

**SE ELECTRICALS 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 Electricals Limited

1. We have audited the attached Balance Sheet of SE Electricals 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;
  - 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;

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- b) in the case of the profit and loss account, of the profit 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

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

Re: SE Electricals Limited

1. (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
  
(ii) 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.  
  
(iii) There was no substantial disposal of fixed assets during the year.
2. (i) The management has conducted physical verification of inventory at reasonable intervals during the year.  
  
(ii) 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.  
  
(iii) 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. 100.34 crores and the year-end balance of loans taken from such parties was Rs. 53.26 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 repayable 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.

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Based on our procedures, no major weaknesses have been noticed in the internal control system in respect of these areas.

5. (i) 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.  
(ii) 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.
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. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of electronic products and engineering industry, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
9. (i) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess 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.  
(ii) 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.  
(iii) 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:

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Name of the statute	Nature of dues	Amount (in Rs.)	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	927,563	May 2008 to October 2008	High Court of Madras
Excise Act		388,995		

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 according to the information and explanations given by 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	6.66	up to 38 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 clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) is 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 banks 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 information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

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17. According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short-term basis for long-term investment. The Company has taken short term loans from its holding company to the extent of Rs. 25.17 Crores which have been invested in fixed assets.*
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 the 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 Electricals 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</b>	<b><u>SOURCES OF FUNDS</u></b>			
	<b>1. Shareholders' funds</b>			
	(a) Share capital	A	959,000,000	781,000,000
	(b) Reserves and surplus	B	77,677,371	20,180,260
			<b>1,036,677,371</b>	<b>801,180,260</b>
	<b>2. Loan funds</b>			
	(a) Secured loans	C	201,130,346	199,307,630
	(b) Unsecured loans	D	832,087,308	-
			<b>1,033,217,654</b>	<b>199,307,630</b>
	<b>3. Deferred tax liabilities, net</b> (Refer Schedule M, Note 12)		59,135,242	19,808,714
	<b>TOTAL</b>		<b>2,129,030,267</b>	<b>1,020,296,604</b>
<b>II</b>	<b><u>APPLICATION OF FUNDS</u></b>			
	<b>1. Fixed assets</b>			
	Gross block	E	1,594,490,930	1,504,953,016
	Less: Accumulated depreciation / amortisation		117,164,738	45,595,414
	<b>Net block</b>		<b>1,477,326,192</b>	<b>1,459,357,602</b>
	Capital work-in-progress including capital advances		63,098,212	104,635,772
			<b>1,540,424,404</b>	<b>1,563,993,374</b>
	<b>2. Current assets, loans and advances</b>	F		
	(a) Inventories		590,835,869	259,450,734
	(b) Sundry debtors		994,413,153	263,915,722
	(c) Cash and bank balances		198,946,284	79,628,867
	(d) Loans and advances		87,879,508	51,810,071
			<b>1,872,074,814</b>	<b>654,805,394</b>
	<b>Less: Current liabilities and provisions</b>	G		
	(a) Current liabilities		1,270,833,805	1,194,443,518
	(b) Provisions		12,635,146	4,058,646
			<b>1,283,468,951</b>	<b>1,198,502,164</b>
	<b>Net current assets</b>		588,605,863	(543,696,770)
	<b>TOTAL</b>		<b>2,129,030,267</b>	<b>1,020,296,604</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.**  
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 Electricals Limited**

**per Arvind Sethi**  
Partner  
M.No. 89802

**per Jasmin B. Shah**  
Partner  
M.No. 46238

**Amarsinh A. Parmar**  
Managing Director

**Vinod R. Tanti**  
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 Electricals Limited**  
**Profit and Loss account for the year ended on 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		2,407,032,106	1,067,710,010
	Other Income	H	5,814,855	4,400,782
			<b>2,412,846,961</b>	<b>1,072,110,792</b>
	<b>EXPENDITURE</b>			
	Cost of goods sold	I	1,860,273,276	753,601,702
	Operating and other expenses	J	163,103,568	120,745,814
	Employee remuneration and benefits	K	95,970,603	47,628,293
	Financial expenses	L	119,690,560	56,640,556
	Depreciation / amortisation	E	71,586,767	45,378,342
			<b>2,310,624,774</b>	<b>1,023,994,707</b>
	<b>PROFIT BEFORE TAX</b>		<b>102,222,187</b>	<b>48,116,085</b>
	Current tax		12,416,000	-
	Earlier years current tax		672,838	-
	MAT credit		(7,690,290)	
	Deferred tax charge / (credit)		39,326,528	19,808,714
	Fringe benefit tax		-	1,070,000
	<b>NET PROFIT</b>		<b>57,497,111</b>	<b>27,237,371</b>
	Balance brought forward		20,180,260	(7,057,111)
	<b>SURPLUS CARRIED TO BALANCE SHEET</b>		<b>77,677,371</b>	<b>20,180,260</b>
	Earnings per share		(1.66)	(1.68)
	Basic and diluted [Nominal value of share Rs. 10(Rs. 10)]			
	[Refer Schedule M, Note 5]			
	<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.**  
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  
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**per Arvind Sethi**  
Partner  
M.No. 89802

