GENERAL CORPORATE INFORMATION

Board of Directors as on 15th May, 2014

Board of Directors	Dr. G V Krishna Reddy Mrs. G Indira Krishna Reddy Mr. G V Sanjay Reddy Mr. Krishna Ram Bhupal Mr. A. Issac George Mr. K Balarami Reddi Mr. P. Abraham Mr. K Venugopal Mr. K. Torbjon Caesar Mr. Matthew Lim Mr. Manu Chandra
Company Secretary	Mr. T. Ravi Prakash
Statutory Auditors	M/s S.R.Batliboi & Associates LLP Chartered Accountants Oval Office 18 ILabs Centre, Hitech City, Madhapur Hyderabad-500081.
Registered Office	'Paigah House', 156-159 Sardar Patel Road Secunderabad – 500003
ISIN Number	INE233L01016
Registrar & Share Transfer Agent	Karvy Computershare Private Limited (Both Physical & Electronic) Plot No.17 to 24, Vittalrao Nagar Madhapur, Hyderabad-500 081 Ph : 040-23420815 to 24 Fax : 040-23420814 E-Mail : einward.ris@karvy.com

6th AGM NOTICE

Notice is hereby given that the Sixth Annual General Meeting of the members of GVK Energy Limited will be held on Wednesday, the 06th August, 2014 at 1.15 PM at Hotel Taj Krishna, Road # 1, Banjara Hills, Hyderabad - 500 034, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014, Profit & Loss account for the year ended on that date and the Report of the Directors' and Auditors thereon.
2. To appoint a Director in place of Mrs. G. Indira Krishna Reddy (Holding DIN: 00005230), who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. Krishnaram Bhupal (Holding DIN: 00005442), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s S.R. Batliboi & Associates LLP (Firm Registration No: 101049W), as Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. **To appoint Mr. K Balarama Reddi, as Independent Director of the Company**

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

   "RESOLVED THAT pursuant to the provisions of Sections 149 and 150 and Schedule IV of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules 2014, Mr. K Balarama Reddi, be and is hereby appointed as Independent Director on the Board of the company for a period of 5 years with effect from 15.05.2014 and he shall not be liable to retire by rotation as per the provisions of Section 152 of the Companies Act, 2013".

6. **To consider the limits for creation of charges on properties of the Company**

   To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution.

   "RESOLVED THAT pursuant to the provisions of Section 180(1)(a) of the Companies Act, 2013 (which corresponds to section 293(1)(a) of the Companies Act, 1956) and other applicable provisions, if any of the Companies Act, 2013 (Including any statutory modification or reenactment thereof for the time being in force) and rules made there under, consent of the Members be and is hereby accorded to the company, to mortgage or create charge on all or any of the immovable and movable properties of the Company wheresoever's situated, present and future, and /or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of any Bank(s) or Financial Institution(s) situated within or outside India(hereinafter referred to as "the Lenders") to secure a Rupee Term Loan or a Foreign Currency Loan or a Combination of both not exceeding Rs.1500 crores (Rupees One Thousand Five Hundred Cores Only) lend, advanced or agreed to lend and advanced by the lender(s) to the Company either jointly or severally or in any other combination thereof, as the case may be, together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other monies including any increase as result of devaluation/ revaluation/ fluctuation in the rates of exchange of foreign currencies involved therein and payable by the Company to the Lenders under the Loan Agreement(s), Memorandum of Terms and Conditions entered into/ to be entered into by the Company with each of the Lenders severally or collectively for the purpose of Implementation of the project(s)

   "RESOLVED FURTHER THAT any one of the Director or the Company Secretary of the Company be and is hereby authorized to finalize with the Lender(s), the documents for creation aforesaid mortgage and/ or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

7. **To consider the limits for fixation of Borrowing Powers of the Company:**

To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013 (which corresponds to section 293(1)(d) of the Companies Act, 1956) and other applicable provisions, if any of the Companies Act, 2013 (Including any statutory modification or reenactment thereof for the time being in force) and rules made there under, the consent of the Members be and is hereby accorded to the company(Board of Directors of the Company), to borrow any sum or sums of monies from time to time notwithstanding the money or monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided however that the total amounts so borrowed shall not exceed Rs. 1500 Crores (Rupees One Thousand Five Hundred Crores Only).

"RESOLVED FURTHER THAT any one of the Director or the Company Secretary of the Company be and is hereby authorized to do all such acts, deeds and things as may be necessary for giving effect to the above resolution."

By order of the Board
For GVK Energy Limited

Place: Secunderabad
Date: 15/05/2014

T Ravi Prakash
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.
2. The Proxy form duly completed must reach the registered office of the Company 48 hours before the time fixed for holding the meeting.
3. Members are requested to notify immediately any change in their address to the Company at the Registered Office.
4. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto and form part of the notice.

EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

Item No: 5

The Board of Directors at their meeting held on 15th May, 2014 has appointed Mr. K Balarama Reddi, as Independent Director of the Company, for a period of 5 years from with effect from 15th May, 2014. In terms of provisions of section 150 of the Companies, 2013 the said appointment requires members approval.

Profile and Justification:

Mr. K Balarama Reddi holds a Bachelor's Degree in Electrical Engineering from Madras University, 1952 and is a Fellow Member of the Institution of Engineers (India).

He is at present associated with Administrative Staff College of India (ASCI), Hyderabad as Senior Consultant.

Former Chairman, Andhra Pradesh State Electricity Board, Mr. Reddi has over 40 years of experience in the Indian Power Sector. He joined Andhra Pradesh Electricity Department in 1953, worked in various capacities in Andhra Pradesh State Electricity Board and Central Electricity Authority (CEA). He was member of A.P. State Electricity Board for 4 years (1988-92) and its Chairman for 3 years from 1992 to 1995. He had been involved in all aspects of Power Systems development/ utility management. Mr. Reddi was involved in negotiations with IPPs' for setting up Private Sector Power Projects in Andhra Pradesh. He was also a member of the high-level committee appointed by the Government of Andhra Pradesh to recommend policies and modalities for regulation and restructuring of the power sector in the State of Andhra Pradesh.

In view of the above, the Board recommends the above resolution for your approval by way of an Ordinary Resolution.

None of the Directors/ Key Managerial Personnel and their relatives are interested or concerned in this resolution except the appointee.

Item No: 6

The members of the Company at their Annual General Meeting held on 15th May, 2010, approved by way of the Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 creation of charge on the properties of the company.

Section 180(1) (a) of the Companies Act, 2013 and read with MCA general circular No: 4 dated 25th March, 2014, requires that the Board of Directors shall not create charge on the properties of the Company, except with the consent of the members of the Company accorded by way of a Special Resolution.

It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1) (a) and other applicable provisions of the Companies Act, 2013 as set out Item No: 6 of the Notice to enable the Board of Directors to create charge on the properties of the Company.

None of the Directors/ Key Managerial Personnel and their relatives is interested or concerned in this resolution.

Item No: 7

The members of the Company at their Extra-Ordinary General Meeting held on 15th May, 2010 approved by way of the Ordinary Resolution under section 293(1)(d) of the Companies Act, 1956 borrowings over and above aggregate of paid up capital and free reserves of the Company provided that the total amount of such borrowings together with amount already borrowed and outstanding at any point of time shall not be in excess of Rs. 1500 Crores .

Section 180(1) (d) of the Companies Act, 2013 and read with MCA general circular No: 4 dated 25th March, 2014, requires that the Board of Directors shall not borrow the money in excess of the Company's paid up capital and free reserves apart from temporary loans obtained from bankers and other financial institutions in the ordinary course of business, except with the consent of the members of the Company accorded by way of a Special Resolution.

It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1) (a) and other applicable provisions of the Companies Act, 2013 as set out Item No: 7 of the Notice to enable the Board of Directors to Borrow money in excess of the aggregate of paid up capital and free reserves of the Company.

None of the Directors/ Key Managerial Personnel and their relatives are interested or concerned in this resolution.

By order of the Board
For GVK Energy Limited

Place: Secunderabad
Date: 15/05/2014

T Ravi Prakash
Company Secretary

DIRECTORS' REPORT

Dear Stakeholders,

Your Directors have pleasure in presenting the Sixth Annual Report on the business and operations of the company together with Audited Annual Accounts for the year ended as on March 31, 2014.

CONSOLIDATED FINANCIAL RESULTS

The summary of consolidated results of the company and its subsidiaries, as on 31st March, 2014 is furnished hereunder:

(Rs in Lakhs)

Particulars	2013-14	2012-13
Financial Performance		
Operational Income	36698	89545
EBIDTA	3278	6724
Other Income	4129	4157
Interest & Finance Charges	18543	14992
Depreciation	17036	16819
Profit Before Tax (PBT)	-28172	-20930
Provision for Taxes	114	2071
Profit After Tax (PAT)	**-28286**	**-23001**
Add: Share in profit of associate	0	0
Less: Minority Interest	-7683	-5581
Profit for the year	-20603	-17420
Add: Balance brought forward from the previous years	-11428	5992
Balance available for appropriation	**-32031**	**-11428**
Appropriations		
Transfer to General Reserve	NIL	NIL
Earning Per Share (Rupees)		
Basic	-6.09	-5.15
Diluted	-6.09	-5.15
Financial Position		
Fixed Assets(Net of Depreciation)	1066227	955646
Other Non Current Assets	66095	53772
Cash and Cash Equivalent	28193	54052
Other Current Assets	19950	27068
Total Assets	**1180465**	**1090538**
Equity	44827	44827
Reserves	134248	154851
Net Worth	**179075**	**199678**

OPERATIONS

As the members are aware that your Company is a Holding Company of energy vertical and as such your company does not have independent operating revenues except O & M fee and other treasury income on surplus funds.

PERFORMANCE OF THE SUBSIDIARY COMPANIES:

GAS SUPPLY POSITION:

Phase-I Plant of GVK Industries Limited has received gas supplies to the extent of 50% of the plant's requirement during the year from GAIL. A small quantity of non-APM gas was received from ONGC. Whereas, for Phase-II and GVK Gautami Power Limited Plant, the supply of gas from Reliance Industries Limited was completely NIL, effective from March, 2013 onwards.

1. GVK INDUSTRIES LIMITED:

PHASE-I : For the financial year ended 31st March, 2014, the Phase I plant operated at a Plant Load Factor (PLF) of 52.3% as against a PLF of 59.63% for the previous year. The generation of energy for the year as on 31st March, 2014 was at 963.646 Million kWh as against generation of 1099.25 Million kWh for the previous year.

PHASE- II: As the gas supplies to the plant become NIL from March 2013, plant is under preservation. Plant is declaring availability on Alternative Fuel from 28th November, 2013 but APPCC is not accepting our Availability Declaration on Alternative Fuel.

2. GVK GAUTAMI POWER LIMITED:

As gas supplies to the plant become 'Nil' from March 2013, plant has been non-operational throughout the year. Plant has been declaring availability on alternate fuel since June 2012 but APPCC has not accepted our availability declarations.

The Plant is put under Long Term Preservation mode and hence presently carrying out OEM recommended activities to conserve and protect the asset.

APDISCOM's default of non renewal of Letter of Credits

The letter of credit issued in accordance with the terms of the PPA as payment security mechanism expired on 31.10.2013 for GVK Industries Limited (Phase-II) and on 15.12.2013 for GVK Gautami Power Limited. The company has sent number of reminders for renewal of LC, but APPCC did not renew the LC and responded saying that LC renewal will be taken up only after these plants commence generation on gas. This is not in accordance with the PPA and hence the above Companies issued a default notice to APPCC on 26.12.2013. APPCC has got 90 days to cure the default. APPCC has so far not responded to the notice.

3. ALAKNANDA HYDRO POWER COMPANY LIMITED:

As the members are aware that Alaknanda Hydro Power Company Limited is implementing 330 MW hydroelectric power plant on the river of Alaknanda at Srinagar in the state of Uttarakhand at project cost of Rs.4723.60 Crores. Cost incurred as on 31st March, 2014 is Rs. 4614.66 crores including restoration cost. Construction of dam, power channel, power house and other associated works are completed. All gates are erected, tested and commissioned and trial operations are being carried out. Synchronizing and Load Tests of Unit-I is planned First week of June 14th and Unit-III is planned in the last of week of July, 2014 (Subject to availability of Power Evacuation System). Other Two units are expected to be operational by September, 2014.

It is expected that the plant would be fully operational during the 2014-15.

4. GVK POWER (GOINDWAL SAHIB) LIMITED:

The 540 MW Coal Fired Thermal Power Plant at Goindwal Sahib in Punjab State is being implemented by the company at a revised project cost of Rs. 4000 crores, including cost overrun of Rs.800 Crores and as on 31st March, 2014 the company has spent a sum of Rs. Rs 3424 crores on the project. The physical progress of the project is as under.

The company has achieved an overall project progress to the extent of 94%. Engineering progress in respect of BOP, BTG and non-EPC works are nearing completion

Unit 2 was synchronized to the grid on oil on 4th March, 2014.

All major civil works are nearing completion and the ancillary works such as coal handling and ash handling are nearing completion. Construction of residential colony is nearing completion.

The project is expected to be operational by the end of 2014.

5. GVK POWER (KADHUR SAHIB) PRIVATE LIMITED:

The 1320 MW Thermal Power with super critical technology is being implemented by GVK Power (Kadhur Sahib) Private Limited at a project cost of Rs.7493 Crores. The company has signed MOU with Punjab State Power Corporation Limited (PSPCL) on 3rd February, 2012.

The Company has obtained Water allocation of 50 cusecs from River Beas and chimney height clearance from AAI for the project.

TOR for EIA studies has been obtained from MoEF Public Hearing was completed on 18-09-2012. The final EIA Report was submitted to MoEF on 09-07-2013 for considering the project for Environmental Clearance. MoEF indicated that the Project could not be considered for EC, as there is no firm coal linkage for the Project.

The Company has applied for coal linkage for the project to MOC/MOC. The coal linkage to the project is awaited from GOI.

6. GVK COAL (TOKISUD) COMPANY PRIVATE LIMITED:

As the members are aware, GVK Coal (Tokisud) Company Private Limited, a Special Purpose Vehicle (SPV) envisaging development of coal mine in South Karanpura Coalfield situated in the District of Hazaribagh in the state of Jharkand. The produced coal will be utilized for the Thermal Power project of GVK Power (Goindwal Sahib) Limited in the state of Punjab. The expected minable reserves are 52 Million Tonnes and peak production will be 2.3 Million Tonnes. The estimated project cost including cost overrun is Rs.549 Crores, out which Rs.287.32 crores incurred till 31st March, 2014. The total land required for the project is 1,446 acres The entire CA land of 926 acres has been acquired and transferred in the name of forest department. The land acquisition of 40 acres of GM land, 82 acres of JJ land and 447 acres of private land is also completed. The acquisition of balance land is in progress. The DPR and drawings for railway siding are already approved. The construction of railway siding is nearing completion. The company is in the process of obtaining all other required approvals and the coal mine is likely to be operational during the year 2014-15.

