

Directors' Report

Dear Shareholders,
IL&FS Energy Development Company Limited (IEDCL)

Your Directors have pleasure in presenting the Annual Report along with the Audited Accounts for the year ended March 31, 2011

FINANCIAL RESULTS :

(Rs. in millions)		
For the year ended	March 31, 2011	March 31, 2010
Total Income	698.84	280.51
Expenses	275.96	164.91
Profit/ (Loss) before Interest, Depreciation and Tax	422.88	115.60
Interest & Finance Charges	290.36	--
Profit Before Depreciation and Taxes	132.52	115.60
Depreciation	79.88	1.38
Profit/ (Loss) Before Taxes	52.64	114.22
Provision for taxes	44.78	39.17
Profit/ (Loss) After Tax	7.86	75.05
Balance Profit/ (Loss) brought forward from Previous Year	46.00	13.53
Appropriations:		
Dividend (including dividend tax)	--	34.98
General Reserves	--	7.60
Balance Profit/ (Loss) carried forward to Balance Sheet	53.86	46.00

During the period under review, your Company has earned a total income of Rs. 698.84 million. As the Company is nearing completion of development and implementation various power projects, the Company's performance and profitability are likely to improve significantly in the coming years

OPERATIONS :

Operating Environment

With the Indian economy going on the growth overdrive there is heavy demand for power, which continues to grow many folds. In comparison there has been only limited improvement on the supply side, which continues to be under constraints. ¹For the year 2010-11, the shortage of power was of 73,112 MUs. ²The peak demand deficit was 12,910 MW

Of the 11th plan capacity addition target of 78,700 MW (later revised to 62,000 MW), it is estimated that only 51,000 MW is likely to be achieved. With the deficiency in meeting the target for 11th Plan and also the increasing demand for electricity due to improved GDP, the market for electricity sector in India will continue to grow at a reasonable pace in the foreseeable future. The share of the private sector is very small in the total installed capacity.³Of the total installed capacity of 173,626.40 MW, the share of private sector is just 21.17%.

The large gap between the demand and supply of power, high short term tariffs, and limited private sector participation, presents tremendous scope for investment in the power sector

The need for clean and environment friendly power has also gained significant proportions in recent times

Project Initiatives

The most critical aspect for Indian economy today is to reliably meet the demand for energy services of all sectors including the lifeline energy needs of vulnerable households in all parts of the country with safe, clean and convenient energy at the least-cost.

With the vision to catalyze reliable and environment friendly power at an affordable cost, the focus of the Company is on investing in renewable energy assets with a suitable mix of energy projects based on fossil fuels. Also, the Company is targeting for achieving a gross generation capacity of 20000 MW by 2020

¹ Source: Central Electricity Authority (www.cea.nic.in)

² Source: Central Electricity Authority (www.cea.nic.in)

³ As on 31/03/2011. Source: Central Electricity Authority (www.cea.nic.in)

Present status of some of the key projects being implemented by IEDCL is highlighted hereunder:

3600 MW Cuddalore Power Project, Tamil Nadu

IL&FS Tamil Nadu Power Company Limited (ITPCL), the special purpose vehicle in which your Company holds 26% equity stake, is implementing a 3600 MW imported coal based power plant (Project) at Dist. Cuddalore in the State of Tamil Nadu, along with a captive port and a desalination plant.

Brief highlights of the project progress are as follows:

- Estimated cost of the first phase of 1,200 MW is Rs. 63,710 Mn and the Company has already secured the sanctions for a term loan of Rs.44,600 Mn from the consortium of banks for this phase
- All necessary clearance/approvals for the power project and captive port have been received
- Fuel source has been tied up with acquisition of coal mine in Indonesia
- EPC contract put in place and project implementation activities have commenced
- The project implementation has commenced and it is expected that the first 2 units will be commissioned by June 2014

726 MW Tripura Gas Power Project

IL&FS, the parent institution of your Company, in joint venture with ONGC Ltd. and Government of Tripura, is implementing a 726 MW gas based Combined Cycle Power Project in the state of Tripura, through a Special Purpose Company under the name of ONGC Tripura Power Company Limited (OTPC). The project comprises of two blocks of 363 MW each. The natural gas for the project would be sourced by ONGC from its fields in Tripura. Significant progress has been achieved in the development of the project :

- All the project development activities for the project have been completed including the financial closure and all the requisite permissions/clearances have been received
- A Lump Sum Turnkey EPC Contract has been awarded to BHEL and Construction of the project is already commenced. The project is likely to be commissioned by March, 2012

- PPA executed with NER states for 628 MW to be sold ex-bus. 98 MW to be sold on merchant basis
- The estimated cost of the Project is Rs. 34,293 Mn

Presently, your company holds 49.52% equity stake in OTPC, which finally shall be 26% as per the agreement between JV partners

New Initiatives

4000 Coal based Thermal Power Project in Nana Layja, Gujarat

Your Company has identified and is in the process of developing a 4000 MW coal based thermal power project based on environment friendly super-critical technology. The proposed power project is being developed alongwith a 60 MLD Desalination Plant at Village Mota Layja, Dist. Kutch, Gujarat. The state of Gujarat with long coastlines, good road network and other support infrastructure provides an excellent platform for setting up large blended coal based power project.

The Power Project alongwith a desalination plant shall be implemented within the Multi product SEZ facility located at Village Mota Layja, Dist. Kutch, Gujarat being developed by IL&FS to avail the fiscal benefits under the SEZ Act. Further, it is proposed to have a commercial arrangement with an all weather port being developed at proposed Shipyard at Nana Layja, Dist. Kutch, Gujarat by IL&FS

The Project shall be housed in a special purpose vehicle incorporated under the name of Nana Layja Power Company Ltd. (NLPCL), in which IL&FS, the parent institution, holds 99.75% equity stake in NLCPL. However, in view of IL&FS Group's decision, it is expected that your Company's stake in this Project would be 26%

63 MW Coal washery rejects based SV Power Project

Your Company has acquired a 36.75% equity stake in SV Power Private Limited (SPPL), a special purpose vehicle implementing a 63 MW Power Project based on washery rejects and raw coal at Chhattisgarh.

The project construction and plant erection work is nearing completion. It is expected that the Project will be commissioned in June 2011

1050 MW Coal Based KVK Nilachal Thermal Power Project, Orissa
(Phase I – 350 MW; Phase II – 700 MW)

Your Company is in the process of acquiring a 4.9% equity stake (on fully funded basis) in KVK Nilachal Power Private Limited (KNPPL) for which definitive agreements have been signed and payments made. KNPPL is the special purpose vehicle implementing a 1050 MW Thermal Power Project based domestic coal linkage from Mahanadi Coal Fields Limited

All the approvals for commencement of construction have been obtained and construction work is in progress for first phase of 350 MW. It is expected that first phase will be commissioned by the end of the third quarter of FY 2011-12. For the second phase (2x350 MW), all approvals are in place and EPC Contracts awarded. KNPPL is expected to complete debt and equity financing shortly.

Renewable Energy Projects

With the commitment to provide environment friendly power at reasonable prices your Company has undertaken various initiatives. Highlights of various initiatives under the renewable energy projects are as follows:

1005 MW wind farm projects

Your Company has embarked upon an aggressive plan to establish green-field wind farms across various States in India for a cumulative capacity of approximately 1005MW by end of FY 2014. In this regard the Company has achieved significant progress as 50.4 MW (38.4 MW in Rajasthan and 12 MW in Tamil Nadu) have already been commissioned in September 2010 and another 74.4 MW (26.4MW in Rajasthan, 24 MW in Tamil Nadu and 24 MW in Madhya Pradesh) are proposed to be commissioned by August 2011. The Projects are being implemented through a turnkey EPC contract with Enercon India Limited

The 50.4 MW projects have been housed in your Company. Whereas the 74.4 MW have been housed in fellow subsidiary Company, viz., IL&FS Wind Power Limited (IWPL), in which IL&FS, the parent institution, holds 98.33% equity stake. However, in view of IL&FS Group's decision, it is expected that IWPL will be a subsidiary of your Company in near future

Hydro Power Project:

Your Company is in the process of acquiring a 33% equity stake in Himachal Sorang Power Limited (HSPL) for which definitive agreements have been signed and payments made.

HSPL is a special purpose vehicle implementing a 100 MW Hydro Power Project located on Sorang Khad, a right tributary of Sutlej River in Kannaaur district of Himachal Pradesh. The project is under advance stage of construction/implementation and is expected to be commissioned by the end of FY 2011-12

Other renewable energy initiatives of the IL&FS Group

Your Company is also involved in the implementing of various Renewable Energy Projects for which IL&FS Renewable Energy Ltd. (IREL) has been established by IL&FS. Presently, IREL is a fellow subsidiary company as IL&FS, the parent institution, holds more than 99% equity. However, in line with the IL&FS Group's decision, IREL shall be a subsidiary of your Company in near future

A brief discussion on several renewable energy initiatives is as below:

(a) Bagasse based Co-Generation projects:

IREL is implementing two projects of 36 MW and 44 MW capacities in association with Govt. of Maharashtra (GoM) under the Urjankur Nidhi, a special trust being created by GoM.

Cogeneration Works implementation is underway and significant part of design, engineering and procurement of plant and equipment has been undertaken. Civil Works for Turbo Generator Building have been completed. Boiler, Cooling Tower, Water Treatment Plant, Underground water reservoir and Chimney are in progress at the Project site

The 36 MW Project is likely to be commissioned by May 2011 and the other project of 44 MW is likely to be commissioned by July 2011

Total estimated cost of these Projects is Rs.5,094 Mn and IL&FS Group has so far invested Rs. 465 Mn in these projects

(b) Solar power Project:

With a view to harness the substantial potential of solar energy in India, IREL has formed an alliance with Kirloskar Integrated Technologies Limited (KITL). As part of the alliance, KITL is primarily responsible for (i) evaluation and selection of appropriate solar technology (ii) implementation of solar power projects, and (iii) undertake Operations & Maintenance of the solar plants

At present, IREL is in the process of developing 2MW solar plant utilizing Skyline Solar technology in India. The main objective of the said 2MW solar power project is to assess viability of Skyline Solar's Concentrated PV technology both in terms of technology performance and potential for cost reduction. Future capacity build-up of solar plants with Skyline Solar technology is also being planned with a view to offer solar power at grid parity

IREL has also submitted an application with Rajasthan Renewable Energy Corporation Ltd. for seeking project allotment, land allotment and evacuation for setting up of 50 MW Solar Photovoltaic Power Plant. At present, the land acquisition process is underway to commence the installation of solar projects utilizing Skyline Solar technology

Also, IREL is continuing its discussions with Infinia Corp. USA, for solar power and is reviewing the performance of its installations

(c) Community linked Biomass based Distributed Generation Projects:

With the primary focus on strong community linkage, the Company is pursuing to implement the distributed generation based biomass power projects. To begin with one 12 MW pilot project is being developed in the State of Gujarat which will be based on Juliflora. The Project is likely to be commissioned during the FY 2012.

IREL is also looking for the opportunity for acquisition of the operational biomass based power project so as to increase the operation portfolio of the Company

(d) Hydro Power Project:

IREL is developing a 45 MW Run-of-River hydro power project located on Tirap River near village Manmao in Changlang Dist. of Arunachal Pradesh. The Company has signed the necessary Implementation Agreement with the Govt. of Arunachal Pradesh. The Project survey and investigations have been completed, DPR has been completed and submitted to Govt. of Arunachal Pradesh for approval

Also, IREL has been looking for taking up other medium/large size hydro projects in other parts of India and also in Nepal

(e) 12 MW Waste-to-Energy Project at Ghazipur, New Delhi

IREL has taken up a Waste-to-Energy Project located adjacent to the Ghazipur landfill site. The project will generate 12 MW of renewable energy by processing 1,300 tonnes per day of Municipal Solid Waste (MSW)

The project is being implemented by project specific company viz. East Delhi Waste Processing Company Private Limited (EDWPCL) on BOOT basis in terms of the Concession Agreement signed with Municipal Corporation of Delhi (MCD). The Project is expected to process around 20-25% of the total MSW generated in Delhi.

The Commissioning of the project is expected to be during August 2012. The project implementation activities have been started. The financial closure of the project has been achieved. The technical consultant for the project has been appointed

(f) 13 MW Biomass Based Power Project, GAPS, Aurangabad

During the year, IREL has acquired GAPS Power & Infrastructure (P) Limited (GPIL) which owns and operates a 13 MW biomass based power project at Aurangabad, Maharashtra that was commissioned in December 2008. The plant has been operating at low PLF due to initial teething problems as well as working capital constraints for procurement of fuel. GPIL has since been capitalized and it is expected that it will be able to procure adequate biomass from next season onwards to operate the plant at desired PLF

(g) Shalivahana Green Energy Limited (SGEL)

Shalivahana Green Energy Ltd. (SGEL), promoted by Mr. M Komaraiah, is a diversified renewable energy company having operational as well as under construction/development projects based on biomass, wind and hydro energy aggregating to 345 MW of which 47 MW is under operation. IREL has acquired 20% equity stake in SGEL in March 2011. SGEL also has investments from another PE Fund namely, Axis Private Equity. Further, IFC Washington is in advanced stage of picking up a 17% equity stake in SGEL

DIVIDEND :

Your Directors do not recommend dividend for the financial period under review

SHARE CAPITAL :

During the year under review, the authorized capital was increased from Rs 25,00,00,000/- (Rupees Twenty Five Crore Only) divided into 2,50,00,000 (Two Crore Fifty Lakh) Equity Shares of Rs 10/- each, to Rs 200,00,00,000/- (Rupees Two Hundred Crore Only) divided into 20,00,00,000 (Twenty Crore) Equity Shares of Rs 10/- each. It was further increased to Rs 1000,00,00,000/- (Rupees One Thousand Crore Only) divided into 100,00,00,000 (One Hundred Crore) Equity Shares of Rs 10/- each

CORPORATE GOVERNANCE :

Four Board Meetings were held during the period under review. The attendance status at these Board Meetings is as under :

Name of the Director	No of Board Meetings attended
Ravi Parthasarathy	3
Hari Sankaran	4
R.C. Bawa (Resigned w.e.f. July 21, 2010)	1
*K. Ramchand (Resigned w.e.f. July 21, 2010)	2
Shahzaad Siraj Dalal (Resigned w.e.f. July 21, 2010)	1
S.C. Tripathi	4
K.G. Ramachandran	4
K. C. Lahiry	3
MS Srinivasan (Resigned w.e.f. July 21, 2010)	2

* Mr Ramchand was appointed as Additional Director w.e.f 4th February 2011

The following Committees have been constituted to ensure focused attention on the affairs of the Company in the respective areas, viz. :

- Audit Committee
- Compensation Committee

The Audit Committee comprised of Mr KG Ramachandran, Mr SC Tripathi and Mr RC Bawa. Following resignation by Mr Bawa from the Board of Directors, the Audit Committee was reconstituted by induction of Mr Hari Sankaran. The reconstituted Audit Committee comprises of Mr KG Ramachandran, Mr SC Tripathi and Mr Hari Sankaran as its members. The responsibilities of Audit Committee of the Members of Board inter-alia, include review of Internal Audit, Accounting Policies, Financial Statements, and the Regulatory Framework affecting operations of the Company. Accounting Policies and Financial Statements are placed before the Board for consideration after review of the

Audit Committee. Auditors of the Company i.e. both Statutory as well as Internal, are invited to attend all Audit Committee Meetings.