**per Jasmin B. Shah**  
Partner  
M.No. 46238

**Amarsinh A. Parmar**  
Managing Director

**Vinod R. Tanti**  
Director

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

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

**SE Electricals 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>		
<b>Equity shares</b> 10,000,000 (10,000,000) equity shares of Rs. 10 each	100,000,000	100,000,000
<b>Preference shares</b> 20,000,000 (10,000,000) cumulative redeemable preference shares of Rs. 100 each	2,000,000,000	1,000,000,000
	<b>2,100,000,000</b>	<b>1,100,000,000</b>
<b><u>Issued, subscribed and paid up</u></b>		
<b>Equity shares</b> 10,000,000 (10,000,000) equity shares of Rs. 10 each fully paid Of the above:  (10,000,000 (10,000,000) equity shares of Rs. 10 each are held by Suzlon energy limited, the holding company with its nominees)	100,000,000	100,000,000
<b>Preference Shares</b> 8,590,000 (6,810,000 ) 9% cumulative redeemable preference shares of Rs. 100 each [Refer Schedule M, Note 4]	859,000,000	681,000,000
	<b>959,000,000</b>	<b>781,000,000</b>
<b><u>SCHEDULE- B : RESERVES AND SURPLUS</u></b>		
Profit and loss account	77,677,371	20,180,260
	<b>77,677,371</b>	<b>20,180,260</b>
<b><u>SCHEDULE - C : SECURED LOANS</u></b>		
<b>Working capital facilities from banks</b>		
<b>Rupee loans</b> (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 no. 3) and also by pledge of shares of certain subsidiaries of the holding Company)	201,130,346	199,307,630
	<b>201,130,346</b>	<b>199,307,630</b>
<b><u>SCHEDULE - D : UNSECURED LOANS</u></b>		
<b>Long term</b> From others [Dues within one year Rs.11,423,082 (Rs. Nil)]	233,923,082	-
<b>Short term</b> From others	598,164,226	-
	<b>832,087,308</b>	<b>-</b>

**SE Electricals 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- F : CURRENT ASSETS, LOANS AND ADVANCES</u></b>		
<b>CURRENT ASSETS</b>		
<b>(a) INVENTORIES</b>		
Raw materials [including goods-in-transit Rs.45,942,146 (Rs. 16,894,771)]	466,948,156	218,452,670
Stores and spares [including goods-in-transit Rs.Nil (Rs. Nil)]	18,800,248	9,196,166
Semi finished goods and work- in- progress	68,217,419	28,600,673
Finished goods	36,870,046	3,201,225
	<b>590,835,869</b>	<b>259,450,734</b>
<b>(b) SUNDRY DEBTORS</b>		
(Unsecured, considered good)		
Debtors outstanding for a period exceeding six months, considered good	240,151,448	
Other debtors	754,261,705	263,915,722
(Refer Schedule M, Note 14 (d))	<b>994,413,153</b>	<b>263,915,722</b>
<b>(c) CASH AND BANK BALANCES</b>		
Cash on hand	62,299	68,124
Balances with scheduled banks		
in current accounts.....	125,696,694	8,062,627
in term deposit accounts	50,055,000	50,000,000
in margin accounts	23,132,291	21,498,116
	<b>198,946,284</b>	<b>79,628,867</b>
<b>(d) LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Deposits	42,067,200	45,073,320
Advance for taxes	-	878,768
[Net of provisions for income tax and fringe benefit tax of Rs.Nil (Rs.Nil)]		
MAT credit entitlement	7,690,290	
Advances recoverable in cash or in kind or for value to be received	38,122,018	5,857,983
	<b>87,879,508</b>	<b>51,810,071</b>
	<b>1,872,074,814</b>	<b>654,805,394</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 [Refer schedule M, Note 15(i)]	31,618,558	55,971,250
Dues to others	1,225,468,445	1,027,681,895
Other current liabilities	12,727,590	110,790,373
Interest accrued but not due on loans	543,844	-
Advances from customers	475,368	-
	<b>1,270,833,805</b>	<b>1,194,443,518</b>
<b>(b) PROVISIONS</b>		
Gratuity, superannuation, long term retention bonus and leave encashment	9,621,619	4,058,646
Provision for income tax	3,013,527	-
[Net of advance income tax Rs. 9,343,930 (Rs.1,021,358)]		
	<b>12,635,146</b>	<b>4,058,646</b>
	<b>1,283,468,951</b>	<b>1,198,502,164</b>