DIVIDEND

Your Directors have not declared any dividend for the financial year 2013-14.

SUBSIDIARIES

As on 31st March, 2014 your company has the following six subsidiaries and one associate company.

SUBSIDIARY COMPANIES

1. GVK Industries Limited
2. GVK Gautami Power Limited
3. Alaknanda Hydro Power Company Limited
4. GVK Power (Goindwal Sahib) Limited
5. GVK Power (Khadur Sahib) Private Limited
6. GVK Coal (Tokisud) Company Private Limited

Associate Company:

Seregarha Mines Limited

CONSOLIDATED FINANCIAL STATEMENTS

The Company has prepared the Consolidated Financial Statements of the Company along with Subsidiaries Companies viz. GVK Industries Limited, GVK Gautami Power Limited, Alaknanda Hydro Power Company Limited, GVK Power (Goindwal Shaib) Limited, GVK Power (Khadur Sahib) Private Limited and GVK Coal (Tokisud) Company Private Limited, along with associate Company namely Seregarha Mines Limited for the year ended 31st March, 2014.

The Ministry of Corporate Affairs, vide its circular No.2/2011 dated 08th February, 2011 has given the general exemption to the Companies which provide in its annual report, the consolidated financial statements of holding company and all its subsidiaries duly audited by its statutory auditors, from attaching the financial statements of the subsidiaries to the annual report of holding company, as per the provisions of Section 212 of the Companies Act, 1956.

In view of the above, the present Annual Report of the company does not contain the financial statements of its subsidiaries. The annual accounts of the subsidiaries would be available for inspection by any interested member of the company during the business hours at the registered office of the company and that of the subsidiary companies concerned.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 with respect to "Directors' Responsibility Statement", it is hereby confirmed as follows:

i) that in the preparation of the annual accounts for the year ended March 31, 2014, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;

ii) that the Directors had selected such Accounting policies and 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 for the year under review;

iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors have prepared the annual accounts for the year on a going concern basis.

DIRECTORS

The Board of Directors at their meeting held on 15th May, 2014 appointed Mr. Manu Chandra, in place of Mr Girish Baliga as Nominee Director of 3I India Infrastructure Investments Limited and also appointed as Mr. K Balarama Reddi, as Independent Director of the Company. Mr K N Shenoy, has resigned with effect from 05th May, 2014, as Director of the Company.

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the company, Mrs. G Indira Krishna Reddy and Mr. Krishnaram Bhupal, Directors will retire by rotation at this meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

AUDIT COMMITTEE

During the year under review, the Audit Committee of the Company met four (4) times. The following is the Constitution & attendance of the members of the Audit Committee:

Sl. No.	Name of the Member	Designation	Attendance on Meetings held on			
			08.05.2013	03.08.2013	06.11.2013	31.01.2014
1	Mr. K N Shenoy	Chairman	Yes	Yes	No	Yes
2	Mr. P Abraham	Member	Yes	Yes	No	Yes
3	Dr. A. Rama Krishna	Member	Yes	Yes	NA	NA
4	Mr. Krishnaram Bhupal	Member	Yes	Yes	No	No
5	Mr. A. Issac George	Member	Yes	Yes	Yes	Yes
6	Mr. K Venugopal	Member	Yes	Yes	Yes	Yes

AUDITORS

M/s. S R Batliboi & Associates LLP, the Statutory Auditors of the Company will retire at the conclusion of this Annual General Meeting. They have offered themselves for reappointment as Statutory Auditors and have confirmed that their re-appointment, if made, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956, M/s S. R. Batliboi & Associates LLP, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible for reappointment, the Board recommends their re-appointment.

PUBLIC DEPOSITS

During the year under review, your Company has neither invited nor received any deposits from the public.

PARTICULARS OF EMPLOYEES

Particulars of employees under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, for the year ended 31st March, 2014 are as under:

S No	Name of the Employee	Age	Qualif-ication	Design-ation	Exper-ience	Date Commencement of employment	Remuneration received (Rs. in Lakhs)	Previous Employment
1	Mr. K Venugopal	48	MBA	Director and CFO	26	08-05-2012	75.00	Adani Power Limited

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

In accordance with the provisions of Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, the additional information on Conservation of Energy, Technology Absorption is not required as the company carrying mainly investment activities and these provisions do not apply to the Company.

FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the provisions of Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, the information relating to Foreign exchange earnings and outgo is provided here under:

(Rupees in Lakhs)

Particulars	2013-14	2012-13
Foreign Exchange outgo	Nil	Nil
Foreign Exchange Earnings	Nil	Nil

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to express their sincere gratitude to the Government of Andhra Pradesh, Registrar of Companies, Andhra Pradesh, and the Bankers for their timely support and cooperation to the Company. Your Directors also thank all the Shareholders for their continued support and expects to receive the same in the years to come.

For and on behalf of the Board

Place: Secunderabad	Dr. G V Krishna Reddy	Mrs. G Indira Krishna Reddy
Date: 15/05/2014	Director	Director

Consolidated Financials

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of GVK Energy Limited

We have audited the accompanying consolidated financial statements of GVK Energy Limited ("the Company") its subsidiaries and associate (collectively, 'the Group'), which comprise the consolidated Balance Sheet as at March 31st, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associate, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to:

Note 16(i)(a) of notes to the consolidated financial statements, regarding pending confirmation and approval by the Appellate Tribunal for Electricity (APTEL) for the increase in capital cost and consequential impact on receivable, being the fixed charge component of the tariff for the years 1997-98 to 2000-01 aggregating to Rs. 4,512 lakhs by GVK Industries Limited, a subsidiary;

Note 16(i)(b), 16(i)(c) and 16(i)(d) of notes to the consolidated financial statements, regarding outstanding minimum alternate tax amounts claimed for reimbursement, disincentives recoverable and other receivable aggregating to Rs. 3,530 lakhs, Rs. 2,124 lakhs and Rs. 76 lakhs respectively considered recoverable from AP Transco and consequential impact on taxes in GVK Industries Limited and GVK Gautami Power Limited's books, subsidiary companies;

Note 34 of the notes to the consolidated financial statements, regarding security provided by the Company along with it's subsidiary for loan taken by its holding company amounting to Rs. 20,000 lakhs, covered by the provisions of Section 295 of the Companies Act, 1956, where the Company and the subsidiary company had made application in the previous year for approval to Central Government, however, the holding company obtained the loan pending approval of the application. Further, during the current year, Central Government has returned the applications and advised the Company and its subsidiary to ensure compliance with provisions of Section 185 of Companies Act, 2013, which the companies are in the process of complying;

Note 35 of notes to the consolidated financial statements, regarding uncertainty towards supplies/availability of natural gas to power generating plants and power projects under construction of the subsidiary companies. Also, during the year, the subsidiary companies have received the approval of the lead bankers and also majority of the consortium lenders for additional loans/moratorium for payments and are confident of receiving approval from the remaining lenders. The Management of the subsidiary companies is confident of obtaining the requisite gas allocation/recover fixed charges and accordingly believes that fixed assets with carrying value of Rs. 225,325 lakhs are recoverable in normal course of business. Further, Management based on its rights under power purchase agreement to recover capacity charges and receipt of the approval from majority of the consortium lenders, believes the subsidiary companies will continue to be in operation in foreseeable future despite continued losses.

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

Other Matter

We did not audit total assets of Rs. 1,174,778 lakhs as at March 31, 2014, total revenues of Rs. 36,698 lakhs and net cash outflows amounting to Rs. 12,932 lakhs for the year then ended, included in the accompanying consolidated financial statements in respect of certain subsidiaries and associate, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries, and associate is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

For **S.R. Batliboi & Associates LLP**

ICAI Firm registration number: 101049W

Chartered Accountants

per **Vikas Kumar Pansari**

Partner

Membership No.: 93649

Place: Hyderabad

Date: May 15, 2014

Consolidated Balance sheet as at March 31, 2014

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2014	March 31, 2013
Equity and liabilities			
Shareholders' funds			
Share capital	3	44,827	44,827
Reserves and surplus	4	134,248	154,851
		179,075	**199,678**
Minority Interest		**14,816**	**22,499**
Non-current liabilities			
Long-term borrowings	5	807,595	730,089
Deferred tax liabilities (net)	6	3,185	4,411
Trade payables	7	48,216	-
Other long-term liabilities	7	529	364
Long-term provisions	8	142	240
		859,667	**735,104**
Current liabilities			
Short-term borrowings	9	15,091	2,088
Trade payables	10	5,159	28,860
Other current liabilities	10	105,797	101,208
Short-term provisions	8	860	1,101
		126,907	**133,257**
TOTAL		**1,180,465**	**1,090,538**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	264,257	274,707
Intangible assets	12	1,076	1,115
Capital work-in-progress		555,775	516,334
Expenditure incurred during construction period	13	244,695	163,488
Non-current investments	14	424	2
Deferred tax assets (net)	6	16	28
Long-term loans and advances	15	34,152	29,307
Trade receivables	16 (i)	10,242	8,118
Other non-current assets	16 (ii)	21,685	16,319
		1,132,322	**1,009,418**
Current assets			
Current investments	17	794	24,902
Inventories	18	3,242	8,391
Trade receivables	16 (i)	133	2,178
Cash and bank balances	19	27,399	29,150
Short-term loans and advances	15	4,531	3,477
Other current assets	16 (ii)	12,044	13,022
		48,143	**81,120**
TOTAL		**1,180,465**	**1,090,538**
Summary of significant accounting policies	2		

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

As per our report of even date

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

per Vikas Kumar Pansari
Partner
Membership No. 93649

Place: Hyderabad
Date: May 15, 2014

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

Dr G. V. Krishna Reddy
Chairman

G V Sanjay Reddy
Director

K. Venugopal
Director & CFO

T Ravi Prakash
Company Secretary

GVK Energy Limited

Statement of Consolidated Profit and Loss for the year ended March 31, 2014

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2014	March 31, 2013
Income			
Revenue from operations	20	36,698	89,545
Other income	21	4,129	4,157
Total revenue		**40,827**	**93,702**
Expenses			
Cost of fuel		25,535	71,980
Employee benefits expense	22	1,422	1,995
Other expenses	23	6,463	8,846
Depreciation and amortization expense	24	17,036	16,819
Finance costs	25	18,543	14,992
		68,999	**114,632**
Loss before tax and minority interest		**(28,172)**	**(20,930)**
Tax expenses			
Current tax		916	1,738
Deferred tax charge/(credit)		(307)	329
Income tax for earlier years		(495)	4
Total tax expenses		**114**	**2,071**
Loss after tax and before minority interest		**(28,286)**	**(23,001)**
Less: Minority interest		(7,683)	(5,581)
Loss for the year		**(20,603)**	**(17,420)**
Earnings per equity share (in Rs.)	26		
- Basic		**(6.09)**	**(5.15)**
- Diluted		**(6.09)**	**(5.15)**
Nominal value per equity share (in Rs.)		**10**	**10**
Summary of significant accounting policies	2		

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

As per our report of even date

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

per Vikas Kumar Pansari
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K. Venugopal
Director & CFO

T Ravi Prakash
Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2014
(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2014	March 31, 2013
Cash flow from operating activities			
Loss before the tax and minority interest		(28,172)	(20,930)
Adjustments for			
Depreciation and amortisation expenses		17,036	16,819
Unrealised foreign exchange loss		1,798	61
Interest expense		17,505	14,450
Advances written off		-	1,372
Profit on sale of fixed assets (net)		(6)	-
Profit on sale of non trade current investments		(352)	(902)
Dividend income from non trade current investments		(1)	(6)
Interest income		(1,884)	(3,083)
Liabilities written back		(144)	(13)
Operating profit before working capital changes		**5,780**	**7,768**
Movements in working capital			
Increase in inventories		(1,348)	(12,752)
Increase in current and non current liabilities and provisions		22,255	20,840
(Increase)/decrease in current and non current trade receivables and other assets		(972)	5,628
Increase in loans and advances		(5,025)	(634)
Cash generated from operations		**20,690**	**20,850**
Direct taxes paid		(1,498)	(1,863)
Net cash from operating activities	**(A)**	**19,192**	**18,987**
Cash flows from investing activities			
Purchase of fixed assets including capital work in progress and capital advances		(75,942)	(95,780)
Proceeds from sale of fixed assets		10	367
Refund of capital advances		-	3,580
Intercorporate deposit given to fellow subsidiary		-	(8,937)
Intercorporate deposit recovered from fellow subsidiary		11,162	-
Purchase of current investments		(24,283)	(134,518)
Proceeds from sale/maturity of current investments		56,751	122,278
Purchase of non current investments including associates		(36)	(67)
Investments in bank deposits (having original maturity of more than three months)		(16,312)	(881)
Proceeds from bank deposits (having original maturity of more than three months)		8,506	30,111
Dividends received		243	206
Interest received		4,165	2,072
Net cash used in investing activities	**(B)**	**(35,736)**	**(81,569)**

	Notes	March 31, 2014	March 31, 2013
Cash flows from financing activities			
Proceeds /(repayment) of short-term borrowings (net)		13,003	(7,935)
Proceeds from long-term borrowings		97,299	161,198
Repayment of long-term borrowings		(15,114)	(25,987)
Interest paid		(89,112)	(69,046)
Net cash flow from financing activities	**(C)**	**6,076**	**58,230**
Net decrease in cash and cash equivalents	**A+B+C**	(10,468)	(4,352)
Cash and cash equivalents at the beginning of the year		21,148	25,500
Cash and cash equivalents at the end of the year		10,680	21,148
Components of Cash and cash equivalent			
Cash on hand		3	3
Balances with banks on:			
Current accounts		10,490	11,609
Deposit account		148	9,522
Unpaid dividend accounts*		-	14
Total cash and cash equivalents	**Note 19**	**10,680**	**21,148**
Add: Fixed deposits classified in investing activities		16,719	8,002
Cash and bank balances as reported in consolidated balance sheet		**27,399**	**29,150**

*The Company can utilise these balances only towards settlement of the respective unpaid dividend

As per our report of even date

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

per Vikas Kumar Pansari
Partner
Membership No. 93649

Place: Hyderabad
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For and on behalf of the Board of Directors of
GVK Energy Limited

Dr G. V. Krishna Reddy
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Company Secretary

Notes to consolidated financial statements for the year ended March 31, 2014

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

1. Nature of operations

GVK Energy Limited ("Parent Company" or "the Company" or "GVKEL") is primarily engaged in the business of providing operating and maintenance services to owners of power plants. The Parent Company together with its subsidiaries and associate (collectively termed as "the Group") has acquired substantial ownership interest into power generating assets and exploration of coal mines.

