being faced by various projects in the Group such as cancellation of coal linkage to coal based plant and re-negotiation of terms of PPA of coal based plant, losses incurred by gas based plants in the absence of gas and litigations on rights to claim capacity charge. Notwithstanding the above, the financial statements of the Company have been prepared on going concern basis as Management believes that the Company would be able to establish profitable operations, meet its commitments and the subsidiaries on whose behalf guarantees have been extended would be able to meet their obligations. Further, the Management is confident that the aforesaid subsidiaries would win litigations; obtain approvals of regulators, lenders; obtain requisite gas/coal allocation etc. as required for establishing profitable operations

34. The financial statements contain certain amounts reported as "0", which are less than Rs.1.

35. Previous year figures

Previous year figures have been regrouped/reclassified, where necessary, to conform to this year's classification.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per Vikas Kumar Pansari
Partner
Membership no.: 093649

Place of Signature: Hyderabad
Date: May 16, 2016

For and on behalf of the board of directors of
GVK Energy Limited

Dr. G. V. Krishna Reddy
Chairman

G.V. Sanjay Reddy
Director

A Isaac George
Director

T. Ravi Prakash
Company Secretary