

SE COMPOSITES LIMITED  
FINANCIAL STATEMENTS -- MARCH 31, 2010  
TOGETHER WITH AUDITORS' REPORT

S.R. BATLIBOI & Co.  
Chartered Accountants  
Panchshil Techpark  
C-401, Fourth Floor  
Yerwada  
Pune 411006

SNK & Co.  
Chartered Accountants  
E-2-B, The Fifth Avenue  
Dhole Patil Road  
Near Regency Hotel  
Pune 411 001

### Auditors' Report

To  
The Members of SE Composites Limited

1. We have audited the attached Balance Sheet of SE Composites Limited (the 'Company') as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

S.R. BATLIBOI & Co.  
Chartered Accountants  
Panchshil Techpark  
C-401, Fourth Floor  
Yerwada  
Pune 411006

SNK & Co.  
Chartered Accountants  
E-2-B, The Fifth Avenue  
Dhole Patil Road  
Near Regency Hotel  
Pune 411 001

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
- b) in the case of the profit and loss account, of the loss for the year ended on that date; and
- c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For S. R. Batliboi & Co.**  
**Firm Registration No:301003E**  
**Chartered Accountants**

**For SNK & Co.**  
**Firm Registration No:109176W**  
**Chartered Accountants**

per Arvind Sethi  
Partner  
Membership No: 89802  
Pune  
May 21, 2010

per Jasmin B. Shah  
Partner  
Membership No: 46238  
Pune  
May 21, 2010

**Annexure referred to in paragraph 3 of our report of even date**

**Re: SE Composites Limited**

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) Fixed assets which have been capitalised during the year have been physically verified by management during the year. All other fixed assets were physically verified by management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.  
(c) There was no substantial disposal of fixed assets during the year.
2. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.  
(b) The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory and we have been informed that no material discrepancies were noticed on physical verification carried out by the Company during the year.
3. (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence clauses 4 (iii) (a), 4 (iii) (b), 4 (iii) (c) and 4 (iii) (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.  
(b) The Company had taken loans from one company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.439.21 crores and the year-end balance of loans taken from such parties was Rs.410.55 crores including accrued interest.  
(c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.  
(d) The loans taken comprise of both short term and long term loans. Short term loans are re-payable on demand. As informed, the lenders have not demanded repayment of any such loan during the year, thus, there has been no default on the part of the Company. In regard to long term loans, no repayment was due in respect of the principal portion during the year ended March 31, 2010. The payment of interest on short term and long term loans has been regular.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Based on our procedures, no major weaknesses have been noticed in the internal control system in respect of these areas.
5. (a) According to the information and explanations provided by management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

S.R. BATLIBOI & Co.  
Chartered Accountants  
Panchshil Techpark  
C-401, Fourth Floor  
Yerwada  
Pune 411006

SNK & Co.  
Chartered Accountants  
E-2-B, The Fifth Avenue  
Dhole Patil Road  
Near Regency Hotel  
Pune 411 001

6. The Company has not accepted any deposits from the public and hence clause 4(vi) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company. Accordingly clause 4(viii) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable.
9. (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess, where applicable, have generally been regularly deposited with the appropriate authorities. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax sales tax, service tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute, except as given below:

Name of the statute	Nature of dues	Amount (Rs. crores)	Period to which the amount relates	Forum where dispute is pending
The Customs Act, 1962	Duties of customs being export duties on procurement of goods from any place in India (outside a Special Economic Zone) to a Special Economic Zone in India	1.33	May 2008 to October 2008	High Court of Karnataka

10. The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year. Accordingly clause 4(x) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable.
11. Based on our audit procedures and as per the information and explanations given by the management, *the Company has defaulted in repayment of dues to Banks in respect of Letters of Credit. The following are the details of the default:*

Particulars	Amount (Rs. Crores)	Range of Defaults
Letters of Credit	34.93	up to 73 days

As at March 31, 2010, these defaults have been rectified and hence no default exists as at March 31, 2010.

12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence clause 4(xii) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies. Accordingly, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

S.R. BATLIBOI & Co.  
Chartered Accountants  
Panchshil Techpark  
C-401, Fourth Floor  
Yerwada  
Pune 411006

SNK & Co.  
Chartered Accountants  
E-2-B, The Fifth Avenue  
Dhole Patil Road  
Near Regency Hotel  
Pune 411 001

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
16. Based on the information and explanations given to us by management, term loans were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The Company does not have any debentures outstanding during the year and hence clause 4(xix) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable.
20. The Company has not raised any money through a public issue during the year and hence clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S.R. BATLIBOI & Co.**  
**Firm Registration No:301003E**  
**Chartered Accountants**

**For SNK & Co.**  
**Firm Registration No:109176W**  
**Chartered Accountants**

per Arvind Sethi  
Partner  
Membership No: 89802  
Pune  
May 21, 2010

per Jasmin B. Shah  
Partner  
Membership No: 46238  
Pune  
May 21, 2010

**SE Composites Limited**  
**Balance Sheet as at March 31, 2010**  
All amounts in Rupees unless otherwise stated

Particulars	Schedules	As at March 31, 2010	As at March 31, 2009
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' funds</b>			
(a) Share capital	A	2,389,800,000	1,181,000,000
(b) Reserves and surplus	B	-	112,173,750
		<b>2,389,800,000</b>	<b>1,293,173,750</b>
<b>2. Loan funds</b>			
(a) Secured loans	C	1,202,682,720	625,336,952
(b) Unsecured loans	D	4,105,486,863	1,620,000,000
		<b>5,308,169,583</b>	<b>2,245,336,952</b>
<b>3. Deferred tax liabilities, net</b> (Refer Schedule M, Note 13)		22,717,047	23,486,600
<b>TOTAL</b>		<b>7,720,686,630</b>	<b>3,561,997,302</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed assets</b>			
Gross block	E	1,994,314,918	1,691,920,033
Less : Accumulated depreciation / amortisation		350,458,811	126,717,987
Net block		<b>1,643,856,107</b>	<b>1,565,202,046</b>
Capital work-in-progress including capital advances		275,583,638	377,400,253
		<b>1,919,439,745</b>	<b>1,942,602,299</b>
<b>2. Current assets, loans and advances</b>			
(a) Inventories	F	760,598,998	695,127,378
(b) Sundry debtors		5,079,689,772	3,477,110,107
(c) Cash and bank balances		120,138,318	208,855,925
(d) Loans and advances		487,727,960	390,903,730
		<b>6,448,155,048</b>	<b>4,771,997,140</b>
<b>Less : Current liabilities and provisions</b>			
(a) Current liabilities	G	1,455,383,955	3,103,339,832
(b) Provisions		7,183,904	49,262,305
		<b>1,462,567,859</b>	<b>3,152,602,137</b>
Net current assets		<b>4,985,587,189</b>	<b>1,619,395,003</b>
<b>3. Profit and loss account</b>		<b>815,659,696</b>	-
<b>TOTAL</b>		<b>7,720,686,630</b>	<b>3,561,997,302</b>
<b>Significant accounting policies and notes to accounts</b>	M		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

**For S. R. BATLIBOI & Co.** For SNK & Co.  
Firm Reg. No. 301003E Firm Reg. No. 109176W  
Chartered Accountants Chartered Accountants