The following is the brief description of the subsidiaries:

a) GVK Industries Limited ("GVKIL" or "Subsidiary Company") is engaged in the business of generation of power.

b) Alaknanda Hydro Power Company Limited ("AHPCL" or "Subsidiary Company") is engaged in the business of generation of power.

c) GVK Power (Goindwal Sahib) Limited ("GVKPGSL" or "Subsidiary Company") is engaged in the business of generation of power.

d) GVK Coal (Tokisud) Company Private Limited ("GVKCCPL" or "Subsidiary Company") is engaged in the business of mining of coal meant.

e) GVK Gautami Power Limited ("GVKGPL" or "Subsidiary Company") is engaged in the business of generation of power.

f) GVK Power (Khadur Sahib) Private Limited ("GVKPKSPL" or "Subsidiary Company") is engaged in the business of generation of power.

The following is the brief description of the associate:

a) Seregarha Mines Limited ("SML" or "Associate Company") is engaged in exploration of coal mines.

2. Statement of significant accounting policies

a. Basis of preparation

The consolidated 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 the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

b. Principles of consolidation

Investments in subsidiaries and associate in consolidated financial statements are accounted in accordance with accounting principles as defined in the AS 21 "Consolidated financial statements" and AS 23 "Accounting for investments in associate in consolidated financial statements" notified by Companies (Accounting Standards) Rules, 2006 (as amended) respectively. The consolidated financial statements are prepared on the following basis:

i) Subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealized profits or losses, except where cost cannot be recovered.

ii) The difference between the cost to the Group of investments in subsidiaries and the proportionate share in the equity of the subsidiary company as at the date of acquisition of stake is recognized in the consolidated financial statements as Goodwill or Capital Reserve, as the case may be.

iii) Minorities' interest in net profits of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the consolidated balance sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity in the absence of the contractual obligation on the minorities, the same is accounted for by the Company.

iv) Investments in associate are accounted for using equity method. The excess of cost of investment over the proportionate share in equity of the associate as at the date of acquisition of stake is identified as Goodwill and is disclosed as part of investment in associate in the consolidated financial statements. The carrying amount of the investment is adjusted thereafter for the post-acquisition change in the share of net assets of associate. However, share of losses is accounted for only to the extent of the cost of investment. Subsequent profits of such associate are not accounted for unless the accumulated losses (not accounted for by the Group) are recouped.

v) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's stand-alone financial statements.

vi) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended March 31, 2014.

vii) As per Accounting Standard 21, only those notes which are material need to be disclosed. Materiality for this purpose is assessed in relation to the information contained in the consolidated financial statements. Further, additional statutory information disclosed in separate financial statements of the subsidiary and/ or a parent having no bearing on the true and fair view of the consolidated financial statements are not disclosed in the consolidated financial statements.

The consolidated financial statements as at and for the year ended on March 31, 2014 include the financial statements of the following entities:

Name of the consolidated entity	Country of Incorporation	Nature of Interest	% of interest	
			2014	2013
GVKIL	India	Subsidiary	100.00	100.00
AHPCL	India	Subsidiary	100.00	100.00
GVKPGSL	India	Subsidiary	100.00	100.00
GVKCCPL	India	Subsidiary	100.00	100.00
GVKGPL	India	Subsidiary	63.60	63.60
GVKPKSPL	India	Subsidiary	100.00	100.00
SML	India	Associate	44.45	44.45

c. **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.

d. **Tangible fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets 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.

Exchange differences 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.

Depreciation is provided on straight line method at the rates mentioned below, which are greater than or equal to the corresponding rates prescribed in Schedule XIV of the Act:

Particulars	Rates (SLM)
Factory building	3.34%
Non-factory building	1.63%
Plant and machinery	5.28%
Computers and computer equipments	16.21%
Office and electrical equipment	4.75%
Furniture and fixtures	6.33%
Vehicles	9.50%

Leasehold land is amortised over the period of the lease that is 30 years.

Fixed assets individually costing Rs.0.05 or less are fully depreciated in the year of purchase.

e. **Intangible assets and amortization**

An intangible asset is recognised, only where it is probable that future economic benefits attributable to the asset will accrue to the enterprise and the cost can be measured reliably. Intangible assets are stated at cost less accumulated amortization.

Software

Cost of software is amortised on a straight line basis over its estimated useful life which is three to six years.

Goodwill

Goodwill represents the excess of purchase consideration over the net book value of assets acquired of the subsidiary companies as on the date of investment. Goodwill is not amortized but is tested for impairment, where indicator of impairment exists and losses are recognized where applicable.

f. **Impairment**

The Group 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 Group 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 losses are recognised in statement of profit or loss.

g. Investments

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

h. Revenue recognition

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

i) Generation of power

Revenue from sale of energy is recognized on accrual basis in accordance with the provisions of the Power Purchase Agreements ("PPA") with Andhra Pradesh Transmission Corporation Limited ("AP Transco").

The subsidiary companies ('GVKIL' and 'GVKGPL') are eligible to receive incentive fees for every percentage point generated in excess of Plant Load Factor as defined in PPA with AP Transco. Such incentives are accrued on achievement of specified Plant Load Factor.

ii) Interest

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

iii) Dividends

Revenue is recognised when the shareholders'/unit holders' right to receive payment is established by the balance sheet date.

i. 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, except where exchange difference relate to long term borrowings.

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 period they occur.

j. Foreign currency translation

Foreign currency transaction and balances

i) Initial recognition

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

ii) 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.

iii) Exchange differences

From accounting periods commence on or after December 7, 2006, the group accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

❖ Exchange differences arising on a monetary item that, in substance, forms part of the group's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

❖ Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset. For this purpose, the group treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination.

❖ Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.

❖ All other exchange differences are recognized as income or as expenses in the period in which they arise.

k. Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

l. Retirement and other employee benefits

i) Retirement benefit in the form of Provident Fund is a defined contribution scheme. The contributions are charged to the statement of profit and loss of the year when the contributions are due. The company has no obligation 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 the statement of profit and loss 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.

m. Inventories

Raw materials, spares, stores and consumables are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

n. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years.

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 are recognized 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 realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

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 realized. 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.

o. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders 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.

p. 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 their present values 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.

q. 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.

r. Derivative instruments

As per the ICAI Announcement, accountings for derivative contracts, other than foreign currency forward contracts covered under AS 11, are marked to market on a portfolio basis, and the loss is charged to the income statement. Gains are ignored.

s. Contingent liabilities

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 group 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 recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

	March 31, 2014	March 31, 2013
Authorized shares		
1,500,000,000 (March 31, 2013: 1,500,000,000) equity shares of Rs.10 each	150,000	150,000
1,000,000,000 (March 31, 2013: 1,000,000,000) 0.001% compulsorily convertible preference (CCPS) of Rs.10 each	100,000	100,000
Issued, subscribed and fully paid-up shares		
338,117,648 (March 31, 2013: 338,117,648) equity shares of Rs.10 each	33,812	33,812
110,147,059 (March 31, 2013: 110,147,059) 0.001% CCPS of Rs.10 each	11,015	11,015
	44,827	**44,827**

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

Equity shares

	March 31, 2014		March 31, 2013	
	No.	Rs.	No.	Rs.
At the beginning of the year	338,117,648	33,812	338,117,648	33,812
Issued during the year	-	-	-	-
	338,117,648	**33,812**	**338,117,648**	**33,812**

Preference shares

	March 31, 2014		March 31, 2013	
	No.	Rs.	No.	Rs.
At the beginning of the year	110,147,059	11,015	110,147,059	11,015
Issued 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 carry cumulative dividend of 0.001% per annum. 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 ensuring Annual General Meeting. Each 0.001% compulsorily convertible preference share is convertible into 2.2 equity shares at price of Rs.45 per equity share, in a maximum period of 3 years from the date of issue viz. December 2010. During the current year, based on discussions between Management and CCPS holders, it has been decided that CCPS will be converted into equity shares in future at a mutually agreed date without any change in terms and conditions.

(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, 2014	March 31, 2013
GVK Power & Infrastructure Limited ('GVKPIL'), the holding company 250,000,000 (March 31, 2013: 250,000,000) equity shares of Rs.10 each fully paid	25,000	25,000

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

Name of the shareholder	As at March 31, 2014		As at March 31, 2013	
	No.	% holding	No.	% holding
Equity shares of Rs.10 each fully paid up				
GVK Power & Infrastructure Limited	250,000,000	73.94%	250,000,000	73.94%
3I India Infrastructure Investment Limited	47,058,824	13.92%	47,058,824	13.92%
Actis Infrastructure India PCC Limited	20,529,412	6.07%	20,529,412	6.07%
Indivest Pte Limited	20,529,412	6.07%	20,529,412	6.07%
CCPS of Rs.10 each fully paid				
3I India Infrastructure Investment Limited	58,823,529	53.40%	58,823,529	53.40%
Actis Infrastructure India PCC Limited	25,661,765	23.30%	25,661,765	23.30%
Indivest Pte Limited	25,661,765	23.30%	25,661,765	23.30%

(f) Shares reserved for issue under options

For details of shares reserved for issue on conversion of CCPS, please refer note 3 (c) regarding terms of conversion of preference shares. For details of shares reserved for issue on conversion of CCD, please refer note 5 regarding terms of conversion of debentures.

4. Reserves and surplus

	March 31, 2014	March 31, 2013
Capital reserve on acquisition	**36,888**	**36,888**
Securities premium account	129,391	129,391
Surplus/(deficit) in the statement of profit and loss		
Balance as per the last financial statements	(11,428)	5,992
Loss for the year	(20,603)	(17,420)
Net deficit in the statement of profit and loss	(32,031)	(11,428)
Total reserves and surplus	**134,248**	**154,851**

5. Long term borrowings

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Debentures				
83,322,610 (March 31, 2013: 83,322,610) 0.001% compulsorily convertible debentures of Rs.100 each (unsecured)	83,323	83,323	-	-
Term loans				
Indian rupee loan from banks (secured)	468,706	414,416	21,634	20,011
Foreign currency loan from banks (secured)	40,120	40,742	5,609	4,670
Indian rupee loan from financial institutions (secured)	215,446	182,056	8,802	12,465
Other loans and advances				
Buyers credit (secured)	-	9,552	11,350	-
Vehicle loan (secured)	-	-	-	20
	807,595	**730,089**	**47,395**	**37,166**
The above amount includes				
Secured borrowings	724,272	646,766	47,395	37,166
Unsecured borrowings	83,323	83,323	-	-
Amount disclosed under the head "other current liabilities" (note 10)	-	-	(47,395)	(37,166)
Net amount	**807,595**	**730,089**	**-**	**-**

Entity wise details of the above long term borrowings are as follows:

Name of the entities	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Parent Company	97,073	83,323	-	-
GVKIL	40,349	44,667	8,887	8,849
AHPCL	342,493	301,978	14,374	8,841
GVKPGSL	229,069	197,297	7,837	7,305
GVKCCPL	18,222	13,610	-	-
GVKGPL	80,389	89,214	16,297	12,171
	807,595	**730,089**	**47,395**	**37,166**

The details of the security, repayment and other terms are as follows:

a. Parent Company

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Debentures				
83,322,610 (March 31, 2013: 83,322,610) 0.001% compulsorily convertible debentures of Rs.100 each (unsecured)	83,323	83,323	-	-
Term loans				
Indian rupee loan from financial institutions (secured)	13,750	-	-	-
	97,073	**83,323**	**-**	**-**

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. Post money valuation of the Company has been pegged in the range of Rs. 276,100 to Rs. 425,000. The conversion date coincides with note 3(c) above.

Term loan from financial institution was taken during the current year and carries interest rate of 14.5% p.a. The loan is repayable in three annual installments starting from March 30, 2016. The loan is secured by:

Pledge of such number of shares of Alaknanda Hydro Power Company Limited (AHPCL) which are sufficient/ required to maintain the required security margin. Provided that initially 40% of equity shares of AHPCL shall be pledged.

Pledge of 26% full paid up equity shares of the borrower.

b) GVKIL

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Term loans				
Indian rupee loan from banks (secured)	25,511	29,068	5,899	5,823
Foreign currency loan from banks (secured)	9,758	10,762	2,121	1,922
Indian rupee loan from financial institutions (secured)	5,080	4,837	867	1,100
Other loans and advances				
Vehicle loan (secured)	-	-	-	4
	40,349	44,667	8,887	8,849
The above amount includes				
Secured borrowings	40,349	44,667	8,887	8,849
Unsecured borrowings				
Amount disclosed under the head "other current liabilities"	-	-	(8,887)	(8,849)
Net amount	**40,349**	**44,667**	**-**	**-**

A. Rupee term loans from banks (other than one loan from State Bank of India of Rs. 1,000, additional term loans of Rs.3,791 from banks and financial institutions) and foreign currency loan from banks are secured by:

i. Pari passu first mortgage and charge on all the immovable and movable properties (both tangible and intangible), present and future of the expansion project and assets common for both Phase I and Phase II;

ii. Pari passu first charge on all the immovable and movable properties (both tangible and intangible), present and future, pertaining to Phase I;

iii. Pari passu first charge/assignment/security interest on all the revenues/receivables of Phase II;

iv. Pari passu first charge/assignment/security interest on subsidiary company's rights under Phase II agreements, in respect of all clearances, licenses, permits, approvals and consents in respect of the expansion project and letters of credit, guarantee or performance bond that may be provided in favour of subsidiary company; and

v. Pledge of 28% of shares of the subsidiary company held by GVKEL.

B. Loan from State Bank of India is secured by hypothecation of first charge on spares and pari-passu first charge on fixed assets of Phase I.

C. Additional rupee term loan from banks and financial institutions aggregating to Rs. 3,791 are secured by:

i. Pari passu first charge by way of mortgage on all immovable and movable both tangibles and intangibles present and future of Phase II, subject to prior mortgage and charge in favour of banks and financial institutions;

ii. First charge on all the immovable and movable properties both tangible and intangible of Phase I including receivables and shared facilities, subject to prior mortgage and charge in favour of banks and financial institutions;

iii. Collaterally secured by way of first charge/assignment/security on all the revenues/receivables of Phase II; and

iv. Pledge of 51% of shares of the subsidiary company held by GVKEL.

D. Repayment and other terms of loans as follows:

i. Rupee loan from State Bank of India amounting to Rs. 1,000 is repayable in 12 quarterly installments from June 2012 and currently carries interest of 18.10% per annum;

ii. Rupee loans from banks other than loan from State Bank of India are repayable in 43 quarterly installments from 2008-09, and currently carries interest of 11.35% per annum;

iii. Additional rupee term loans from banks and financial institutions are repayable in 16 quarterly installments from April 1, 2015, and currently carries interest of 11.35% to 12.5% per annum;

iv. Term loans from financial institution are repayable in 43 quarterly installments from 2008-09, and carries interest of 10.70% and 11.35% for the two tranches; and

v. Foreign currency loan is repayable in 13 half yearly foreign currency installments from 2008-2009 and 13 quarterly rupee installments from 2015-2016. Interest is payable half yearly at 6 Month Libor plus 2.50% margin and interest on rupee installments would be agreed at the time of conversion.