**SE Electricals Limited**  
**Schedules forming part of Profit and Loss Account for the Year ended March 31, 2010**  
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>		
Interest received		
From banks on fixed deposits [tax deducted at source Rs. 722,493(Rs. 878,768	5,814,855	4,299,314
Miscellaneous income	-	101,468
	<b>5,814,855</b>	<b>4,400,782</b>
<b><u>SCHEDULE - I : COST OF GOODS SOLD</u></b>		
<b>Consumption of raw materials :</b>		
Inventories as at April 1, 2009	218,452,670	-
Add : purchases	2,182,054,329	1,003,856,270
	<b>2,400,506,999</b>	<b>1,003,856,270</b>
Less : inventories as at March 31, 2010	466,948,156	218,452,670
	<b>(A) 1,933,558,843</b>	<b>785,403,600</b>
<b>(Increase)/ decrease in inventories:</b>		
<b>Inventories as at April 1, 2009:</b>		
Semi finished goods and work- in- progress	28,600,673	-
Finished goods	3,201,225	-
	<b>(B) 31,801,898</b>	<b>-</b>
<b>Inventories as at March 31, 2010:</b>		
Semi finished goods and work- in- progress	68,217,419	28,600,673
Finished goods	36,870,046	3,201,225
	<b>(C) 105,087,465</b>	<b>31,801,898</b>
<b>(Increase)/ decrease in inventories</b>	<b>(73,285,567)</b>	<b>(31,801,898)</b>
	<b>(D) = (A) + (B) - (C) 1,860,273,276</b>	<b>753,601,702</b>
<b><u>SCHEDULE - J : OPERATING AND OTHER EXPENSES</u></b>		
(Refer Schedule M, Note 14(b))		
Stores and spares consumed	22,810,003	9,759,183
Power and fuel	19,321,877	16,922,877
Factory expenses	20,480,382	15,687,789
Repairs and maintenance:		
-Plant and machinery	993,970	160,190
-Building	471,510	127,686
-Others	605,459	156,328
Quality certification expenses	116,512	-
Land lease	-	1,738,870
Rent	3,530,039	3,648,393
Rates and taxes	2,400	750
Insurance	1,153,181	658,882
Freight and packing expenses	37,208,266	13,601,930
Travelling, conveyance and vehicle expenses	14,848,605	17,507,903
Communication expenses	1,286,289	862,894
Auditors' remuneration and expenses	1,454,545	1,227,883
Consultancy charges	4,443,907	17,618,577
Donations and contribution to charitable institutions	800,000	-
Other selling and administrative expenses	12,833,368	8,419,358
Exchange differences, net	13,960,518	12,646,321
Loss on assets sold/disposed (Refer Schedule M, Note 14 (c))	6,782,737	-
	<b>163,103,568</b>	<b>120,745,814</b>

**SE Electricals Limited**  
**Schedules forming part of Profit and Loss Account for the Year ended March 31, 2010**  
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 - K : EMPLOYEE REMUNERATION AND BENEFITS</u></b>		
(Refer Schedule M, Note 14(b))		
Salaries, wages, allowances and bonus	84,397,011	38,002,042
Contribution to provident and other funds	5,619,876	3,451,625
Staff welfare expenses	5,953,716	6,174,626
	<b>95,970,603</b>	<b>47,628,293</b>
<b><u>SCHEDULE - L : FINANCIAL EXPENSES</u></b>		
(Refer Schedule M, Note 14(b))		
Interest - others	108,195,894	22,441,393
Bank charges	11,494,666	34,199,163
	<b>119,690,560</b>	<b>56,640,556</b>

**SE Electricals Limited**  
**Schedule 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 - lease hold	376,978,050	-	-	376,978,050	10,770,801	10,770,801	366,207,249	366,207,249
Factory building	486,127,641	24,164,609	-	510,292,250	5,200,267	16,825,198	494,117,052	480,927,374
Plant and machinery	611,547,578	60,586,962	-	670,874,031	21,735,354	41,388,780	629,485,251	589,812,224
Furniture and fixtures	24,199,822	2,849,081	1,260,509	27,048,903	6,856,595	1,741,374	25,300,104	17,343,227
Office equipments	3,624,471	1,658,132	-	5,282,603	685,802	263,909	4,596,701	2,938,669
Vehicles	-	530,548	-	530,548	-	25,201	505,347	-
Computer and computer software	2,475,454	1,009,091	-	3,484,545	346,595	571,504	2,913,041	2,128,859
<b>Total</b>	<b>1,504,953,016</b>	<b>90,798,423</b>	<b>1,260,509</b>	<b>1,594,490,930</b>	<b>45,595,414</b>	<b>71,586,767</b>	<b>1,477,326,192</b>	<b>1,459,357,602</b>
Capital work-in-progress including Capital advances	-	-	-	-	-	-	63,098,212	104,635,772
<b>Total</b>	<b>1,504,953,016</b>	<b>90,798,423</b>	<b>1,260,509</b>	<b>1,594,490,930</b>	<b>45,595,414</b>	<b>71,586,767</b>	<b>1,540,424,404</b>	<b>1,563,993,374</b>
Previous year	2,173,246	1,502,779,770	-	1,504,953,016	150,001	45,445,413	1,563,993,374	259,909,087

**Notes:**

1. Depreciation charge for the current year include Rs.Nil (Rs. 67,071) which has been capitalised as part of pre-operative expenditure. The depreciation charged in the Profit and Loss Account amounting to Rs.71,586,767 (Rs. 45,378,342) is net of the amount capitalised.
2. Capital work in progress includes advances for capital goods amounting to Rs.4,566,404 (Rs. 11,346,904).
3. Additions to gross block include Rs.14,891,455 acquired on October 1, 2009 from fellow subsidiary-Suzlon Infrastructure Services Limited. Refer Schedule M, Note no. 14(f) for Details.