**For and on behalf of the Board of Directors of  
SE Composites Limited**

**per Arvind Sethi** per Jasmin B. Shah  
Partner Partner  
Membership No: 89802 Membership No: 46238

**Vinod R. Tanti**  
Director

**Ranjitsinh A. Parmar**  
Director

**Place : Pune**  
**Date : May 21, 2010**

**Place : Pune**  
**Date : May 21, 2010**

**Place : Pune**  
**Date : May 21, 2010**

**Place : Pune**  
**Date : May 21, 2010**

**SE Composites Limited**  
**Profit and loss account for the year ended March 31, 2010**  
All amounts in Rupees unless otherwise stated

Particulars	Schedules	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
<b>INCOME</b>			
Sales		3,596,605,769	3,762,912,809
Other income	H	10,024,409	4,342,649
<b>TOTAL</b>		<b>3,606,630,178</b>	<b>3,767,255,458</b>
<b>EXPENDITURE</b>			
Cost of goods sold	I	1,556,809,710	1,442,433,463
Operating and other expenses	J	2,189,693,672	1,836,059,964
Employee remuneration and benefits	K	140,244,068	61,044,036
Financial expenses	L	421,903,432	116,573,192
Depreciation / amortisation	E	225,448,200	126,172,995
<b>TOTAL</b>		<b>4,534,099,082</b>	<b>3,582,283,650</b>
<b>(LOSS) / PROFIT BEFORE TAX</b>		<b>(927,468,904)</b>	<b>184,971,808</b>
<b>PROVISION FOR TAX</b>			
Current tax		-	500,000
Deferred tax charge / (credit)		(769,553)	23,486,600
Fringe benefit tax		-	450,000
Earlier year fringe benefit tax		180,862	-
Earlier years current tax		655,809	-
<b>NET (LOSS) / PROFIT</b>		<b>(927,536,022)</b>	<b>160,535,208</b>
Balance brought forward		<b>112,173,750</b>	<b>(3,027,274)</b>
<b>(LOSS) / PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>(815,362,272)</b>	<b>157,507,934</b>
<b>APPROPRIATIONS</b>			
Dividend on preference shares		254,219	38,748,822
Tax on dividends		43,205	6,585,362
<b>(DEFICIT) / SURPLUS CARRIED TO BALANCE SHEET</b>		<b>(815,659,696)</b>	<b>112,173,750</b>
Basic/ diluted earnings per share (in Rs.) [Nominal value of shares Rs. 10 (Rs. 10)] (Refer Schedule M, Note 5)		<b>(75.13)</b>	<b>8.31</b>
<b>Significant accounting policies and notes to accounts</b>	M		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss account.

As per our report of even date

**For S. R. BATLIBOI & Co.** For **SNK & Co.**  
Firm Reg. No. 301003E Firm Reg. No. 109176W  
Chartered Accountants Chartered Accountants

**For and on behalf of the Board of Directors of  
SE Composites Limited**

per **Arvind Sethi**  
Partner  
Membership No: 89802

per **Jasmin B. Shah**  
Partner  
Membership No: 46238

**Vinod R. Tanti**  
Director

**Ranjitsinh A. Parmar**  
Director

Place : Pune  
Date : May 21, 2010

Place : Pune  
Date : May 21, 2010

Place : Pune  
Date : May 21, 2010

Place : Pune  
Date : May 21, 2010



<b>SE Composites Limited</b>			
<b>Cash Flow Statement for the year ended March 31, 2010</b>			
All amounts in Rupees unless otherwise stated			
Sr. No.	Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Profit/ (loss) before tax	(927,468,904)	184,971,808
	<b>Adjustments for:</b>		
	Depreciation / amortisation	225,448,200	126,172,995
	Loss on assets sold / disposed, net	3,936,539	-
	Interest expenses	397,184,748	73,709,419
	Interest income	(7,218,475)	(4,014,373)
	Unrealised exchange gain on foreign currency loan	(5,512,765)	-
	<b>Operating profit / (loss) before working capital changes</b>	<b>(313,630,657)</b>	<b>380,839,849</b>
	<b>Movements in working capital</b>		
	Decrease / (increase) in inventories	(65,471,620)	(661,700,895)
	Decrease / (increase) in sundry debtors	(1,602,579,665)	(3,477,110,107)
	Decrease / (increase) in margin money accounts	19,282,768	(57,626,409)
	Decrease / (increase) in loans and advances	(97,115,678)	(347,307,976)
	(Decrease) / increase in current liabilities and provisions	(1,613,944,112)	2,864,021,870
	<b>Cash used in operating activities</b>	<b>(3,673,458,964)</b>	<b>(1,298,883,668)</b>
	Direct taxes paid (net of refunds)	(1,048,378)	(2,564,513)
	<b>Net cash used in operating activities</b>	<b>(3,674,507,342)</b>	<b>(1,301,448,181)</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Payment for purchase of fixed assets	(234,928,876)	(1,853,982,139)
	Sale of fixed assets	2,499,844	-
	Interest received	7,721,630	2,958,980
	<b>Net cash used in investing activities</b>	<b>(224,707,402)</b>	<b>(1,851,023,159)</b>
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds from issuance of equity share capital	-	46,000,000
	Proceeds from issuance of preference share capital	1,208,800,000	1,031,000,000
	Proceeds from short term borrowings, net	(17,560,645)	625,336,952
	Term loan taken during the year	600,000,000	-
	Unsecured loan taken	4,110,937,448	1,714,700,000
	Unsecured loan repaid	(1,929,810,333)	(94,700,000)
	Payment of preference dividend and tax thereof	(45,631,608)	-
	Interest paid	(96,954,957)	(68,818,268)
	<b>Net cash flow from financing activities</b>	<b>3,829,779,905</b>	<b>3,253,518,684</b>
<b>D</b>	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(69,434,839)</b>	<b>101,047,344</b>
	Cash and cash equivalents at the beginning of year	151,229,516	50,182,172
	Cash and cash equivalents at the end of year	81,794,677	151,229,516
	<b>Components of cash and cash equivalents</b>	<b>As at March 31, 2010</b>	<b>As at March 31, 2009</b>
	Cash on hand	91,223	68,618
	Balances with scheduled banks		
	in current accounts	81,688,454	97,692,557
	in margin accounts	38,343,641	57,626,409
	in term deposit accounts	10,000	53,463,341
	Less: in margin accounts	(38,343,641)	(57,626,409)
	Balances with non scheduled banks in term deposit account	5,000	5,000
		<b>81,794,677</b>	<b>151,229,516</b>

Note:

- The figures in brackets represent outflows.
- Purchase of fixed assets includes payments for items in capital work-in-progress and advances for purchase of fixed assets.
- Previous year figures have been reclassified / regrouped wherever necessary.