E. The Vehicle loan was secured by charge over fixed asset i.e. vehicle for which finance is provided by the lender. It was repayable in 36 installments and carried an interest rate of 9.60% p.a and was repaid during the year.

c. AHPCL

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Term loans				
Indian rupee loan from banks (secured)	209,428	182,599	7,354	4,338
Foreign currency loan from banks (secured)	20,355	19,268	1,215	1,101
Indian rupee loan from financial institutions (secured)	112,710	100,111	5,805	3,402
	342,493	301,978	14,374	8,841
The above amount includes				
Secured borrowings	342,493	301,978	14,374	8,841
Unsecured borrowings	-	-	-	-
Amount disclosed under the head “other current liabilities”	-	-	(14,374)	(8,841)
Net amount	**342,493**	**301,978**	**-**	**-**

A. Rupee term loans from banks, financial institutions and foreign currency loan from bank are secured by:

i. Mortgage on the subsidiary company's immovable properties present and future;

ii. Hypothecation of all the movables, including movable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future;

iii. All cash flows, book debts and receivables and any other revenues of whatsoever nature and wherever arising and all intangibles including but not limited to goodwill, uncalled capital, present and future; and

iv. Assignment or creation of security interest in:

- All rights, titles, interest, benefits, claims and demands whatsoever of the subsidiary company in the project documents, duly acknowledged and consented to by the relevant counter parties to such project documents, all as amended, varied or supplemented from time to time;
- All rights, title, interest, benefits, claims and demands whatsoever of the subsidiary company in the clearances;
- All rights, title, interest, benefits, claims and demands whatsoever of the subsidiary company in any letter of credit, guarantee, performance bond provided by any party to the project document;
- Escrow Account and other reserves, and any other bank accounts of the subsidiary company wherever maintained;
- All insurance contracts / insurance proceeds;
- Pledge of 60% of equity shares issued or to be issued by the subsidiary company during the currency of the term loans;
- The aforesaid mortgages, hypothecation, assignment charges and pledge of shares, shall in all respects, rank pari passu interest; and
- The Lenders, at their option, have a right to convert the whole or part of the Loan into equity, at par, in case of default in payment of two consecutive installments and / or interest without prior intimation.

v. Corporate guarantee of GVKEL.

B. Repayment and other terms of loans are as follows:

i. Rupee term loans aggregating to Rs. 25,228 are repayable in 40 quarterly installments commencing from September 2014. Balance Rupee term loan are repayable in 50 quarterly installments commencing September/October 2014;

ii. The foreign currency loans are repayable in 60 quarterly installments commencing from January 1, 2012; and

iii. The rupee term loans from banks currently carries interest of 12.35%. The rupee term loans from financial institutions, currently carries interest in the range of 13.25% to 13.75%. Foreign currency loan carries floating rate of interest at 3 month LIBOR + 248 bps (i.e.2.48%).

d. GVKPGSL

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Term loans				
Indian rupee loan from banks (secured)	192,209	164,414	5,707	6,087
Indian rupee loan from financial institution (secured)	36,860	32,883	2,130	1,216
Other loans and advances				
Vehicle loan (secured)	-	-	-	2
	229,069	197,297	7,837	7,305
The above amount includes				
Secured borrowings	229,069	197,297	7,837	7,305
Unsecured borrowings	-	-	-	-
Amount disclosed under the head “other current liabilities”	-	-	(7,837)	(7,305)
Net amount	**229,069**	**197,297**	**-**	**-**

A. Rupee term loans from banks and financial institutions are secured by:

i. The subsidiary company’s all movable, immovable properties and receivables present and future;

ii. Assignment or creation of charge of all the right, title, interest, benefits, claims and demands whatsoever in the project documents; and

iii. Pledge of 51% of equity shares held by GVKEL.

B. Repayment and other terms of loans are as follows:

i. 70% of rupee loans of Rs. 53,908 are repayable in 46 quarterly installments commencing from November 1, 2013 and balance of 30% are repayable in a single/bullet repayment installment along with 46th quarter installment. The rupee term loans currently carries interest at 13.25% per annum;

ii. 70% of balance rupee loans are repayable in 46 quarterly installments commencing from January, 2015 and the balance 30% is repayable in a single/bullet repayment installment along with 46th quarter installment. The rupee term loans currently carries interest at 13.25% per annum.

C. The vehicle loan was secured by charge over fixed assets i.e. vehicle for which finance was provided by the lender. The loan was repayable in 36 installments and carried interest of 8.75% per annum and was repaid during the year.

D. In few cases, the subsidiary company has not made payment of principal as certain banks have not yet approved restructuring proposal. The details of payments not made as at March 31, 2014 are as follows:

Particulars	Nature of due	Amount	Period of delay March 31, 2014	Period of delay March 31, 2013
Indian rupee loan from banks (secured)	Principal	1,065	Upto 121 days	Nil
Indian rupee loan from financial institution (secured)	Principal	609	Upto 121 days	Nil

e. GVKCCPL

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Term loans				
Indian rupee loan from banks (secured)	18,222	13,610	-	-
The above amount includes				
Secured borrowings	18,222	-	-	-
Unsecured borrowings	-	-	-	-
Amount disclosed under the head "other current liabilities"	-	-	-	-
Net amount	**18,222**	**13,610**	**-**	**-**

A. Rupee term loans from banks are secured by:

i. First charge on all movable, immovable properties and receivables present and future;

ii. Assignment or creation of charge of all the right, title, interest, benefits, claims and demands whatsoever in the project documents; and

B. Pledge of 51% of equity shares held by GVKEL.

Repayment and other terms of loans are as follows:

Rupee term loans are repayable in 37 equal quarterly installments commencing from December 31, 2014 and are scheduled to be repaid fully by April 1, 2024. The loans currently carry interest at 13.65% p.a. subject to reset.

f. GVKGPL

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Term loans				
Indian rupee loan from banks (secured)	23,337	24,724	2,674	3,763
Foreign currency loan from banks (secured)	10,006	10,712	2,273	1,647
Indian rupee loan from financial institutions (secured)	47,046	44,226	-	6,747
Other loans and advances				
Buyers credit (Secured)	-	9,552	11,350	
Vehicle loan (secured)	-	-	-	14
	80,389	89,214	16,297	12,171
The above amount includes				
Secured borrowings	80,389	89,214	16,297	12,171
Unsecured borrowings				
Amount disclosed under the head "other current liabilities"	-	-	(16,297)	(12,171)
Net amount	**80,389**	**89,214**	**-**	**-**

A. Rupee term loans from banks, financial institutions and foreign currency loans from banks are secured by:

i. Pari passu first charge by deposit of title deeds of immovable properties in respect of project land;

ii. Pari passu first charge in the form of hypothecation of all movable assets of the project both present and future except specified receivables on which first charge was given to working capital lender;

iii. Pari passu first charge/assignment/security interest on/off all the rights, titles, interest and benefits and all licenses, permits, approvals and consents in respect of the project; and

iv. Pledge of 51% shares of paid-up capital of the subsidiary company held by GVKEL.

B. Buyers credit is secured by:

i. Exclusive charge on spares of the subsidiary company; and

ii. Second charge on the fixed assets of the subsidiary company on pari passu basis with the working capital lenders.

C. Repayment and other terms of loans are as follows:

i. Rupee term loans from banks aggregating to Rs. 4,296 and Rs. 1,933 are repayable in 30 and 15 quarterly installments respectively commencing from October 2016. Balance term loans from banks are payable in 43 installments ending on March 15, 2020. All Indian rupee term loans from banks currently carries interest of 12% per annum;

ii. Foreign currency loan carries interest at 3 M Libor plus 2.50% margin. The loans are repayable in 43 quarterly installments commencing from 2008-09;

iii. Rupee term loans from financial institution currently carries interest rate of 12.25%. The loans are repayable in 30 quarterly installments commencing from October 2016; and

iv. Buyer's credit is repayable by March 2015 and carries interest at the rate of 0.93% per annum.

D. Vehicle loans were secured by charge over fixed asset i.e. vehicle, for which finance is provided by the lender and carried interest of 9.36% and 9.61% for the two loans. These loans are repaid during the year.

E. In few cases the subsidiary company has not made payment of principal as certain banks have not yet approved restructuring proposal. The details of payments not made as at March 31, 2014 are as follows:

Particulars	Nature of due	Amount	Period of delay March 31, 2014	Period of delay March 31, 2013
Indian rupee loan from banks (secured)	Principal	535	Upto 76 days	Nil
Foreign Currency loan from banks(secured)	Principal	455	Upto 15 days	Nil

6. Deferred tax liabilities and assets

	March 31, 2014	March 31, 2013
Deferred tax liabilities (net)		
Depreciation	6,361	3,985
Brought forward losses and unabsorbed depreciation*	(3,493)	-
Others	317	426
	3,185	**4,411**
Deferred tax assets (net)		
Provision for retirement benefits	17	30
Depreciation	(1)	(2)
Gross deferred tax asset	16	28

* Restricted to the extent of deferred tax liability at entity level.

Note:

In accordance with the terms and conditions of the Power Purchase Agreement ('PPA') with AP Transco, GVKIL is entitled for reimbursement of tax on income. Since deferred tax liability is created based on tax laws, timing difference reversing after tax holiday period but within the period of power purchase agreement amounting to Rs. 930 (March 31, 2013: Rs. 1,837) has been accrued as unbilled revenues. Further, the subsidiary company has created deferred tax liability on such unbilled revenue to the extent not expected to be reimbursed by AP Transco.

7. Trade Payables and Other long-term liabilities

	March 31, 2014	March 31, 2013
Trade payables	48,216	-
Other long-term liabilities		
Retention money	529	364
	529	364

8. Provisions

	Long-term		Short-term	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Provision for employee benefits				
Provision for gratuity (note 27)	142	240	7	4
Provision for leave benefits	-	-	133	178
	142	**240**	**140**	**182**
Other provisions				
Provision for income tax (net)	-	-	720	919
	-	-	720	919
	142	**240**	**860**	**1,101**

9. Short term borrowings

	March 31, 2014	March 31, 2013
Cash credit (secured)	3,611	2,080
Overdraft from banks (secured)	-	8
Overdraft from banks (unsecured)	1,822	-
Other loans and advances		
- Loan from banks (secured)	6,758	-
- Loan from banks (unsecured)	2,900	-
	15,091	**2,088**
The above amount includes		
Secured borrowings	10,369	2,088
Unsecured borrowings	4,722	-

Entity wise details of the borrowings are as follows:

Name of the entities	March 31, 2014	March 31, 2013
GVKIL	6,511	2,080
AHPCL	1,822	-
GVKGPL	-	8
GVKPGSL	6,758	-
Total	**15,091**	**2,088**

a. GVKIL

	March 31, 2014	March 31, 2013
Cash credit from banks (secured)	3,611	2,080
Other loans and advances		
- Loan from banks (unsecured)	2,900	-
	6,511	**2,080**

A. Cash credit from banks are secured by:

i. In respect of Phase I working capital lenders, first charge on receivables of Phase-I on Pari passu basis and second charge on fixed assets of Phase I; and

ii. In respect of Phase-II working capital lenders, first charge on fixed assets and on current assets of Phase II on pari passu with Phase II term lenders.

B. Cash credit carries interest at PLR+ margin which ranged from 12.75% to 18% per annum.

C. Unsecured loans from banks are repayable on demand and carries interest at 9.50% to 9.75% per annum.

b. AHPCL

	March 31, 2014	March 31, 2013
Overdraft from banks (Unsecured)	1,822	-

Overdraft currently carries interest rate in range of 9% to 9.50% per annum.

c. GVKGPL

	March 31, 2014	March 31, 2013
Overdraft from banks (secured)	-	8

Overdraft was secured by first charge on the entire current assets of the subsidiary company, including receivables and second charge on the entire fixed assets of the subsidiary company on pari-passu basis. Interest was payable at 12.5% p.a and the loan was repaid during the year.

d. GVKPGSL

	March 31, 2014	March 31, 2013
Other loans and advances		
Loan from banks (secured)	6,758	-

A. Loan is secured by:

i. Second charge on all immovable and movable assets of the subsidiary company present and future;

ii. Corporate Guarantee of GVKPIL; and

iii. Pledge of equity shares aggregating to Rs. 7,700 held by GVK Energy Limited.

B. Loan presently carries interest of 14.75% p.a.

10. Trade payable and other current liabilities

	March 31, 2014	March 31, 2013
Trade payables	5,159	28,860
Other current liabilities		
Current maturities of long-term borrowings (note 5)	47,395	37,166
Interest accrued but not due on borrowings	1,831	1,664
Interest accrued and due on borrowings (note below)	8,136	-
Unpaid dividends	-	14
Retention money	33,775	36,154
Advances from customers	-	54
Payable for capital goods	14,021	25,535
Other liabilities	639	621
	105,797	**101,208**

Notes:

A. The subsidiary company, GVKPGSL has not made payment of interest dues in certain cases. The details of payments not made as at March 31, 2014 are as follows:

Particulars	Nature of due	Amount	Period of delay March 31, 2014	Period of delay March 31, 2013
Indian rupee term loan from banks (secured)	Interest	5,163	Upto 60 days	Nil
Indian rupee term loans from financial institutions (secured)	Interest	1,533	Upto 90 days	Nil

B. The subsidiary company, GVKGPL has not made payment of interest dues in certain cases. The details of payments not made as at March 31, 2014 are as follows:

Particulars	Nature of due	Amount	Period of delay March 31, 2014	Period of delay March 31, 2013
Indian rupee term loan from banks (secured)	Interest	436	Upto 60 days	Nil
Foreign currency term loans (secured)	Interest	84	Upto 16 days	Nil

C. The subsidiary company, GVKIL has not made payment of interest dues in certain cases. The details of payments not made as at March 31, 2014 are as follows:

Particulars	Nature of due	Amount	Period of delay March 31, 2014	Period of delay March 31, 2013
Indian rupee term loan from banks (secured)	Interest	723	Upto 89 days	Nil
Foreign currency term loans (secured)	Interest	197	Upto 71 days	Nil