**SE Electricals Limited**  
**Cash Flow Statement for the year ended March 31, 2010**  
All amounts in rupees unless otherwise stated

	Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
<b>A.</b>	<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
	Profit / (loss) before tax	102,222,187	48,116,085
	<b>Adjustments for</b>		
	Depreciation / amortisation	71,586,767	45,378,342
	Loss on Assets sold/disposed, net	6,782,737	-
	Interest expenses	108,195,894	22,441,393
	Interest income	(5,814,855)	(4,299,314)
	<b>Operating profit / (loss) before working capital changes</b>	<b>282,972,730</b>	<b>111,636,506</b>
	(Increase) / decrease in loans and advances	(30,173,314)	(41,077,290)
	(Increase) / decrease in sundry debtors	(703,052,434)	(263,915,722)
	(Increase) / decrease in margin money accounts	(1,634,175)	(21,498,116)
	(Increase) / decrease in inventories	(302,371,483)	(259,450,734)
	(Decrease) / increase in current liabilities and provisions	255,110,724	1,167,552,735
	<b>Cash generated from operating activities</b>	<b>(499,147,952)</b>	<b>693,247,379</b>
	Direct taxes paid (net of refunds)	(9,196,543)	(2,027,576)
	<b>Net cash from operating activities</b>	<b>(A) (508,344,495)</b>	<b>691,219,803</b>
<b>B.</b>	<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
	Payment for purchase of fixed assets	(257,887,406)	(1,413,873,928)
	Proceeds from sales of fixed assets	8,138,677	-
	Payment for acquisition of transformer unit	(35,280,610)	-
	Interest received	6,799,102	886,884
	<b>Net cash used in investing activities</b>	<b>(B) (278,230,237)</b>	<b>(1,412,987,044)</b>
<b>C.</b>	<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
	Proceeds from issue of preference share capital	178,000,000	581,000,000
	Proceeds from short term borrowings, net	1,822,716	199,307,630
	Loan received during the year	2,714,870,386	-
	Loan repaid during the year	(1,955,920,386)	-
	Interest paid	(34,514,742)	(22,441,393)
	<b>Net cash from financing activities</b>	<b>(C) 904,257,974</b>	<b>757,866,237</b>
<b>D.</b>	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(A+B+C) 117,683,242</b>	<b>36,098,996</b>
	Cash and cash equivalents at the beginning of the year	58,130,751	22,031,755
	Cash and cash equivalents at the end of the year	175,813,993	58,130,751
	<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	62,299	68,124
	Balances with scheduled banks		
	in current accounts	125,696,694	8,062,627
	in margin accounts	23,132,291	21,498,116
	in term deposit accounts	50,055,000	50,000,000
	Less: in margin accounts	(23,132,291)	(21,498,116)
	<b>Total</b>	<b>175,813,993</b>	<b>58,130,751</b>

**Notes:**

- The figures in brackets represent outflows.
- Purchase of fixed assets include payments for items in capital work in progress and advances for purchase of fixed assets.
- Previous year figures have been reclassified / regrouped where ever 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 Electricals Limited**

**per Arvind Sethi**  
Partner  
M.No. 89802

**per Jasmin B. Shah**  
Partner  
M.No. 46238

**Amarsinh A. Parmar**  
Managing Director

**Vinod R. Tanti**  
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 Electricals Limited**  
**SCHEDULE M: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**  
(All amounts in Rupees, unless otherwise stated)

**1. Nature of Operations**

SE Electricals Limited ('SEEL' or the 'Company') is engaged in the manufacture of Generators, Transformers and Control Panels for Wind Turbine Generators (WTGs).

The manufacturing facilities for Generators and Control Panels are set up as "Units in Notified SEZ" at Coimbatore in the State of Tamilnadu and the Company has obtained an approval from the development commissioner for setting up the manufacturing facilities as "Units in the Notified SEZ" vide letter No 8/2/2007/Suzlon Infra dated 18<sup>th</sup> September, 2007.

During the year, the Company has acquired the Transformer unit from Suzlon Infrastructure & Services Limited, a group company, effective October 1, 2009. The manufacturing facilities for Transformer are set up as non-SEZ units and are situated at Baroda in the State of Gujarat.

**2. Statement of Significant Accounting Policies**

**(a) Basis of preparation**

The financial statements are 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 Control Panel Units, Transformers and Generator 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**

Sale of control panel units, transformers and generator sets are recognised in the profit and loss account when the significant risks and rewards of ownership of the goods have been transferred to the buyer as per the terms of the respective sales order, and that the income can reliably be measured 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. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realisable value.

#### **(e) Depreciation**

Depreciation is provided on straight line method ('SLM'), 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.

Type of asset	Rate of Depreciation
Office building	1.63%
Factory building	3.34%
Plant and machinery	4.75%
Computers	16.21%
Office equipment	4.75%
Furniture and fixture	6.33%
Vehicles	9.50%

Leasehold land has been 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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **(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 capitalized. 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 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 a weighted average basis.

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

However, materials and other items held for use in production 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 reporting such 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) Retirement and other employee benefits**

Retirement benefits in the form of Provident Fund and Employees' State Insurance are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of the financial year using the Projected Unit Credit Method.

Defined contributions to superannuation fund are charged to the profit and loss account on accrual basis. 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.

**(k) 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 realisable 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.

**(l) 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. During the current year, company is liable to pay tax under MAT provision.

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.

**(m) 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.

**(n) Cash and cash equivalents**

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

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### 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.