The attendance status at Audit Committee Meetings is as under:

Name of the Director	No of Audit Committee Meetings attended
K.G. Ramachandran	4
S.C. Tripathi	4
R.C. Bawa (Resigned w.e.f. July 21, 2010)	1
Hari Sankaran (Appointed on July 21, 2010)	2

The Compensation Committee is comprised of Mr Ravi Parthasarathy, Mr Shahzaad Dalal and Mr KG Ramachandran. Following resignation by Mr Dalal from the Board of Directors, the Compensation Committee was reconstituted by induction of Mr Hari Sankaran. The reconstituted Compensation Committee comprises of Mr Ravi Parthasarathy, Mr KG Ramachandran and Mr Hari Sankaran as its members.

The Compensation Committee has been authorized to determine the managerial remuneration, review and approve Human Resources, personnel related policies/matters of the Company as well as other matters as may be requested by the Board of Directors of the Company from time to time

Committee of Directors (COD)

In addition to above mentioned committees, your Company had constituted Committee of Directors (CoD) comprising of Mr Hari Sankaran, Mr K Ramchand and Mr RC Bawa. The CoD was reconstituted after resignation by Mr Ramchand and Mr Bawa from the Board of the Company. The reconstituted CoD comprises of Mr Ravi Parthasarathy and Mr Hari Sankaran as its members

This Committee supervise the operations of the Company in the ordinary course of business and is authorized to exercise all such powers and to do all such acts and deeds subject to relevant statutory provisions, limits specified and direction provided by the Board of Directors of the Company from time to time. The CoD is also authorized to deal with matters related to credits/investments, exercising borrowing powers, matters related to matters connected with allotment, transfer, dematerialization, rematerialization of securities, issue of share certificates and other matter provided in the Companies (Issue of Share Certificates) Rules 1960

DIRECTORS :

Mr RC Bawa, Mr K Ramchand, Mr MS Srinivasan and Mr Shahzaad Dalal had resigned from their office w.e.f. July 21, 2010. The Board placed on record its appreciation for the valuable advice provided by them during their tenure as Director of the Company

Mr K Ramchand, Chief Executive (infrastructure) of IL&FS was appointed as Additional Director by the Board of Directors on February 4, 2011.

The Board, at its meeting held on April 29, 2011 extended Mr Hari Sankaran's appointment as Director-in-Charge of the Company for a period of three years effect from June 19, 2011

Pursuant to the provisions of the Companies Act, 1956 (the Act), Mr K Ramchand would hold office till the date of the ensuing Annual General Meeting (AGM). The Company has received notice in writing with requisite deposit from a Member proposing the candidature of Mr K Ramchand, who is eligible for appointment, for the office of Director at the ensuing AGM

Further, in terms of provisions of the Act, Mr KC Lahiry, Director of the Company, retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment as Director of the Company

HOLDING COMPANY :

Your Company is a subsidiary of Infrastructure Leasing & Financial Services Limited as at March 31, 2011

FIXED DEPOSITS :

During the year, the Company has not accepted any deposit from the public within the meaning of section 58A of the Companies Act, 1956

AUDITORS :

Messrs Deloitte Haskins & Sells, Chartered Accountants (DHS), Gurgaon, Statutory Auditors of the Company, hold office till the date of ensuing Annual General Meeting of

the Company. They have expressed their willingness to continue as Auditors and have provided their consent for reappointment as Auditors of the Company for FY 2011-12

The Board of Directors recommend appointment of M/s Deloitte Haskins & Sells, Chartered Accountants, Gurgaon, as Statutory Auditors of the Company, who have conveyed their willingness to accept the assignment, if appointed. Further, the Company has received notice from them stating that if appointed, they are within the limits laid down under (1-B) of Section 224 of the Companies Act, 1956

PARTICULARS OF EMPLOYEES :

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure-1 to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT :

Section 217(2AA) of the Companies Act, 1956 as amended in December 2000 requires the Board of Directors to provide a statement to the Members of the Company in connection with maintenance of books, records, preparation of Annual Accounts in conformity with the accepted accounting standards and past practices followed by the Company. Pursuant to the foregoing, and on the basis of representations received from the Operating Management, and after due enquiry, it is confirmed that :

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures
- (b) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period
- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- (d) The Directors have prepared the annual accounts on a going concern basis

TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO :

The requisite information with respect to technology absorption as per prescribed Form B is annexed as Annexure-2 to the Directors' Report

There has not been any foreign exchange earnings during the year ended March 31, 2011. The particulars regarding foreign exchange outgo appear as Item 9 of Schedule 15 in the Notes to the Accounts

The other particulars in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable

ACKNOWLEDGEMENT :

Your Directors wish to thank the Government and the Companies Bankers for all the help and encouragement they extended to the Company. The Directors also wish to place on record their deep appreciation for the services rendered by the employees of the company at all levels and for their dedication and loyalty

**FOR AND ON BEHALF OF
THE BOARD OF DIRECTORS**

Sd/-

**Ravi Parthasarathy
Chairman**

Date: April 29, 2011
Place: Mumbai

Annexure-1

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

I. Employees on the rolls of the Company

Name	Gross Remuneration (In Rupees)	Designation	Qualification	Age (in Completed Yrs)	Total Experience (in Completed Yrs)	Date of Joining IEDCL	Period of service with IEDCL in 2010-11	Last Employment & Designation
Avinash Bapat	14,353,915/-	Chief Financial Officer	B.Com, CA, LLB	53	27	October 1, 2008	12 months	Enercon Financial Consultancy Pvt. Ltd.; President
Haziq Beg	8,254,395/-	Senior Vice President	B.Tech, M.Tech, MBA	46	22	October 1, 2008	12 months	IL&FS Infrastructure Development Corp. Ltd.; Sr. Vice President

Notes:

- The abovementioned employees were drawing more than Rs.60,00,000/- per annum / Rs.5,00,000/- per month.
- The terms and conditions of employment are as per Company's rules.
- Remuneration includes basic salary; allowances, taxable value of perquisites, the Company's contribution to Provident Fund, perk on Superannuation and Performance Related Pay; etc.
- Above employees are not related to any Director of the Company.

- v) None of the above employees, either individually or together with his spouse or dependent children, has held more than 2% of the equity shares of the Company

II. Employees on deputation from IL&FS, the Holding Company

Name	Deputation Cost (In Rupees)	Designation	Qualification	Age (in Completed Yrs)	Total Experience (in Completed Yrs)	Date of Joining IL&FS/ IEDCL	Period of service with IL&FS/ IEDCL in 2010-11	Last Employment & Designation
Vinod Dhanuka	14,065,057/-	Chief Executive Officer	BE (Mech), MBA	58	37	March 2, 2010	12 months	JSW Energy Ltd.; Head – Project Management Centre of Excellence

Notes:

- i) The abovementioned appointee has been deputed to the Company by IL&FS, the Holding Company and the cost of deputation is more than Rs 60,00,000/- per annum / Rs.5,00,000/- per month.
- ii) Above appointment is contractual. Other terms and conditions are as per Company's rules.
- iii) The Cost of deputation is based on the appointee's remuneration from its employer company, i.e., IL&FS, which includes basic salary; allowances, taxable value of perquisites, the Company's contribution to Provident Fund, perk on Superannuation and Performance Related Pay; etc.
- iv) The above appointee is not related to any Director of the Company.
- v) The above appointee, either individually or together with his spouse or dependent children, has not held more than 2% of the equity shares of the Company

Annexure-2

FORM B **Form for disclosure of particulars with respect to absorption**

Research and development (R&D)

The Company has implemented 50.4 Mw wind power generation projects in Tamil Nadu and Rajasthan. The Projects have been implemented through a turnkey EPC contract with Enercon India Limited (EIL), the leading wind mill manufacturer in India. The Company has also entered into an O&M contract with EIL for a period of 10 yrs.

The Company does not undertake any separate R&D activities

Expenditure on R&D :

(a) Capital	-	-	-	-	-	-	-	- Nil
(b) Recurring	-	-	-	-	-	-	-	- Nil
(c) Total	-	-	-	-	-	-	-	- Nil
(d) Total R&D expenditure as a percentage of total turnover								- Nil

Technology, absorption, adaptation and innovation

As a part of the IL&FS Group initiative, the Company is focusing on development of environment friendly, cleaner and cheaper ways of generating power. In this regard, the Company is focusing on development of various renewable energy projects, which includes biomass based energy projects, solar energy projects, hydro energy projects besides wind energy projects

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

AUDITED FINANCIAL STATEMENTS

31 MARCH, 2011

AUDITORS' REPORT

TO THE MEMBERS OF IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

1. We have audited the attached Balance Sheet of **IL&FS ENERGY DEVELOPMENT COMPANY LIMITED** ('the Company'), as at 31 March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;



- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2011;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from the Directors as on 31 March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 015125N)



JITENDRA AGARWAL
Partner
(Membership No. 87104)

MUMBAI, 29 April, 2011

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- i. Having regard to the nature of the Company's business/activities/result, clause 4(ii) and (xiii) of the Order is not applicable.
- ii. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - b. According to information and explanations given to us, the fixed assets were physically verified during the year by the management and no material discrepancies were noticed on such verification.
 - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- 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 with regard to purchase of fixed assets and for the sale of services. The Company's operations did not give rise to purchase of inventory and sale of goods during the current year. During the course of our audit, we have not observed any major weakness in such internal control system.
- v. Based on the examination of the books of account and related records and according to the information and explanations provided to us, there are no contracts or arrangements with companies, firms or other parties which need to be listed in the register maintained under Section 301 of the Companies Act, 1956.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public, within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- vii. In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and nature of its business.
- viii. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the Company.



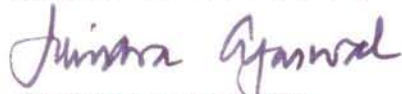
- ix. According to the information and explanations given to us in respect of statutory dues:
- a. the Company has been regular in depositing undisputed dues, including Provident Fund, Income Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. There are no undisputed amounts payable in respect of these statutory dues which have remained outstanding as at 31 March, 2011 for a period of more than six months from the date they became payable. We are informed that the provisions of Employees' State Insurance Act, 1948 are not applicable to the Company and the operations of the Company during the year did not give rise to any liability for Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs Duty and Excise Duty.
 - b. there are no dues in respect of Income Tax, Service Tax and Cess which had not been deposited on account of any dispute. We are informed that the provisions of Employees' State Insurance Act, 1948 are not applicable to the Company and the operations of the Company during the year did not give rise to any liability for Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs Duty and Excise Duty.
- x. Since the Company has been registered for a period less than five years, the provisions of clause 4 (x) of the Order regarding accumulated losses and cash losses are not applicable to the Company.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the banks and financial institutions. The Company has not issued any debentures.
- xii. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by the way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable to the Company.
- xiii. In our opinion and according to the information and explanations given to us the Company is not dealing in shares, securities and debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xiv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xv. According to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- xvi. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short term basis have not been used during the year for long- term investment
- xvii. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.



**Deloitte
Haskins & Sells**

- xviii. According to the information and explanations given to us, the Company has not issued any debentures during the period covered by our report. Accordingly, the provisions of clause (xix) of the Order are not applicable to the Company.
- xix. The Company has not raised any money by way of public issues during the year.
- xx. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 015125N)



JITENDRA AGARWAL

Partner
(Membership No. 87104)

MUMBAI, 29 April, 2011

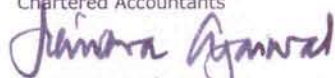
IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

BALANCE SHEET AS AT 31 MARCH, 2011

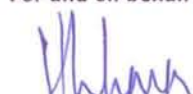
	Sch Ref.	As at 31-Mar-2011 Rupees	As at 31-Mar-2010 Rupees
SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
Share capital	1	5,220,000,000	20,000,000
Share application money pending allotment		447,000,000	200,000,000
Reserves and surplus	2	61,463,399	53,600,791
2 LOANS FUNDS			
Secured loans	3	4,858,438,562	-
3 DEFERRED TAX LIABILITY (See note 15 of Schedule 15)			
		43,484,972	-
		10,630,386,933	273,600,791
APPLICATION OF FUNDS			
4 FIXED ASSETS			
Gross block	4	2,800,923,542	4,374,381
Less: Accumulated depreciation		81,666,924	2,064,668
Net block		2,719,256,618	2,309,713
Capital work-in-progress		1,378,750	1,378,750
		2,720,635,368	3,688,463
5 INVESTMENTS			
	5	5,293,826,780	4,498,200
6 DEFERRED TAX ASSET (See note 15 of Schedule 15)			
		-	1,039,251
7 CURRENT ASSETS, LOANS & ADVANCES			
Sundry debtors	6	300,969,013	95,022,595
Unbilled revenues		25,236,769	-
Cash and bank balances	7	74,287,456	28,992,125
Loans and advances	8	2,332,126,262	219,846,631
		2,732,619,500	343,861,351
8 LESS: CURRENT LIABILITIES & PROVISIONS			
Current liabilities	9	106,080,149	41,197,890
Provisions		10,614,566	38,288,584
		116,694,715	79,486,474
9 NET CURRENT ASSETS			
		2,615,924,785	264,374,877
		10,630,386,933	273,600,791
Accounting Policies	14		
Notes forming part of the Accounts	15		

The Schedules referred to above form an integral part of the balance sheet

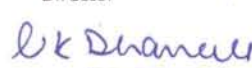
In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants


JITENDRA AGARWAL
Partner

For and on behalf of the Board


Director


Director


Chief Executive Officer


Chief Financial Officer


Company Secretary

Place : **MUMBAI**
Date : **29-04-2011**

Place : **MUMBAI**
Date : **29 APR 2011**

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

	Sch Ref.	Year ended 31-Mar-2011 Rupees	Year ended 31-Mar-2010 Rupees
1 INCOME			
Consultancy income		529,922,801	274,994,489
Income from sale of power		81,759,355	-
Other income	10	87,159,027	5,514,709
		<u>698,841,183</u>	<u>280,509,198</u>
2 EXPENSES			
Employee costs	11	141,450,514	102,915,423
Administrative and general expenses	12	134,509,541	61,989,972
Interest and finance expenses	13	290,354,953	-
Depreciation		79,880,525	1,384,748
		<u>646,195,533</u>	<u>166,290,143</u>
3 PROFIT BEFORE TAX		52,645,650	114,219,055
4 PROVISION FOR TAXES			
Current tax		10,492,541	37,800,000
Deferred tax (See note 15 of Schedule 15)		44,524,223	1,369,386
Tax adjustment of earlier years		258,819	-
Minimum Alternate Tax (MAT) credit entitlement		(10,492,541)	-
5 PROFIT AFTER TAX		7,862,608	75,049,669
Balance brought forward		46,000,791	13,533,747
6 PROFIT AVAILABLE FOR APPROPRIATION		53,863,399	88,583,416
Proposed dividend on equity shares		-	30,000,000
Dividend distribution tax		-	4,982,625
Transferred to general reserve		-	7,600,000
Profit carried to balance sheet		53,863,399	46,000,791
		<u>53,863,399</u>	<u>88,583,416</u>

EARNINGS PER EQUITY SHARE
(Face value of Rs. 10 per share)

- Basic (See note 14 of Schedule 15)	0.05	37.52
- Diluted (See note 14 of Schedule 15)	0.05	10.11

Accounting Policies 14
Notes forming part of the Accounts 15

The Schedules referred to above form an integral part of the profit and loss account

In terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

Jitendra Agarwal
JITENDRA AGARWAL
Partner

For and on behalf of the Board

Shri...
Director

Manoj...
Director

Ok Brance...
Chief Executive Officer

Robert...
Chief Financial Officer

Rajpal Singh
Company Secretary

Place : **MUMBAI**
Date : **29-04-2011**

Place : **mumbai**
Date : **29 APR 2011**

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011

	Year ended 31-Mar-2011 Rupees	Year ended 31-Mar-2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	52,645,650	114,219,055
Adjustment for:		
Depreciation	79,880,525	1,384,748
Provision for retirement benefits	7,308,607	814,196
Interest expense	289,763,935	-
(Profit)/Loss on sale of asset	149,894	(51,521)
Interest income	(87,143,674)	(5,463,188)
Operating profit before working capital changes	342,604,937	110,903,290
Adjustments for changes in:		
(Increase)/Decrease in debtors	(231,183,187)	(77,311,476)
(Increase)/Decrease in other receivables	(1,696,118,939)	(5,036,955)
Increase/(Decrease) in trade and other payables	24,758,878	24,594,760
Cash generated from/ (used in) operations	(1,559,938,311)	53,149,619
Taxes paid (including Tax deducted at source)	(72,112,783)	(42,816,285)
Net Cash from/(used in) Operating Activities	(1,632,051,094)	10,333,334
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	62,836,946	1,231,694
Investments in subsidiaries & associates	(5,289,328,580)	(500,000)
Purchase of fixed assets	(2,797,100,074)	(2,027,327)
Proceeds from sale of fixed assets	122,750	112,457
(Increase)/decrease in Intercompany deposits	(320,000,000)	(185,000,000)
Net Cash used in Investing Activities	(8,343,468,958)	(186,183,176)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans received	4,858,438,562	-
Interest paid	(249,640,554)	-
Issue of share capital	5,000,000,000	-
Share application money received	447,000,000	200,000,000
Dividend paid (including tax)	(34,982,625)	-
Net Cash from Financing Activities	10,020,815,383	200,000,000
Net Increase in cash and cash equivalents	45,295,331	24,150,158
Cash and cash equivalents at the beginning of the year	28,992,125	4,841,967
Cash and cash equivalents at the end of the year	74,287,456	28,992,125
Net Increase in cash and cash equivalents	45,295,331	24,150,158

Notes:

- 1 Cash and cash equivalents include fixed deposits Rs. 7,320,600 (Previous Year Rs. Nil).
- 2 The above Cash flow statement has been prepared under the indirect method set out in AS-3 prescribed in Companies (Accounting Standards) Rules, 2006
- 3 Cash and cash equivalents at the year end includes restricted cash of Rs. 220,600 (Previous year Rs. Nil)
- 4 Figures in brackets indicate cash outflow

In terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

Jitendra Agarwal
JITENDRA AGARWAL
Partner

For and on behalf of the Board

Director
Director
Company Secretary
Company Secretary
Chief Financial Officer
Chief Financial Officer

Place : **MUMBAI**
Date : **29-04-2011.**

Place : **MUMBAI.**
Date : **29 APR 2011**

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IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-Mar-2011 Rupees	As at 31-Mar-2010 Rupees
<u>SCHEDULE 1</u>		
SHARE CAPITAL		
AUTHORISED		
1000,000,000 (Previous year 250,00,000) Equity Shares of Rs. 10 each.	<u>10,000,000,000</u>	<u>250,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
522,000,000 (Previous year 2,000,000) Equity Shares of Rs. 10 each fully paid-up	<u>5,220,000,000</u>	<u>20,000,000</u>
Of the above, 470,000,000 (Previous year 1,900,000) equity shares are held by Infrastructure Leasing & Financial Services Limited, India, the holding company		
<u>SCHEDULE 2</u>		
RESERVES & SURPLUS		
GENERAL RESERVE		
Opening Balance	7,600,000	-
Add: Transferred from Profit and Loss account	<u>-</u>	<u>7,600,000</u>
	7,600,000	7,600,000
PROFIT AND LOSS ACCOUNT		
	53,863,399	46,000,791
	<u>61,463,399</u>	<u>53,600,791</u>
<u>SCHEDULE 3</u>		
SECURED LOANS		
(See Note 5 of Schedule 15)		
Term loans from banks	2,138,000,000	-
Other loans from Body Corporates	2,720,438,562	-
	<u>4,858,438,562</u>	<u>-</u>

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(All amounts in Rupees)

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Total	Previous year
100	100

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-Mar-2011 Rupees	As at 31-Mar-2010 Rupees
<u>SCHEDULE 5</u>		
INVESTMENTS (AT COST)		
LONG TERM TRADE (Unquoted)		
Investment in equity shares of subsidiary companies		
A. IL&FS Hydro Energy Limited (50,000 (Previous year 49,940) Equity Shares of Rs. 10 each)	500,000	499,400
B. Cross Border Power Transmission Company Limited (50,000 (Previous year 50,000) Equity Shares of Rs. 10 each)	500,000	500,000
Other Investments		
A. IL&FS Renewable Energy Limited (49,940 (Previous year 49,940) Equity Shares of Rs. 10 each)	499,400	499,400
B. IL&FS Wind Power Limited (1,720,940 (Previous year 49,940) Equity Shares of Rs. 10 each)	17,209,400	499,400
C. IL&FS Tamilnadu Power Development Company Limited (10,440,000 (Previous year 250,000) Equity Shares of Rs. 10 each)	104,400,000	2,500,000
D. SV Power Private Limited (3,861,775 (Previous year Nil) Equity Shares of Rs. 10 each)	789,960,000	-
E. Nana Layja Power Company Limited (50,000 (Previous year Nil) Equity Shares of Rs. 10 each)	500,000	-
F. Himanchal Sorang (3,184,997 (Previous year Nil) Fully Convertible Debentures of Rs. 100 each)	357,040,000	-
G. ONGC Tripura Power Company Limited [(100,000 (Previous year Nil) Equity Shares of Rs. 10 each fully paid up) (267,390,000 (Previous year Nil) Equity Shares of Rs. 10 each, paid up of Rs. 5 each)]	4,023,217,980	-
	<u>5,293,826,780</u>	<u>4,498,200</u>

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-Mar-2011 Rupees	As at 31-Mar-2010 Rupees
<u>SCHEDULE 6</u>		
SUNDRY DEBTORS (Unsecured, considered good)		
Outstanding for more than six months	34,509,886	77,725
Others	266,459,127	94,944,870
	<u>300,969,013</u>	<u>95,022,595</u>
<u>SCHEDULE 7</u>		
CASH & BANK BALANCES		
Balance with scheduled banks in:		
- current accounts	66,966,856	28,992,125
- fixed deposits*	7,320,600	-
	<u>74,287,456</u>	<u>28,992,125</u>
* Fixed deposits under lien	220,600	-
<u>SCHEDULE 8</u>		
LOANS AND ADVANCES (Unsecured, Considered good)		
Due from subsidiary company (See note 8 of Schedule 15)	-	1,378,750
Amounts recoverable in cash or in kind or for value to be received	191,216,812	7,319,123
Share application money paid	13,600,000	-
Inter Corporate Deposits (ICDs)	520,000,000	200,000,000
Advance paid for investments	1,500,000,000	-
Interest accrued but not due	28,656,325	4,349,597
Advance income tax and TDS (Net of provision for taxes	68,160,584	6,799,161
Rs. 58,945,558 (Previous Year Rs. 47,930,000)		
MAT credit entitlement	10,492,541	-
	<u>2,332,126,262</u>	<u>219,846,631</u>
<u>SCHEDULE 9</u>		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors (See note 7 of Schedule 15)	54,480,373	37,727,427
Other liabilities	11,476,395	3,470,463
Interest accrued but not due	40,123,381	-
	<u>106,080,149</u>	<u>41,197,890</u>
PROVISIONS		
Provision for dividend	-	30,000,000
Provision for dividend distribution tax	-	4,982,625
Provision for employee benefits	10,614,566	3,305,959
	<u>10,614,566</u>	<u>38,288,584</u>

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IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year ended 31-Mar-2011 Rupees	Year ended 31-Mar-2010 Rupees
<u>SCHEDULE 10</u>		
OTHER INCOME		
Interest income on		
- Fixed deposits [TDS Rs. 208,692 (Previous year Rs. Nil)]	1,449,372	-
- ICD [TDS Rs. 5,140,270 (Previous year Rs. 573,430)]	53,880,015	5,463,188
- Others [TDS Rs. 3,313,988 (Previous year Rs. Nil)]	31,814,287	-
Miscellaneous income	15,353	51,521
	<u>87,159,027</u>	<u>5,514,709</u>
<u>SCHEDULE 11</u>		
EMPLOYEE COST		
Salaries, wages and incentives	131,004,649	96,575,261
Contribution to provident and other funds	7,972,614	3,930,223
Staff welfare expenses	2,473,251	2,409,939
	<u>141,450,514</u>	<u>102,915,423</u>
<u>SCHEDULE 12</u>		
ADMINISTRATIVE & GENERAL EXPENSES		
Travelling and conveyance (See note 9 of Schedule 15)	19,023,963	9,781,063
Repairs and maintenance		
- Plant and machinery	116,356	
- Others	5,009,784	149,094
Rent	27,533,630	24,974,530
Electricity expenses	665,544	416,333
Printing and stationery	1,138,667	699,484
Business promotion expenses	4,469,104	550,727
Office maintenance expenses	3,168,178	2,929,805
Rates and taxes	27,331,823	1,117,918
Insurance	1,876,507	1,059,281
Legal and professional expenses (See note 6 of Schedule 15)	38,781,255	17,710,084
Communication expenses	2,482,205	1,850,323
Director sitting fees	510,000	380,000
Rebate on sale of power	921,439	-
Loss on sale/retirement of assets (Net)	149,894	-
Miscellaneous expenses	1,331,192	371,330
	<u>134,509,541</u>	<u>61,989,972</u>
<u>SCHEDULE 13</u>		
INTEREST AND FINANCE EXPENSES		
Interest		
- on term loans	131,414,822	-
- others	158,349,113	-
Finance charges	591,018	-
	<u>290,354,953</u>	<u>-</u>

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IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

SCHEDULE 14: ACCOUNTING POLICIES

1. Background:

The Company was incorporated on 21 May, 2007 as a subsidiary of Infrastructure Leasing and Financial Services. The Company is engaged in development and operations of Power Projects and providing advisory services. During the year ended 31 March, 2011, the Company has commissioned two wind power projects in district Jaisalmer, Rajasthan and district Tirunelveli, Tamil Nadu with capacity of 38.4 MW and 12 MW respectively.

2. Significant Accounting Policies

I Basis for preparation of Financial Statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles ('GAAP') in India and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006, to the extent applicable and in accordance with the provisions of the Companies Act, 1956, as adopted consistently by the Company. These financial statements have been prepared for the year ended 31 March, 2011.

II Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

III Fixed Assets and Depreciation

- (i) Fixed assets are stated at cost less depreciation. All costs relating to acquisition and installation of fixed assets are capitalised.
- (ii) The Company has adopted the Straight Line Method of depreciation so as to write off 100% of the cost of the following type of assets at rates higher than those prescribed in Schedule XIV to the Companies Act, 1956, based on the Management's estimate of useful life of such assets:

Asset Type	Useful Life
Computers	4 years
Specialised Office Equipment	3 years
Assets Provided to Employees	3 Years
Licensed Software	License period or 4 years whichever is less.
Wind Energy Plant	19 Years

- (iii) Intangible asset comprising development rights for wind energy plants are being amortised over its useful period of 20 years.
- (iv) All categories of assets costing less than Rs. 5,000 each, mobile phones and items of soft furnishing are written off in the year of capitalisation.
- (v) The expenditure on renovation / improvement to Leasehold properties is capitalised at cost and amortised over the primary period of the lease.



IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

- (vi) Depreciation on fixed assets, other than on assets specified in Note III - (ii) to (v) above, is provided for on the Written Down Value Method at the rates provided under Schedule XIV of the Companies Act, 1956.

IV Intangible Assets

Intangible assets are recognised only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably.

The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use.

The depreciable amount of an intangible asset is allocated on a systematic basis over the best estimate of its useful life.

V Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflect the current market assessment of time value of money and the risks specific to the asset. The impairment loss as determined above is expensed off.

VI Borrowing Costs

Borrowing costs directly attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. Borrowing costs other than directly attributable to acquisition construction or production of a qualifying asset are recognized as expense in the year in which they are incurred.

Other ancillary costs which are paid upfront for the arrangement of borrowings are amortised over the period of the loan

VII Investments

- (i) Investments are capitalised at actual cost including cost incidental to acquisition.
- (ii) Long term investments and are valued at cost less provision for diminution, other than temporary, determined on scrip to scrip basis. Current investments are carried at lower of cost or fair value.

VIII Revenue Recognition

- (i) Income is recognised on an accrual basis.
- (ii) Consultancy fee income including management fees on infrastructure projects is recognised when specified project progress milestones are achieved as defined in the Project Contract Mandates.
- (iii) Revenue from Sale of power produced on generation of electricity is accounted when energy is delivered at the metering point in terms of the Power Purchase Agreement.
- (iv) Revenue from interest income is recognised on the accrual basis.
- (v) Dividend income is recognised once the unconditional right to receive dividend is established.

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IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

IX Transactions in Foreign Exchange

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary items denominated in a foreign currency and outstanding at the balance sheet date are translated at the exchange rate prevailing at the balance sheet date.

Differences arising on foreign currency transactions are recognised as income or expenses in the period in which they arise.

X Employee Benefits

a. Short Term

Short term employee benefits are recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

b. Long Term

The Company has both defined-contribution and defined-benefit plans.

(i) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise contributions to the Employees' Provident Fund, Family Pension Fund and Superannuation Fund. The Company's payments to the defined contribution plans are reported as expenses in the period in which the employees perform the services that the payment covers.

(ii) Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

c. Other Employee Benefits

Liability for compensated absences which accrue to employees and which can be carried to future periods is actuarially determined using the projected unit credit method.

XI Segment Reporting

The accounting policies adopted for segment reporting are in line with the Accounting Standards. Revenue, expenses and assets have been identified to segments on the basis of their relationship to the operating activities to the segment. Revenue, expenses and assets which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under "unallocable income/expenses".

XII Leases

Operating Lease

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



IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

XIII Taxation

Income tax comprises current income tax and deferred tax. Current income tax is recognised in accordance with the provisions of Income tax Act, 1961.

Deferred Tax Assets and Liabilities are recognised for the future tax consequences of timing differences between the book profit and tax profit. Deferred Tax Assets and Liabilities other than carry forward losses and unabsorbed depreciation under tax laws are recognised when it is reasonably certain that there will be sufficient future taxable income to realise these assets. Deferred Tax Asset on carry forward losses and unabsorbed depreciation, if any, are recognised when it is virtually certain that there will be future taxable profit. Deferred tax assets and liabilities are measured using substantively enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of substantive enactment of the change.

Minimum Alternative Tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

XIV Earnings Per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 'Earnings per share'. Basic earnings per equity share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit for the year by the weighted average number of equity shares during the year as adjusted to the effects of all dilutive potential equity shares, except where results are anti dilutive.