Note 11: Tangible assets

	Freehold Land	Leasehold Land	Factory building	Non-factory building	Plant and machinery	Computers and computer equipments	Office equipment	Electrical equipment	Furniture and fixtures	Vehicles	Total
Cost											
As at April 1, 2012	33,769	1,253	6,752	8,577	336,646	522	710	184	707	412	389,532
Additions	9,201	-	45	-	1,790	27	98	-	49	2	11,212
Disposals	368	-	3	-	-	-	-	-	-	-	371
Other adjustments											
- Exchange differences	-	-	-		3,247	-	-	-	-	-	3,247
As at March 31, 2013	**42,602**	**1,253**	**6,794**	**8,577**	**341,683**	**549**	**808**	**184**	**756**	**414**	**403,620**
Additions	778	-	-	-	3,276	2	16	-	38	58	4,168
Disposals	-	-	-	-	-	-	-	-	-	20	20
Other adjustments											
- Exchange differences	-	-	-	-	2,646	-	-	-	-	-	2,646
As at March 31, 2014	**43,380**	**1,253**	**6,794**	**8,577**	**347,605**	**551**	**824**	**184**	**794**	**452**	**410,414**
Depreciation											
As at April 1, 2012	**-**	**150**	**2,119**	**964**	**107,670**	**344**	**169**	**42**	**229**	**181**	**111,868**
Charge for the year	-	42	331	47	16,444	48	62	6	32	36	17,048
Disposals	-	-	3	-	-	-	-	-	-	-	3
As at March 31, 2013	**-**	**192**	**2,447**	**1,011**	**124,114**	**392**	**231**	**48**	**261**	**217**	**128,913**
Charge for the year	-	42	222	145	16,687	39	38	6	44	37	17,260
Disposals	-	-	-	-	-	-	-	-	-	16	16
As at March 31, 2014	**-**	**234**	**2,669**	**1,156**	**140,801**	**431**	**269**	**54**	**305**	**238**	**146,157**
Net Block											
As at March 31, 2013	**42,602**	**1,061**	**4,347**	**7,566**	**217,569**	**157**	**577**	**136**	**495**	**197**	**274,707**
As at March 31, 2014	**43,380**	**1,019**	**4,125**	**7,421**	**206,804**	**120**	**555**	**130**	**489**	**214**	**264,257**

Notes to consolidated financial statements for the year ended March 31, 2014
(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

Note 12: Intangible assets

	Goodwill	Software	Total
Cost			
As at April 1, 2012	1,018	263	1,281
Additions	-	6	6
Disposals	-	-	-
As at March 31, 2013	**1,018**	**269**	**1,287**
Additions	-	17	17
Disposals	-	-	-
As at March 31, 2014	**1,018**	**286**	**1,304**
Depreciation			
As at April 1, 2012	**-**	**106**	**106**
Charge for the year	-	66	66
Disposals	-	-	-
As at March 31, 2013	**-**	**172**	**172**
Charge for the year	-	56	56
Disposals	-	-	-
As at March 31, 2014	**-**	**228**	**228**
Net Block			
As at March 31, 2013	**1,018**	**97**	**1,115**
As at March 31, 2014	**1,018**	**58**	**1,076**

13. Expenditure incurred during construction period

Particulars	As at April 1, 2013	Additions during the year	As at March 31, 2014
Personnel expenses:			
Salaries, allowances and bonus	4,743	1,747	6,490
Contribution to provident and other funds	218	138	356
Staff welfare	218	78	296
Power, fuel and water charges	842	1,990	2,832
Stores and consumables	463	110	573
Rent	967	326	1,293
Rates and taxes	268	68	336
Communication costs	286	83	369
Travelling and conveyance	4,112	756	4,868
Legal and professional charges	14,535	2,851	17,386
Survey charges	12	1	13
Repairs and maintenance:			-
Building	626	112	738
Plant and machinery	27	9	36
Others	318	135	453
Insurance	2,680	752	3,432
Land lease charges	8	3	11
Printing and stationery	170	27	197
Remuneration to directors	652	80	732
Office and guest house maintenance	286	251	537
Exchange fluctuations	5,196	2,117	7,313
Miscellaneous expenses	1,919	514	2,433
Depreciation	1,059	280	1,339
Financial expenses:			
Interest expenses	128,127	72,162	200,289
Bank charges	172	834	1,006
Sub Total - (A)	**167,904**	**85,424**	**253,328**
Less:			
Interest income	907	255	1,162
Dividend income from mutual funds	1,621	242	1,863
Profit on sale of mutual funds	101	8	109
Provisions no longer required written back	688	3	691
Miscellaneous income	452	102	554
Insurance claim	506	3,607	4,113
Gain on forward contracts	141	-	141
Sub Total- (B)	**4,416**	**4,217**	**8,633**
Balance carried to balance sheet (A-B)	**163,488**	**81,207**	**244,695**

14. Non-current investments

	March 31, 2014	March 31, 2013
Trade investments (unquoted, at cost)		
Investment in associate		
Seregraha Mines Limited		
4,237,242 (March 31, 2013: 22,225) equity shares of Rs. 10 each fully paid up	424	2
	424	2

15. Loans and advances

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Loan and advances to related parties				
Unsecured, considered good				
Loan to EMRI	-	-	-	1,264
Inter corporate deposit to fellow subsidiaries	75	11,237	-	-
(A)	75	11,237	-	1,264
Capital advances				
Unsecured, considered good	25,881	14,723	-	-
(B)	25,881	14,723	-	-
Deposits				
Unsecured, considered good	730	1,005	7	7
(C)	730	1,005	7	7
Advances recoverable in cash or kind				
Unsecured considered good	6,421	921	2,190	1,268
(D)	6,421	921	2,190	1,268
Other loans and advances (Unsecured, considered good)				
Advance income-tax (net of provision for taxation)	1,045	1,421	1,254	-
Prepaid expenses	-	-	778	595
Others	-	-	302	343
(E)	1,045	1,421	2,334	938
(A+B+C+D+E)	**34,152**	**29,307**	**4,531**	**3,477**

16. Trade receivables and other assets

i) Trade receivables

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	9,164	8,118	133	-
Other receivables				
Unsecured, considered good	1,078	-	-	2,178
	10,242	**8,118**	**133**	**2,178**

a. Trade receivables include accruals towards reimbursement of fixed charges for the financial years 1997-1998 to 2000-2001, on increased capital cost worked out as per ratios set out in the PPA aggregating to Rs.4,512 (March 31, 2013: Rs. 4,512) by GVKIL. The increased capital cost was subject to the approval of APERC. During the year, APERC has passed an Order allowing partial increase in capital cost. AP Transco has filed an appeal in Appellate Tribunal for Electricity (APTEL) against the APERC Order. The Company has also filed an appeal in APTEL against APERC Order for allowing only partial increase in capital cost. Pending approval of increased capital cost by APTEL, the claim for reimbursement of fixed charges has not been made on AP Transco based on the increased capital cost for the subsequent years. The subsidiary company contends that it is entitled to reimbursement of fixed charges on increased capital cost under the terms of PPA and accordingly considers these amounts as good and recoverable. The matter is pending hearing. The management of the subsidiary company based on its internal assessment and legal advice is confident of receiving approval of completed capital cost.

b. Trade receivables include amounts receivable from AP Transco towards reimbursement of minimum alternate tax under the provisions of Income Tax Act, 1961, for the period commencing from the financial year 2000-2001 up to the financial year 2010-2011, aggregating to Rs.3,530 (March 31, 2013: Rs. 3,530) are refuted by AP Transco. While the subsidiary companies contend that they are entitled to claim payments on account of minimum alternate taxes also under the provisions of PPA, AP Transco contends only taxes on the net taxable income under the regular provisions of the Income Tax Act, 1961 are reimbursable and not taxes levied on book profits under the deemed provisions of Section 115 JB of the Income Tax Act, 1961. Further, provision for current taxes is being made after considering reimbursable amount from AP Transco. During the current year, APTEL has passed an order in favour of one of the subsidiary company; however AP Transco has not made any payment towards the claim amount of Rs 1,500. Further, similar matter is pending at Supreme Court. Based on its internal assessment and legal advice, the subsidiary companies contend that these amounts are recoverable.

c. Trade receivables further include an amount of Rs.2,124 (March 31, 2013: Rs. Nil) being the disincentives recovered by AP Transco for allegedly GVKIL not achieving the minimum PLF as specified under PPA. The Management based on its computation of PLF believes that threshold as specified in PPA has been achieved and accordingly believes that AP Transco has incorrectly recovered the aforesaid amount. GVKIL is in the process of filing suit against AP Transco for recovery of the aforesaid amount. The management of the subsidiary company based on its internal assessment and legal advice is confident of recovery of the aforesaid amounts.

d. Trade receivables further include an amount of Rs.76 (March 31, 2013: Rs. 76) being the differential interest recovered by AP Transco considering the actual working capital limits as against the working capital limits computed as per the terms of the PPA and interest rate charged as per rates available with AP Transco and not with the subsidiary company. The subsidiary company has filed a petition under Section 9 of Arbitration & Conciliation Act 1996, and the City Civil Court of Hyderabad has restrained AP Transco from considering the lower level of working capital limits by granting a stay in the matter. The appeal filed by AP Transco before the High Court of Andhra Pradesh against the aforesaid stay, is pending disposal. The management of the subsidiary company based on its internal assessment is confident that the matter will be decided in its favour.

ii. **Other assets**

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Unsecured, considered good				
Non-current bank balances (note 19)	370	1,281	-	-
Non-current inventory (note 18)	18,887	12,390	-	-
Unamortised expenditure				
Unamortised portion of ancillary cost of arranging the borrowings	2,410	2,244	69	42
Others				
Unbilled revenues	-	-	2,427	2,668
Interest accrued on deposits	-	-	243	2,269
Advance for investments	-	-	-	8,000
Share application money to associate	18	404	-	-
Other receivables (note a)	-	-	9,285	43
	21,685	**16,319**	**12,044**	**13,022**

a. Other receivable include Rs. 9,228 towards interest paid to banks and financial institutions during moratorium period sanctioned by Central Government of India for flood affected region.

17. Current investments

	March 31, 2014	March 31, 2013
Current investments (valued at lower of cost and fair value)		
Other than trade (unquoted)		
Investments in units of Mutual Funds	794	24,902
	794	24,902

18. Inventories (valued at lower of cost and net realizable value)

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Stores, spares and consumables	18,887	12,390	288	6,635
Raw materials (fuel)	-	-	2,954	1,756
	18,887	**12,390**	**3,242**	**8,391**
Amount disclosed under non-current assets [note 16 (ii)]	(18,887)	(12,390)	-	-
	-	**-**	**3,242**	**8,391**

19. Cash and bank balances

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	10,490	11,609
– Deposits with originally maturity of less than three months	-	-	148	9,522
– On unpaid dividend account	-	-	-	14
Cheques/ drafts / Stamps on hand			39	-
Cash on hand	-	-	3	3
	-	**-**	**10,680**	**21,148**
Other bank balances				
– Deposits with original maturity for more than 3 months but less than 12 months	-	-	11,345	6,035
– Margin money deposit/security against borrowings	370	1,281	5,374	1,967
	370	1,281	16,719	8,002
Amount disclosed under non-current assets [note 16(ii)]	(370)	(1,281)	-	-
	-	**-**	**27,399**	**29,150**

20. Revenue from operations

	March 31, 2014	March 31, 2013
Revenue from operations		
Sale of electrical energy	36,698	89,545
	36,698	**89,545**

21. Other income

	March 31, 2014	March 31, 2013
Interest income on		
Bank deposits	1,071	2,226
Others	813	857
Dividend income on		
Non trade current investments	1	6
Profit on sale of investments		
Non trade current investments	352	902
Professional service fees	72	150
Profit on sale of fixed assets (net)	6	-
Liabilities written back	144	13
Credit note received for transmission charges	1,630	-
Miscellaneous income	40	3
	4,129	**4,157**

22. Employee benefit expense

	March 31, 2014	March 31, 2013
Salaries, wages and bonus	1,328	1,857
Contribution to provident and other funds	33	63
Retirement and other employee benefits	3	8
Staff welfare expenses	58	67
	1,422	**1,995**

23. Other expenses

	March 31, 2014	March 31, 2013
Operating and maintenance expenses	864	816
Rent	203	209
Rates and taxes	87	74
Insurance	433	562
Repairs and maintenance:		
- Buildings	204	54
- Plant and machinery	685	602
- Others	280	395
Vehicle hire charges	37	34
Electricity and water	96	104
Travel and conveyance	104	136
Communication	46	53
Printing and stationery	13	25
Legal and professional charges	869	1,269
Prompt payment rebate	1,225	2,545
Auditor’s remuneration (refer note below)	11	11
Directors’ sitting fee	14	14
Donation	-	55
Foreign exchange fluctuations (net)	882	55
Advances written off	-	1,372
Miscellaneous expenses	410	461
	6,463	**8,846**

Auditor’s Remuneration:

	March 31, 2014	March 31, 2013
As auditor:		
Audit fee	11	11
In other Capacity:		
Other services (certification fees)	0	0
Reimbursement of expenses	0	0
	11	**11**

24. Depreciation and amortization expense

	March 31, 2014	March 31, 2013
Depreciation of tangible assets	17,260	17,048
Amortization of intangible assets	56	66
	17,316	17,114
Less: Transfer to Expenditure incurred during construction period	280	295
	17,036	**16,819**

25. Finance costs

	March 31, 2014	March 31, 2013
Interest	17,505	14,450
Bank charges	1,038	542
	18,543	**14,992**

26. Earnings per share (EPS)

	March 31, 2014	March 31, 2013
Loss for the year	(20,603)	(17,420)
Less : dividends on compulsory convertible preference shares and tax thereon	0	0
Net profit for calculation of basic EPS	**(20,603)**	**(17,420)**
Net profit as above	(20,603)	(17,420)
Add: Interest on compulsory convertible debentures and tax thereon	1	1
Add : Dividends on compulsory convertible preference shares & tax thereon	0	0
Net profit for calculation of diluted EPS	**(20,602)**	**(17,419)**

	No.	No.
Weighted average number of equity shares in calculating basic EPS	338,117,648	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	338,117,648	338,117,648

* Anti- dilutive in nature, hence not considered.

27. Gratuity and other post-employment benefit plans

The Group operates one defined plan, viz., gratuity, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on retirement or termination at 15 days of last drawn salary for each completed year of service. The scheme is funded for all subsidiaries.

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, 2014	March 31, 2013
Current service cost	50	38
Interest cost on benefit obligation	23	20
Expected return on plan assets	(6)	(1)
Net actuarial(gain) / loss recognized in the year	(86)	10
Net benefit expense	(19)	67

B. Balance sheet

	March 31, 2014	March 31, 2013
Present value of defined benefit obligation	262	293
Fair value of plan assets	113	49
Net liability	149	244

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

	March 31, 2014	March 31, 2013
Opening defined benefit obligation	293	241
Opening defined benefit obligation on acquisition of subsidiary	-	4
Current service cost	50	38
Interest cost	23	20
Benefits paid	(16)	(19)
Actuarial (gains) / losses on obligation	(88)	9
Closing defined benefit obligation	**262**	**293**

D. Changes in the fair value of plan assets are as follows:

	March 31, 2014	March 31, 2013
Opening fair value of plan assets	49	-
Expected return	6	1
Contributions by employer	76	49
Benefits paid	(16)	-
Actuarial gains / (losses)	(2)	(1)
Closing fair value of plan assets	**113**	**49**

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

	March 31, 2014	March 31, 2013
Discount rate	9.25% p.a.	8% p.a.
Expected rate of return on assets	7% p.a.	7% p.a.
Employee turnover	5%	5%

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

28. Segment reporting

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

29. **Contingent liabilities**

A. **Parent Company**

a. The Company had pledged 24,480,000 shares held by the Company in GVK Industries Limited as security for loan of Rs. 20,000 taken by GVK Power & Infrastructure Limited, the holding company.

b. The Company had pledged 63,648,000 shares held by the Company in GVK Industries Limited as security for loan of Rs. 38,500 taken by GVK Airport Developers Private Limited, fellow subsidiary.