As per our report of even date

For S. R. BATLIBOI & Co.  
Firm Reg. No. 301003E  
Chartered Accountants

For SNK & Co.  
Firm Reg. No. 109176W  
Chartered Accountants

For and on behalf of the Board of Directors of  
SE Composites Limited

per Arvind Sethi  
Partner  
Membership No: 89802

per Jasmin B. Shah  
Partner  
Membership No: 46238

Vinod R. Tanti  
Director

Ranjitsinh A. Parmar  
Director

Place : Pune  
Date : May 21, 2010

Place : Pune  
Date : May 21, 2010

Place : Pune  
Date : May 21, 2010

Place : Pune  
Date : May 21, 2010

**SE Composites Limited**  
**Schedules forming part of Balance sheet as at March 31, 2010**  
All amounts in Rupees unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
<b><u>SCHEDULE- A : SHARE CAPITAL</u></b>		
<b><u>Authorised</u></b>		
15,000,000 (15,000,000) equity shares of Rs. 10 each	150,000,000	150,000,000
26,300,000 (11,300,000) cumulative redeemable preference shares of Rs. 100 each	2,630,000,000	1,130,000,000
	<b>2,780,000,000</b>	<b>1,280,000,000</b>
<b><u>Issued, subscribed and paid up</u></b>		
<b><u>Equity</u></b>		
15,000,000 (15,000,000) equity shares of Rs. 10 each fully paid	150,000,000	150,000,000
Of the above:		
15,000,000 (15,000,000) equity shares of Rs. 10 each are held by Suzlon energy limited, the holding company, with its nominees.		
<b><u>Preference</u></b>		
22,398,000 (10,310,000) 9% cumulative redeemable preference shares of Rs. 100 each fully paid ( Refer Schedule M, Note 4)	2,239,800,000	1,031,000,000
	<b>2,389,800,000</b>	<b>1,181,000,000</b>
<b><u>SCHEDULE- B : RESERVES AND SURPLUS</u></b>		
Profit and loss account	-	112,173,750
	-	<b>112,173,750</b>
<b><u>SCHEDULE - C : SECURED LOANS</u></b>		
<b>Term loan from bank</b>	600,419,178	-
(Term loans secured by a first charge on all present and future movable and immovable assets(excluding certain identified assets) as well as current assets of the Suzlon Entities (refer Schedule M, Note 3) and also by pledge of shares of certain subsidiaries of the holding Company)		
<b>Working capital facilities from banks</b>		
Rupee loans	591,071,422	615,288,566
Foreign currency loan	11,192,120	10,048,386
(Working capital facilities secured by a first charge on all present and future movable and immovable assets(excluding certain identified assets) as well as current assets of the Suzlon Entities (refer Schedule M, Note 3) and also by pledge of shares of certain subsidiaries of the holding Company)		
	<b>1,202,682,720</b>	<b>625,336,952</b>
<b><u>SCHEDULE- D : UNSECURED LOANS</u></b>		
<b>Long term</b>		
From others [due within one year Rs. 129,961,000 (Rs. Nil)]	1,129,661,000	999,700,000
<b>Short term</b>		
From others	2,975,825,863	620,300,000
	<b>4,105,486,863</b>	<b>1,620,000,000</b>

<b>SE Composites Limited</b>		
<b>Schedules forming part of Balance sheet as at March 31, 2010</b>		
<b>All amounts in Rupees unless otherwise stated</b>		
Particulars	As at March 31, 2010	As at March 31, 2009
<b><u>SCHEDULE- F : CURRENT ASSETS, LOANS AND ADVANCES</u></b>		
<b>CURRENT ASSETS</b>		
<b>(a) INVENTORIES</b>		
Raw materials [including goods-in-transit Rs. 40,352,500 (6,976,538)]	352,240,060	402,214,355
Stores and spares [including goods-in-transit Rs. Nil (Nil)]	98,601,889	116,321,604
Semi finished goods and work- in- progress	256,422,208	137,635,850
Finished goods	53,334,841	38,955,569
	<b>760,598,998</b>	<b>695,127,378</b>
<b>(b) SUNDRY DEBTORS</b>		
<b>(Unsecured, considered good) [Refer schedule M, note 15(c)]</b>		
Debtors outstanding for a period exceeding six months	2,525,677,458	135,513,437
Other debtors	2,554,012,314	3,341,596,670
	<b>5,079,689,772</b>	<b>3,477,110,107</b>
<b>(c) CASH AND BANK BALANCES</b>		
Cash on hand	91,223	68,618
Balances with scheduled banks		
in current accounts	81,688,454	97,692,557
in term deposit accounts	10,000	53,463,341
in margin accounts	38,343,641	57,626,409
Balances with non-scheduled banks		
in term deposit account [maximum balance outstanding during the year Rs. 5,000 (Rs. 5,000)]	5,000	5,000
	<b>120,138,318</b>	<b>208,855,925</b>
<b>(d) LOANS AND ADVANCES</b>		
<b>(Unsecured, considered good)</b>		
Deposits	353,727,298	354,122,298
Advance against income tax	1,148,718	917,023
[Net of provision for tax Rs.2,850,809 (2,195,000)]		
Advance against fringe benefit tax	-	19,988
[Net of provision for fringe benefit tax Rs. Nil (618,512)]		
Advances recoverable in cash or in kind or for value to be received	132,851,944	35,844,421
	<b>487,727,960</b>	<b>390,903,730</b>
	<b>6,448,155,048</b>	<b>4,771,997,140</b>
<b><u>SCHEDULE- G : CURRENT LIABILITIES AND PROVISIONS</u></b>		
<b>(a) Current Liabilities</b>		
Sundry creditors		
Dues to micro, small and medium enterprises	7,840,458	17,551,185
[Refer Schedule M, Note 16 (i)]		
Dues to others	1,430,482,901	2,895,589,545
Other current liabilities	16,718,580	185,307,951
Interest accrued but not due	342,016	4,891,151
	<b>1,455,383,955</b>	<b>3,103,339,832</b>
<b>(b) Provisions</b>		
Gratuity, superannuation, long term retention bonus and leave encashment	7,183,904	3,928,121
Dividend on preference shares	-	38,748,822
Tax on dividend	-	6,585,362
	<b>7,183,904</b>	<b>49,262,305</b>
	<b>1,462,567,859</b>	<b>3,152,602,137</b>

<b>SE Composites Limited</b>		
<b>Schedules forming part of Profit and Loss Account for the year ended March 31, 2010</b>		
All amounts in Rupees unless otherwise stated		
Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
<b><u>SCHEDULE - H : OTHER INCOME</u></b>		
<b>Interest</b>		
From banks on fixed deposits [tax deducted at source Rs. 1,140,628 (Rs. 1,275,241)]	7,218,475	3,708,894
From others [tax deducted at source Rs. nil (Rs. 69,222)]	-	305,479
Miscellaneous income	2,805,934	328,276
	<b>10,024,409</b>	<b>4,342,649</b>
<b><u>SCHEDULE - I : COST OF GOODS SOLD</u></b>		
<b>Consumption of Raw Materials :</b>		
Inventories as at April 1, 2009	402,214,355	33,426,483
Add : Purchases	1,640,001,045	1,987,812,754
	<b>2,042,215,400</b>	<b>2,021,239,237</b>
Less : Inventories as at March 31, 2010	352,240,060	402,214,355
	<b>(A) 1,689,975,340</b>	<b>1,619,024,882</b>
<b>(Increase)/ decrease in stocks:</b>		
<b>Inventories as at April 1, 2009:</b>		
Semi finished goods and work- in- progress	137,635,850	-
Finished goods	38,955,569	-
	<b>(B) 176,591,419</b>	<b>-</b>
<b>Inventories as at March 31, 2010:</b>		
Semi finished goods and work- in- progress	256,422,208	137,635,850
Finished goods	53,334,841	38,955,569
	<b>(C) 309,757,049</b>	<b>176,591,419</b>
<b>(Increase)/ decrease in stocks</b>	<b>(133,165,630)</b>	<b>(176,591,419)</b>
	<b>(D) = (A) + (B) - (C)</b>	
	<b>1,556,809,710</b>	<b>1,442,433,463</b>