XV Provisions, Contingent Liabilities and Contingent Assets

- (a) A provision is made based on reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation
- (b) Contingent liabilities, if material, are disclosed by way of notes to accounts
- (c) Contingent assets are not recognised or disclosed in the financial information



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SCHEDULE 15: NOTES TO ACCOUNTS

1. For the wind power projects commissioned in Rajasthan and Tamilnadu, the Company has entered into Power Purchase Agreements (PPA) with Jaipur Vidyut Vitran Nigam Ltd. (JVVNL) and Tamil Nadu Electricity Board (TNEB) respectively for the supply of power and has commenced supply of power from the above projects in September, 2010.
2. During the year the Company has purchased 2,016,009.535 Pass Through Certificates - Series II (PTCs) of Rs. 1000 each at a premium of Rs. 183,990,465 from the lenders of Maytas Investment Trust (MIT) for a total consideration of Rs. 2,200,000,000. Such PTCs are redeemable by transfer of investments of 3 Companies namely KVK Nilachal Power Private Limited, SV Power Private Limited and Himachal Sorang Power Limited. Subsequent to same MIT through its Trustee viz IL&FS Trust Company Limited has transferred 3,195,509 shares of SV Power Private Limited and redeemed 641,457.579 PTCs leaving a balance of 1,374,551.956 PTCs as on 31 March 2011. The Shares of SV Power Private Limited are under transfer as on 31 March, 2011.
3. During the year, the Company has secured the rights for development and operation of 48 Wind Energy Converters at Jaisalmer district, Rajasthan and of 15 wind energy converters at Triuneveli district, Tamilnadu. These rights include all necessary clearances/approvals/right of way etc. from the respective state Governments/Departments/Boards/ Authorities. These development rights are being amortised over its useful period of 20 years.

4. Contingent liabilities

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
Bank Guarantee provided to Uttarakhand Power Corporation Limited	220,600	-
Rs 5/- per share uncalled money on 267,390,000 partly paid shares of ONGC Tripura Power Company Limited	1,336,950,000	-

There are no capital commitments as at the year ended 31 March, 2011

5. Secured Loans

a. Term Loan from Banks

Term loans of Rs. 2,138,000,000 together with interest, additional interest, default interest, upfront fees, costs, charges, expenses are secured in favour of the lenders/security trustees by way of first pari passu charge without any lender having priority/preference over the other lender and include the following:

- (i) A mortgage on the rights of the sub-leased land in the state of Rajasthan for the project,
- (ii) A Mortgage on the land acquired for the project in the state of Tamilnadu,
- (iii) A first charge by way of hypothecation on all moveable assets including but not limited to plant & machinery, machinery spares and accessories for the project,
- (iv) A first ranking hypothecation/assignment of all the contracts, including Power Purchase Agreement/off take contracts, documents, insurance policies, policies relating to the proposed wind farm, rights, titles, permits/approvals clearances and interest of the project,
- (v) A first charge on the project's book debts, operating cash flows, receivables, commissions, revenues of whatsoever nature and wherever arising (pretest and future), intangibles, goodwill, uncalled capital (Present and future),

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- (vi) A first charge on the entire project's bank accounts including but not limited to escrow account opened in a designated bank, where all the cash inflows from the project shall be deposited and all proceeds shall be utilised in a manner and priority to be decided by the lenders,
- (vii) Assignment of all rights and interests of the Company relating to the project under letter of credit, guarantee or performance bond provided by any party for any contract related to the project in favour of the Company.

b. Term Loan from Body Corporates

- (i) IL&FS Financial Services Limited

Term loan of Rs. 2,200,000,000 together with interest, additional interest, default interest, upfront fees, costs, charges, expenses is to be secured by pledge of PTCs held by the Company in MIT relating to equity / FCD investments in KVK Nilachal Power Private Limited, SV Power Private Limited and Himachal Sorang Power Limited.

- (ii) Infrastructure Leasing & Financial Services

Term loan of Rs. 520,438,562 together with interest, additional interest, default interest, upfront fees, costs, charges, expenses is to be secured by an exclusive first hypothecation and charge on specific receivables of the Company, present and future, arising out of advisory services and loans made to IL&FS Employee Welfare Trust.

6. Auditor's Remuneration

Legal and professional expenses include amounts paid/payable to the Statutory Auditors:

	Year ended 31.03.2011 Rs.	Year ended 31.03.2010 Rs.
(i) Audit Fees (including audit for half year)*	1,200,000	1,000,000

* Excluding Service Tax

7. Based on the information available with the Company, the balance due to Micro and Small Enterprises as defined under the MSMED Act, 2006 is Rs. Nil (Previous year Rs. Nil) and no interest during the year has been paid or is payable under the terms of the MSMED Act, 2006.
8. Due from subsidiary company include Rs. Nil (Previous Year Rs. 1,378,750) incurred on behalf of a subsidiary Company in connection with setting up of Power Plant facilities.
9. Expenses in foreign currency

	Year ended 31.03.2011 Rupees	Year ended 31.03.2010 Rupees
(i) Travelling Expenses	1,558,609	549,301

10. The Company has entered into Operating Lease arrangements for vehicles. The minimum future lease payments during non-cancellable periods under the foregoing arrangements in the aggregate for each of the following periods is as follows:

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
(i) Not later than one year	2,561,150	30,33,210
(ii) Later than one year but not later than five years	2,669,396	22,68,656
(iii) Later than five years	Nil	Nil

Lease expenses incurred during the year Rs. 3,702,322 (Previous year Rs. 3,889,594)

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
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11. Employee benefits

In accordance with the revised Accounting Standard 15 the requisite disclosures are as follows:

a. Defined Contribution Plan

The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is administered by the Regional Provident Fund Commissioner and the Superannuation Fund is administered by the Trustees of IL&FS Energy Development Company Limited Superannuation Fund. Under the schemes, the Company is required to contribute a specified percentage of salary cost to the retirement benefit scheme to fund the benefits.

On account of Defined Contribution Plans, a sum of Rs. 5,076,611 (Previous year Rs. 3,816,681) has been charged to Profit & Loss account.

b. Defined Benefit Plan

(i) Gratuity Plan

The Company has created a trust namely IL & FS Energy Development Company Limited-Group Gratuity Trust. The gratuity liability arises on retirement, withdrawal, resignation and death of an employee.

(ii) Compensated Absences Plan

As per stipulation of AS-15 the leave balance is classified into short term and long term based on best estimates after considering the past trends and has been valued on an actuarial basis by an independent actuary using Projected Unit Credit Method.

c. Accounting policy for recognising actuarial gains and losses

Actuarial gains and losses arising from experience adjustment and effects of changes in actuarial assumptions are immediately recognised in the statement of profit and loss account as income or expense.

d. Disclosures as required under Accounting Standard -15 (Revised) on "Employee Benefits" for Gratuity are as under:

i. Assumptions

Particulars	2010-11	2009-10
Discount rate	8.25%	8.00%.
Rate of return on plan assets	8.00%	8.00%.
Salary Escalation	6.00%	4.50%.

ii. Change in benefit obligation

Liability at the beginning of the year	3,021,888	1,611,109
Interest Cost	241,751	1,20,833
Current Service Cost	991,171	822,317
Benefits paid	-	-
Actuarial (gain) / loss on obligations	1,769,015	467,629
Liability at the end of the year	6,023,825	3,021,888

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IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

iii. Fair value of Plan assets

Particulars	31.03.2011	31.03.2010
Fair value of plan assets at the beginning of the year/year	2,870,275	2,814,481
Expected return on plan assets	246,235	226,337
Contributions	207,664	14,727
Actuarial gain/ (loss) on plan assets	(89,663)	(185,270)
Fair value of plan assets at the end of the year/year	3,234,511	2,870,275
Total Actuarial gain/ (loss) to be recognized	(1,858,678)	(652,898)

iv. Actual return on plan assets

Expected return on plan assets	246,235	226,337
Actuarial gain/ (loss) on plan assets	(89,663)	(185,270)
Actual return on plan assets	156,572	41,067

v. Amount Recognised in the Balance Sheet

Liability at the end of the year	6,023,825	3,021,888
Fair Value of Plan assets at the end of the year	3,234,511	2,870,275
Amount Recognised in the balance sheet	(2,789,314)	(151,613)

vi. Expenses recognised in the profit and loss account

Current service cost	991,171	822,317
Interest cost	241,751	120,833
Expected return on plan assets	(246,235)	(226,337)
Actuarial (gain) / loss	1,858,678	652,898
Expenses charged to the profit and loss account	2,845,365	1,369,712

vii. Balance Sheet Reconciliation

Opening Net Liability	151,613	(1,203,372)
Expense as above	2,845,365	1,369,712
Employer Contribution	(207,664)	(14,727)
Amount Recognised in the balance sheet	2,789,314	151,613

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12. Segment Reporting

a. Segment information for primary segment reporting (by business segment)

The Company has two business segments:

- i. Generation and sale of power
- ii. Advisory services

			All amount in Rupees 31 March, 2011
Particulars	Generation and sale of power	Advisory services	Total
Segment Revenue			
Turnover (Gross)	81,759,355	529,922,801	611,682,156
Segment Profit / (Loss)	(135,729,460)	318,155,315	182,425,855
Unallocable Expenses			216,939,232
Operating Profit / (Loss)			(34,513,377)
Unallocable Interest Income			87,159,027
Income Taxes			44,783,042
Net Profit After Tax			7,862,608
Segment Assets	2,780,881,950	298,613,385	3,079,495,335
Unallocable Assets			7,667,586,313
Total Assets			10,747,081,648
Segment Liabilities	2,162,887,781	41,833,282	2,204,721,063
Unallocable Liabilities			2,770,412,214
Total Liabilities			4,975,133,277
Capital Expenditure	2,793,678,264	2,067,157	2,795,745,421
Unallocable Capital Expenditure			1,354,653
Total Capital Expenditure			2,797,100,074
Depreciation	78,231,138	1,020,853	79,251,991
Unallocable Depreciation			628,534
Total Depreciation			79,880,525

Since segmental reporting is being reported for the first time for the current reporting year, comparative figures for the corresponding previous year are not provided.

b. Geographic segments

Operations of the Company do not qualify, for reporting as geographic segments, as per the criteria set out under Accounting Standard 17 on Segment reporting.

13. Related Party Transactions:

- a) List of related parties (With whom the Company had transactions):

(A) HOLDING COMPANY

- Infrastructure Leasing & Financial Services Limited
 - From April 1 2010 to August 9, 2010 and
 - From December 3, 2010 to March 31, 2011



IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
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(B) SUBSIDIARIES COMPANIES

- IL&FS Hydro Energy Limited
- Cross Border Power Transmission Company Limited
- IL&FS Renewable Energy Limited (up to 1 March, 2011)
- IL&FS Wind Power Limited (up to 28 February, 2011)
- IL&FS Tamil Nadu Power Company Limited (up to 23 November, 2011)
- Nana Layja Power Company Limited (up to 29 March, 2011)
- Gaps Power & Infrastructure Private Limited (up to 2 March, 2011)

(C) FELLOW SUBSIDIARIES (period same as IL&FS, depending on actual transaction)

- IL&FS Infrastructure Development Corporation Limited
- IL&FS Financial Services Limited
- IL&FS Nepal Infrastructure Development Company Private Limited
- IL&FS Property Management & Services Limited
- Unique Waste Processing Co
- IL&FS Investment Advisors LLC
- IL&FS Ecosmart Limited
- IL&FS Renewable Energy Limited (from 2 March, 2011)
- IL&FS Securities Services Ltd
- IL&FS Tamil Nadu Power Company Limited (from 24 November, 2010)
- IL&FS Transportation Networks Limited
- IL&FS Trust Company Limited
- IL&FS Wind Power Limited (from 1 March, 2011)
- Nana Layja Power Company Limited (from 30 March, 2011)

(D) AFFILIATES (period same as IL&FS, depending on actual transaction)

- Bihar Power Infrastructure Company Private Limited
- IL&FS IIDC Fund
- Assam Power Projects Development Company Private Limited
- ORIX Auto Infrastructure Services Limited
- IL&FS Technologies Limited
- ONGC Tripura Power Company Limited
- Mangalore SEZ Limited
- Bodoland Infrastructure Development Co Limited
- PDCOR Limited
- Indraprastha Energy & Waste Management Co. Limited
- Jharkhand Infrastructure Development Corporation Limited
- KSIIDC-IL&FS Project Development Co Limited
- S V Power Private Limited

(E) INDIVIDUALS HAVING CONTROL OR SIGNIFICANT INFLUENCE (from 10 August, 2010 to 2 December, 2010)

- Mr Arun K. Saha (Trustee of IL&FS Employee Welfare Trust)
- Mr Vibhav Kapoor (Trustee of IL&FS Employee Welfare Trust)

(F) KEY MANAGERIAL PERSONNEL

- Mr. Hari Sankaran, Director-in-charge (Managing Director)



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b) The nature and volume of transactions during the year with the above related parties are as follows:

			All amounts in Rupees		
Particulars	Holding Company	Subsidiary Companies	Fellow Subsidiaries	Affiliates	Significant Influence
Transactions during the year					
Consultancy Fee Income:					
Nana Layja Power Company Limited	-	-	30,000,000	-	-
	-	-	(-)	(-)	-
IL&FS IIDC Fund	-	-	-	-	-
	-	-	(-)	(9,498,125)	-
Bihar Power Infrastructure Company Private Limited	-	-	-	51,302,083	-
	-	-	-	(10,462,154)	-
IL&FS Infrastructure Development Corporation Limited	-	-	39,000,000	-	-
	-	-	(73,500,000)	-	-
ONGC Tripura Power Co. Private Limited	-	-	-	(10,000,000)	-
	-	-	-	-	-
IL&FS Tamilnadu Power Company Limited	-	90,000,000	-	231,000,000	-
	-	(105,000,000)	-	-	-
IL&FS Renewable Energy Limited	-	7,500,000	1,500,000	-	-
	-	(12,000,000)	(-)-	-	-
Others	-	-	-	3,170,295	-
	-	(4,000,000)	-	(6,775,000)	-
Total Consultancy Fee	-	97,500,000	70,500,000	285,472,378	-
	-	(121,000,000)	(73,500,000)	(36,735,279)	-
Interest Income					
Infrastructure Leasing & Financial Services Limited	8,029,002	-	-	-	-
	(5,463,188)	-	-	-	-
GAPS Power and Infrastructure Private Ltd.	-	2,974,027	-	-	-
	-	(-)	-	-	-
IL&FS Employee Welfare Trust	-	-	-	-	37,835,616
	-	-	-	-	(-)
Total Interest Income	8,029,002	2,974,027	-	-	37,835,616
	(5,463,188)	(-)	-	-	(-)
Rent Expense					
Infrastructure Leasing & Financial Services Limited	21,107,977	-	-	-	-
	(26,049,100)	-	-	-	-
IL&FS Infrastructure Development Corporation Limited	-	-	-	-	-
	-	-	(1,261,469)	-	-
Total	21,107,977	-	-	-	-
	(26,049,100)	-	(1,261,469)	-	-
Interest Expense					
Infrastructure Leasing & Financial Services Limited	61,292,803	-	-	-	-
	(-)	-	-	-	-
IL&FS Financial Services Limited	-	-	71,726,027	-	-
	-	-	(-)	-	-
Total	61,292,803	-	71,726,027	-	-
	(-)	-	(-)	-	-