Management is of the opinion that the fellow subsidiary company and the holding company 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 provided.

B. **Subsidiary companies**

i. **GVKIL**

Particulars	March 31, 2014	March 31, 2013
On account of guarantees issued by banks	128	128
Service Tax demand on operator of the power plant*	1,182	986
Claims not acknowledged as debts*	1,865	1,883
Income tax demands pending in appeals*	5,979	477

* Management based on its internal assessment and/or legal advice is confident that the matter will be decided in the subsidiary company's favour.

- AP Transco has filed petition before APERC to consider interest on working capital charged by State Bank of India to its most credit worthy customers for the purpose of determining tariff for the year 2003-04. The subsidiary company is contesting the contention of AP Transco and is confident that the matter will be decided in its favour.

- As per the terms of contract with Bharat Petroleum Corporation Limited (BPCL) for supply of Naphtha, the subsidiary company has to pay for 80,000 MT at Rs.38.45 as 'Minimum off Take charges in the year in which there is no procurement. The subsidiary company is negotiating with BPCL to reduce the Minimum off Take quantity from 80,000 MT to 40,000 MT, which is under consideration by BPCL. Pending receipt of acceptance from BPCL, no provision is made in the books for the requested reduction of 40,000 MT, which worked out to Rs.105 (March 31, 2013: Rs. 105). The subsidiary company is confident of receiving acceptance from BPCL. Further, the contract with BPCL expired on Jan 29, 2012.

- AP State Load Despatch Centre (APSLDC) has filed petitions before the Andhra Pradesh Electricity Regulatory Commission (APERC) for appointment of adjudicating officer for assessment of charges to be levied for non-adherence to backing down instructions by GVK Power & Infrastructure Limited, operator of the power plant of the subsidiary. APSLDC has claimed an amount of Rs.1,320 (March 31, 2013 Rs.1,320) for the aforesaid non- compliance. APERC has appointed adjudicating officer to conduct an enquiry into the matter. Management based on its internal assessment is confident that the matter will be decided in the subsidiary company's favour.

- The subsidiary company approached AP Transco for new connection while constructing its new power plant upon which AP Transco raised demand of Rs.399 towards minimum monthly charges regarding electricity connection taken earlier which was surrendered on October 7, 1996. The subsidiary company filed petition before the APERC claiming levy of demand as arbitrary, which is disposed directing GVKIL to approach Consumer Grievance Redressal Cell as dispute is not connection with power purchase agreement. The GVKIL has filed a writ petition before the High Court of Andhra Pradesh contesting the matter is within ambit of PPA. The High Court of Andhra Pradesh has issued stay on demand. Management based on its internal assessment/ legal advice is confident that the matter will be decided in the subsidiary Company's favour.

ii. **AHPCL**

Particulars	March 31, 2014	March 31, 2013
On account of guarantees issued by banks	300	1,600
Claims not acknowledged as debts*	13,739	7,650
Disputed income tax demands*	120	120

* Management based on its internal assessment and/or legal advice is confident that the matter will be decided in the subsidiary company's favour.

iii. **GVKPGSL**

Particulars	March 31, 2014	March 31, 2013
On account of guarantees issued by banks	4,050	4,050

iv. **GVKGPL**

Particulars	March 31, 2014	March 31, 2013
Service Tax demand on operator of the power plant*	645	482
Claims not acknowledged as debts*	3,472	3,515
Disputed income tax demands*	1,669	-

* Management based on its internal assessment and/or legal advice is confident that the matter will be decided in the subsidiary company's favour.

❖ AP State Load Despatch Centre (APSLDC) has filed petitions before the Andhra Pradesh Electricity Regulatory Commission (APERC) for appointment of adjudicating officer for assessment of charges to be levied for non-adherence to backing down instructions by subsidiary. APSLDC has claimed an amount of Rs. 290 (March 31 2013: Rs.290) for the aforesaid non- compliance. APERC has appointed adjudicating officer to conduct an enquiry into the matter. Management based on its internal assessment is confident that the matter will be decided in favour of subsidiary company.

C. Associate company (to the extent of shareholding therein)

i. SML

Particulars	March 31, 2014	March 31, 2013
On account of guarantees issued by banks	1,441	1,441

30. Capital and other commitments

A) Parent and subsidiary companies

❖ 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 60 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 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%, 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.

- Estimated amounts of contracts (net of advances) remaining to be executed on capital account and not provided for is Rs. 20,551 (March 31, 2013: Rs. 53,207).

31. Related Party Transactions

During the year ended March 31, 2014, the Company has entered into certain related party transactions. Details of the related party and transactions are as follows:

Name of the related party	Nature of relationship
GVK Power & Infrastructure Limited	Holding Company
GVK Airport Developers Private Limited	Fellow Subsidiary
Goriganga Hydro Power Private Limited	
GVK Jaipur Expressway Private Limited	
GVK Transportation Private Limited	
Seregraha Mines Limited*	Associate
Dr. G V Krishna Reddy, Chairman and Director	Key management personnel
Mr. A Issac George , Director	
Mr. K Venugopal, Director	
Mrs. Indira Krishna Reddy, Director	
Mr. G V Sanjay Reddy, Director	
Mr. Krishna Ram Bhupal, Director	
TAJ GVK Hotels & Resorts Limited	Enterprises over which the key management personnel exercise significant influence
Paigah House Hotel Private Limited GVK Novopan Industries Limited	
Orbit Travel and Tours Private Limited	
GVK Technical & Consultancy Services Private Limited	
Pinakini Share and Stock Broker Limited	
Krishna Enterprises	
GVK Foundation	
GVK Emergency Management and Research Institute (a society registered under Societies Registration Act) (EMRI)	
GVK Projects and Technical Services Limited	

* through subsidiary Company

Related Party Transactions

Particulars	GVK Power & Infrastructure Limited	Gorigangs Hydro Power Private Limited	GVK Jaipur Expressway Private Limited	GVK Airport Developers Private Limited	GVK Projects and Technical Services Limited	GVK Technical & Consultancy Services Private Limited	GVK Novopan Industries Limited	Seregarha Mines Limited	GVK Foundation	GVK Transportation Private Limited	Pinakani Share and Stock Broker Limited	TAJ GVK Hotels & Resorts Limited	Orbit Travel and Tours Private Limited	GVK EMRI	Paigah House Hotel Private Limited	Krishna Enterprises	Mr. Issac George	Mr. Krishna Ram Bhupal	Dr.G V Krishna Reddy	Mr. K Venugopal	Mrs.G.Indira Krishana Reddy	Mr. G.V. Sanjay Reddy
Services received	1,375	-	-	-	15,377	2,778	-	-	-	-	3	26	278	-	-	-	-	-	-	-	-	-
	(1,395)	-	-	-	(26,025)	(3,236)	-	-	-	-	(7)	(30)	(280)	-	-	-	-	-	-	-	-	-
Services provided	80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(168)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	457	-	-	-	-	-	155	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	(591)	-	-	-	-	-	(253)	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127	28	-	37	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(127)	(28)	-	(37)	-	-	-	-
Donation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	(54)	-	-	-	-	-	-	-	-	-	-	-	-	-
Share application money given	-	-	-	-	-	-	-	36	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	(67)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in equity	-	-	-	-	-	-	-	422	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans/Advance taken	2,092	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(7,678)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans/Advance repaid	2,035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(7,510)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans/Advance given	-	1	-	-	6,745	105	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(17)	(8,862)	-	(300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans/Advance recovered	-	-	-	8,862	1,705	105	-	-	-	2,300	-	-	-	1,264	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,000)	-	-	-	-	-	-	-	-
Remuneration paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22	77	-	75	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(39)	(65)	-	(65)	-	-
Remuneration recovered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(39)	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expenses	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sitting fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	1	1	-	1	1
Guarantees released	3,146	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(9,878)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance outstanding																						
Receivable/(Payable)																						
March 31, 2014	(146)	1	4	-	(5,263)	310	29	18	-	15	(9)	1	(17)	-	-	-	-	-	-	-	-	-
March 31, 2013	(55)	-	5	9,394	(16,395)	386	-	404	-	2,537	(6)	(1)	(1)	1,264	-	-	-	-	-	-	-	-
Coporate guarantee	4,350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(7,496)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: 1. Previous year figures are in parenthesis except for receivable/(payable) at year end

2. Refer note 29 for details of shares pledged by the Company for securing loan of holding company and fellow subsidiary.

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

32. **Derivative Instruments and Un hedged foreign currency exposure**

Particulars of unhedged foreign currency:

Particulars	March 31, 2014	March 31, 2013
Payables		
Loans	45,729	45,412
Buyers credit	11,350	9,552
Other current liabilities	1,154	-

33. The Reserve Bank of India ('RBI') had issued guidelines for Core Investment Companies (CIC) on January 5, 2011 pursuant to which Core Investment Companies (CIC) are exempted from applying for registration with RBI. In the previous year, GVKEL had evaluated the guidelines and concluded that it is a CIC and accordingly exempt from registration requirements, however in the current year the company has taken a loan from financial institution and is accordingly it has become SI- CIC and no longer exempt from registration requirements. The Company believes that its core activity now and in future is going to be operation and maintenance of power plants and accordingly believes that its status of SI- CIC is temporary.

34. During the previous year, GVKEL and GVKIL had provided security by way of pledge of its shares in GVKIL and by creating second pari passu charge as the current and fixed assets respectively with respect to a loan of Rs. 20,000 taken by GVKPIL, in respect of which prior approval of Central Government was required under the provisions of Section 295 of the Companies Act, 1956. GVKEL and GVKIL had applied to the Central Government prior to sanction of such loan, however, the loan was drawn pending approval from Central Government. During the current year, Central Government has returned the applications and advised GVKEL and GVKIL to take necessary steps to ensure compliance with corresponding section of Companies Act 2013, i.e., Section 185 and also other statutory provisions of the Companies Act, 2013. GVKEL and GVKIL are in the process of taking necessary steps to ensure compliance with Section 185 of Companies Act, 2013.

35. 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. 15,655 (March 31, 2013: Rs. 15,659). 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. 209,670 (March 31, 2013: Rs. 220,491) has during the current financial year achieved Nil PLF (March 31, 2013: 29.49%) and Nil PLF (March 31, 2013: 24.52%) respectively. Also, GVKIL and GVKGPL have incurred losses of Rs. 7,888 (March 31, 2013: Rs. 8,547) and Rs. 21,103 (March 31, 2013: Rs. 15,332) respectively. However, both the Companies have already tied up with lead bankers and majority of other consortium lenders for additional loans/ moratorium for payments of loan and are confident of receiving approval from the remaining lenders. Further, the Company and Association of Power Producers are closely monitoring the situation and evaluating various approaches such as installing alternate fuel equipment (already done by GVKGPL and GVKIL) etc. to deal with the situation and Management of the Company is confident that Government of India will take necessary steps/initiatives to improve the situation of natural gas. Further, Management based on its rights under power purchase agreement to recover capacity charges and receipt of the approval from majority of the consortium lenders, believes the subsidiary companies will continue to be in operation in foreseeable future despite continued losses. The Management accordingly believes that fixed assets with carrying value of Rs. 225,325 are recoverable in normal course of business.

36. Due to lower supply/availability of gas, GVKIL and GVKGPL have installed alternate fuel equipment in current and previous year respectively declaring plant availability at full capacity to AP Transco as fuel for running alternate fuel equipment is available with the subsidiary. GVKGPL and GVKIL are accordingly claiming full capacity charges i.e. at 80% PLF post installation of alternate fuel equipment as envisaged in Power Purchase Agreement (PPA), however AP Transco is refuting the same stating that the subsidiaries are entitled to capacity charges only to the extent of PLF achieved in a tariff year based on actual/deemed generation by using gas plant and not deemed generation by declaring availability based on alternate fuel equipment. GVKGPL has filed a petition with APERC for advising AP Transco to pay full capacity charge. Pending approval from APERC, the subsidiaries have deferred recognition of revenue aggregating to Rs. 38,450 (March 31, 2013: Rs.23,690).

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

38. Previous year figures have been regrouped/re-arranged wherever necessary to conform to current year classification.

As per our report of even date

For S. R. Batliboi & Associates LLP ICAI Firm Registration No : 101049W **Chartered Accountants**	For and on behalf of the Board of Directors of **GVK Energy Limited**	
per Vikas Kumar Pansari Partner Membership No. 93649	**Dr G. V. Krishna Reddy** Chairman	**G V Sanjay Reddy** Director
Place: Hyderabad Date: May 15, 2014	**K. Venugopal** Director & CFO	**T Ravi Prakash** Company Secretary

Standalone Financials Statements

INDEPENDENT AUDITOR'S REPORT

To
The Members of **GVK Energy Limited**
Report on the Financial Statements

We have audited the accompanying financial statements of GVK Energy Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and 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

Management is responsible for the preparation of these 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 notified under the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control 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 financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to:

a. Note 26 of the notes to financial statements regarding security provided by the Company for loan taken by its holding company amounting to Rs. 20,000 lakhs, covered by the provisions of Section 295 of the Companies Act, 1956, where the subsidiary company made application for approval to Central Government, however the holding company obtained the loan pending approval of the application. Further, during the current year, Central Government has returned the application and advised the Company to ensure compliance with provisions of Section 185 of Companies Act, 2013, which the Company is in the process of complying.

b. Note 29 of notes to financial statements, regarding uncertainty towards supplies/availability of natural gas to power generating plants and power projects under construction of subsidiary companies. Also, during the year, the subsidiary companies have received the approval of the lead bankers and also majority of the consortium lenders for additional loans/moratorium for payments and are confident of receiving approval from the remaining lenders. The Management is confident of obtaining the requisite gas allocation/recover fixed charges and accordingly believes that investments and advances with carrying value of Rs. 64,295 lakhs and Rs. 10,169 lakhs are recoverable in normal course of business. Further, Management based on its rights under power purchase agreement to recover capacity charges and receipt of the approval from majority of the consortium lenders, believes that the subsidiary companies will continue to be in operation in foreseeable future despite continued losses.

Pending the final outcome of the Company's applications in the above referred matters, resolution of uncertainly around availability of gas, no adjustment has been made in the accompanying financial statements. Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs; and
   e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

per **Vikas Kumar Pansari**
Partner
Membership Number: 93649

Place of Signature: Hyderabad
Date: May 15, 2014

Annexure 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) There was no disposal of a substantial part of fixed assets during the year.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company.

(iii) (a) According to the information and explanations given to us, 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. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) 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, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

(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 Companies Act, 1956 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 and exceeding the 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, except for the services availed from one party aggregating to Rs. 96 lakhs because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

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

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amount payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, 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.