The company has incurred an amount of approximately Rs. 1.98 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
Net Profit/(Loss)		57,497,111	27,237,371
Less: Preference Dividend and Tax thereon		74,119,666	44,055,926
Net Profit / (Loss) attributable to equity share holders	<b>A</b>	<b>(16,622,555)</b>	<b>(16,818,555)</b>
Weighted average number of Equity Shares in calculating Basic Earnings Per Share	<b>B</b>	10,000,000	10,000,000
<b>Basic and diluted Earnings Per Share of face value of Rs. 10 each</b>	<b>A/B</b>	<b>(1.66)</b>	<b>(1.68)</b>

### 6. Operating lease

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Rental expense on premises hired under cancelable operating lease	3,498,009	3,158,965*
Rental expense on premises hired under non cancelable operating lease	Nil	Nil
<b>Total</b>	<b>3,498,009</b>	<b>3,158,965</b>

\* The above expense do not include lease rental expenses capitalised Rs. Nil (Rs. 1,104,078).

### 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 expenses recognized in the profit and loss account and the funded status and amounts recognized 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	897,870	407,390
Interest cost on benefit obligation	58,050	9,010
Expected return on plan assets	(96,870)	(31,420)
Net actuarial (gain) recognised	676,550	211,900
Past service cost	Nil	Nil
<b>Net benefit expense</b>	<b>1,535,600</b>	<b>596,880</b>

Balance Sheet - Details of defined benefit obligation:

Particulars	As at March 31, 2010	As at March 31, 2009
Defined benefit obligation	2,368,140	(734,760)
Fair value of plan assets	1,605,900	771,140
<b>Plan asset/(liability)</b>	<b>(762,240)</b>	<b>36,380</b>

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	734,760	106,020
Interest cost	58,050	9,010
Current service cost	897,870	407,390
Benefits paid	Nil	Nil
Actuarial loss / (gains) on obligation	677,460	212,340
<b>Closing defined benefit obligation</b>	<b>2,368,140</b>	<b>734,760</b>

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	771,140	Nil
Expected return on plan assets	96,870	31,420
Actual Company contribution	736,980	739,270
Benefits paid	-	Nil
Actuarial loss / (gains) on obligation	910	450
<b>Closing fair value of plan assets</b>	<b>1,605,900</b>	<b>771,140</b>

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	March 31, 2009
Discount rate	8.20%	7.90%
Expected rate of return on plan assets	8.50%	8.50%
Salary escalation rate	8.00%	8.00%
Attrition rate	10% at younger ages and reducing to 1% at older age according to graduated scale	10% at younger ages and 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 the current and previous years are as follows:

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Defined benefit obligation	(2,368,140)	(734,760)
Plan assets	1,605,900	771,140
Surplus/(deficit)	(762,240)	36,380
Experience adjustments on plan liabilities	(768,290)	(102,050)
Experience adjustments on plan assets	910	450
Actuarial gain/(loss) due to change on assumptions	(110)	91

**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	125,120	234,107*
Employer's contribution to provident fund	2,964,959	1,887,228*
Employer's contribution to Employees state insurance	994,188	853,226*

\*Employer's contribution to superannuation fund, provident fund and employees state insurance are net of amounts capitalized to Rs. Nil (Rs. 150,890) ; Rs.Nil (Rs. 159,363) and Rs. Nil (Rs. 56,147) respectively.

**9. Managerial remuneration to directors**

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

**10. Contingent Liabilities**

Particulars	As at March 31, 2010	As at March 31, 2009
Preference share dividend and tax thereon	118,175,592	44,055,926
Import duty (see note (a) below)	927,563	927,563
Excise & service tax matters in appeal	767,253	Nil
Claims against the company not Acknowledged as debts	15,079,176	Nil
Guarantees given by the company	See note(b) below	N.A.
<b>Total</b>	<b>134,949,584</b>	<b>44,983,489</b>

**Notes:**

- 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 Madras 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. 927,563 as at March 31, 2010.

- b) The company has stood as co- guarantor for certain loans granted to holding company and fellow subsidiaries.

#### 11. 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	189,282,702	238,485,457

#### 12. Deferred taxes, net

Particulars	Deferred tax Asset/(Liability) as at April 1, 2009	Current year (Charge)/Credit	Deferred tax Asset/(Liability) as at March 31, 2010
<b>a. Deferred tax Asset :</b>			
Carry forward Losses	16,193,666	(16,193,666)	Nil
Gratuity, bonus and leave encashment	Nil	2,298,172	2,298,172
<b>b. Deferred tax liability :</b>			
Depreciation on fixed Assets	(36,002,380)	(25,431,034)	(61,433,414)
<b>c. Deferred tax Asset/(Liability)</b>	<b>(19,808,714)</b>	<b>(39,326,528)</b>	<b>(59,135,242)</b>

#### 13. Derivative instruments and unhedged foreign currency exposures

There are no outstanding derivative instruments as at March 31, 2010.