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Particulars	Holding Company	Subsidiary Companies	Fellow Subsidiaries	Affiliates	Significant Influence
Project Development Expenses:					
PDCOR Limited	-	-	-	-	-
	-	-	-	(2,500,000)	-
Deputation Cost:					
IL&FS Infrastructure Development Corporation Limited	-	-	-	-	-
	-	-	(386,710)	-	-
Brand Development Cost					
IL&FS Infrastructure Development Corporation Limited	1,366,041	-	-	-	-
	(-)	-	-	-	-
Other Operating Expenses:					
IL&FS Investment Advisors LLC	-	-	181,606	-	-
	-	-	(105,395)	-	-
Infrastructure Leasing & Financial Services Limited	243,733	-	-	-	-
	(304,096)	-	-	-	-
IL&FS Infrastructure Development Corporation Limited	-	-	490,084	-	-
	-	-	(224,792)	-	-
IL&FS Technologies Limited	-	-	-	723,979	-
	-	-	-	(823,670)	-
IL&FS Nepal Infrastructure Development Company Private Limited	-	-	600,000-	-	-
	-	-	(3,713,662)	-	-
IL&FS Property Management & Services Limited	-	-	318,685	-	-
	-	-	(714,681)	-	-
IL&FS Renewable Energy Limited	-	-	2,238,791	-	-
	-	-	(-)	-	-
IL&FS Ecosmart Limited	-	-	195,000	-	-
	-	-	(-)	-	-
Orix Auto Infrastructure Services Limited	-	-	-	2,516,163	-
	-	-	-	(4,105,462)	-
Others	-	-	131,675	-	-
	-	-	-	-	-
Total	243,733	-	4,155,841	3,240,142	-
	(304,096)	-	(4,758,530)	(4,929,132)	-
Reimbursement of expenses :					
IL&FS Tamilnadu Power Company Limited	-	99,946	-	53,979-	-
	-	-	-	-	-
IL&FS Renewable Energy Limited	-	619,432	55,471	-	-
	-	(-)	(-)	-	-
IL&FS Wind Power Limited	-	-	4,116,877	-	-
	-	-	(-)	-	-
IL&FS Infrastructure Development Corporation Limited	-	-	249,744	-	-
	-	-	(-)	-	-
Total	-	719,378	4,422,092	53,979-	-
	-	(-)	(-)	(-)	-

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IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

Particulars	Holding Company	Subsidiary Companies	Fellow Subsidiaries	Affiliates	Significant Influence
Purchase of fixed assets:-					
Infrastructure Leasing & Financial Services Limited	91,215	-	-	-	-
IL&FS Infrastructure Development Corporation Limited	-	-	239,652	-	-
IL&FS Renewable Energy Limited	-	-	39,749 (-)	-	-
IL&FS Technologies Limited	-	-	-	1,320,383 (224,661)	-
Total	91,215	-	279,401	1,320,383 (224,661)-	-
Advance received towards Share Capital-					
IL&FS Employees Welfare Trust	-	-	-	-	(200,000,000)
Infrastructure Leasing & Financial Services Limited	447,000,000 (-)	-	-	-	-
Balances outstanding as on 31 March, 2011					
Creditors/Payables					
IL&FS Financial Services Limited	-	-	457,884 (-)	-	-
Infrastructure Leasing & Financial Services Limited	2,950,426 (4,843,472)	-	-	-	-
IL&FS Infrastructure Development Corporation Limited	-	-	-	-	-
IL&FS Technologies Limited	-	-	-	88,204 (-)	-
IL&FS Investment Advisors LLC	-	-	(105,395)	-	-
IL&FS Environmental Infrastructure and Services Limited	-	-	422,869 (-)	-	-
IL&FS Securities Services Ltd	-	-	111,675 (-)	-	-
IL&FS Renewable Energy Limited	-	-	2,222,448 (-)	-	-
IL&FS Nepal Infrastructure Development Company Private Limited	-	-	327,500 (950,662)	-	-
Orix Auto Infrastructure Services Limited	-	-	-	(217,899)	-
Total	2,950,426 (4,843,472)	-	3,542,376 (1,056,057)	88,204 (217,899)	-
Loan advanced					
IL&FS Employees Welfare Trust	-	-	-	-	520,000,000 (-)
Loan Payable					
Infrastructure Leasing & Financial Services Limited	520,438,562 (-)	-	-	-	-
IL&FS Financial Services Limited	-	-	2,200,000,000 (-)	-	-
Total	520,438,562 (-)	-	2,200,000,000 (-)	-	-

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

Particulars	Holding Company	Subsidiary Companies	Fellow Subsidiaries	Affiliates	Significant Influence
Receivables:					
IL&FS Wind Power Limited	-	-	4,086,824	-	-
	-	-	(-)	-	-
IL&FS Tamilnadu Power Company Limited	-	(49,181,290)	-	224,576,737	-
Bihar Power Infrastructure Company Private Limited	-	-	-	745,728	-
	-	-	-	(371,880)	-
ONGC Tripura Power Co. Private Limited	-	-	-	-	-
	-	-	-	(157,453)	-
IL&FS Renewable Energy Limited	-	(6,306,084)	153,045,670	-	-
	-	-	(-)	-	-
Unique Waste Processing Co	-	-	(802,998)-	-	-
Indraprastha Energy & Waste Mgmt Co Limited	-	-	-	144,539	-
	-	-	-	(160,599)	-
IL&FS Infrastructure Development Corporation Limited	-	-	35,143,419	-	-
	-	-	(37,386,850)	-	-
Mangalore SEZ Limited	-	-	-	502,950	-
	-	-	-	(778,155)	-
Others	-	-	137,059	1,362	-
	-	-	-	(6,130)	-
Total	-	-	192,412,972	225,971,316	-
	-	(55,487,374)	(38,189,848)	(1,474,217)	-
Deposits (Asset)					
Infrastructure Leasing & Financial Services Limited	(200,000,000)	-	-	-	-
Interest accrued on deposits					
Infrastructure Leasing & Financial Services Limited	16,912,596	-	-	-	-
	(4,349,597)	-	-	-	-
Advance for purchase of shares					
IL&FS Wind Power Limited	-	-	13,600,000-	-	-
	-	-	-	-	-
Investment in Subsidiaries & Associates					
S V Power (P) Ltd (Face Value)	-	-	-	38,617,750	-
	-	-	-	(-)	-
Nana Layja Power Company Limited	-	-	500,000	-	-
	-	-	(-)	-	-
IL&FS Tamil Nadu Power Company Limited	-	(2,500,000)	-	104,400,000	-
IL&FS Renewable Energy Limited	-	(499,400)	499,400	-	-
	-	(499,400)	(-)	-	-
IL&FS Hydro Energy Limited	-	500,000	-	-	-
	-	(499,400)	-	-	-
IL&FS Wind Power Limited	-	-	17,209,400	-	-
	-	(499,400)	(-)	-	-
Cross Border Power Transmission Co Limited	-	500,000	-	-	-
	-	(500,000)	-	-	-
Total	-	1,000,000	18,208,800	143,017,750	-
	-	(4,498,200)	-	-	-

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IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
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14. Earnings Per Share

Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year.

S.no	Particulars	Unit	Year ended 31.03.2011	Year ended 31.03.2010
a.	Net Profit After Tax	Rupees	7,862,608	75,049,669
b.	Weighted Average of Number of Equity Shares	Number of Shares	169,928,767	2,000,000
c.	Basic Earnings per share (a/b)	Rupees	0.05	37.52
d.	Potential Dilutive equity Shares on share application money	Number of Shares	44,700,000	20,000,000
e.	Weighted average of number of equity shares used in computing diluted earnings per share.	Number of Shares	170,051,233	7,424,658
f.	Diluted earnings per share (a/e)	Rupees	0.05	10.11

15. Deferred Tax Assets/Liabilities

- a. Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.
- b. The break up of deferred tax assets/liabilities and reconciliation of current year deferred tax charge is as follows

	Opening as at 01.04.2010 (Rupees)	(Charged) / Credited to P&L account (Rupees)	Closing as at 31.03.2011 (Rupees)
a. Deferred tax assets			
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:			
- Provision for employee benefits	1,123,696	2,320,200	3,443,896
- Expenditure covered by section 35D of the Income Tax Act, 1961	7,113	(3,557)	3,556
- Tax losses adjustable in future years	-	2,850,885	2,850,885
Total	1,130,809	5,167,528	6,298,337
b. Deferred tax liabilities			
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	(91,558)	(49,691,751)	(49,783,309)
Total	(91,558)	(49,691,751)	(49,783,309)
Net Deferred tax Asset/(Liability)	1,039,251	(44,524,223)	(43,484,972)

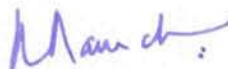
IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

16. Figures for the previous year have been regrouped and reclassified wherever necessary.

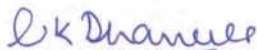
For and on behalf of the Board



Director



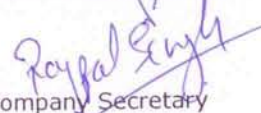
Director



Chief Executive Officer



Chief Financial Officer



Company Secretary

Place : Mumbai

Date 29 APR 2011



APPENDIX 8B

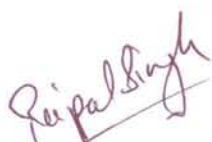
Movement in Shareholding Pattern for IL&FS Energy Development Company Ltd. during the period 1st April 2010 to 31st March, 2011.

Date of Purchase/sale /new Issue/buy back etc	No. of Equity Shares	Transaction price	Details of Purchaser/Investor / Seller	Net Asset Value calculation as on date of the transaction
TRANSFER				
21 July 2010	1	10	From: Infrastructure Leasing & Financial Services Ltd jointly with Amit Dhamija To: Infrastructure Leasing & Financial Services Ltd jointly with Rajpal Singh	
21 July 2010	1	10	From: Infrastructure Leasing & Financial Services Ltd jointly with Umesh Soni To: Infrastructure Leasing & Financial Services Ltd jointly with Avinash Bapat	
ALLOTTMENT				
10 August 2010	20,000,000	20,00,00,000	Mr. Arun K Saha Jointly With Mr Vibhav Kapoor	
3 December 2010	26,81,00,000	268,10,00,000	Infrastructure Leasing & Financial Services Limited	
3 December 2010	99,00,000	9,90,00,000	Mr. Arun K Saha Jointly With Mr Vibhav Kapoor	
16 December 2010	20,00,00,000	200,00,00,000	Infrastructure Leasing & Financial Services Limited	
16 December 2010	2,20,00,000	22,00,00,000	Mr. Arun K Saha Jointly With Mr Vibhav Kapoor	

For IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

For M/s Deloitte Haskins & Sells

CFO



Company Secretary



Statutory Auditor

**Attach Balance Sheet as on transaction date duly certified by the CFO
Backup working duly certified by CFO**

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

1. We have audited the attached Consolidated Balance Sheet of **IL&FS ENERGY DEVELOPMENT COMPANY LIMITED**, ("the Company"), its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31 March, 2011 the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries whose financial statements reflect total assets of Rs. 31,375,088 as at 31 March, 2011, total revenues of Rs. 252,481 and net cash inflows amounting to Rs. 243,977 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.



5. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company, its aforesaid subsidiaries and associates and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

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

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 015125N)



JITENDRA AGARWAL

Partner
(Membership No. 87104)

GURGAON, 1 August, 2011

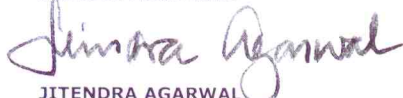
IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

	Sch Ref.	As at 31-Mar-2011 Rupees	As at 31-Mar-2010 Rupees
SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
Share capital	1	5,220,000,000	20,000,000
Share application money pending allotment		447,000,000	2,007,800,000
Reserves and surplus	2	49,816,728	8,288,760
2 LOANS FUNDS			
Secured loans	3	4,858,438,562	-
3 DEFERRED TAX LIABILITY (see note 14 of Schedule 15)		43,484,972	-
		10,618,740,262	2,036,088,760
APPLICATION OF FUNDS			
4 FIXED ASSETS			
Gross block	4	2,800,923,542	531,308,076
Less: Accumulated depreciation		81,666,924	11,457,504
Net block		2,719,256,618	519,850,572
Add: Capital work-in-progress		25,273,602	366,385,267
		2,744,530,220	886,235,839
5 INVESTMENTS	5	5,283,931,185	-
6 PRE-OPERATIVE EXPENSES		-	1,685,460,611
7 DEFERRED TAX ASSETS (see note 14 of Schedule 15)		-	2,065,151
8 CURRENT ASSETS, LOANS & ADVANCES			
Sundry debtors	6	300,969,013	62,968,043
Unbilled revenue		25,236,769	-
Cash and bank balances	7	78,504,428	52,611,800
Loans and advances	8	2,332,327,888	413,210,412
		2,737,038,098	528,790,255
9 LESS: CURRENT LIABILITIES & PROVISIONS	9		
Current liabilities		136,144,675	1,096,086,610
Provisions		10,614,566	39,620,336
		146,759,241	1,135,706,946
10 NET CURRENT ASSETS		2,590,278,857	(606,916,691)
11 PROFIT & LOSS ACCOUNT (Debit balance)		-	69,243,850
		10,618,740,262	2,036,088,760
Accounting Policies	14		
Notes forming part of the Accounts	15		

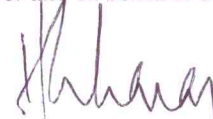
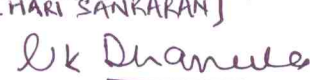
The Schedules referred to above are integral part of the consolidated balance sheet

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants


JITENDRA AGARWAL
Partner

For and on behalf of the Board


Managing Director
[HARI SANKARAN]

Chief Executive Officer
[VINOD DHANUKA]


Company Secretary
[RAJPAL AHUJA]

Place: BANGALORE
Date: 1 August, 2011


Director
[RAMESH CHANDER BAWA]

Chief Financial Officer
[AVINASH BAPAT]

Place: GURGAON
Date: 1 August, 2011

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

	Sch Ref.	Year ended 31-Mar-2011 Rupees	Year ended 31-Mar-2010 Rupees
1 INCOME			
Consultancy income		585,819,001	200,839,489
Income from sale of power		93,462,683	-
Income from sale of Certified Emission Reductions (CERs)		3,108,911	-
Other income	10	93,589,242	5,931,044
		775,979,837	206,770,533
2 EXPENSES			
Cost of sales		9,758,110	-
Employee costs	11	161,510,867	100,027,933
Administrative and general expenses	12	191,384,101	101,498,099
Interest & finance expenses	13	309,723,557	-
Depreciation		88,749,994	3,758,398
		761,126,629	205,284,430
3 PROFIT BEFORE PRIOR PERIOD ITEM AND TAX		14,853,208	1,486,103
Prior period expense (see note 16 of schedule 15)		14,322,760	-
4 PROFIT BEFORE TAX		530,448	1,486,103
5 PROVISION FOR TAXES			
Current tax (including adjustment of earlier years)		14,898,505	40,200,000
Deferred tax		44,524,223	1,421,304
MAT credit entitlement		(10,492,541)	-
6 PROFIT/ (LOSS) AFTER TAX		(48,399,739)	(40,135,201)
Add: Share of profit/(loss) of associates		(4,896,795)	-
Gain on dilution of stake in subsidiaries (see note 13 of schedule 15)		164,068,352	-
7 PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION		110,771,818	(40,135,201)
Add: Balance brought forward from previous year		(69,243,850)	13,473,976
Proposed dividend on equity shares		-	30,000,000
Dividend distribution tax		-	4,982,625
Transferred to general reserve		-	7,600,000
8 PROFIT CARRIED TO RESERVES AND SURPLUS / BALANCE SHEET		41,527,968	(69,243,850)
EARNINGS PER EQUITY SHARE (Face Value of Rs. 10 per share)			
- Basic (See note 11 of Schedule 15)		(0.28)	(20.07)
- Diluted (See note 11 of Schedule 15)		(0.28)	(20.07)

Accounting Policies 14
Notes forming part of the Accounts 15

The Schedules referred to above are integral part of the consolidated profit and loss account

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

Jitendra Agarwal
JITENDRA AGARWAL
Partner

For and on behalf of the Board

[Signature]
Managing Director
[HARI SANKARAN]

[Signature]
Chief Executive Officer
[VINOD BHANUJA]

[Signature]
Company Secretary
[KASIPAT ANUSA]

[Signature]
Director
[RAMESH CHANDER BAIN]

[Signature]
Chief Financial Officer
[AVINASH BAPAT]