(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. Lakhs)	Period to which the amount relates	Forum where dispute is pending
The Finance Act, 1994	Service Tax	159	November 2010 to March 2012	Central Excise and Service Tax Appellate Tribunal, Bangalore
The Finance Act, 1994	Service Tax	147	April 2012 to March 2013	Central Excise and Service Tax Appellate Tribunal, Bangalore

*Excluding unascertainable liability towards interest and penalty.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(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) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the company.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(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 no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company has unsecured debentures outstanding during the year, on which no security or charge is required to be created.

(xx) The Company did not raise any money through a public issue during the year.

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

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

per **Vikas Kumar Pansari**
Partner
Membership Number: 93649

Place of Signature: Hyderabad
Date: May 15, 2014

Balance Sheet as at March 31, 2014

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2014	March 31, 2013
Equity and liabilities			
Shareholders' Funds			
Share capital	3	44,827	44,827
Reserves and surplus	4	138,278	136,651
		183,105	181,478
Non-current liabilities			
Long-term borrowings	5	97,073	83,323
Long-term provisions	6	26	51
		97,099	83,374
Current liabilities			
Trade payables	7	73	63
Other current liabilities	7	41	59
Short-term provisions	6	24	38
		138	**160**
TOTAL		**280,342**	**265,012**
ASSETS			
Non-current assets			
Fixed Assets			
Tangible assets	8	13	13
Intangible assets	9	-	3
Non-current investments	10	243,297	228,347
Deferred tax assets (net)	11	16	28
Long-term loans and advances	15	11,120	15,316
Other non-current assets	12.2	18,420	124
		272,866	**243,831**
Current assets			
Current investments	13	794	10,425
Trade receivables	12.1	664	-
Cash and bank balance	14	4,127	7,235
Short-term loans and advances	15	25	28
Other current assets	12.2	1,866	3,493
		7,476	**21,181**
TOTAL		**280,342**	**265,012**
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
Chartered Accountants

per Vikas Kumar Pansari
Partner
Membership No. 93649

Place: Hyderabad
Date: May 15, 2014

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

Dr G. V. Krishna Reddy
Chairman

G V Sanjay Reddy
Director

K. Venugopal
Director & CFO

T Ravi Prakash
Company Secretary

GVK Energy Limited

Statement of profit and loss for the year ended March 31, 2014

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

	Notes	March 31, 2014	March 31, 2013
Income			
Revenue from operations	**16**	1,626	1,840
Other income	**17**	2,003	4,096
Total revenue		**3,629**	**5,936**
Expenses			
Employee benefits expense	**18**	626	765
Operating and other expenses	**19**	505	551
Depreciation and amortisation expense	**20**	5	5
Financial costs	**21**	23	1
Total expense		**1,159**	**1,322**
Profit before tax		**2,470**	**4,614**
Tax expenses			
Current tax		831	1,493
Deferred tax expense		12	9
Total tax expense		**843**	**1,502**
Profit for the year		1,627	3,112
Earnings per equity share	**22**		
Basic		0.48	0.92
Diluted		0.13	0.24
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
Chartered Accountants

per Vikas Kumar Pansari
Partner
Membership No. 93649

Place: Hyderabad
Date: May 15, 2014

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

Dr G. V. Krishna Reddy
Chairman

G V Sanjay Reddy
Director

K. Venugopal
Director & CFO

T Ravi Prakash
Company Secretary

GVK

Cash Flow Statement for the year ended March 31, 2014

(Amounts expressed in Indian Rupees Lakhs unless otherwise stated)

			March 31, 2014	March 31, 2013
A.	**Cash flow from operating activities**			
	Profit before tax		2,470	4,614
	Non-cash adjustment to reconcile profit before tax to net cash flows:			
	Depreciation and amortisation expense		5	5
	Profit on sale of investments		(285)	(308)
	Retirement benefits provision no longer required written back		(11)	-
	Interest income		(1,707)	(3,789)
	Interest expense		17	1
	Operating profit before working capital changes		489	523
	Movements in working capital:			
	Increase/(decrease) in current liabilities and provisions		(52)	7
	Decrease/(increase) in trade receivables		(664)	378
	Increase in loans and advances		32	(308)
	Decrease/(increase) in other current assets and other non-current assets		(173)	6
	Cash generated from/(used in) operations		(368)	606
	Direct taxes paid		(888)	(1,557)
	Net cash used in operating activities	**A**	**(1,256)**	**(951)**
B.	**Cash flows from investing activities**			
	Purchase of fixed assets		(2)	(3)
	Investments in subsidiaries including share application money		(26,227)	(22,309)
	Refund of share applicaion money from subsidiaries		4,095	-
	Advances to subsidiaries		(21,215)	(40,097)
	Refund of advance from subsidiaries		14,523	37,789
	Purchase of current investments		(5,744)	(36,013)
	Proceeds from sale/maturity of current investments		18,158	28,005
	Redemption/(investments) in bank deposits		5,572	26,337
	Interest received		809	3,163
	Net cash used in investing activities	**B**	**(10,030)**	**(3,128)**

		March 31, 2014	March 31, 2013
C. Cash flows from financing activities			
Proceeds from long term borrowings		13,750	-
Net cash from financing activities	**C**	**13,750**	**-**
Net increase/ (decrease) in cash and cash equivalents	**(A+B+C)**	**2,464**	**(4,079)**
Cash and cash equivalents at the beginning of the year		1,322	5,401
Cash and cash equivalents at the end of the period		3,786	1,322
Components of cash and cash equivalents as at			
Cash and cheques on hand		1	1
Balance with scheduled banks on current accounts		3,785	1,321
		3,786	**1,322**
Add: Deposits with bank with original maturity of more than three months		341	5,913
Cash and bank balance as per balance sheet		4,127	7,235

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
Chartered Accountants

per Vikas Kumar Pansari
Partner
Membership No. 93649

Place: Hyderabad
Date: May 15, 2014

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

Dr G. V. Krishna Reddy
Chairman

G V Sanjay Reddy
Director

K. Venugopal
Director & CFO

T Ravi Prakash
Company Secretary

Notes to Financial Statements for the Year Ended March 31, 2014

(Amount expressed in Indian Rupees Lakhs unless otherwise stated)

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 the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. 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 fixed assets is calculated on straight-line basis using the rates arrived at based on the useful life estimated by the Management which coincides with the rates prescribed under Schedule XIV of the Companies Act, 1956. Fixed assets individually costing Rs. 0.05 or less are fully depreciated in the year of purchase.

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"). 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 transaction

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.

j. 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.

3. Share capital

	March 31, 2014	March 31, 2013
Authorized shares		
1,500,000,000 (March 31, 2013: 1,500,000,000) equity shares of Rs.10 each	150,000	150,000
1,000,000,000 (March 31, 2013: 1,000,000,000) 0.001% compulsorily convertible preference (CCPS) of Rs.10 each	100,000	100,000
Issued, subscribed and fully paid-up shares		
338,117,648 (March 31, 2013: 338,117,648) equity shares of Rs.10 each	33,812	33,812
110,147,059 (March 31, 2013: 110,147,059) 0.001% CCPS of Rs.10 each	11,015	11,015
	44,827	**44,827**

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

Equity shares

	March 31, 2014		March 31, 2013	
	No.	Rs.	No.	Rs.
At the beginning of the year	338,117,648	33,812	338,117,648	33,812
Issued during the year	-	-	-	-
	338,117,648	**33,812**	**338,117,648**	**33,812**

Preference shares

	March 31, 2014		March 31, 2013	
	No.	Rs.	No.	Rs.
At the beginning of the year	110,147,059	11,015	110,147,059	11,015
Issued 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 carry cumulative dividend of 0.001% per annum. 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 ensuring Annual General Meeting. Each 0.001% compulsorily convertible preference share is convertible into 2.2 equity shares at price of Rs.45 per equity share, in a maximum period of 3 years from the date of issue viz. December 2010. During the current year, based on discussions between Management and CCPS holders, it has been decided that CCPS will be converted into equity shares in future at a mutually agreed date without any change in terms and conditions.

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, 2014	March 31, 2013
GVK Power & Infrastructure Limited, the holding company 250,000,000 (March 31, 2013: 250,000,000) equity shares of Rs.10 each fully paid	25,000	25,000

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

Name of the shareholder	As at March 31, 2014		As at March 31, 2013	
	No.	% holding	No.	% holding
Equity shares of Rs.10 each fully paid up				
GVK Power & Infrastructure Limited	250,000,000	73.94%	250,000,000	73.94%
3I India Infrastructure Investment Limited	47,058,824	13.92%	47,058,824	13.92%
Actis Infrastructure India PCC Limited	20,529,412	6.07%	20,529,412	6.07%
Indivest Pte Limited	20,529,412	6.07%	20,529,412	6.07%
CCPS of Rs.10 each fully paid				
3I India Infrastructure Investment Limited	58,823,529	53.40%	58,823,529	53.40%
Actis Infrastructure India PCC Limited	25,661,765	23.30%	25,661,765	23.30%
Indivest Pte Limited	25,661,765	23.30%	25,661,765	23.30%

f. Shares reserved for issue under options

For details of shares reserved for issue on conversion of CCPS, please refer note 3 (c) regarding terms of conversion of preference shares. For details of shares reserved for issue on conversion of CCD, please refer note 5 regarding terms of conversion of debentures.

4. Reserves and surplus

	March 31, 2014	March 31, 2013
Securities premium account		
Balance as per the last financial statements	129,390	129,390
Add: premium on issue of shares	-	-
	129,390	**129,390**
Surplus in the statement of profit and loss		
Balance as per the last financial statements	7,261	4,149
Profit for the year	1,627	3,112
Net surplus in the statement of profit and loss	8,888	7,261
	138,278	**136,651**

5. Long-term borrowings

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Debentures				
83,322,610 (March 31, 2013: 83,322,610) 0.001% compulsorily convertible debentures of Rs. 100/- each (unsecured)	83,323	83,323	-	-
Term Loans				
From Financial Institutions (secured)	13,750	-	-	-
	97,073	**83,323**	**-**	**-**

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. Post money valuation of the Company has been pegged in the range of Rs. 276,100 to Rs. 425,000. The conversion date coincides with note 3(c) above.

b. Term loan from financial institution was taken during the current year and carries interest rate of 14.5% p.a. The loan is repayable in three annual installments starting from March 30, 2016. The loan is secured by:

   i. Pledge of such number of shares of Alaknanda Hydro Power Company Limited (AHPCL) which are sufficient/ required to maintain the required security margin. Provided that initially 40% of equity shares of AHPCL shall be pledged.

   ii. Pledge of 26% full paid up equity shares of the borrower.

6. Provisions

	Long-term		Short-term	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Provision for employee benefits				
Provision for gratuity (Refer note 23)	26	51	-	-
Provision for leave benefits	-	-	24	38
	26	**51**	**24**	**38**

7. Trade payable and other current liabilities

	March 31, 2014	March 31, 2013
Trade payables (note 30)	73	63
Other current liabilities		
Advance from customers	-	54
Interest accrued but not due on debentures	2	1
Interest accrued but not due on borrowings	15	-
Others	24	4
	41	**59**

8. Tangible assets (cost)

	Office equipment	Data processing equipments	Total
As at April 01, 2012	9	3	12
Additions	1	2	3
As at March 31, 2013	10	5	15
Additions	1	1	2
As at March 31, 2014	11	6	17
Depreciation			
Upto April 01, 2012	0	0	0
Charge for the year	1	1	2
Upto March 31, 2013	1	1	2
Charge for the year	1	1	2
Upto March 31, 2014	2	2	4
Net Block			
As at March 31, 2013	9	4	13
As at March 31, 2014	9	4	13

9. Intangible assets (cost)

	Computer software
As at April 01, 2012	9
Additions	-
As at March 31, 2013	9
Additions	-
As at March 31, 2014	9
Amortization	
Upto April 01, 2012	3
Charge for the year	3
Upto March 31, 2013	6
Charge for the period	3
Upto March 31, 2014	9
Net Block	
As at March 31, 2013	3
As at March 31, 2014	-

10. Non-current investments

	March 31, 2014	March 31, 2013
Trade investments (cost)		
Unquoted equity instruments		
Investment in subsidiaries		
839,000,000 (March 31, 2013: 839,000,000) equity shares of Rs.10 each fully paid-up in Alaknanda Hydro Power Company Limited	83,900	83,900
418,938,901 (March 31, 2013: 418,938,901) equity shares of Rs.10 each fully paid-up in GVK Gautami Power Limited (note 29)	46,900	46,900
244,800,000 (March 31, 2013: 244,800,000) equity shares of Rs.10 each fully paid-up in GVK Industries Limited (note 29)	17,395	17,395
879,500,000 (March 31, 2013: 740,000,000) equity shares of Rs.10 each fully paid-up in GVK Power (Goindwal Sahib) Limited	87,950	74,000
71,510,000 (March 31, 2013: 61,510,000) equity shares of Rs.10 each fully paid-up in GVK Coal (Tokisud) Company Private Limited	7,151	6,151
9,900 (March 31, 2013: 9,900) equity shares of Rs.10 each fully paid-up in GVK Power (Khadur Sahib) Private Limited	1	1
	243,297	**228,347**
Aggregate amount of unquoted investments	243,297	228,347

11. Deferred tax assets (net)

	March 31, 2014	March 31, 2013
Provision for gratuity	9	17
Provision for compensated absences	8	13
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	(1)	(2)
	16	**28**

12. Trade receivables and other assets

12.1 Trade Receivables

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Unsecured, considered good				
Outstanding for less than six months from the date they are due for payment	-	-	664	-
	-	**-**	**664**	**-**

Trade receivables include:

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Dues from GVK Industries Limited	**-**	**-**	**664**	**-**

12.2 Other Assets

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Unsecured, considered good				
Unbilled revenues	72	82	5	99
Share application money to subsidiaries	18,140	42	-	-
	18,212	**124**	**5**	**99**
Others				
Advance for investment	-	-	-	2,500
Accrued interest	-	-	1,792	894
Unamortized expenditure				
Ancillary cost of arranging the borrowings	208	-	69	-
	208	-	1,861	3,394
	18,420	**124**	**1,866**	**3,493**

13. Current investments

	March 31, 2014	March 31, 2013
Current investments (valued at lower of cost and fair value)		
Quoted mutual funds- other than trade		
Nil (March 31, 2013: 75,095) units of Rs. 1,000 each fully paid-up of Baroda Pioneer Treasury Advantage Plan A– Short term growth plan	-	1,000
Nil (March 31, 2013: 1,000,000) units of Rs. 10 each fully paid-up of IDBI Gilt Fund Growth – Short term growth plan	-	100
Nil (March 31, 2013: 5,275,653) units of Rs. 10 each fully paid-up of L&T Ultra Short Term Fund – Short term growth plan	-	1,000
Nil (March 31, 2013: 854,058) units of Rs. 10 each fully paid-up of Morgan Stanley Active Bond Fund – Short term growth plan	-	100
Nil (March 31, 2013: 3,770,398) units of Rs. 10 each fully paid-up of Religare Credit Opportunities Fund – Short term growth plan	-	500
Nil (March 31, 2013: 66,436) units of Rs. 1,000 each fully paid-up of SBI Ultra Short term Debt Fund – Regular plan – Short term growth plan	-	1,000
Nil (March 31, 2013: 56,966) units of Rs. 1,000 each fully paid-up of TATA Floater Fund Plan A – Short term growth plan	-	1,000
Nil (March 31, 2013: 6,221,803) units of Rs. 10 each fully paid-up of Reliance Medium Term Fund – Growth Plan – Growth option - Short term growth plan	-	1,514
Nil (March 31, 2013: 35,889) units of Rs. 10 each fully paid-up of Baroda Pioneer Short Term Bond Fund Plan A – Short term growth plan	-	4
Nil (March 31, 2013: 5,357,305) units of Rs. 10 each fully paid-up of Kotak Floater Long term – Growth – Short term growth plan	-	1,000