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

Particulars	As at March 31, 2010	As at March 31, 2009
Creditors	334,102,968	306,967,870
Debtors	683,671,029	152,130,000
EEFC Account	10,884,817	NIL

#### 14. Other Notes

a) Suzlon Energy Limited ('SEL' or 'Suzlon'), the holding company, has issued Employee Stock Option Plans (ESOPs) to certain employees of its group companies, including certain employees of SE Electricals Limited. The costs in regard to such ESOPs are borne by Suzlon, and are expensed off in the books of Suzlon. Out of the total ESOP costs expensed off during the year ended March 31, 2010 in Suzlon's books, Rs. 680,184 ( Rs.Nil) pertains to the Company.

b) The Company has commenced its commercial production of control panel in September 1, 2008 and generators in November 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) During the year, the Company has sold construction materials, included under Capital Work In Progress, such as cement and steel to M.B.J.Metal Traders Pvt. Ltd. at prevailing market prices; and has incurred a net loss of Rs.6,413,177 in this regard which have been expensed off to the profit and loss account of the Company.

d) 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 Suzlon Infrastructure Limited)	Deposits	43,800,000	43,800,000
Suzlon Wind International Limited	Debtors	56,044,688	203,774,933
Suzlon Energy Limited	Debtors	192,293,567	374,294,546

e) On October 1, 2009 the Company acquired the transformer unit at Halol, Vadodara in the state of Gujarat from Suzlon Infrastructure Services Limited, a fellow subsidiary for a consideration of Rs. 35,280,610. The value of the identifiable assets and liabilities of the transformer unit as at the date of acquisition were:

Sr.No:	Description	Amount
1	Fixed assets	14,891,455
2	Raw material	9,292,110
3	Semi finished goods	14,558,066
4	Finished goods	5,163,477
5	Sundry Creditors	(36,138,342)
6	Sundry Debtors	27,444,996
7	Cenvat credit receivable	68,848
	<b>Total</b>	<b>35,280,610</b>

**15. Additional information pursuant to the provisions of paragraphs 3, 4B, 4C, 4D of part II of the schedule VI of the Companies act, 1956.**

**(a) Auditors remuneration and expenses**

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
(i) Statutory audit fees	1,201,524	1,150,000
(ii) Tax audit fees	50,000	50,000
(iii) Reimbursement of out of pocket expenses	23,767	27,883
<b>Total</b>	<b>1,275,291</b>	<b>1,227,883</b>

**(b) Licensed and installed capacities**

**Licensed capacity** - The products manufactured and sold by the Company i.e., WTG's and components 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, changes in product mix and utilisation of manufacturing facilities; and hence, have not been disclosed.

**Details of Production**



Particulars	Units Produced	
	2009-10	2008-09
	(in Nos.)	(in Nos.)
Generators	400	193
Control Panel Units	215	206
Hub Panel	226	209
Transformer	341	N.A.

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

Particulars	April 1, 2009 to March 31, 2010		April 1, 2008 to March 31, 2009	
	Nos.	Amount	Nos.	Amount
<b>Opening stock</b>				
Generators	2	3,201,225	Nil	Nil
Control Panel Units	Nil	Nil	Nil	Nil
Hub Panel	Nil	Nil	Nil	Nil
Transformer	N.A.	N.A.	N.A.	N.A.
Others	Nil	Nil	Nil	Nil
<b>Total</b>		<b>3,201,225</b>		<b>Nil</b>
<b>Turnover</b>				
Generators	390	936,577,801	191	496,600,000
Control Panel Units	215	131,348,211	206	143,380,000
Hub Panel	226	122,014,947	209	120,850,000
Transformer	330	371,100,437	N.A.	N.A.
Others		845,990,709		306,880,010
<b>Total</b>		<b>2,407,032,105</b>		<b>1,067,710,010</b>
<b>Closing stock</b>				
Generators	12	20,831,403	2	3,201,225
Control Panel Units	Nil	Nil	Nil	Nil
Hub Panels	Nil	Nil	Nil	Nil
Transformer	11	8,307,971	N.A.	N.A.
Others		7,730,667	Nil	Nil
<b>Total</b>		<b>36,870,041</b>		<b>3,201,225</b>

**(d) Raw materials and components consumed**

Particulars	April 1, 2009 to March 31, 2010		April 1, 2008 to March 31, 2009	
	Nos.	Amount	Nos.	Amount
ST Copper	215,449	79,871,605	111,277	46,658,626
Battery Charger	259	12,209,808	206	9,437,372
Frequency Converter	909	67,830,066	627	46,164,758
ST Lamination	764,406	78,399,255	396,391	45,118,514
M1 Controller Top	300	46,182,536	206	31,354,297
C.R.G.O strip	128,772	23,732,345	Nil	Nil
Copper Conductor	38,261	13,990,435	Nil	Nil
Other Material ( see note below)		1,611,342,794		606,670,033
<b>Total</b>		<b>1,933,558,844</b>		<b>785,403,600</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.

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**(e) Imported and indigenous consumptions**

**i) Raw materials and components**

Particulars	April 1, 2009 to March 31, 2010		April 1, 2008 to March 31, 2009	
	Amount	%	Amount	%
Imported	537,379,193	28	279,927,647	36
Indigenous	1,396,179,650	72	505,475,953	64
<b>Total</b>	<b>1,933,558,843</b>	<b>100</b>	<b>785,403,600</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	460,611	2	670,842	7
Indigenous	22,349,392	98	9,088,341	93
<b>Total</b>	<b>22,810,003</b>	<b>100</b>	<b>9,759,183</b>	<b>100</b>

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

Sr.No.	Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
(i)	Raw materials	467,081,332	375,358,607
(ii)	Stores and spares	582,298	1,992,038
(iii)	Capital goods	632,144	163,792,511
	<b>Total</b>	<b>468,295,774</b>	<b>541,143,156</b>

**(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)	Interest	4,521,059	2,627,989
(ii)	Consultancy	Nil	15,246,013
(iii)	Ocean Freight	916,102	254,004
(iii)	Bank Charges	734,224	26,948,370
(iv)	Others	Nil	6,435,775
	<b>Total</b>	<b>6,171,385</b>	<b>51,512,151</b>

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

Sr.No.	Particulars	Year ended March 31, 2010	Year ended March 31, 2009
(i)	Export sales (F.O.B. value)	672,555,050*	146,928,360

\*F.O.B. value of sales does not include sales to SEZ units denominated in Indian Rupees, aggregating Rs 515,595,713 (Rs. 796,710,000).