Place : Gurgaon
Date : 1 August, 2011

Place : Bangalore
Date : 1 August, 2011

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

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

	Year ended 31-Mar-2011 Rupees	Year ended 31-Mar-2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax	530,448	1,486,103
Depreciation	88,749,994	3,758,398
Preliminary expenses written off	-	68,233
Interest income	(93,102,701)	(5,801,787)
Provision for retirement benefits	5,976,855	1,993,694
Interest expense	309,723,557	-
(Gain)/Loss on sale of fixed assets	145,865	(4,257)
Operating Profit before working capital changes	312,024,018	1,500,384
Adjustments for changes in :		
(Increase)/Decrease in trade receivables	(263,237,739)	(40,855,789)
(Increase)/Decrease in loans & advances	(127,256,726)	14,401,431
Increase/(Decrease) in trade payables and other payables	(1,000,065,316)	765,681,815
Cash from/ (used in) operations	(1,078,535,763)	740,727,841
Refund/(Payment) of taxes (including TDS)	(64,880,832)	(56,245,009)
Net cash from/(used in) operating activities	(1,143,416,595)	684,482,832
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (including capital advance)	(1,947,317,021)	(428,616,194)
(Increase)/Decrease in inter-corporate deposits	(192,469,345)	(94,330,655)
Acquisition of shares of other companies	(5,288,827,980)	(500,000)
Decrease in preoperative expenses	1,685,460,611	(1,286,316,492)
Interest received	68,812,064	4,812,767
Advance paid for investment	(1,500,000,000)	-
Share application money paid	(13,600,000)	-
Sale of fixed assets	126,779	65,193
Gain on dilution of stake in subsidiaries	164,068,352	-
Net cash used in investing activities	(7,023,746,540)	(1,804,885,381)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds of loans	7,438,000,000	-
Interest paid	(269,600,175)	-
Share capital issued	3,639,200,000	1,162,800,000
Dividend paid (including dividend distribution tax)	(34,982,625)	-
Repayment of loans	(2,579,561,438)	-
Net cash from financing activities	8,193,055,762	1,162,800,000
Net increase in cash and cash equivalents	25,892,628	42,397,451
Cash and cash equivalents at the beginning of the year	52,611,800	5,973,520
Opening balance of Cash and cash equivalents of a Subsidiary Company acquired during the year.	-	4,240,829
Cash and cash equivalents at the end of the year	78,504,428	52,611,800
Net increase in cash and cash equivalents	25,892,628	42,397,451

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

Vitendra Agarwal
VITENDRA AGARWAL
Partner

Place : *Bangalore*
Date : *1 August, 2011*

For and on behalf of the Board

[Signature]
Managing Director
[HARI SANKARAN]

[Signature]
Director
[RAMESH CHANDER BAWA]

[Signature]
Chief Executive Officer
[VINOD BHANGKA]

[Signature]
Chief Financial Officer
[AVINASH BAPAT]

[Signature]
Company Secretary
[RAJPAAL AHUJA]
Place : *Bangalore*
Date : *1 August, 2011*

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31-Mar-2011 Rupees	As at 31-Mar-2010 Rupees
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED		
1,000,000,000 (Previous period 25,000,000) Equity Shares of Rs. 10 each	<u>10,000,000,000</u>	<u>250,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
522,000,000 (Previous period 2,000,000) Equity Shares of Rs. 10 each	<u>5,220,000,000</u>	<u>20,000,000</u>
Of the above 470,000,000 (Previous year 19,00,000) equity shares are held by Infrastructure Leasing & Financial Services Limited, India the holding company		
SCHEDULE 2		
RESERVE & SURPLUS		
GENERAL RESERVE		
Opening balance	7,600,000	-
Add: Transferred from profit and loss account	<u>-</u>	<u>7,600,000</u>
	7,600,000	7,600,000
CAPITAL RESERVE CREATED ON CONSOLIDATION	688,760	688,760
PROFIT AND LOSS ACCOUNT	<u>41,527,968</u>	<u>-</u>
	<u>49,816,728</u>	<u>8,288,760</u>
SCHEDULE 3		
SECURED LOANS		
(See note 6 of schedule 15)		
Term loan from banks	2,138,000,000	-
Other loans from body corporates	<u>2,720,438,562</u>	<u>-</u>
	<u>4,858,438,562</u>	<u>-</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE 4

FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01-Apr-10	Additions	Deductions	Adjustment for Dilution	As at 31-Mar-11	Additions	Deductions	Adjustment for Dilution
Tangible Asset								
Freehold Land	500,443,853	4,050,000	-	500,443,853	4,050,000	-	-	-
Plant & Machinery:								
-Wind Energy Converters	-	2,692,878,264	-	-	2,692,878,264	73,618,946	-	-
-Computer	3,669,317	551,047	96,416	1,396,344	2,727,604	642,701	47,599	311,074
-Office Equipment	5,818,799	714,952	251,531	4,881,767	1,400,453	452,429	165,176	930,936
-Electrical Installation & Equipment	-	-	-	-	-	-	-	-
Vehicles	3,210,809	-	-	3,210,809	-	-	-	888,911
Furniture & Fixtures	14,551,916	639,701	202,966	14,292,133	696,518	176,105	65,494	6,032,529
Leasehold improvements	2,367,724	-	-	2,367,724	-	-	-	1,028,951
Intangible Asset								
Development Rights	-	96,750,000	-	-	96,750,000	4,612,192	-	-
Software	1,245,658	1,516,110	-	341,065	2,420,703	378,152	-	200,435
Total	531,308,076	2,797,100,074	550,913	526,933,695	2,800,923,542	79,880,525	278,269	9,392,836
Previous Period	257,175,187	274,304,486	175,597	-	531,308,076	10,147,115	114,661	-
					11,457,504	278,269	81,666,924	2,719,256,618
					1,425,050	11,457,504	519,850,572	519,850,572

Depreciation of subsidiaries for part of the year
- IL&FS Taminadu Power Development Company Ltd
- IL&FS Renewable Energy Limited

Total Depreciation

4,141,388
4,728,081

88,749,592

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31-Mar-2011 Rupees	As at 31-Mar-2010 Rupees
SCHEDULE 5		
INVESTMENTS (AT COST)		
LONG TERM TRADE (Unquoted)		
A. IL&FS Renewable Energy Limited (see note below) (49,940 (Previous year Nil) Equity Shares of Rs. 10 each)	-	-
B. IL&FS Wind Power Limited (see note 13 of schedule 15) (1,720,940 (Previous year Nil) Equity Shares of Rs. 10 each)	16,710,000	-
C. IL&FS Tamilnadu Power Development Company Limited (see note 13 of schedule 15) (10,440,000 (Previous year Nil) Equity Shares of Rs. 10 each) (Net of share of loss of associates of Rs. 4,896,795)	97,003,205	-
D. SV Power Private Limited (3,861,775 (Previous year Nil) Equity Shares of Rs. 10 each)	789,960,000	-
E. Nana Layja Power Company Limited (see note below) (50,000 (Previous year Nil) Equity Shares of Rs. 10 each)	-	-
F. Himanchal Sorang (3,184,997 (Previous year Nil) Fully Convertible Debentures of Rs. 100 each)	357,040,000	-
G. ONGC Tripura Power Company Limited [(100,000 (Previous year Nil) Equity Shares of Rs. 10 each fully paid up) (267.390,000 (Previous year Nil) Equity Shares of Rs. 10 each, paid up of Rs. 5 each)]	4,023,217,980	-
	5,283,931,185	-

Note:

The Parent holds shares in these companies. IL&FS Renewable Energy Limited and Nana Layja Power Company Limited were subsidiaries of the Parent upto 1 March, 2011 and 29 March, 2011 respectively and ceased to be so subsequent to the dilution in the Parent's stake in these subsidiaries. The amounts invested have been set off against the gain on dilution of the Parent's stake in these companies. (See also note 13 of schedule 15).



IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31-Mar-2011 Rupees	As at 31-Mar-2010 Rupees
SCHEDULE 6		
SUNDRY DEBTORS		
(Unsecured, considered good)		
Outstanding for more than six months	34,509,886	77,725
Others	266,459,127	62,890,318
	300,969,013	62,968,043
SCHEDULE 7		
CASH & BANK BALANCES		
Cash in hand	-	12,165
Balance with scheduled Banks:		
- in current accounts	67,528,576	48,027,731
- in deposit accounts	10,975,852	4,571,904
	78,504,428	52,611,800
SCHEDULE 8		
LOANS AND ADVANCES		
(Unsecured, Considered good)		
Interest accrued but not due	28,656,325	4,365,688
Amount recoverable in cash or in kind or for value to be received	191,407,739	34,646,863
Share application money paid	13,600,000	-
Inter corporate deposits	520,000,000	327,530,655
Advance paid for investments	1,500,000,000	-
Project development expenditure	-	24,035,550
Other deposits	-	5,468,606
Advance tax (net of provision for taxes Rs. 59,191,698)	68,171,283	17,163,056
MAT credit entitlement	10,492,541	-
	2,332,327,888	413,210,412
SCHEDULE 9		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors	54,505,190	361,361,219
Advance received	30,000,000	30,000,000
Interest accrued but not due	40,123,381	-
Other liabilities	11,516,104	704,725,391
	136,144,675	1,096,086,610
PROVISIONS		
Provision for dividend	-	30,000,000
Provision for dividend distribution tax	-	4,982,625
Provision for retirement benefits	10,614,566	4,637,711
	10,614,566	39,620,336

A

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31-Mar-2011 Rupees	Year ended 31-Mar-10 Rupees
SCHEDULE 10		
OTHER INCOME		
Tender fee received	-	125,000
Interest income on		
- Fixed deposit	1,767,477	338,599
- Inter corporate deposit	59,520,937	5,463,188
- Others	31,814,287	-
Profit on sale of assets	-	4,257
Miscellaneous income	486,541	-
	93,589,242	5,931,044
SCHEDULE 11		
EMPLOYEE COST		
Salaries, wages and incentives	148,823,454	91,415,288
Contribution to provident and other funds	9,344,391	5,739,936
Staff welfare expenses	3,343,022	2,872,709
	161,510,867	100,027,933
SCHEDULE 12 :		
ADMINISTRATIVE & GENERAL EXPENSES		
Travelling and conveyance	21,994,095	11,436,896
Repair & maintenance		
- Plant and machinery	116,356	481,733
- Others	5,811,322	149,094
Rent	34,285,075	29,479,953
Electricity expenses	695,599	416,333
Business promotion expenses	4,469,104	550,727
Printing and stationary	1,213,287	1,121,745
Office maintenance expenses	3,168,178	2,929,805
Fees, rates & taxes	50,057,299	21,068,426
Insurance	2,009,290	1,073,016
Legal and professional charges	57,168,837	24,999,739
Communication expenses	2,592,357	1,884,177
Director sitting fees	510,000	830,000
Loss on sale/retirement of assets (net of profit)	145,865	-
Rebate on sale of power	921,439	-
Interest on late payment of taxes	55,295	1,326,230
Preliminary expenses written off	-	68,233
Miscellaneous expenses	6,170,703	3,681,992
	191,384,101	101,498,099
SCHEDULE 13		
FINANCE EXPENSES		
Interest		
- on term loans	150,783,426	-
- others	158,349,113	-
Finance charges	591,018	-
	309,723,557	-

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 14 : ACCOUNTING POLICIES

1. Basis of Consolidation:

The Consolidated Financial Statements (CFS) relates to IL&FS Energy Development Company Limited ("the Parent/Company"), its subsidiaries and its associates collectively referred to as the 'Group'.

The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating all significant intra-group balances, intra-group transactions and unrealised profits or losses on intra-group transactions as per Accounting Standard 21 on 'Consolidated Financial Statements'

The subsidiaries and associates considered in the preparation of these consolidated financial statements are:

	Interest (%) as on 31 March, 2011*	Interest (%) as on 31 March, 2010
Name of Subsidiaries		
(All incorporated in India)		
IL&FS Hydro Energy Limited	100%	99.88%
IL&FS Renewable Energy Limited (upto 01 March, 2011)	0.04%	99.88%
IL&FS Wind power Limited (upto 28 February, 2011)	0.02%	99.88%
IL&FS Tamil Nadu Power Company Limited (Formerly Facile Integrated Technology Enterprises Private Limited) (upto 23 November, 2010)	26.00%	100%
Cross Border Power Transmission Company Ltd	100%	100%
Nana Layja Power Company Limited (upto 29 March 2011)	0.01%	Nil
Name of Associates (All incorporated in India)		
ONGC Tripura Power Company Limited (w.e.f. 27 September, 2010)	49.52%	Nil
IL&FS Tamil Nadu Power Company Limited (w.e.f. 24 November, 2010)	26.00%	Nil
S V Power Private Limited (w.e.f. 31 March, 2011)	36.75%	Nil

* Subsidiary for part of the year considered for that part for which IL&FS Energy Development Company Limited is the holding company.

- a) The excess of cost of investments in each Subsidiary over the Group's portion of net asset value in such entities, at the date on which such investment is made, is recognised as Goodwill and included as an asset in the Consolidated Balance Sheet. Excess of the Group's portion of net asset value in each Subsidiary at the date on which the investment is made, over the cost of investment is recognised as Capital Reserve and included as Reserves and Surplus under Shareholders' Equity.
- b) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiaries and further movements in their share in the equity, subsequent to the dates of investments as stated above.
- c) The financial statements of the entities used for the purpose of consolidation are drawn up to the same reporting date as that of the Company.



- d) In accordance with AS 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements', the investments in Associates are accounted using the equity method and are carried in the Consolidated Balance Sheet at cost as adjusted by post acquisition changes in the Group's share of the Associates' Reserves and Surplus.

2. Significant Accounting Policies

a) Basis for preparation of Financial Statements

The financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles (GAAP) in India and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 to the extent applicable. All income, expenditure, assets and liabilities having a material bearing on the financial statements are recognised on an accrual basis.

b) Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

c) Fixed Assets and Depreciation

- i. Fixed assets are stated at cost less depreciation. All costs relating to acquisition and installation of fixed assets are capitalised.
- ii. The Group has adopted the Straight Line Method of depreciation so as to write off 100% of the cost of the following type of assets at rates higher than those prescribed in Schedule XIV to the Companies Act, 1956, based on the Management's estimate of useful life of such assets:

Asset Type	Useful Life
Computers	4 years
Specialised Office Equipment	3 years
Assets Provided to Employees	3 years
Licensed Software	License period or 4 years whichever is less.
Wind Energy Plants	19 years

- iii. Intangible asset comprising development rights for wind energy plants are being amortised over its useful period of 20 years
- iv. All categories of assets costing less than Rs. 5,000 each, mobile phones and items of soft furnishing are written off in the year of capitalisation
- v. The expenditure on renovation / improvement to Leasehold properties is capitalised at Cost and amortised over the primary period of the lease.
- vi. Depreciation on fixed assets, other than on assets specified in Note 2c - (ii) to (v) above, is provided for on the Written Down Value Method at the rates provided under Schedule XIV of the Companies Act, 1956.

d) Intangible Assets

Intangible assets are recognised only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use.

The depreciable amount of an intangible asset is allocated on a systematic basis over the best estimate of its useful life.

e) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflect the current market assessment of time value of money and the risks specific to the asset. The impairment loss as determined above is expensed off.

f) Borrowing Costs

Borrowing costs directly attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. Borrowing costs other than directly attributable to acquisition construction or production of a qualifying asset are recognised as expense in the period in which they are incurred.