<b>SE Composites Limited</b>		
<b>Schedules forming part of Profit and Loss Account for the year ended March 31, 2010</b>		
All amounts in Rupees unless otherwise stated		
Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
<b><u>SCHEDULE - J : OPERATING AND OTHER EXPENSES</u></b>		
(Refer Schedule M, Note 15(b))		
Stores and spares consumed	135,854,386	134,372,019
Power and fuel	31,894,096	24,173,730
Factory expenses	100,233,663	46,549,280
Repairs and maintenance:		
- Plant and machinery	330,864	644,904
- Building	325,053	7,530
- Others	1,127,663	267,871
Design change and technical upgradation charges	881,561	-
Land lease rentals	21,620,086	7,883,208
Rent	677,024	870,201
Rates and taxes	1,061,042	1,067
Insurance	3,904,230	894,905
Freight outward and packing expenses	1,473,272,470	1,619,491,829
Travelling, conveyance and vehicle expenses	19,817,036	15,882,854
Communication expenses	1,099,850	939,455
Auditors' remuneration and expenses	1,377,503	1,207,134
Legal and professional expenses	5,056,615	21,301,074
Loss on assets sold/disposed, net [Refer Schedule M, Note 15 (a)]	3,936,539	-
Liquidated damages	153,486,940	-
Other selling and administrative expenses	25,833,679	15,272,930
Exchange differences, net	207,903,372	(53,700,027)
	<b>2,189,693,672</b>	<b>1,836,059,964</b>
<b><u>SCHEDULE - K : EMPLOYEES' REMUNERATION AND BENEFITS</u></b>		
(Refer Schedule M, Note 15(b))		
Salaries, wages, allowances and bonus	124,489,107	51,678,617
Contribution to provident and other funds (Refer Schedule M, Note 8)	4,699,384	2,034,548
Staff welfare expenses	11,055,577	7,330,871
	<b>140,244,068</b>	<b>61,044,036</b>
<b><u>SCHEDULE - L : FINANCIAL CHARGES</u></b>		
(Refer Schedule M, Note 15(b))		
Interest		
Fixed loans	419,178	1,739,928
Others	396,765,570	71,969,491
Bank charges	24,718,684	42,863,773
	<b>421,903,432</b>	<b>116,573,192</b>

**SE Composites Limited**  
**Schedules forming part of Balance sheet as at March 31, 2010**  
 All amounts in Rupees unless otherwise stated

**Schedule E : Fixed Assets**

Assets	Gross block			Depreciation / amortisation			Net block			
	As at April 1, 2009	Additions	Deductions/ adjustments	As at March 31, 2010	As at April 1, 2009	For the year	Deductions/ adjustments	As at March 31, 2010	As at March 31, 2009	
Land development charges	277,457,767	-	-	277,457,767	15,414,320	15,414,320	-	30,828,640	245,629,127	262,043,447
Buildings	581,153,345	96,378,700	-	677,532,045	22,816,114	57,346,526	-	80,162,640	597,369,405	558,337,231
Plant and machinery	824,032,308	203,366,477	4,757,083	1,022,641,696	86,343,218	149,797,269	1,492,048	234,648,439	787,993,257	737,689,090
Computers	3,775,087	828,910	-	4,603,997	831,855	1,328,181	-	2,160,036	2,443,961	2,943,232
Office equipments	2,618,346	1,315,704	4,889	3,929,161	275,697	472,240	4,889	743,048	3,186,113	2,342,649
Furniture and fixtures	2,883,180	5,560,773	293,701	8,150,252	1,036,783	1,089,664	210,439	1,916,008	6,234,244	1,846,397
<b>TOTAL</b>	<b>1,691,920,033</b>	<b>307,450,564</b>	<b>5,055,679</b>	<b>1,994,314,918</b>	<b>126,717,987</b>	<b>225,448,200</b>	<b>1,707,376</b>	<b>350,458,811</b>	<b>1,643,856,107</b>	<b>1,565,202,046</b>
Capital work-in-progress including Capital advances									275,583,638	377,400,253
<b>TOTAL</b>	<b>1,691,920,033</b>	<b>307,450,564</b>	<b>5,055,679</b>	<b>1,994,314,918</b>	<b>126,717,987</b>	<b>225,448,200</b>	<b>1,707,376</b>	<b>350,458,811</b>	<b>1,919,439,745</b>	<b>1,942,602,299</b>
Previous Year	2,373,661	1,689,546,372	-	1,691,920,033	391,380	125,326,607	-	126,717,987	1,565,202,046	

**Notes:**

1. Depreciation charge for the current year include Rs. Nil (Rs. 153,612) which has been capitalised as part of pre-operative expenditure. The depreciation charged in the Profit and Loss Account amounting to Rs. 225,448,200 (Rs. 126,172,995) is net of the amount capitalised.
2. Capital work-in-progress includes advances for capital goods amounting to Rs. 11,150,04€ (Rs. 34,358,011).
3. Electrification assets amounting to Rs. 40,796,779 has been regrouped from building to plant and machinery as on April 1, 2009.

**SE Composites Limited**

**SCHEDULE M- SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

All amounts in Rupees, unless otherwise stated

**1. Nature of operations**

SE Composites Limited ('SECL' or the 'Company') is engaged in the manufacture of Rotor Blades, for Wind Turbine Generators (WTGs). The Company has set up its manufacturing facilities as "Units in Notified SEZ" at Udupi in the State of Karnataka. The Company has obtained an approval from the Office of Development Commissioner, Suzlon Infrastructure Special Economic Zone for setting up of the manufacturing facilities as "Units in the Notified SEZ" vide letter No 37/2/2008: Suzlon SEZ/1516 dated February 22, 2008.

**2. Significant accounting policies**

**(a) Basis of Preparation**

The financial statements have been prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 ('the Rules'), and in conformity with accounting principles generally accepted in India ('Indian GAAP'), and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Company and are consistent with those used in previous year; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

**(b) Use of estimates**

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

**(c) Revenue Recognition**

Revenue comprises sale of Rotor Blade sets and Interest income. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can reliably be measured. Revenue is disclosed net of discounts, excise duty, sales tax, value added tax or other taxes, as applicable.

**Sales**

Sales of rotor blade sets are recognised in the profit and loss account when the significant risks and rewards of ownership of the goods are transferred to the customer, as per the terms of the respective sales order, and that the income can be measured reliably and is expected to be received.

**Interest Income**

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

**(d) Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, certain expenses incurred till the date of commencement of commercial production and identified as pre-operative expenses, are capitalised upon the commencement of commercial production. The carrying amounts of the assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date, if there is any indication of impairment based on

internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the company makes a reasonable estimate of the value in use.

After impairment, depreciation is provided on the revised carrying amount of assets over the remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realizable value.