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

<b>Particulars</b>	<b>As at March 31, 2010</b>	<b>As at March 31, 2009</b>
Principal amount remaining unpaid to any supplier as at the end of the year	31,618,558	54,569,569
Interest due on the above amount	1,344,027	1,401,681
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	54,055,627	Nil
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
Amount of interest accrued and remaining unpaid at the end of the year	NIL	1,401,681
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	2,998,012	Nil

\* Interest payable as per section 16 of the Micro, Small and Medium Enterprises Act, 2006 amounting Rs. 29.98 lacs is not accrued in the books of accounts.

#### 16. Related Party Disclosures

As per Accounting Standard 18 (AS 18): Related Party Disclosure 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

<u>Name of the party</u>	<u>Nature of relationship</u>
Suzlon Energy Limited	Holding Company

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

<u>Name of the party</u>	<u>Nature of relationship</u>
Suzlon Wind International Limited	Fellow Subsidiary
SE Composites Limited	Fellow Subsidiary
Suzlon Wind Energy Corporation	Fellow Subsidiary
Suzlon Infrastructure Services Limited	Fellow Subsidiary
Suzlon Generators Limited	Fellow Subsidiary
SE Forge Limited	Fellow Subsidiary
Suzlon Energy (Tianjin) Limited	Fellow Subsidiary
Suzlon Energy Australia Pty Ltd	Fellow Subsidiary
Suzlon Wind Energy A/s.	Fellow Subsidiary
Suzlon Energia Eólica do Brasil LTD	Fellow Subsidiary
Suzlon Wind Energy Portugal, Lda	Fellow Subsidiary
Suzlon Wind Enerji San. Ve Tic. Ltd	Fellow Subsidiary
Suzlon Wind Energy Espana S.L.U	Fellow Subsidiary
Suzlon Wind Energy Nicaragua	Fellow Subsidiary
Synefra Engineering & Construction Limited	Entity where Key Management Personnel ('KMP') have significant influence
SE Electricals Limited, Employee fund gratuity scheme	Employee Funds
SE Electricals Limited, Employee fund superannuation scheme	Employee Funds

##### (III) Transactions between the Company and the related party and the status of outstanding balances

Particulars	Holding company	Fellow Subsidiary	Entities where KMP has significant influence	Employee Funds
<b>Transactions</b>				
Issue of preference shares	178,000,000 (581,000,000)			
Sale of goods	851,350,494 (116,925,000)	1,547,535,193 (949,929,995)		
Sale of fixed assets	323,510 (Nil)	Nil (4,450,981)		
Purchase of fixed assets	1,816,451 (Nil)	18,363,626 (11,182,599)	Nil (376,978,050)	
Purchase of goods and services	101,992,294 (7,186,447)	95,853,379 (33,040,741)	2,700 (1,541,010)	
Loans Received	1,811,470,386 (Nil)	903,400,000 (Nil)		
Loans Repaid	1,338,420,386 (Nil)	617,500,000 (Nil)		
Interest Paid	59,805,351 (Nil)	15,142,293 (Nil)		
Project Management Consultancy fees			Nil (31,000,000)	
Facility Management Charges (FMC)			10,052,784 (10,075,000)	
Lease rent	3,173,233 (Nil)		Nil (29,809,191)	
Deposits			Nil (41,000,000)	
Reimbursement of Expenses	8,360,667 (Nil)			
Electricity charges			9,912,526 (1,287,006)	
Testing charges		291,545 (Nil)		
Repairing and Maintenance Charges		1,558,750 (Nil)		
Ambulance Service Charges			265,000 (Nil)	
Advance given			300,000 (2,000,000)	
Contribution to Various Funds				1,660,729 (999,207)
<b>Outstanding Balances</b>				
Sundry debtors	192,293,567 (84,263,500)	799,015,413 (179,652,271)		
Preference Share Capital	859,000,000 (Nil)			
Unsecured Loan	532,559,244 (Nil)	299,528,064 (Nil)		
Advances / deposits to suppliers			43,800,000	

Particulars	Holding company	Fellow Subsidiary	Entities where KMP has significant influence	Employee Funds
			(43,500,000)	
Sundry creditors	38,295,715 (1,180,753)	65,060,770 (5,615,010)	607,346 (298,706,041)	