Other ancillary costs which are paid upfront for the arrangement of borrowings are amortised over the period of the loan.

g) Investments

- i. Investments are capitalised at actual cost including cost incidental to acquisition.
- ii. Long term investments and are valued at cost less provision for diminution, other than temporary, determined on scrip to scrip basis. Current investments are carried at lower of cost or fair value

h) Pre-operative Expenses

Pre-operative expenses comprises incidental expenditure during construction period, which includes payment to and provision for employees, professional fees and other administrative expenses pending adjustment/allocation to fixed assets on completion of the project.

i) Project Development Expenses

Expenses relating to the projects, which are recoverable from the Project Implementing Agency are shown under the head 'Project Development Expenses' and reflected under current assets.

j) Revenue Recognition

- i. Income is recognised on an accrual basis.
- ii. Consultancy fee income including management fees on infrastructure projects is recognised when specified project progress milestones are achieved as defined in the Project Contract Mandates.
- iii. Revenue from Sale of power produced on generation of electricity is accounted when energy is delivered at the metering point in terms of the Power Purchase Agreement.

- iv. Revenue from interest income is recognised on the accrual basis.
- v. Dividend income is recognised once the unconditional right to receive dividend is established.

k) Transactions in Foreign Exchange

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary items denominated in a foreign currency and outstanding at the balance sheet date are translated at the exchange rate prevailing at the balance sheet date.

Differences arising on foreign currency transactions are recognised as income or expenses in the period in which they arise.

l) Employee Benefits

i. Short Term

Short term employee benefits are recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

ii. Long Term

The Company has both defined-contribution and defined-benefit plans.

a. Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the Employees' Provident Fund, Family Pension Fund and Superannuation Fund. The Company's payments to the defined contribution plans are reported as expenses in the period in which the employees perform the services that the payment covers.

b. Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

iii. Other Employee Benefits

Liability for compensated absences which accrue to employees and which can be carried to future periods is actuarially determined using the projected unit credit method.

m) Segment Reporting

The accounting policies adopted for segment reporting are in line with the Accounting Standards. Revenue, expenses and assets have been identified to segments on the basis of their relationship to the operating activities to the segment. Revenue, expenses and assets which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under "unallocable income/expenses".



n) Leases

Operating Lease

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

o) Taxation

Income tax comprises current income tax and deferred tax. Current income tax is recognised in accordance with the provisions of Income tax Act, 1961.

Deferred Tax Assets and Liabilities are recognised for the future tax consequences of timing differences between the book profit and tax profit. Deferred Tax Assets and Liabilities other than carry forward losses and unabsorbed depreciation under tax laws are recognised when it is reasonably certain that there will be sufficient future taxable income to realise these assets. Deferred Tax Asset on carry forward losses and unabsorbed depreciation, if any, are recognised when it is virtually certain that there will be future taxable profits. Deferred tax assets and liabilities are measured using substantively enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of substantive enactment of the change.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably

p) Earnings Per Share

The Group reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, 'Earnings Per Share'. Basic earnings per equity share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit for the year by the weighted average number of equity shares during the year as adjusted to the effect of all dilutive potential equity shares, except where the results are anti-dilutive.

q) Preliminary Expenses

Miscellaneous Expenditure comprises preliminary expenses incurred in relation to incorporation of the Company. In respect of a subsidiary, IL&FS Tamilnadu Power Company Limited, preliminary expenses are amortised over a period of 5 years and in respect of other Companies, these are charged off as and when incurred.

r) Provisions, Contingent Liabilities and Contingent Assets

- i. A provision is made based on reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation
- ii. Contingent liabilities, if material, are disclosed by way of notes to accounts
- iii. Contingent assets are not recognised or disclosed in the financial information

IL&FS ENERGY DEVELOPMENT COMPANY LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 15: NOTES TO ACCOUNTS

1. For the wind power projects commissioned in Rajasthan and Tamilnadu, the Company has entered into Power Purchase Agreements (PPA) with Jaipur Vidyut Vitran Nigam Ltd. (JVVNL) and Tamil Nadu Electricity Board (TNEB) respectively for the supply of power and has commenced supply of power from the above projects in September, 2010
2. During the year the Company has purchased 2,016,009.535 Pass Through Certificates - Series II (PTCs) of Rs. 1000 each at a premium of Rs. 183,990,465 from the lenders of Maytas Investment Trust (MIT) for a total consideration of Rs. 2,200,000,000. Such PTCs are redeemable by transfer of investments of 3 Companies namely KVK Nilachal Power Private Limited, SV Power Private Limited and Himachal Sorang Power Limited. Subsequent to same MIT through its Trustee viz IL&FS Trust Company Limited has transferred 3,195,509 shares of SV Power Private Limited and redeemed 641,457.579 PTCs leaving a balance of 1,374,551.956 PTCs as on 31 March 2011. The Shares of SV Power Private Limited are under transfer as on 31 March, 2011.
3. During the year, the Company has secured the rights for development and operation of 48 wind energy converters at Jaisalmer district, Rajasthan and of 15 wind energy converters at Triuneveli district, Tamilnadu. These rights include all necessary clearances/approvals/right of way etc. from the respective state Governments/Departments/Boards/ Authorities. These development rights are being amortised over its useful period of 20 years.
4. Of the 522,000,000 issued equity shares, 470,000,000 (Previous year 1,900,000) equity shares are held by Infrastructure Leasing & Financial Services Limited, and 52,000,000 (Previous year 100,000) equity shares are held by trustees of IL&FS Employee Welfare Trust.

5. Contingent liabilities

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
a. Bank Guarantee provided to Uttarakhand Power Corporation Limited	220,600	-
b. Rs 5/- per share uncalled money on 267,390,000 partly paid shares of ONGC Tripura Power Company Limited	1,336,950,000	-
c. There are no capital commitments as at the year ended 31 March, 2011		

6. Secured Loans

a. Term Loan from Banks

Term loans of Rs. 2,138,000,000 together with interest, additional interest, default interest, upfront fees, costs, charges, expenses are secured in favour of the lenders/security trustees by way of first pari passu charge without any lender having priority/preference over the other lender and include the following:

- (i) A mortgage on the rights of the sub-leased land in the state of Rajasthan for the project,
- (ii) A Mortgage on the land acquired for the project in the state of Tamilnadu,
- (iii) A first charge by way of hypothecation on all moveable assets including but not limited to plant & machinery, machinery spares and accessories for the project,

- (iv) A first ranking hypothecation/assignment of all the contracts, including Power Purchase Agreement/off take contracts, documents, insurance policies, policies relating to the proposed wind farm, rights, titles, permits/approvals clearances and interest of the project,
- (v) A first charge on the project's book debts, operating cash flows, receivables, commissions, revenues of whatsoever nature and wherever arising (present and future), intangibles, goodwill, uncalled capital (Present and future),
- (vi) A first charge on the entire project's bank accounts including but not limited to escrow account opened in a designated bank, where all the cash inflows from the project shall be deposited and all proceeds shall be utilised in a manner and priority to be decided by the lenders,
- (vii) Assignment of all rights and interests of the Company relating to the project under letter of credit, guarantee or performance bond provided by any party for any contract related to the project in favour of the Company.

b. Term Loan from Body Corporates

- (i) IL&FS Financial Services Limited

Term loan of Rs. 2,200,000,000 together with interest, additional interest, default interest, upfront fees, costs, charges, expenses is to be secured by pledge of PTCs held by the Company in MIT relating to equity / FCD investments in KVK Nilachal Power Private Limited, SV Power Private Limited and Himachal Sorang Power Limited.

- (ii) Infrastructure Leasing & Financial Services Limited

Term loan of Rs. 520,438,562 together with interest, additional interest, default interest, upfront fees, costs, charges, expenses is to be secured by an exclusive first hypothecation and charge on specific receivables of the Company, present and future, arising out of advisory services and loans made to IL&FS Employee Welfare Trust.

7. Employee benefits

In accordance with the revised Accounting Standard 15 the requisite disclosures are as follows:

a. Defined Contribution Plan

The group makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is administered by the Regional Provident Fund Commissioner and the Superannuation Fund is administered by the Trustees of IL&FS Energy Development Company Limited Superannuation Fund. Under the schemes, the group is required to contribute a specified percentage of salary cost to the retirement benefit scheme to fund the benefits.

On account of Defined Contribution Plans, a sum of Rs. 6,259,576 (Previous year Rs. 3,816,681) has been charged to Profit & Loss account.

b. Defined Benefit Plan

- (i) Gratuity Plan

The Company has created a trust namely IL & FS Energy Development Company Limited- Group Gratuity Trust. The gratuity liability arises on retirement, withdrawal, resignation and death of an employee.

- (ii) Compensated Absences Plan

As per stipulation of AS-15 the leave balance is classified into short term and long term based on best estimates after considering the past trends and has been valued on an actuarial basis by an independent actuary using Projected Unit Credit Method.

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c. Accounting policy for recognising actuarial gains and losses

Actuarial gains and losses arising from experience adjustment and effects of changes in actuarial assumptions are immediately recognised in the statement of profit and loss account as income or expense.

d. Disclosures as required under Accounting Standard –15 (Revised) on “Employee Benefits” for Gratuity are as under:

(i) Assumptions

Particulars	2010-11	2009-10
Discount rate	8.25%	8.00%
Rate of return on plan assets	8.00%	8.00%
Salary Escalation	6.00%	4.50%

(ii) Change in benefit obligation

Liability at the beginning of the year	4,924,251	2,966,735
Dilution in stake of subsidiaries	(1,902,363)	-
Liability transferred from Group Company	-	737,308
Interest Cost	241,751	242,230
Current Service Cost	991,171	1,085,319
Benefits paid	-	-
Actuarial (gain) / loss on obligations	1,769,015	(107,341)
Liability at the end of the year	6,023,825	4,924,251

(iii) Fair value of Plan assets

Particulars	31.03.2011	31.03.2010
Fair value of plan assets at the beginning of the year/year	4,543,281	2,814,481
Dilution in stake of subsidiaries	(1,673,006)	-
Transferred from group company	-	737,308
Expected return on plan assets	246,235	299,259
Contributions	207,664	926,256
Actuarial gain/ (loss) on plan assets	(89,663)	(234,023)
Fair value of plan assets at the end of the year/year	3,234,511	4,543,281
Total Actuarial gain/ (loss) to be recognized	(1,858,678)	(126,682)

(iv) Actual return on plan assets

Particulars	31.03.2011	31.03.2010
Expected return on plan assets	246,235	299,259
Actuarial gain/ (loss) on plan assets	(89,663)	(234,023)
Actual return on plan assets	156,572	65,236

(v) Amount Recognised in the Balance Sheet

Liability at the end of the year	6,023,825	4,924,251
Fair Value of Plan assets at the end of the year	3,234,511	4,543,281
(Liability)/Asset recognised in the balance sheet	(2,789,314)	(380,970)

(vi) Expenses recognised in the profit and loss account

Current service cost	991,171	1,085,319
Interest cost	241,751	242,230
Expected return on plan assets	(246,235)	(299,259)
Actuarial (gain) / loss	1,858,678	126,682
Expenses charged to the profit and loss account	2,845,365	1,154,972

(vii) Balance Sheet Reconciliation

Opening Net Liability	3,80,970	152,254
Dilution in stake of subsidiaries	(229,357)	-
Expense as above	2,845,365	1,154,972
Fair Value of plan assets transferred from group company	-	(737,308)
Employer Contribution	(207,664)	(926,256)
Liability transferred in		737,308
Amount Recognised in the balance sheet	2,789,314	380,970

8. Segment Reporting

a. Segment information for primary segment reporting (by business segment)

The group has two business segments:

- (i) Generation and sale of power
- (ii) Advisory services

Particulars	All amount in Rupees 31 March, 2011		
	Generation and sale of power	Advisory services	Total
Segment Revenue			
Turnover (Gross)	96,571,594	585,819,001	682,390,595
Segment Profit /(Loss)	(130,675,331)	374,051,514	243,376,183
Unallocable Expenses			336,434,977
Operating Profit /(Loss)			(93,058,794)
Unallocable Income			93,589,242
Income Taxes			48,930,187
Net Profit/(loss) After Tax			(48,399,739)

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Particulars	Generation and sale of power	Advisory services	Total
Segment Assets	2,804,776,802	298,613,385	3,103,390,187
Unallocable Assets			7,662,109,316
Total Assets			10,765,499,503
Segment Liabilities	2,192,887,781	41,833,282	2,234,721,063
Unallocable Liabilities			2,770,476,740
Total Liabilities			5,005,197,803
Capital Expenditure	2,794,040,759	2,067,157	2,796,107,916
Unallocable Capital Expenditure			1,354,653
Total Capital Expenditure			2,797,462,569
Depreciation	78,231,138	1,020,853	79,251,991
Unallocable Depreciation			9,498,003
Total Depreciation			88,749,994

Since segmental reporting is being reported for the first time for the current reporting year, comparative figures for the corresponding previous year are not provided.

b. Geographic segments

Operations of the Group do not qualify, for reporting as geographic segments, as per the criteria set out under Accounting Standard 17 on Segment reporting.

9. Related Party Transactions:

a) List of related parties (With whom the Group had transactions):

(A) HOLDING COMPANY

- Infrastructure Leasing & Financial Services Limited
 - From 1 April, 2010 to 9 August, 2010 and
 - From 3 December, 2010 to 31 March, 2011

(B) FELLOW SUBSIDIARIES (period same as IL&FS, depending on actual transaction)

- IL&FS Infrastructure Development Corporation Limited (IIDC)
- IL&FS Financial Services Limited
- IL&FS Nepal Infrastructure Development Company Private Limited
- IL&FS Property Management & Services Limited
- Unique Waste Processing Company Limited
- IL&FS Investment Advisors LLC
- IL&FS Ecosmart Limited
- IL&FS Renewable Energy Limited (from 2 March, 2011)
- IL&FS Securities Services Limited
- IL&FS Tamil Nadu Power Company Limited (from 24 November, 2010)
- IL&FS Transportation Networks Limited
- IL&FS Trust Company Limited
- IL&FS Wind Power Limited (from 1 March, 2011)
- Nana Layja Power Company Limited (from 30 March, 2011)
- GAPS Power and Infrastructure Private Limited
- IL&FS Maritime Infrastructure Company Limited
- IL&FS Urban Infrastructure Services Limited
- IL&FS Transportation Networks Limited

(C) **AFFILIATES**

- IL&FS Tamil Nadu Power Company Limited (from 24 November, 2010)
- Bihar Power Infrastructure Company Private Limited
- IL&FS IIDC Fund
- Assam Power Projects Development Company Private Limited
- ORIX Auto Infrastructure Services Limited
- IL&FS Technologies Limited
- ONGC Tripura Power Company Limited
- Mangalore SEZ Limited
- Bodoland Infrastructure Development Company Limited
- PDCOR Limited
- Indraprastha Energy & Waste Management Company Limited
- Jharkhand Infrastructure Development Corporation Limited
- KSIIDC-IL&FS Project Development Company Limited
- S V Power Private Limited
- Power Transmission Company Nepal Limited
- Ovira Logistics Limited

(D) **INDIVIDUALS HAVING CONTROL OR SIGNIFICANT INFLUENCE**

- Mr. Arun K. Saha (Trustee of IL&FS Employee Welfare Trust)
- Mr. Vibhav Kapoor (Trustee of IL&FS Employee Welfare Trust)

(E) **KEY MANAGERIAL PERSONNEL**

- Mr. Hari Sankaran, (Managing Director)

b) The nature and volume of transactions during the year with the above related parties are as follows:

are as follows:

Particulars	Holding Company	Subsidiary Companies see note below	Fellow Subsidiaries	All amounts in Rupees	
				Affiliates	Significant Influence
Transactions during the year					
Consultancy Fee Income:					
Nana Layja Power Company Limited	-	-	30,000,000	-	-
	-	-	(-)	-	-
IL&FS IIDC Fund	-	-	-	-	-
	-	-	-	(9,498,125)	-
Bihar Power Infrastructure Company Private Limited	-	-	-	51,302,083	-
	-	-	-	(10,462,154)	-
IL&FS Infrastructure Development Corporation Limited	-	-	39,000,000	-	-
	-	-	(73,500,000)	-	-
ONGC Tripura Power Co. Private Limited	-	-	-	-	-
	-	-	-	(10,000,000)	-
IL&FS Tamilnadu Power Company Limited	-	90,000,000	-	231,000,000	-
	-	(-)	-	(-)	-
IL&FS Renewable Energy Limited	-	7,500,000	1,500,000	-	-
	-	(-)	(-)	-	-
Others	-	-	-	3,170,295	-
	-	(4,000,000)	-	(6,775,000)	-
Total Consultancy Fee	-	97,500,000	70,500,000	285,472,378	-
	-	(4,000,000)	(73,500,000)	(36,735,279)	-

Particulars	Holding Company	Subsidiary Companies See note below	Fellow Subsidiaries	Affiliates	Significant Influence
Interest Income					
Infrastructure Leasing & Financial Services Limited	9,760,947 (10,324,127)	- -	- -	- -	- -
GAPS Power and Infrastructure Private Limited	- -	2,974,027 (-)	- -	- -	- -
IL&FS Employee Welfare Trust	- -	- -	- -	- -	37,835,616 (-)
Total Interest Income	9,760,947 (10,324,127)	2,974,027 (-)	- -	- -	37,835,616 (-)
Rent Expense					
Infrastructure Leasing & Financial Services Limited	21,107,977 (26,049,100)	- -	- -	- -	- -
IL&FS Infrastructure Development Corporation Limited	- -	- -	- (1,261,469)	- -	- -
Total	21,107,977 (26,049,100)	- -	- (1,261,469)	- -	- -
Interest Expense					
Infrastructure Leasing & Financial Services Limited	61,292,803 (152,638)	- -	- -	- -	- -
IL&FS Financial Services Limited	- -	- -	71,726,027 (-)	- -	- -
Total	61,292,803 (152,638)	- -	71,726,027 (-)	- -	- -
Project Development Expenses					
IL&FS Maritime Infrastructure Company Limited	- -	- -	- (454,436,000)	- -	- -
IL&FS Property Management and Services Limited	- -	- -	- (110,300,000)	- -	- -
IL&FS Ecosmart Limited	- -	- -	- (112,606,196)	- -	- -
PDCOR Limited	- -	- -	- -	(2,500,000)	- -
Total	- -	- -	- (677,342,196)	- (2,500,000)	- -
Deputation Cost:					
IL&FS Infrastructure Development Corporation Limited	- -	- -	- (386,710)	- -	- -

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Particulars	Holding Company	Subsidiary Companies See note below	Fellow Subsidiaries	Affiliates	Significant Influence
Brand Development Cost					
Infrastructure Leasing & Financial Services Limited	2,143,497 (-)	- -	- -	- -	- -
Other Operating Expenses:					
IL&FS Investment Advisors LLC	- -	- -	181,606 (105,395)	- -	- -
Infrastructure Leasing & Financial Services Limited	287,735 (2,273,255))	- -	- -	- -	- -
IL&FS Infrastructure Development Corporation Limited	- -	- -	490,084 (224,792)	- -	- -
IL&FS Technologies Limited	- -	- -	- -	723,979 (853,800)	- -
IL&FS Nepal Infrastructure Development Company Private Limited	- -	- -	600,000 (3,713,662)	- -	- -
IL&FS Property Management & Services Limited	- -	- -	613,223 (1,032,666)	- -	- -
IL&FS Renewable Energy Limited	- -	- -	2,238,791 (-)	- -	- -
IL&FS Ecosmart Limited	- -	- -	195,000 (150,000)	- -	- -
Orix Auto Infrastructure Services Limited	- -	- -	- -	2,516,163 (4,105,462)	- -
Others	- -	- -	219,679 (-)	- -	- -
Total	287,735 (2,273,255)	- -	4,538,383 (5,226,515)	3,240,142 (4,959,262)	- -
Reimbursement of expenses :					
IL&FS Tamilnadu Power Company Limited	- -	99,946 (-)	- -	53,979 (-)	- -
IL&FS Renewable Energy Limited	- -	619,432 (-)	55,471 (-)	- -	- -
IL&FS Wind Power Limited	- -	- -	4,116,877 (-)	- -	- -
IL&FS Infrastructure Development Corporation Limited	- -	- -	249,744 (-)	- -	- -
IL&FS Property Management and Services Limited	- -	- -	427,047 (-)	- -	- -
Total	- -	719,378 (-)	4,849,139 (-)	53,979 (-)	- -

Particulars	Holding Company	Subsidiary Companies See note below	Fellow Subsidiaries	Affiliates	Significant Influence
Purchase of fixed assets:-					
Infrastructure Leasing & Financial Services Limited	91,215	-	-	-	-
	-	-	-	-	-
IL&FS Infrastructure Development Corporation Limited	-	-	239,652 (-)	-	-
	-	-	-	-	-
IL&FS Renewable Energy Limited	-	-	39,749 (-)	-	-
	-	-	-	-	-
IL&FS Urban Infrastructure Services Limited	-	-	-	-	-
	-	-	(1,160,837)	-	-
IL&FS Maritime Infrastructure Company Limited	-	-	-	-	-
	-	-	(540,256)	-	-
IL&FS Property Management and Services Limited	-	-	-	-	-
	-	-	(499,939)	-	-
IL&FS Technologies Limited	-	-	-	1,320,383	-
	-	-	-	(224,661)	-
Total	91,215	-	279,401	1,320,383	-
	-	-	(2,201,032)	(224,661)	-
Preoperative Expenses					
Infrastructure Leasing & Financial Services Limited	-	-	-	-	-
	(152,638)	-	-	-	-
IL&FS Financial Services Limited	-	-	-	-	-
	-	-	(202,958,663)	-	-
Ovira Logistics Limited	-	-	-	-	-
	-	-	-	(196,775,200)	-
Orix Auto Infrastructure Services Limited	-	-	-	-	-
	-	-	-	-	(239,129)
Total	-	-	-	-	-
	(152,638)	-	(202,958,663)	(196,775,200)	(239,129)
Advance received towards Share Capital-					
IL&FS Employees Welfare Trust	-	-	-	-	-
	-	-	-	-	(200,000,000)
Infrastructure Leasing & Financial Services Limited	447,000,000	-	-	-	-
	(962,800,000)	-	-	-	-
Project Development Fund					
Infrastructure Leasing & Financial Services Limited	30,000,000	-	-	-	-
	(30,000,000)	-	-	-	-

Balances outstanding as on 31 March, 2011

Particulars	Holding Company	Subsidiary Companies See note below	Fellow Subsidiaries	Affiliates	Significant Influence
Creditors/Payables					
IL&FS Financial Services Limited	-	-	457,884	-	-
	-	-	(156,412,424)	-	-
Infrastructure Leasing & Financial Services Limited	2,950,426	-	-	-	-
	(5,661,770)	-	-	-	-
IL&FS Infrastructure Development Corporation Limited	-	-	-	-	-
	-	-	-	-	-
IL&FS Technologies Limited	-	-	-	88,204	-
	-	-	-	(-)	-
IL&FS Investment Advisors LLC	-	-	-	-	-
	-	-	(105,395)	-	-
IL&FS Environmental Infrastructure and Services Limited	-	-	422,869	-	-
	-	-	(-)	-	-
IL&FS Securities Services Ltd	-	-	111,675	-	-
	-	-	(-)	-	-
IL&FS Renewable Energy Limited	-	-	2,222,448	-	-
	-	-	(-)	-	-
IL&FS Nepal Infrastructure Development Company Private Limited	-	-	327,500	-	-
	-	-	(950,662)	-	-
IL&FS Transportation Networks Limited	-	-	-	-	-
	-	-	(447,106)	-	-
IL&FS Maritime Infrastructure Company Limited	-	-	-	-	-
	-	-	(408,992,400)	-	-
IL&FS Ecosmart Limited	-	-	-	-	-
	-	-	(79,416,000)	-	-
IL&FS Property Management and Services Limited	-	-	-	-	-
	-	-	(89,370,440)	-	-
Ovira Logistics Limited	-	-	-	-	-
	-	-	-	(157,097,680)	-
Orix Auto Infrastructure Services Limited	-	-	-	-	-
	-	-	-	(258,914)	-
Total	2,950,426	-	3,542,376	88,204	-
	(5,661,770)	-	(735,694,427)	(157,356,594)	-
Loan advanced					
IL&FS Employees Welfare Trust	-	-	-	-	520,000,000
	-	-	-	-	(-)
Loan Payable					
Infrastructure Leasing & Financial Services Limited	520,438,562	-	-	-	-
	(-)	-	-	-	-
IL&FS Financial Services Limited	-	-	2,200,000,000	-	-
	-	-	(-)	-	-
Total	520,438,562	-	2,200,000,000	-	-
	(-)	-	(-)	-	-

Particulars	Holding Company	Subsidiary Companies See note below	Fellow Subsidiaries	Affiliates	Significant Influence
Receivables:					
IL&FS Wind Power Limited	-	-	4,086,824	-	-
	-	-	(-)	-	-
IL&FS Tamilnadu Power Company Limited	-	-	-	224,576,737	-
	-	-	-	(-)	-
Bihar Power Infrastructure Company Private Limited	-	-	-	745,728	-
	-	-	-	(371,880)	-
ONGC Tripura Power Company Private Limited	-	-	-	-	-
	-	-	-	(157,453)	-
IL&FS Renewable Energy Limited	-	-	153,045,670	-	-
	-	-	(-)	-	-
Unique Waste Processing Company Limited	-	-	-	-	-
	-	-	(802,998)	-	-
Indraprastha Energy & Waste Mgmt Co Limited	-	-	-	144,539	-
	-	-	-	(160,599)	-
IL&FS Infrastructure Development Corporation Limited	-	-	35,143,419	-	-
	-	-	(37,386,850)	-	-
Mangalore SEZ Limited	-	-	-	502,950	-
	-	-	-	(778,155)	-
Power Transmission Company Limited	-	-	-	190,927	-
	-	-	-	(190,927)	-
Others			137,059	1,362	-
			(-)	(6,130)	-
Total	-	-	192,412,972	226,162,243	-
	-	-	(38,189,848)	(1,665,144)	-
Deposits (Asset)					
Infrastructure Leasing & Financial Services Limited	(200,000,000)	-	-	-	-
Interest accrued on deposits					
Infrastructure Leasing & Financial Services Limited	16,912,596	-	-	-	-
	(4,349,597)	-	-	-	-
Advance for purchase of shares					
IL&FS Wind Power Limited	-	-	13,600,000	-	-
	-	-	-	-	-
Investment in Subsidiaries & Associates					
S V Power (P) Ltd (Face Value)	-	-	-	38,617,750	-
	-	-	-	(-)	-
IL&FS Tamil Nadu Power Company Limited	-	-	-	97,003,205	-
	-	-	-	(-)	-
IL&FS Wind Power Limited	-	-	16,710,000	-	-
	-	-	(-)	-	-
Total	-	-	16,710,000	135,620,955	-
	-	-	(-)	(-)	-

Note: Figures under subsidiary represents transactions with subsidiaries which will be eliminated at the level of ultimate holding company.

10. The Company has entered into Operating Lease arrangements for vehicles. The minimum future lease payments during non-cancellable periods under the foregoing arrangements in the aggregate for each of the following periods is as follows:

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
(i) Not later than one year	2,561,150	3,992,109
(ii) Later than one year but not later than five years	2,669,396	2,508,381
(iii) Later than five years	Nil	Nil

Lease expenses incurred during the year Rs. 3,702,322 (Previous year Rs. 4,982,392)

11. Earnings Per Share

Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year.

S.no	Particulars	Unit	Year ended 31.03.2011	Year ended 31.03.2010
a.	Net Profit/(Loss) After Tax	Rupees	(48,399,739)	(40,135,201)
b.	Weighted Average of Number of Equity Shares	Number of Shares	169,928,767	2,000,000
c.	Basic Earnings per share (a/b)	Rupees	(0.28)	(20.07)
d.	Potential Dilutive equity Shares on share application money	Number of Shares	44,700,000	20,00,000
e.	Weighted average of number of equity shares used in computing diluted earnings per share.	Number of Shares	170,051,233	7,424,658
f.	Diluted earnings per share (a/e)	Rupees	(0.28)	(20.07)

12. Investment in Associates includes goodwill Rs. 3,124,346,463 (Previous Year Rs Nil) recognised on consolidation of associates.

13. During the year four subsidiaries viz. IL&FS Tamil Nadu Power Company Limited, IL&FS Wind Power Limited, IL&FS Renewable Energy Limited and Nana Layja Power Company Limited have issued further shares to Infrastructure Leasing and Financial Services Limited, the holding company and accordingly they have ceased to be the subsidiary of the Company. As a result, the Company has accounted for a gain of Rs. 164,068,352, being gain on dilution of its stake in the subsidiaries net of carrying value of Rs. 3,998,800 of the investments. This gain on dilution was primarily arising out of reversal of eliminations of income/expenses earned/incurred from transactions with these subsidiaries in earlier years.

14. Deferred Tax Assets/Liabilities

- a. Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.
- b. The breakup of deferred tax assets/liabilities and reconciliation of current year deferred tax charge is as follows

	Opening as at 01.04.2010 (Rupees)	(Charged) / Credited to P&L account (Rupees)	Dilution Adjustment (Rupees)	Closing as at 31.03.2011 (Rupees)
a. Deferred tax assets				
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:				
- Provision for employee benefits	1,123,696	2,320,200	-	3,443,896
- Expenditure covered by section 35D of the Income Tax Act, 1961	727,413	(3,557)	(720,300)	3,556
- Tax losses adjustable in future years	-	2,850,885	-	2,850,885
Total	1,851,109	5,167,528	(720,300)	6,298,337
b. Deferred tax liabilities				
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	214,042	(49,691,751)	(305,600)	(49,783,309)
Total	214,042	(49,691,751)	(305,600)	(49,783,309)
Net Deferred tax Asset/ (Liability)	2,065,151	(44,524,223)	(1,025,900)	(43,484,972)

15. Operational outlook

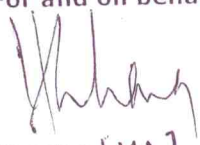
Net worth of IL&FS Hydro Energy Limited has been substantially eroded and the Company have not yet commenced operations. However, on account of continued financial support from the Holding Company and commencement of operations in near future, the accounts have been prepared on the basis that these Companies are going concern.

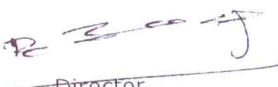
16. Prior period items in profit & loss account represents reclassification of expenses from expenditure during construction in respect of IL&FS Tamil Nadu Power Company Limited.

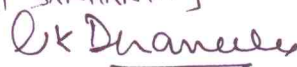



17. Figures for the previous year have been regrouped and reclassified wherever necessary.

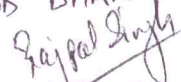
For and on behalf of the Board


Director [MD]
[HARI SANKARAN]


Director
[RAMESH CHANDER BAWA]


Chief Executive Officer
[VINOD DHANUKA]


Chief Financial Officer
[AVINASH BAPAT]


Company Secretary
[RAJPAL AHUJA]

Date : Bangalore
Place: 1 August, 2011