**(e) Depreciation**

Depreciation is provided on written down value method, unless otherwise mentioned, pro-rata to the period of use of the assets and is based on management's estimate of useful lives of the fixed assets or at rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher.

<i>Type of asset</i>	<i>Rate (WDV)</i>
Office building	5%
Factory building	10%
Plant and machinery	20.87%
Moulds	20.87% or useful life based on usage
Computers	40%
Office equipment	13.91%
Furniture and fixture	18.10%

Land development charges are amortised over the period of the land lease.

Assets costing up to Rs. 5,000 per unit are depreciated at the rate of 100% in the period of addition.

**(f) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Costs incurred in connection with debt consolidation and refinancing are amortised over the tenure of respective facilities. All other borrowing costs are charged to profit and loss account.

**(g) Leases**

Leases where the lessor effectively retains substantially all the risks and rewards of ownership, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account as incurred. Initial direct costs in respect of assets given on operating lease are expensed off in the year in which such costs are incurred.

In the case of new undertaking, lease rentals incurred upto the date of commencement of commercial production are capitalised. Lease rentals incurred from the date of commencement of commercial production are recognized as an expense in profit and loss account as incurred.

**(h) Inventories**

Inventories of raw materials and components, including stores, spares, and consumables; packing materials; work-in progress; semi-finished goods and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and a proportion of manufacturing overheads based on normal operating capacity.



However, materials and other items held for use in production of finished goods are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**(i) Foreign currency transactions**

**i) Initial Recognition**

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

**ii) Conversion**

At the year end, foreign currency monetary items are reported using the year end exchange rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

**iii) Exchange differences**

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

**iv) Forward exchange contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

**(j) Derivatives**

The Company is exposed to foreign currency fluctuations on foreign currency assets and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into forward exchange and option contracts, where the counterparty is a bank. The forward contracts or options are not used for trading or speculation purposes.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income/expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting year in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

To designate a forward contract or option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. To the extent, hedges are designated effective, neither gain nor loss is recognised in the profit and loss account. In the absence of a designation as an effective hedge, loss is recognised in the profit and loss account.

**(k) Retirement and other employee benefits**

Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the

contributions to the fund is due. There are no other obligations other than the contribution payable to the statutory authority.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of the year using the projected unit credit method.

Defined contributions to superannuation fund are charged to the profit and loss account on accrual basis till May 2008. The company has discontinued the superannuation scheme from 1st June 2008. There are no other obligations other than the contribution payable to the respective trusts.

Short-term compensated absences are provided based on estimates. Long term compensated absences are provided for on the basis of an actuarial valuation, using projected unit credit method, as at the balance sheet date.

Actuarial gains and losses are charged to Profit and Loss Account and are not deferred.

#### **(l) Provisions, Contingent Liabilities and Contingent Assets**

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

Contingent liabilities, if any are disclosed by way of notes.

Contingent assets are not recognised.

#### **(m) Income taxes**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the balance sheet date.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

#### **(n) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### (o) Cash and Cash Equivalents

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

### 3. Scheme for Debt Consolidation and Refinancing

Suzlon Energy Limited ('SEL') along with some of its Indian subsidiaries and the Company, **collectively referred as "Suzlon Entities"**, have jointly executed a Debt Consolidation and Refinancing Arrangement (the 'Arrangement') on February 5, 2010 with a consortium comprising of various banks and financial institutions ('Consortium') lead by the State Bank of India as the Facility Agent and SBI Cap Trustee Company Limited as the Security Trustee.

As per the Arrangement, the Consortium has sanctioned a consolidated loan amount and based on business requirements, the Company has drawdown various facilities of rupee term loans, fund based working capital facilities and non-fund based working capital facilities. The Arrangement also covers the earlier sanctioned loans, which have either been continued or converted into a new loan facility, as the case may be.

Company has incurred an amount of approximately Rs. 7.42 crores, as consultancy and processing charges in regard to the Arrangement, the cost of which will be amortised over the tenure of respective facilities.

### 4. Redeemable preference shares

The Company has issued 9% cumulative redeemable preference shares of Rs. 100 each at par value to Suzlon Energy Limited, the holding company.

The preference shares carry a fixed dividend rate of 9%. Per the terms of the preference shares, the Company as well as the preference shareholders respectively shall have the Call and Put Option to redeem the Preference Shares any time after 3 months from the date of allotment subject to the consent of the Preference Shareholders and the Company, as the case may be. If either parties does not exercise their options, the same shall automatically and compulsorily be redeemed at the end of 15 (Fifteen) years from the respective dates of allotment.

### 5. Earnings per share ('EPS')

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
<b>Basic and diluted earnings per share</b>		
(a) Net profit/(loss) after tax	(927,536,022)	160,535,208
(b) Preference dividend and tax thereon	(199,410,638)	(45,334,184)
<b>(c) Net profit attributable to equity shareholders</b>	<b>(1,126,946,660)</b>	<b>115,201,024</b>
(d) Weighted average number of equity shares in calculating basic and diluted EPS	15,000,000	13,865,753
<b>Basic and diluted earnings per share of face value of Rs 10 each (c/d)</b>	<b>(75.13)</b>	<b>8.31</b>

### 6. Operating lease

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Rental expenses on premises hired under cancelable operating leases *	677,024	2,461,748
Rental expenses on offices / premises hired under non cancelable operating leases	Nil	Nil

\*The above expenses do not include lease rental expenses capitalised Rs. Nil (Rs. 1,689,973)

## 7. Post employment benefits

The Company has a defined benefit gratuity plan (Defined Benefit). Every employee who has completed five or more years of service is eligible for gratuity. Gratuity is computed based on 15 days salary (last drawn salary) for each completed year of service. The service is funded with an insurance company in the form of a qualifying asset insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the Defined Benefit.

Profit and Loss Account - net employee benefits expense recognised

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Current service cost	1,183,320	441,310
Interest cost on benefit obligation	52,010	8,280
Expected return on plan assets	(91,180)	(26,700)
Net actuarial (gain)/ loss recognised in the year	(377,530)	110,968
Past service cost	Nil	Nil
<b>Net benefit expense</b>	<b>766,620</b>	<b>533,858</b>

Balance Sheet – details of defined benefit obligation:

Particulars	As at March 31, 2010	As at March 31, 2009
Defined benefit obligation	1,523,970	658,340
Fair value of plan assets	1,589,080	655,340
Plan liability/(assets)	(65,110)	3,000

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

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Opening defined benefit obligation	658,340	97,402
Interest cost	52,010	8,280
Current service cost	1,183,330	441,310
Benefits paid	Nil	Nil
Actuarial losses/ (gains) on obligation	(369,710)	111,348
Closing defined benefit obligation	1,523,970	658,340

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

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Opening fair value of plan assets	655,350	Nil
Expected return on plan assets	91,180	26,700
Contribution by employer	834,720	628,270
Benefits paid	Nil	Nil
Actuarial (losses)/ gains on obligation	7,830	380
Closing fair value of plan assets	1,589,080	655,350

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Investments with insurer	100%	100%

The principal assumptions used in determining defined benefit obligations for the Company's plans are shown below:

Particulars	Year ended March 31	
	2010	2009
Discount rate	8.20%	7.90%
Expected return on plan assets	8.50%	8.50%
Salary escalation rate	8.00%	8.00%
Attrition rate	10% at younger age reducing to 1% at older age according to graduated scale	10% at younger age reducing to 1% at older age according to graduated scale
Retirement age	65 Years	65 Years

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

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

Experience history - amounts for previous periods are as follows:

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Defined benefit obligation	(1,523,970)	658,340
Plan assets	1,589,080	655,340
Surplus/(deficit)	65,110	(3,000)
Experience adjustments on plan liabilities	298,560	7,730
Experience adjustments on plan assets	7,830	380
Actuarial Gain/(Loss) due to change on assumptions	71,140	103,620

**8. The expense recognised during the year for each contribution plan is as follows:**

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Employer's contribution to superannuation fund	57,406	Nil
Employer's contribution to provident fund	3,868,131*	1,817,133*

\* Employer's contribution to provident fund is net of amounts capitalised amounting to Rs. Nil (Rs. 864,450).