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

**(IV) Disclosure of significant transactions with related parties**

Type of the transaction	Type of relationship	Name of the entity/person	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Issue of preference shares	Holding company	Suzlon Energy Limited	178,000,000	581,000,000
Sale of goods	Fellow subsidiary	Suzlon Wind International Limited	515,595,713	796,710,000
	Holding company	Suzlon Energy Limited	851,350,494	116,925,000
	Fellow subsidiary	Suzlon Wind Energy Corporation	484,415,098	152,809,815
	Fellow subsidiary	Suzlon Infrastructure Services Limited	349,491,699	410,180
Loans received	Holding company	Suzlon Energy Limited	1,811,470,386	Nil
	Fellow subsidiary	Suzlon Infrastructure Services Limited	903,400,000	Nil
Loans repaid	Holding company	Suzlon Energy Limited	1,338,420,386	Nil
	Fellow subsidiary	Suzlon Infrastructure Services Limited	617,500,000	Nil
Sale of fixed assets	Holding company	Suzlon Energy Limited	323,510	Nil
	Fellow subsidiary	SE Forge Limited	Nil	3,092,756
	Fellow subsidiary	SE Composites Limited	Nil	1,358,225
Purchase of fixed assets	Fellow subsidiary	Suzlon Infrastructure Services Limited	17,910,591	10,430,625
	Fellow subsidiary	Suzlon Wind International Limited	Nil	672,045
	Entities where KMP /RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly known as Suzlon Infrastructure Limited)	Nil	376,978,050
Purchase of goods and services	Holding company	Suzlon Energy Limited	101,992,294	7,186,447
	Fellow subsidiary	Suzlon Generator Limited	95,447,379	33,040,741
Interest paid	Holding company	Suzlon Energy Limited	59,805,351	Nil
	Fellow subsidiary	Suzlon Infrastructure Services Limited	15,142,293	Nil
Project Management Consultancy fees	Entities where KMP /RKMP has significant influence	Synefra Engineering & Construction limited (Formerly known as	Nil	31,000,000

Type of the transaction	Type of relationship	Name of the entity/person	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
		Suzlon Infrastructure Limited)		
Facility Management Charges (FMC)	Entities where KMP /RKMP has significant influence	Synefra Engineering & Construction limited (Formerly known as Suzlon Infrastructure Limited)	10,052,784	10,075,000
Electricity Charges	Entities where KMP /RKMP has significant influence	Synefra Engineering & Construction limited (Formerly known as Suzlon Infrastructure Limited)	9,912,526	1,287,006
Repairing and Maintenance Charges Income	Fellow subsidiary	Suzlon Infrastructure Services Limited	1,558,750	Nil
Testing Charges	Fellow subsidiary	Suzlon Generator Limited	291,545	Nil
Ambulance Service Charges	Entities where KMP /RKMP has significant influence	Synefra Engineering & Construction limited (Formerly known as Suzlon Infrastructure Limited)	265,000	Nil
Deposit given	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction limited (Formerly known as Suzlon Infrastructure Limited)	Nil	41,000,000
Advances given	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction limited (Formerly known as Suzlon Infrastructure Limited)	300,000	2,000,000
Reimbursement of Expenses*	Holding company	Suzlon Energy Limited	8,360,667	Nil
Lease rent paid	Holding company	Suzlon Energy Limited	3,173,233	Nil
Lease rent paid / payable	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction limited (Formerly known as Suzlon Infrastructure Limited)	Nil	29,809,191
Contribution to various funds	Employee funds	SE Electricals Limited Employee fund gratuity scheme	1,535,609	811,736
	Employee funds	SE Electricals Limited Employee fund superannuation scheme	125,120	187,471

\* Reimbursement of expenses relates to amount payable to holding company towards processing fees and consultancy charges paid for refinancing process by the holding company.

#### 17. Segment Reporting

### Primary Segment: Business Segment

The Company's operations predominantly comprise of only one segment, components for wind turbine generators. 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
- America
- Europe
- Australia

### Secondary Segment information

#### (a) Details of segment revenue

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
India	1,729,020,740	914,900,195
America	484,415,098	152,809,815
Europe	62,601,560	Nil
Australia	89,548,704	Nil
Others	41,446,004	Nil
<b>Total</b>	<b>2,407,032,106</b>	<b>1,067,710,010</b>

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

Territory	Period	Carrying Value of the Assets	Additions to Fixed Assets
In India	Year Ended March 31, 2010	2,522,191,615	48,000,354
	Year Ended March 31, 2009	1,986,161,133	1,349,529,700
In America	Year Ended March 31, 2010	515,471,557	Nil
	Year Ended March 31, 2009	152,130,000	(Nil)
In Europe	Year Ended March 31, 2010	56,950,820	Nil
	Year Ended March 31, 2009	(Nil)	(Nil)
In Australia	Year Ended March 31, 2010	86,669,239	Nil
	Year Ended March 31, 2009	(Nil)	(Nil)
Others	Year Ended March 31, 2010	24,579,414	Nil
	Year Ended March 31, 2009	(Nil)	(Nil)
<b>Total</b>	<b>Year Ended March 31, 2010</b>	<b>3,205,862,645</b>	<b>48,000,354</b>
	<b>Year Ended March 31, 2009</b>	<b>2,138,291,133</b>	<b>1,349,529,700</b>

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Previous year's figures 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 regn. No: 301003E

Chartered Accountants

**For SNK & Co.**

Firm regn.No:109176W

Chartered Accountants

**For and on behalf of the Board of Directors  
of**

**SE Electricals Limited**

**per Arvind Sethi**

Partner

Membership No. 89802

Place: Pune

Date : May 21 , 2010

**per Jasmin B. Shah**

Partner

Membership No. 46238

Place: Pune

Date : May 21 , 2010

**Amarsinh A. Parmar**

Managing Director

Place: Pune

Date : May 21 , 2010

**Vinod R. Tanti**

Director

Place: Pune

Date : May 21 , 2010