	March 31, 2014	March 31, 2013
Nil (March 31, 2013: 3,863,540) units of Rs. 10 each fully paid-up of Peerless Ultra Short term Fund – Super Institutional Growth - Short term growth plan	-	500
34,538 (March 31, 2013: 123,867) units of Rs. 1,000 each fully paid-up of Taurus Ultra Short Term Bond Fund – Short term growth plan	484	1,707
Nil (March 31, 2013: 63,152) units of Rs. 1,000 each fully paid up of UTI Treasury Advantage fund – Institutional Plan – Short term growth plan	-	1,000
21,904 (March 31, 2013: Nil) units of Rs. 1000 each fully paid up of Axis Treasury Advantage Fund – Short term growth plan	310	-
	794	**10,425**
Aggregate amount of quoted investments (Market value Rs. 843 (March 31, 2013: Rs.10,451)	**794**	**10,425**

14. Cash and bank balances

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	3,785	1,321
Cash on hand	-	-	1	1
	-	**-**	**3,786**	**1,322**
Other bank balances				
– Deposits with original maturity for more than 3 months but less than 12 months	-	-	341	5,913
	-	-	341	5,913
	-	**-**	**4,127**	**7,235**

15. Loans and advances

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Loan and advances to related parties (note 24)				
Unsecured, considered good	10,684	14,908	-	-
Advances recoverable in cash or kind				
Unsecured considered good	322	351	16	13
Other loans and advances				
Advance income-tax (net of provision for taxation)	114	57	-	-
Prepaid expenses	-	-	9	15
	11,120	15,316	25	28

16. Revenue from operations

	March 31, 2014	March 31, 2013
Revenue from operations		
- Operation and maintenance services	1,587	1,840
- Manpower and consultancy fees	39	-
	1,626	**1,840**

17. Other income

	March 31, 2014	March 31, 2013
Profit on sale of investments		
Current, Non trade	285	308
Interest Income on		
- Bank Deposits	428	1,381
- Others	1,279	2,407
Retirement and other employee benefit provision no longer required written back	11	-
	2,003	**4,096**

18. Employee benefits expense

	March 31, 2014	March 31, 2013
Salaries, wages and bonus	566	684
Contribution to provident and other funds	27	39
Retirement and other employee benefit expense	-	10
Staff welfare expenses	33	32
	626	**765**

19. Other expenses

	March 31, 2014	March 31, 2013
Communication costs	17	12
Travelling and conveyance	65	72
Operating and maintenance expenses	213	243
Legal and professional fees	107	98
Insurance	16	12
Payment to auditor (Refer details below)	11	11
Rates and taxes	36	31
Printing and stationery	2	7
Directors' sitting fees	5	5
Membership and sponsorship	26	38
Miscellaneous expenses	7	22
	505	**551**

Payment of auditor (including service tax)

	March 31, 2014	March 31, 2013
As auditor:		
Audit fee	11	11
In other capacity:		
Other services (certification fees)	0	0
Reimbursement of expenses	0	0
	11	**11**

20. Depreciation and amortisation expense

	March 31, 2014	March 31, 2013
Depreciation of tangible assets	2	2
Amortisation of intangible assets	3	3
	5	**5**

21. Finance costs

	March 31, 2014	March 31, 2013
Interest on debentures	1	1
Interest on rupee term loans	16	-
Bank charges	6	0
	23	**1**

22. Earnings per share (EPS)

	March 31, 2014	March 31, 2013
Profit after tax	1,627	3,112
Less : dividends on compulsory convertible preference shares and tax thereon	0	0
Net profit for calculation of basic EPS	1,627	3,112
Net profit as above	**1,627**	**3,112**
Add: Interest on compulsory convertible debentures and tax thereon	1	1
Add : Dividends on compulsory convertible preference shares & tax thereon	-	-
Net profit for calculation of diluted EPS	**1,628**	**3,113**
	No.	**No.**
Weighted average number of equity shares in calculating basic EPS	338,117,648	338,117,648
Add: Weighted average number of equity shares which would be issued on the conversion of compulsory convertible preference shares	242,323,530	242,323,530
Add: Weighted average number of equity shares which would be issued on the conversion of compulsory convertible debentures	694,444,445	694,444,445
Weighted average number of equity shares in calculating diluted EPS	**1,274,885,623**	**1,274,885,623**

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, 2014	March 31, 2013
Current service cost	9	18
Interest cost on benefit obligation	5	8
Expected return on plan assets	(2)	(0)
Net actuarial(gain) / loss recognized in the year	(15)	(19)
Net benefit expense/(income)	**(3)**	**7**

B. Balance sheet

Benefit liability

	March 31, 2014	March 31, 2013
Present value of defined benefit obligation	56	65
Fair value of plan assets	30	14
Plan asset /(liability)	**(26)**	**(51)**

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

	March 31, 2014	March 31, 2013
Opening defined benefit obligation	65	70
Current service cost	9	18
Interest cost	5	8
Benefits paid	(8)	(12)
Actuarial (gains) / losses on obligation	(15)	(19)
Closing defined benefit obligation	**56**	**65**

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

	March 31, 2014	March 31, 2013
Opening balance	14	-
Expected return on plan assets	2	(0)
Actual Company contributions	14	14
Actuarial Loss	-	(0)
Closing fair value of plan assets	**30**	**14**

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

	March 31, 2014	March 31, 2013
Discount rate	9.25% p.a.	8% p.a.
Expected rate of return on assets	7% p.a.	7% p.a.
Employee turnover	5%	5%

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.

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

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Gratuity					
Defined benefit obligation	(56)	(65)	(70)	(48)	-
Plan assets	30	14	-	-	-
Surplus/(deficit)	(26)	(51)	(70)	(48)	-
Experience adjustments on plan liabilities	10	22	(22)	-	-
Experience adjustments on plan assets	(0)	(0)	-	-	-
Actuarial Gain/(Loss) due to change of assumptions	5	(3)	3	-	-

G. Related party disclosures

Name of the related party	Nature of relationship
GVK Power & Infrastructure Limited	Holding Company
GVK Industries Limited GVK Gautami Power Limited Alakananda Hydro Power Company Limited GVK Power (Goindwal Sahib) Limited GVK Coal (Tokisud) Company Private Limited GVK Power (Khadur Sahib) Private Limited	Subsidiaries
GVK Airport Developers Private Limited	Fellow Subsidiary
Seregraha Mines Limited*	Associate
Dr. G V Krishna Reddy, Chairman and Director	Key management personnel
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	
TAJ GVK Hotels & Resorts Limited	Companies over which the key management personnel exercise significant influence
Orbit Travel and Tours Private Limited	
GVK Technical & Consultancy Services Private Limited	
Pinakini Share & Stock Broker Limited	
GVK Projects & Technical Services Limited	

* through subsidiary Company

24. Details of related party 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	GVK Technical & Consultancy Services Pvt. Ltd.	Pinakani Share and Stock Broker Limited	TAJ GVK Hotels & Resorts Limited	Orbit Travel and Tours Private Limited	Dr. G V Krishna Reddy	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	889	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(1,042)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses	698	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(798)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services provided	39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services received	-	-	-	-	-	-	8	96	3	5	21	-	-	-	-	-	-
	-	-	-	-	-	-	-	(78)	(7)	(6)	(24)	-	-	-	-	-	-
Investment in equity shares	-	-	-	13,950	1,000	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(29,932)	(21,095)	(1,000)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans taken	-	-	-	-	-	-	714	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(7,513)	-	-	-	-	-	-	-	-	-	-
Loans repaid	-	-	-	-	-	-	710	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(7,511)	-	-	-	-	-	-	-	-	-	-
Share application money given	-	-	-	22,413	3,811	3	-	-	-	-	-	-	-	-	-	-	-
	-	-	(232)	(21,071)	(1,000)	(6)	-	-	-	-	-	-	-	-	-	-	-
Share application money received back	-	-	-	3,395	700	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans/ advance given	9,920	4,443	6,851	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(7,556)	-	(32,466)	-	-	-	-	(300)	-	-	-	-	-	-	-	-	-
Loans refunded	8,562	3,061	2,900	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(9,213)	-	(28,576)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	502	27	750	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(516)	-	(1,891)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(65)
Director sitting fees	-	-	-	-	-	-	-	-	-	-	-	0	1	0	0	1	-
	-	-	-	-	-	-	-	-	-	-	-	(0)	(1)	(0)	(0)	(0)	-
Balances outstanding																	
Receivables/(Payables) - March 31, 2014	9,505	1,406	13,218	5,087	2,114	23	(7)	328	(9)	(1)	(1)	-	-	-	-	-	-
Receivables/(Payables) - March 31, 2013	7,088	-	8,593	19	3	20	(5)	351	(6)	(0)	(1)	-	-	-	-	-	-

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 debentures. Hence, the same are not disclosed as payable.

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, 2014	March 31, 2013
GVK Industries Limited	68,120,000	68,120,000
GVK Gautami Power Limited	268,764,369	268,764,369
Alaknanda Hydro Power Company Limited	503,400,000	503,400,000
GVK Power (Goindwal Sahib) Limited	485,000,000	377,400,000
GVK Coal (Tokisud) Company Private Limited	36,470,100	31,370,100

b. The Company had pledged 24,480,000 shares held by the Company in GVK Industries Limited as security for loan of Rs. 20,000 taken by GVK Power & Infrastructure Limited, the holding company.

c. The Company had pledged 63,648,000 shares held by the Company in GVK Industries Limited as security for loan of Rs. 38,500 taken by GVK Airport Developers Private 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, 2014 is Rs. 356,867 (March 31, 2013 : Rs. 310,819).

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, 2014 is Rs. 236,906. The Company is currently in the process of issuing guarantee documents.

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, 2014 is Rs. 18,222.

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, 2014 is Rs. 600.

h. The Company has agreed to issue 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, 2014 is Rs. 85,855. The Company is currently in the process of issuing guarantee documents.

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. During the previous year, the Company had provided security by way of pledge of its shares in subsidiary GVK Industries Limited with respect to a loan of Rs. 20,000 taken by its holding Company GVK Power & Infrastructure Limited, in respect of which prior approval of Central Government was required under the provisions of Section 295 of the Companies Act, 1956. The Company had applied to the Central Government prior to sanction of such loan, however, the loan was drawn pending approval from Central Government. During the current year, the Central government has

returned the application and directed the Company to take necessary steps to ensure compliance with corresponding section of Companies Act 2013, i.e., section 185 and also other statutory provisions of the Companies Act, 2013. The Company is in the process of taking necessary steps to ensure compliance with Section 185 of Companies Act, 2013.

27. 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 60 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 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.

28. The Reserve Bank of India ('RBI') had issued guidelines for Core Investment Companies (CIC) on January 5, 2011 pursuant to which Core Investment Companies (CIC) are exempted from applying for registration with RBI. In the previous year, the Company had evaluated the guidelines and concluded that it is a CIC and accordingly exempt from registration requirements, however in the current year the company has taken a loan from financial institution and is accordingly it has become SI- CIC and no longer exempt from registration requirements. The Company believes that its core activity now and in future is going to be operation and maintenance of power plants and accordingly believes that its status of SI- CIC is temporary.

29. 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. 15,655 (March 31, 2013: Rs. 15,659). 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. 209,670(March 31, 2013: Rs. 220,491) has during the current financial year achieved Nil PLF (March 31, 2013: 29.49%) and Nil PLF (March 31, 2013: 24.52%) respectively. Also, GVKIL and GVKGPL have incurred losses of Rs. 7,888 (March 31, 2013: Rs. 8,547) and Rs. 21,103 (March 31, 2013: Rs. 15,332) respectively. However, both the Companies have already tied up with lead bankers and majority of other consortium lenders for additional loans/ moratorium for payments of loan and are confident of receiving approval from the remaining lenders. Further, the Company and Association of Power Producers are closely monitoring the situation and evaluating various approaches such as installing alternate fuel equipment (already done by GVKGPL and GVKIL) etc. to deal with the situation and Management of the Company is confident that Government of India will take necessary steps/initiatives to improve the situation of natural gas. Further, Management based on its rights under power purchase agreement to recover capacity charges and receipt of the approval from majority of the consortium lenders, 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 and Rs. 10,169 at carrying value and no provision for diminution is necessary.

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, 2014: Nil (March 31, 2013: 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 financial statements contain certain amounts reported as "0", which are less than Rs.1.

33. Previous year figures

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

As per our report of even date

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

per Vikas Kumar Pansari
Partner
Membership No. 93649

Place: Hyderabad
Date: May 15, 2014

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

Dr G. V. Krishna Reddy
Chairman

G V Sanjay Reddy
Director

K. Venugopal
Director & CFO

T Ravi Prakash
Company Secretary

ATTENDANCE SLIP

GVK Energy Limited

Regd. Office: 156-159, Paigah House, S.P. Road, Secunderabad - 500 003.

Sixth Annual General Meeting held on Wednesday, August 6, 2014

DP. Id*	
Client Id*	
Regd. Folio No.	

Name & address of the registered shareholder

*Applicable for shareholding in electronic form.

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company. I hereby record my presence at the 6th Annual General Meeting of the Company held on Wednesday, August 6, 2014 at 1.15 p.m. at Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034.

Signature of the Member/Proxy

NOTE: Please fill this attendance slip and handover at the entrance of the meeting hall. No Attendance Slip will be issued at the venue of the meeting.

FORM OF PROXY

GVK Energy Limited

Regd. Office: 156-159, Paigah House, S.P. Road, Secunderabad - 500 003.

Sixth Annual General Meeting held on Wednesday, August 6, 2014

I/We .... of.. being a member / members of GVK Energy Limited, hereby appoint .... of .... or failing him .... of .... as my/our Proxy to vote for me/us and on my/our behalf at the 6th Annual General Meeting of the Company to be held on Wednesday, August 6, 2014 and at any adjournment thereof.

DP. Id*	
Client Id*	
Regd. Folio No.	
No. of Shares	

Affix Re.1/- Revenue Stamp

Name :

Address:

*Applicable for shareholding in electronic form.

Signature :

Note: This form in order to be effective should be duly completed in all respects and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.