**9. Managerial remuneration to directors**

The Company has not paid any remuneration to the managerial personnel during the current and previous year.

**10. Provisions**

In pursuance of Accounting Standard-29 (AS-29) "Provisions, contingent liabilities and contingent assets", the provisions required have been incorporated in the books of account in the following manner:-

Particulars	Provision for liquidated damages
Opening Balance as at April 1, 2009	Nil (Nil)
Additions	153,486,940 (Nil)
Utilisation	153,486,940 (Nil)
Reversal	Nil (Nil)
Closing Balance as at March 31, 2010	Nil (Nil)

Note:

(a) Provisions for liquidated damages (LD) represents the expected claims which the company may need to pay for non fulfillment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each sales order and the factors relevant to that sale.

(b) Figures in brackets represents transactions/outstanding balances for the previous year ended March 31, 2009.

### 11. Contingent liabilities

Particulars	As at March 31, 2010	As at March 31, 2009
Preference share dividend and tax thereon	199,113,214	Nil
Import duty (see note (a) below)	13,266,265	13,266,265
Guarantees given by the company	See note (b) below	N.A.
Others	615,036	Nil
<b>Total</b>	<b>212,994,515</b>	<b>13,266,265</b>

Notes:

(a) The Government of India with a view to curtail the increasing price of steel products imposed an export duty of 15% from May 2008, on TMT steel bars used in construction industry; and the Authorities held that the supplies to Special Economic Zones from Domestic tariff area are to be treated as exports and took the view that such supplies would attract export duty (import customs duty from SEZ unit holder's perspective). The Company being an SEZ unit holder, the Government of India has demanded import customs duty from the Company on the imports of TMT steel bars for use in the construction of the plant and buildings in the SEZ notified area vide letter F. No. 6/2/2008 - SEZ (pt) dated 30.06.2008. The Company has filed writ petition in the High Court of Karnataka in this regard for which stay/extension orders have been granted to the Company by the High Court. However if at the time of hearing, the verdict is not in favour of the Company, the Company would have to pay Rs. 13,266,265 as at March 31, 2010.

(b) The Company is a co-guarantor towards loan granted to holding company and fellow subsidiaries.

### 12. Capital Commitments

Particulars	As at March 31, 2010	As at March 31, 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	158,160,266	368,809,700

### 13. Deferred taxes, net

Particulars	Deferred tax asset / (liability) as at March 31, 2009	Current year charge / (credit)	Deferred tax asset / (liability) as at March 31, 2010
<b>a. Deferred tax asset:</b>			
Preliminary expenses	135,544	45,181	90,363
<b>b. Deferred tax liability:</b>			
Depreciation on fixed assets	(23,622,144)	(814,734)	(22,807,410)
<b>c. Deferred tax asset/ (liability):</b>	<b>(23,486,600)</b>	<b>(769,553)</b>	<b>(22,717,047)</b>

#### 14. Derivative instruments and unhedged foreign currency exposure

Particulars of hedged foreign currency exposure as at the Balance Sheet date.

Particulars of derivatives	Purpose
<b>Forward contract outstanding as at balance sheet date:</b>	
Sell USD 7,500,000 (USD 5,000,000)	Hedge of USD receivables
Sell AUD 8,800,000 (AUD 2,000,000)	Hedge of AUD receivables

Particulars of unhedged foreign currency exposure as at the balance sheet date:

Particulars	As at March 31, 2010	As at March 31, 2009
Sundry debtors	4,074,199,221	3,470,525,930
Balance in EEFC account	136,768	96,879,488
Sundry creditors	433,283,012	1,594,867,340
Secured loans	11,192,120	10,048,386
Other payables	175,772,154	Nil

#### 15. Other Notes

a) During the year, the Company has sold construction materials, included under Capital Work In Progress, such as cement and steel to group companies at prevailing market prices; and has incurred a net loss of Rs.645,080 in this regard which have been expensed off to the profit and loss account of the Company.

b) The Company has commenced its commercial production on September 1, 2008. Certain expenditure incurred by the Company till the date of commencement of commercial production have been identified by the management as costs which are attributable to the construction activities; and have been capitalised along with the related assets during the year ended March 31, 2009. Accordingly, the expenses disclosed under the heads- Operating and Other Expenditure, Employees Remuneration and Benefits and Financial Charges for the year ended March 31, 2010 are not comparable with the corresponding expenses for the year ended March 31, 2009.

c) Dues from companies under the same management, as per the provisions of Section 370 (1B) of the Companies Act, 1956

Company	Particulars	Amount outstanding as at March 31, 2010	Maximum amount outstanding during the year
Synefra Engineering & Construction (Formerly known as Suzlon Infrastructure Limited)	Deposits	355,774,000	355,774,000
Synefra Engineering & Construction (Formerly known as Suzlon Infrastructure Limited)	Debtors	1,026,480	1,026,480
Suzlon Wind International Limited	Debtors	38,634,216	38,826,392
Suzlon Energy Limited	Debtors	161,504,845	161,955,375

16. Additional information pursuant to the provisions of paragraph 3, 4B, 4C, 4D of part II of the Schedule VI of the Companies Act, 1956.

(a) Auditor's Remuneration and expenses

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Statutory audit fees	1,150,000	1,150,000
Tax audit fees	50,000	50,000
Others	266,936	Nil
Reimbursement of out of pocket expenses	10,567	7,134
<b>Total</b>	<b>1,477,503</b>	<b>1,207,134</b>

(b) Licensed and installed capacities and production

**Licensed capacity** - The products manufactured and sold by the Company i.e., blades have not been included in the list of mandatory items, which require a license under the New Industrial Policy in terms of Notification no. S.O.477 (E) dated 25th July, 1991; and hence, licensing requirements are not applicable to the products manufactured by the Company.

**Installed Capacity** - The installed capacities are not precisely ascertainable, given the nature of operations and utilisation of manufacturing facilities; and hence, have not been disclosed.

Details of production

Particulars	Unit produced	
	2009-10	2008-09
	Nos.	Nos.
Blades	813	871

(c) Details of opening stock, turnover and closing stock

Particulars	April 1, 2009 to March 31, 2010		April 1, 2008 to March 31, 2009	
	Quantity (Nos.)	Amount	Quantity (Nos.)	Amount
<b>Opening stock</b>				
Blade	19	38,955,569	-	-
<b>Total</b>		38,955,569		-
<b>Turnover</b>				
Blades	804	3,477,182,653	852	3,729,216,535
Others*	Various	113,710,668	Various	30,534,215
Scrap sales	Various	5,712,448	Various	3,162,059
<b>Total</b>		<b>3,596,605,769</b>		<b>3,762,912,809</b>
<b>Closing stock</b>				
Blades	26**	53,318,462	19	38,955,569
<b>Total</b>		53,318,462		38,955,569

\*The quantitative details of these are not disclosed due to heterogeneous nature of sales.

\*\*Does not include two blades damaged in transit and valued at nil.

(d) Raw material and components consumed

Particulars	April 1, 2009 to March 31, 2010		April 1, 2008 to March 31, 2009	
	Quantity (Nos.)	Amount	Quantity (Nos.)	Amount
Epoxy Resin (Kg)	2,124,499	342,014,961	2,307,220	431,519,513
Glass Fabric (Kg)	4,834,220	442,711,166	4,598,284	411,110,546
Hardner (Kg)	678,640	175,773,284	760,010	211,569,375
PVC Foam (M <sup>2</sup> )	188,105	187,706,735	185,086	185,143,264
Other Material	Various	541,769,194	Various	379,682,184
<b>Total</b>		<b>1,689,975,340</b>		<b>1,619,024,882</b>



It is not practicable to furnish quantitative information in view of large number of items which differ in size and nature, each being less than 10% in value of the total raw materials consumed

**(e) Imported and indigenous consumption**

**i. Raw material and components**

Particulars	April 1, 2009 to March 31, 2010		April 1, 2008 to March 31, 2009	
	Amount	%	Amount	%
Imported	738,470,013	44	1,051,508,846	65
Indigenous	951,505,327	56	567,516,036	35
<b>Total</b>	<b>1,689,975,340</b>	<b>100</b>	<b>1,619,024,882</b>	<b>100</b>

**ii. Stores and Spares**

Particulars	April 1, 2009 to March 31, 2010		April 1, 2008 to March 31, 2009	
	Amount	%	Amount	%
Imported	54,570,785	40	38,732,036	29
Indigenous	81,283,601	60	95,639,983	71
<b>Total</b>	<b>135,854,386</b>	<b>100</b>	<b>134,372,019</b>	<b>100</b>

**(f) Value of imports on CIF basis**

Sr. No.	Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
(i)	Capital Goods	14,569,145	15,737,658
(ii)	Raw Material	715,855,077	1,317,482,725
(iii)	Stores and Spares	36,691,377	146,525,349
	<b>Total</b>	<b>767,115,599</b>	<b>1,479,745,732</b>

\* Includes high sea purchases aggregating to Rs. 38,727,871 (Rs. Nil) for raw materials.

**(g) Expenditure in foreign currency (on accrual basis)**

Sr. No.	Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
(i)	Freight	1,183,510,723	1,309,051,434
(ii)	Foreign travel	Nil	236,233
(iii)	Interest and bank charges	16,519,074	33,337,768
(iv)	Liquidated damages	153,486,940	Nil
(v)	Design change and technical upgradation charges	881,561	Nil
(vi)	Consultancy charges	Nil	15,504,000
	<b>Total</b>	<b>1,354,398,298</b>	<b>1,358,129,435</b>

**(h) Earnings in foreign currency (on accrual basis)**

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
FOB value of exports*	2,135,182,501	2,622,244,942

\* Does not include sales made to SEZ/EOU entities in Indian currency aggregating Rs. 113,365,694 (Rs. 27,742,624) and high sea sales Rs. 13,659,393 (Rs. Nil).

**(i) Disclosure u/s 22 of Micro, Small and Medium Enterprises Development Act, 2006:**

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
i. Principal amount remaining unpaid to any supplier as at the end of the year	7,840,458	17,434,914
Interest due on the above amount	58,074	116,271
ii. Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	Nil	Nil
Amounts of payment made to the suppliers beyond the appointed day during the year	13,645,229	Nil
iii. Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act	Nil	Nil
iv. Amount of interest accrued and remaining unpaid at the end of the year	Nil	116,271
v. Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	615,036*	116,271

\* Interest payable as per section 16 of the Micro, Small and Medium Enterprises Act, 2006 is Rs. 615,036 and the same is not accrued in the books of accounts.

**17. Related party disclosures**

As per Accounting Standard 18, (AS 18): 'Related Party Disclosures' as notified by the Rules, the disclosures of transactions with the related parties as defined in the accounting standard are given below.

**(I) List of related parties and nature of relationship where control exists**

Name of the party	Nature of relationship
Suzlon Energy Limited	Holding Company

**(II) Other related parties where transactions have taken place during the year**

Name of the party	Nature of relationship
Suzlon Towers and Structures Limited (STSL)	Fellow Subsidiary
Suzlon Wind International Limited (SWIL)	Fellow Subsidiary
SE Electricals Limited (SEEL)	Fellow Subsidiary
Suzlon Infrastructure Services Limited (SISL)	Fellow Subsidiary
Suzlon Energy Portugal-Energia Eólica Unipressol Lda. (SE Portugal)	Fellow Subsidiary
Suzlon Energy (Tianjin) Ltd. (SETL)	Fellow Subsidiary
Suzlon Energia Eólica do Brasil Ltd.	Fellow Subsidiary
Suzlon Wind Energy Nicaragua	Fellow Subsidiary
Suzlon Blade Technology (SBT)	Fellow Subsidiary
Suzlon Wind Energy A/S (SWEAS)	Fellow Subsidiary
Suzlon Energy Australia Pty. Ltd (SEA)	Fellow Subsidiary
Suzlon Wind Energy Corporation (SWECO)	Fellow Subsidiary
Synefra Engineering & Construction Limited (Formerly known as Suzlon Infrastructure Limited)	Entity where Key Management Personnel ('KMP') have significant influence
SE Composites Limited - Superannuation Fund	Employee Funds
SE Composites Limited - Employees Group Gratuity Scheme	Employee Funds

**(III) Transactions between the Company and the related parties and the status of outstanding balances:**

<b>Particulars</b>	<b>Holding company</b>	<b>Fellow Subsidiary</b>	<b>Entities where KMP/RKMP has significant influence</b>	<b>Employee Funds</b>
<b>Transactions</b>				
Issue of equity shares	Nil (46,000,000)			
Issue of preference shares	1,208,800,000 (1,031,000,000)			
Unsecured loan obtained	4,110,937,448 (1,714,700,000)	Nil (10,000,000)		
Unsecured loan repaid	1,929,810,333 (94,700,000)	Nil (10,000,000)		
Inter corporate deposit given		Nil (185,000,000)		
Inter corporate deposit received		Nil (185,000,000)		
Dividend on preference shares	254,219 (38,748,822)			
Interest income		Nil (305,479)		
Interest expense	310,103,744 (22,308,877)	Nil (21,918)		
Purchase of capital goods and services	102,959,350 (378,200,413)	6,632,920 (159,812,426)	5,925,840 (Nil)	
Sale of capital goods and services		1,456,000 (Nil)	987,000 (Nil)	
Land development charges			Nil (277,457,767)	
Project management consultancy fees			2,760,000 (35,000,000)	
Purchase of goods and services	140,350,057 (29,837,388)	123,631,556 (69,100,234)		
Electricity charges			24,401,134 (7,734,307)	
Water charges			304,000 (Nil)	
Lease rent			21,620,086 (21,797,016)	
Facility management charges (FMC)			51,888,240 (52,304,880)	
Sale of goods	191,701,815 (2,791,590)	3,256,211,299 (3,756,959,159)		
Reimbursement of expenses *	33,445,915 (Nil)	173,139,564 (Nil)		
Security deposits (FMC and water)			Nil (245,274,000)	
Electricity deposits			Nil (108,000,000)	
Advances			Nil (2,500,000)	
Contribution to various funds				824,026 (786,308)

Particulars	Holding company	Fellow Subsidiary	Entities where KMP/RKMP has significant influence	Employee Funds
<b>Outstanding Balances</b>				
Sundry debtors	161,504,845 (2,847,422)	4,811,632,148 (3,474,180,388)	1,026,480 (Nil)	
Sundry creditors	157,100,786 (316,696,543)	187,436,536 (31,734,932)	11,572,404 (14,703,072)	
Loans and advances			355,774,000 (355,774,000)	
Unsecured loan (including interest)	4,105,486,863 (1,620,000,000)			
Preference share capital	2,239,800,000 (Nil)			
Dividend payable	Nil (38,748,822)			

\* Reimbursement of expenses to fellow subsidiaries relate to amount payable to subsidiaries on account of non conformity charges; design changes and technological upgradation charges; and liquidated damages arising out of WTG Sales. Reimbursement of expenses to holding company is towards processing fees and consultancy charges paid for refinancing by the parent company.

**Note:** Figures in bracket represents transactions / outstanding balances for the previous financial year i.e. March 31, 2009

#### IV) Disclosure of Significant Transactions with Related Parties

Type of the Transaction	Type of relationship	Name of the entity/ person	Year ended	
			March 31, 2010	March 31, 2009
Issue of equity shares	Holding Company	SEL	Nil	46,000,000
Issue of preference shares	Holding Company	SEL	1,208,800,000	1,031,000,000
Unsecured loan obtained	Holding Company	SEL	4,110,937,448	1,714,700,000
Unsecured loan repaid	Holding Company	SEL	1,929,810,333	94,700,000
Inter corporate deposit given	Fellow Subsidiary	STSL	Nil	185,000,000
Inter corporate deposit received	Fellow Subsidiary	STSL	Nil	185,000,000
Interest income	Fellow Subsidiary	STSL	Nil	305,479
Interest expenses	Holding Company	SEL	310,103,744	22,308,877

[This space is intentionally left blank]

Type of the Transaction	Type of relationship	Name of the entity/ person	Year ended	
			March 31, 2010	March 31, 2009
Purchase of capital goods and services	Holding Company	SEL	102,959,350	378,200,413
	Fellow Subsidiary	SWIL	Nil	151,823,701
	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	Nil	312,457,768
Purchase of goods and services	Holding Company	SEL	140,350,057	Nil
	Fellow Subsidiary	SRC	29,363,715	Nil
	Fellow Subsidiary	SWIL	76,893,578	Nil
Sale of goods	Fellow Subsidiary	SWEAS	Nil	413,167,952
	Fellow Subsidiary	SWECO	2,100,762,781	2,311,438,306
	Fellow Subsidiary	SEA	812,077,295	876,028,416
Sale of capital goods and services	Fellow Subsidiary	SWIL	1,456,000	Nil
	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	987,000	Nil
Reimbursement of expenses	Fellow Subsidiary	SWECO	162,420,393	Nil
	Holding Company	SEL	33,445,915	Nil
Lease rent	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	21,620,086	21,797,016
Electricity charges	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	24,401,134	Nil
Facility management charges (FMC)	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	51,888,240	52,304,880
Project management consultancy fee	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	2,760,000	35,000,000
Water charges	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	304,000	Nil
Security deposits (FMC and water)	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	Nil	245,274,000

Type of the Transaction	Type of relationship	Name of the entity/ person	Year ended	
			March 31, 2010	March 31, 2009
Electricity deposit	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	Nil	108,000,000
Advances	Entity where KMP has significant influence	Synefra Engineering & Construction Limited	Nil	2,500,000
Dividend on preference shares	Holding Company	SEL	254,219	38,748,822
Contribution to various funds	Employee Funds	SE Composites Limited – Superannuation Fund	766,620	99,408
Contribution to various funds	Employee Funds	SE Composites Limited – Employees Group Gratuity Scheme	57,406	686,900

## 18. Segment reporting

### Primary Segment: Business Segment

The Company's operations predominantly comprise of only one segment, Rotor Blade sets. In view of the same, separate segmental information is not required to be disclosed as per the requirements of Accounting Standard 17, (AS 17): Segment Reporting as notified by the Rules.

### Secondary Segment: Geographical Segment

The analysis of geographical segment is based on the geographical location of the customers. The geographical segments considered for disclosure are as follows:

- India
- Europe
- America
- Australia
- Others

### Secondary Segment information

(a) Details of segment revenue

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
India	393,140,573	33,696,274
America	2,100,762,781	2,311,438,306
Europe	277,306,778	541,749,813
Australia	812,077,295	876,028,416
Others	13,318,342	-
<b>Total</b>	<b>3,596,605,769</b>	<b>3,762,912,809</b>

[This space is intentionally left blank]

(b) Details of carrying amount of segment assets and costs incurred to acquire the fixed assets on the geographical base are as follows:

<b>Territory</b>	<b>Year</b>	<b>Carrying Value of the Assets</b>	<b>Additions to Fixed Assets</b>
India	Year Ended March 31, 2010	3,473,309,825	200,578,271
	Year Ended March 31, 2009	3,034,280,574	1,945,411,166
America	Year Ended March 31, 2010	2,902,818,837	Nil
	Year Ended March 31, 2009	2,032,456,727	Nil
Europe	Year Ended March 31, 2010	763,557,347	Nil
	Year Ended March 31, 2009	572,167,844	Nil
Australia	Year Ended March 31, 2010	930,969,550	Nil
	Year Ended March 31, 2009	865,901,358	Nil
Others	Year Ended March 31, 2010	12,901,043	Nil
	Year Ended March 31, 2009	Nil	Nil
<b>Total</b>	<b>Year Ended March 31, 2010</b>	<b>8,083,556,602</b>	<b>200,578,271</b>
	<b>Year Ended March 31, 2009</b>	<b>6,504,806,503</b>	<b>1,945,411,166</b>

#### 19. Prior year Comparatives

Previous year number have been regrouped wherever necessary to confirm to current year's classification.

#### As per our report of even date

**For S. R. Batliboi & Co.**  
Firm Registration No.  
301003E  
Chartered Accountants

**For SNK & Co.**  
Firm Registration  
No.109176W  
Chartered Accountants

For and on behalf of the Board of Directors of  
**SE Composites Limited**

per Arvind Sethi  
Partner  
Membership No: 89802

per Jasmin B. Shah  
Partner  
Membership No: 46238

Vinod R. Tanti  
Director

Ranjitsinh A. Parmar  
Director

**Place :** Pune  
**Date :** May 21, 2010

**Place :** Pune  
**Date :** May 21, 2010

**Place :** Pune  
**Date:** May 21, 2010

**Place :** Pune  
**Date :** May 21, 2010